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The Van Leer Jerusalem Institute

Perspectives on the Advancement of Arab Society in Israel

Recommendations for the Socioeconomic Development of Arab Society in Israel

Editors

Khaled Abu-Asbah

Libat Avishai

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Members of the Working Group on the Socioeconomic Development of Arab Society in Israel:

Mr. Wiessam Abu-Ahmad The Ministry of Industry, Trade and Labor

Dr. Khaled Abu-Asbah Director of Massar Institute for Research,
Planning and Social Consultation; The Van Leer Jerusalem Institute

Mr. Mohanned Abu-Nasra Massar Institute; Ben-Gurion University
of the Negev

Mr. Yaser Awad Sikkuy - The Association for the Advancement of Civic
Equality in Israel

Ms. Kiram Baloum Director of the Women's Empowerment Unit,
The Center for Jewish-Arab Economic Development

Prof. Aziz Haidar The David Yellin College of Education; The Arab
University in Jerusalem; The Van Leer Jerusalem Institute

Dr. Ramzi Halabi Tel Aviv University; CEO of a company that specializes
in social and organizational consultation

Prof. Rassem Khamaisi University of Haifa; The Van Leer
Jerusalem Institute

Mr. Mahmood Khatib The Max Stern Academic College of Emek Yezreel

Mr. Faisal Mahajni The Center for Jewish-Arab Economic Development

Mr. Mohamad Said Ahmad (Adv.) The Hebrew University of Jerusalem

Project Director

Dr. Khaled Abu-Asbah

Academic Adviser

Rabbi Prof. Naftali Rothenberg

Editor

Ms. Libat Avishai

Project Coordinator

Ms. Asmahan Masry-Herzalla

The Working Group on the Socioeconomic Development of Arab Society in Israel

Working Papers

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Dr. Khaled Abu-Asbah Difficulties Encountered by Arab Job Applicants in the Screening, Evaluation and Hiring Stages in Private-Sector High-Tech Industry In Israel

Mr. Muhamad Abu-Nasra Joint Business Initiatives by Arabs and Jews in Israel

Prof. Aziz Haidar Socioeconomic Development of the Arab Citizens of Israel

Prof. Rassem Khamaisi Public and Private Preparedness for the Development of the Arab Residential Housing Sector in Israel



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1. Executive Summary

This document summarizes the conclusions of the Working Group on the Socioeconomic Development of Arab Society in Israel, which operated at the Van Leer Jerusalem Institute in 2008. It is the fourth and last in a series of papers that present the conclusions of a multi-year strategic project at Van Leer on the advancement of Arab society in Israel, with the focus on education, civil-society organizations leadership and socioeconomic development.

This document, which is based on working papers (see list at the start of this document) written by the members of the group at the end of its deliberations, synthesizes their insights, positions and recommendations. The group was composed of Israeli Arab academics and scholars, government officials, and experts from civil-society organizations that deal with social and economic issues related to the Arab minority in Israel.

The working group was guided by the following basic assumptions:

- The Arab sector in Israel lags socially and economically and has experienced many years of exclusion from the country's economic development.
- Both internal and external barriers hinder the social and economic development of the Arab sector in Israel.
- The social and economic underdevelopment of the Arabs in Israel squanders human and economic resources that are essential for the country's growth and prosperity.
- The continuing social and economic disparities between the Arab and Jewish citizens of Israel create rising frustration among the former and contribute to the deterioration of the relations between the two groups.
- The key to the development of the Arabs in Israel involves a two-track strategy: on the one hand, promoting the Arabs' integration into the Israeli labor market and economy; on the other hand, generating an economic dynamic within the Arab sector itself to foster initiative, improve workers' skills and increase economic output.
- Responsibility for the social and economic development of the Arab sector in Israel belongs to the central government, local government, individuals and organizations in the business sector (Arab and Jewish), civil-society organizations, and the Arab population itself.

The working group dealt with four issues that its members believe are of strategic importance for improving the socioeconomic condition of the Arabs in Israel but which, despite their importance, are insufficiently discussed and analyzed:

1. The difficulties encountered by Arab job applicants in private-sector high-tech industry during the screening, evaluation and hiring stages.
2. An undeveloped and unsuitable Arab residential housing sector.
3. Barriers to joint business initiatives by Arabs and Jews.
4. The failure of Arab society to develop and harness volunteer work as a socioeconomic resource.

The members of the group drafted several recommendations and proposals for action to deal with these issues, of which the most important are as follows:

- Professional and practical workshops should be held to teach Arabs with an education in fields associated with high-tech industry how to apply for work in high-tech firms.
- New residential neighborhoods should be planned and built in Arab localities, characterized by dense construction (apartments) and an architecture that smooths the transition from living in extended families to living in nuclear families.
- A public development fund should be set up to make loans and grants to Arab local authorities and provide interim financing for the development of appropriate infrastructure and services in the new residential neighborhoods.
- The criteria for mortgage and housing assistance for young Arab couples should be relaxed. This includes taking account of the total annual income of both spouses and not only their monthly income, and granting location bonuses and special mortgages to those of limited means.
- A staff unit should be established to promote economic cooperation between Arab and Jewish entrepreneurs. It would operate as part of the Authority for the Economic Development of the Arab, Druze and Circassian Sectors, recently established in the Prime Minister's Office.
- A specific organization should be set up to motivate, develop and coordinate volunteer activity in Israeli Arab society, in part by serving as a liaison between potential volunteers and those niches in Arab society that could benefit from volunteer assistance.

2. Foreword

This document summarizes the conclusions of the Working Group on the Socioeconomic Development of Arab Society in Israel, which operated at the Van Leer Jerusalem Institute in 2008 as part of a multi-year strategic project on the advancement of Arab society in Israel, with the focus on education, civil-society organizations, leadership and socioeconomic development. The fourth and last in the series that presents the project's conclusions, it is based on working papers written by the members of the group at the end of its deliberations and synthesizes their insights, positions and recommendations. It begins with a brief summary of the socioeconomic condition of the Arabs in Israel. This is followed by a list of the basic assumptions that guided the members of the working group, and then a description of the main issues and areas on which they focused. Finally, the group's recommendations and the practical steps it envisions are presented.

The Working Group on the Socioeconomic Development of Arab Society in Israel is the last of the teams set up as part of the project for the advancement of Arab society in Israel. Its goal was to further analyze and understand the factors that impede the social and economic development of the Arab sector and to offer ideas and practical steps for dealing with them. The group had twelve members, all of them Arab citizens of Israel. Academic and logistic support was provided by the Van Leer Jerusalem Institute. The group's professional composition was diverse, including academics and scholars, government officials, and experts from civil-society organizations that deal with economic and social issues relevant to the Arab minority in Israel. Their work combined open discussions with the writing of working papers (see the list at the start of this document).

We would like to thank the administration of the Van Leer Jerusalem Institute, which supported and encouraged us and provided the resources that made it possible for the professional group to function, and the UJA–Federation of New York for its ongoing support of the project. We would also like to thank Rabbi Prof. Naftali Rothenberg for his support all along the way. We thank Ms. Sara Soreni, Ms. Yona Ratzon and Ms. Ronit Tapiero of the Van Leer Publications Department. Finally, we thank Ms. Asmahan Masry-Herzalla, the project coordinator.

Khaled Abu-Asbah

Libat Avishai

3. Introduction

Much has been written about the social and economic challenges that confront Arab society in Israel. There are long-term gaps, some of them widening, between Arab society and Jewish society. Despite the relative rise in the level of education and health and in the overall standard of living, the social and economic marginality and weakness of the Arabs in Israel remains blatant.¹

With regard to demography and geography, despite the large increase in the Arab population since the founding of the state, the majority continue to live in the same districts and localities in the Galilee, Triangle and Negev.² Most of the Arab localities and Arab local authorities are ranked in the lowest socioeconomic clusters in the country.³

With regard to employment, the civilian-labor-force participation rate of Arabs aged 15 and over was approximately 40% in 2006, as against 60% among the Jews (Mana 2008b, 23; Seif 2009). The education profile of most of the Arab labor force remains relatively low: in 2004, 73.6% of the Arab labor force had between 0-12 years of schooling (Mana 2008a, 74, 83). In the same year, 55% of the Arab labor force did not have a matriculation certificate (ibid., 83). Most of the Arab population occupies the lower rungs of the employment ladder in Israel.⁴ Nearly half of Arab jobholders in 2004 were laborers and skilled tradesmen in fields such as construction, agriculture and industry, as against only 15% of Jewish jobholders (ibid.). In 2004, most employed Arabs (some 65%) were working in four main sectors: industry, construction, commerce and education (ibid.). The proportion of Israeli Arabs employed in the civil service is only 6% (Awad 2006; Maranda 2008).

In the labor market, both in the country as a whole and within the Arab sector, employment opportunities for educated Arabs are more limited than those for educated Jews (Ghara 2005; Goldstein 2007). The proportion of educated Arabs employed as managers is negligible (Ghara 2005). What is more, the salaries of university-educated Arabs are some 35% lower than those of their Jewish counterparts (Seif 2009). Very few Arabs are employed in the electricity, water, high-tech, banking, insurance and financial sectors (Zelika 2008a; Mana 2008a, 75).



1 Haider 2005; Haider 2008; Mana 2008a, 2008b; Seif 2009.

2 A majority of the Arab citizens of Israel still make their home in some 100 localities in the Galilee and Triangle (Mana 2008b).

3 Khamaisi 2008; Mana 2008b; Seif 2009.

4 Ghara 2005; Belikoff 2008; Brodet 2008.

The labor-force participation rate of Arab women in Israel is less than 20%, as against about 50% among Jewish women (Brodet 2008; Seif 2009). In addition, the proportion of university-educated Arab women who are not part of the labor force is double the figure for university-educated Jewish women (Seif 2009). The low civilian-labor-force participation rate of Arab women poses a serious restraint on the Arab population of Israel and increases the incidence of poverty among it.⁵

As for unemployment, in 2004 the official unemployment rate among Israeli Arabs rose to approximately 12% (Miaari 2008; Mana 2008b). The highest unemployment rate that year was recorded among those with little education (Mana 2008, 75). The number of chronically unemployed Arabs continues to increase: in 2004, some 55% of unemployed Arabs had been out of work for at least a year.⁶

Various indicators of the income and living standard of Israeli Arabs provide additional evidence of the socioeconomic weakness of the sector. In 2004, more than 60% of Arab households were in the three lowest deciles in terms of disposable income. Approximately 50% of Arab households are below the poverty line (Belikoff 2008; Mana 2008b, 23). Almost 60% of Arab children live below the poverty line, as against 24% of Jewish children. The gross monthly income of Arab households in 2004 averaged NIS 7,755, as against NIS 11,776 for Jewish households (Mana 2008a, 122). The per capita product in the Arab sector is only about 40% of that of the average per capita GDP in Israel (Sadan and Halabi 2008).

With regard to health, Israeli Arabs suffer more chronic diseases than do Jewish citizens and are more likely to lead an unhealthy lifestyle.⁷ Arabs have poorer access to healthcare services and those that are available are on a lower level than those offered in Jewish localities.⁸ The infant and childhood mortality rate due to various causes among Arabs is double that among the Jewish population.⁹

For many years government policy has excluded the Arab sector from economic activity and development; hence it has not enjoyed the fruits of the growth of the Israeli economy (Baumel 2007). Although a survey of the various branches of the economy finds diversified economic activity in the Israeli Arab sector, the fruits of this activity are

5 Goldstein 2007; Abu Baker 2008; Halihal 2008; Mana 2008b; Seif 2009. Note that the present document does not deal with the integration of Arab women into the Israel labor market. This should not be taken as detracting from the importance of this issue for the social and economic advancement of Arab society in particular and of Israeli society in general. Today this issue is being addressed by many government and civil-society agencies in Israel.

6 Ghara 2005; Miaari 2008, 331; Mana 2008b; Seif 2009.

7 The percentage of smokers among Arab men is very high, physical activity is not common in the Arab sector, and there is insufficient awareness of healthy nutrition habits (Mahmud 2008; Mana 2008b).

8 Daud 2008; Mahmud 2008; Mana 2008b. The only Israeli Arab locality with its own hospital is Nazareth (ibid.).

9 Mahmud 2008; Mana 2008b; Yasur–Beit Or 2009.

limited and insufficient to power economic development in the sector (Haidar 2005; Sadan 2006). Many factors have contributed to the inferior status and continuing social and economic marginality of the Arabs in Israel: infrequent and inadequate allocation of public land for development and for the establishment of industrial and commercial zones in Arab localities; a scarcity of budgets to develop appropriate infrastructure in Arab localities (electricity grids, water systems, sewers, roads and public buildings); the Arab sector's lack of access to the centers of economic power and decision-making; a shortage of professional and advanced technological training that could help the Arab labor force adapt to the changing trends of the economy and the labor market; and the tense relations between Jews and Arabs in Israel.¹⁰ The bottom line is that Israel has nurtured an economy that is divided and unequal on a national basis and an ethnically divided labor market (Haider 2005; Carmi and Rosenfeld 1992).

In recent years there has been a growing consensus among economists and scholars that the Arabs' laggard socioeconomic situation does not just impact the Arab sector; the large disparities between Arabs and Jews also stunt the growth potential of the entire Israeli economy.¹¹ Arabs constitute some 20% of the population of Israel and some 12% of all jobholders, but produce only 8% of the gross national product. This failure to make full use of an extremely valuable human resource (Zelika 2008b) represents a loss of billions of sheqels a year in economic terms (Fares 2008).

The overall civilian-labor-force participation rate in Israel is low by international standards (Bank of Israel 2006, 175). The gap between the actual employment rates in Israel and in developed countries is approximately 12%, which translates into a loss of approximately nine billion sheqels a year (Heller 2002).¹² Some economists believe that encouraging economic growth in the Arab sector would be the simplest and most efficient way to achieve a European standard of living in Israel (Zelika 2008a, 75). Increasing the Arab participation rate in the manufacturing sector and labor market would generate an increase in per capita income in the Arab sector and curtail the dimensions of poverty in Arab society in particular and in Israeli society in general (Fares 2008). Thus economic growth of the Arab sector in Israel would produce social and economic benefits for the entire country (Zelika 2008b).

In light of these data, the members of the working group sought to identify the barriers to the social and economic development of Arab society in Israel and to analyze the issues involved. In the next section we will present the working group's basic assumptions, followed by a description of the main issues and areas for action.



10 Abu-Asbah 2005; Haidar 2005; Brodet 2008.

11 Heller 2002; Brodet 2008; Zelika 2008b; Sadan and Halabi 2008; Spivak 2008; Fares 2008.

12 Some experts say that the loss is even larger—approximately 18 billion sheqels a year—if Israel is compared to the OECD countries (Heller 2002).

4. The Working Group on the Socioeconomic Development of Arab Society in Israel: Basic Assumptions

To begin with, it was determined that the members of the working group must be Israeli Arabs who are experts and professionals in the relevant fields and aware of the needs, patterns and problems that face Arab society today. In addition, several basic assumptions were defined to guide its work:

- The Arab sector in Israel lags socially and economically and has experienced many years of exclusion from the country's economic development. Its contribution to the economy is far less than its share of the population and its latent potential. The Arabs' economic and social weakness is manifested in the profile of the labor force, average income, poverty and unemployment rates, and quality of life and health indicators.
- Both internal and external barriers hinder the social and economic development of the Arab sector in Israel. Identifying the most important barriers is an important stage toward strategic and practical planning to improve its situation.
- The social and economic underdevelopment of the Arabs in Israel squanders human and economic resources that are essential for the country's growth and prosperity. Hence the development of Arab society is an interest of the entire country.
- The continuing social and economic disparities between the Arab and Jewish citizens of Israel create rising frustration among the former and contribute to the deterioration of the relations between the two groups. Consequently the economic advancement of the Israeli Arab sector would exert a positive effect on the social fabric in Israel.
- Responsibility for dealing with the social and economic development of the Arab sector in Israel belongs to the central government, local government, individuals and organizations in the business sector (Arab and Jewish), civil-society organizations and the Arabs themselves.
- The key to the social and economic development of the Arabs in Israel involves a two-track strategy: on the one hand, encouraging the Arabs' integration into the Israeli labor market and economy; on the other hand, generating an economic dynamic within the Arab sector to create new opportunities for entrepreneurship, improving workers' skills and abilities, and increasing economic output.

Because the two-track approach served as the main strategic basis for the group's work, we shall devote a few lines to it. The two-track model for socioeconomic development of Arab society was developed a number of years ago by a member of the working group, Prof. Aziz Haidar (2006). According to this model, the process to integrate the Arab citizens into the Israeli economy must include five major elements: (1) raising the Arabs' civilian-labor-force participation rate; (2) increasing the level of income from labor; (3) improving the education of the Arab labor force, with an emphasis on technological and managerial occupations; (4) raising the civilian-labor-force participation rate of Arab women; and (5) more effective law enforcement to guarantee that employers pay their Arab workers at least the minimum wage.

Generating an economic dynamic within the Arab sector involves three basic elements: (1) drafting separate development programs for large Arab localities on the one hand and the shared regions that lie between clusters of smaller localities on the other; (2) encouraging and developing a diversity of businesses in all fields and of all sizes, with the emphasis on construction, tourism and transportation;¹³ (3) developing industry and setting up industrial zones with appropriate infrastructure.¹⁴



13 Thanks to privatization in the transport sector in Israel, today it is easier for Arab entrepreneurs to receive franchises to operate bus lines. As a result, the transportation sector already employs a significant number of Arab workers.

14 The model includes several proposed measures to achieve these objectives, including improving economic cooperation among nearby Arab local authorities; encouraging consumption of the products of local Arab industries; encouraging internal tourism by schools, groups and individuals in the Arab sector; improving the quality of the products of Arab industry, based on the existing capacity to produce building materials and wood and aluminum products, and industrialization of agricultural products and food; encouraging investment by Arab private entrepreneurs in the construction of industrial buildings; and supporting the establishment of small and mid-sized Arab businesses that do not require large amounts of land or complex infrastructure.

5. Main Issues and Areas for Action

Building on these assumptions, the members of the working group focused on mapping and evaluating four strategic areas that had not been previously discussed or analyzed sufficiently, and which they believe need to be addressed in order to improve the economic and social situation of the Arab population in Israel:

- A. The difficulties encountered by Arab job applicants in the screening, evaluation and hiring stages in private-sector high-tech industry
- B. An undeveloped and unsuitable Arab residential housing sector
- C. Barriers that impede joint business initiatives by Arabs and Jews
- D. The failure of Arab society to develop and harness volunteer work as a socioeconomic resource.

We will provide details of the working group's recommendations in the next section. First, however, we would like to describe the current situation in these areas, as it sees them.

A. The difficulties encountered by Arab job applicants in the screening, evaluation and hiring stages in private-sector high-tech industry

High-tech and science-based industries are considered to be leaders in local and international economic development. High-tech is viewed as the spearhead and engine of national growth and a key sector for economic development.¹⁵ The Israeli economy and labor market are increasingly specialized in advanced industries that depend on human capital; employees of these industries enjoy relatively large salaries and high socioeconomic status. The growth of this sector in Israel has been extremely rapid: in 2005, high-tech firms employed some 195,000 persons in Israel.¹⁶ This has reversed the trend in the labor market: there is now an increased demand for workers with skills and education in the relevant fields and less demand for unskilled labor, whose status is consequently declining.¹⁷ But whereas the Israeli economy is increasingly based



15 Kramer 2004; Awad 2006; Zelika 2008a. High-tech includes industrial sectors such as electronic communications equipment; monitoring and control equipment; medical and scientific instrumentation; electronic components; office machinery and computers; and aircraft. It also includes service branches such as telecommunications, computer and information services, and research and development (Awad 2006; Bank of Israel 2006). It is important to note that high-tech is an extremely dynamic branch and sometimes finds itself in serious crises that create large fluctuations and employment instability (Awad 2006).

16 Bank of Israel 2006; Awad 2006; Zelika 2008a.

17 In Israel there are in practice distinct labor markets for the educated and uneducated, with large disparities between the two in employment and unemployment rates and in wages and salaries (Bank of Israel 2006).

on sophisticated industry, economic activity in the Arab sector continues to rest on traditional branches and sectors that do not rely on advanced human capital.¹⁸

The Israeli high-tech sector is a classic example of inequality between Jews and Arabs (Zelika 2008a, 76). The inadequate integration into the Israeli labor force of the Arab labor force in general and of university-educated Arabs in particular is exemplified here. The Arab sector is almost unrepresented in this branch and does not share in the fruits of its growth. A negligible share of Israeli Arabs are employed in high tech; in 2005 there were only some 6,000 Arab workers in high-tech, or 2.7% of all employed Arabs in the Israeli economy, whereas 10% of all Jewish employees were working in high-tech (Awad 2006, 40).

Two major and interrelated factors are responsible for the limited integration of educated Arabs into the Israeli high-tech industry. The first is internal to the sector and has to do with the patterns of schooling and higher education among young Arabs. The second is external and associated with the barriers encountered by university-educated Arabs in the Israeli labor market as a whole.

The areas of education and specialization chosen by young Arab men and women in Israel are closely linked to the Arab minority's socioeconomic inferiority. The rise in the education level of the Arab sector has helped increase its overall standard of living, but not sufficiently.¹⁹ University-educated Arabs have only a limited ability to translate their education into an appropriate job and larger income (Sadan 2006; Haj-Yahia 2007). University-educated Arabs have always been excluded from key economic branches and employment fields in Israel, such as government service, public corporations, telecommunications, financial institutions, the chemical and biological industries, and the military and defense industries.²⁰ This exclusion has created distrust, frustration and suspicion among the Arabs, especially the young and educated among them, with regard to their prospects for integrating into the Israeli economy (Ghara 2005; Zelika 2008a); but job opportunities in the local Arab labor market have remained limited, both in terms of diversity and scale (Ghara 2005). These circumstances have two significant implications for educated young Arabs.

First of all, the choice of subjects to study is made chiefly on the basis of realistic employment prospects rather than interests, aptitude, or Israeli or international economic trends (Yogev and Ayalon 2000). Consequently young Arabs tend to enroll in the faculties of humanities and social sciences, aiming at jobs in teaching, accounting,

18 Sofer et al. 1995; Shalit 2002; Sofer and Schnell 2000.

19 Mustafa 2006; 2007; Khattab and Ibrahim 2006.

20 Mana 2008a; 2008b; Khattab 2003.

clerical work and social services in the Arab sector.²¹ They also tend to study liberal professions such as medicine, law, engineering and paramedical fields, for which there is a relative large demand in the Arab job market.²² In the 2004/5 academic year, some 60% of Arab university students in Israel were enrolled in faculties of humanities and social sciences (Mana 2008a, 159).²³ Only 11% of Arab students were studying mathematics, the natural sciences or agriculture, as against 18.3% of their Jewish counterparts (*ibid.*).

Second, there is a conspicuous and long-term discrepancy between educated Arabs and Jews with regard to the prospects for working in a profession that suits their education (Ghara 2005, 231; Haidar 2005). In the absence of appropriate job opportunities, many educated Arabs are forced into teaching in Arab schools: in 2001, the odds that university-educated Arabs would be teaching in preschools and elementary schools were five times those of their Jewish counterparts with the same background (Ghara 2005). Consequently, educated Arabs are overrepresented in the teaching professions: 45% of Arab university graduates are employed in the Arab school system (Mustafa 2006, 113).

If so, the small number of Arabs employed in the high-tech industry in Israel is linked to both an internal factor, the subjects that young Arabs choose to study, and an external factor, the exclusion of educated Arabs from this sector (Zelika 2008a). On the one hand, the proportion of Arabs pursuing a bachelor's or master's degree in the exact sciences²⁴ in Israeli universities remains low, especially as compared to the proportion in the humanities and social sciences (Mana 2008a); the number of Arab students pursuing distinctly high-tech fields (computer science and electronics engineering) is even lower (Zelika 2008a). On the other hand, the government and high-tech industry itself do not pay adequate or focused attention to the Arab sector in this matter. Even today there is no comprehensive government program whose goal is to encourage Arabs to acquire the relevant education and find work in the high-tech industry or to undergo vocational retraining for this sector (*ibid.*).

Despite this picture, there are signs that Israeli Arabs are more cognizant today of the importance of the high-tech industry and technology in the Israeli and world economies and more aware of changes in job trends in these fields and of the economic benefit that may accrue from specializing in them (Awad 2006; Mustafa and Arar, forthcoming). Here are some figures that attest to this: There is a constant increase in the percentage of Arab twelfth-graders in the technological track, from 20.9% in 1998 to almost 40% in 2003



21 Meaning Arab localities, Arab local authorities, the Arab school system, and organizations that provide health and welfare services to the Arab population.

22 Ghara 2005; Mustafa 2006; Mana 2008a.

23 The difference between Jews and Arabs stands out in the humanities: in the 2004/5 academic year, 35.4% of all Arab university students in Israel were enrolled in humanities faculties, as against 23.5% of all Jewish students (Mana 2008a, 159).

24 I.e., mathematics, statistics, physics, chemistry, computer science, electronics engineering, electrical engineering and mechanical engineering.

(Awad 2006, 38). The percentage of Arab pupils in scientific and high-tech subjects has also increased, from 10% in 1998 to 23.2% in 2003 (*ibid.*). The percentage of Arab twelfth-graders who are eligible for a technological matriculation certificate and also meet the university admission requirements was 62% in 2003; for pupils in specifically high-tech subjects, it was 88% (*ibid.*). In 2005, 5%–6% of Arab students were working toward a degree in engineering and the exact sciences (*ibid.*, 39).

In addition, in the 2004/5 academic year, Arab doctoral students in mathematics, the natural sciences, agriculture, engineering and architecture actually outnumbered those in the humanities—26% as against 20.8% (Mana 2008a, 196). This change in the trend among Arab doctoral students may point to an increasing tendency by Arabs who have earned a master's degree to continue their studies in the exact sciences in order to keep pace with new trends in the high-tech market (Mustafa and Arar, forthcoming).

These trends indicate that educated young Arabs are increasingly interested in finding work in the high-tech sector. Young people who choose to study the exact sciences and subjects that are intrinsically high-tech are taking a step that is not common in the Arab sector and an action that entails great risk, given the Arab under representation in this sector.

Despite the trends described above, the percentage of Arabs employed in the high-tech industry in Israel, whether as a share of all those employed in the sector or of all employed Arabs, remains negligible. This indicates that university-educated Arabs stumble against other barriers when they look for work in high tech and try to be pioneers for the rest of the Arab sector (Awad 2006).

A recent pilot study found obstacles in the process of recruiting and screening applicants for jobs in the high-tech sector; these impede the integration into this sector of university-educated Arabs with the appropriate qualifications (Abu-Asbah 2008).²⁵

There are two main strategies for recruiting new workers: in-house promotion, in which positions are filled by those already employed in the organization; and outside recruiting, in which applicants from outside the organization are hired. The members of the working group focused on the latter, which is more relevant for increasing the integration of university-educated Arabs into the Israeli high-tech sector. Some of the standard methods employed are advertising in the media; recruiting at schools, universities and competitors; the “old boy” network; and hiring through placement

25 The study focused on the following groups: university-educated Arabs employed in high-tech firms in Israel; university-educated Arabs who were unable to find jobs in high tech despite their education, which is suitable for it; representatives of placement firms; and representatives of the human resources departments of high-tech firms in Israel.

firms and personnel firms (Shtauber 2002).²⁶ In the private sector in general and in the high-tech industry in particular the most important means of external recruitment today involves placement firms. They play a vital and increasing role in identifying and selecting candidates. Placement firms play an important function in shaping the labor market because they serve as brokers between job applicants and large employers. By handling the initial screening of applicants they save the firm administrative resources (*ibid.*).

Placement firms employ diverse methods and tools to evaluate an applicant's suitability for a particular job and organization; in general they use a combination of several methods to produce evaluations that are as reliable and valid as possible (Bar-Haim 1988). The two most common screening tools are assessment exams and group or individual interviews. The former include knowledge and skill tests, aptitude tests, intelligence tests, personality tests and graphological analysis. Interviews are meant to identify and appraise personal traits and to clarify points and acquire additional information, for both the candidate and the employer. Generally the interview is structured, relates to relevant situations for the job in question, and is conducted in identical conditions for all those interviewed and by more than one interviewer (Ben-Shahar and Beller 1993).

Scholars and experts have studied the extent to which the common evaluation and screening tests are suitable for social and cultural minorities. Several studies have shown that group and individual interviews are prone to subjective biases (such as the first-impression effect and the last-impression effect) on the part of both interviewers and interviewees, as well as to biases that stem from interpersonal interaction, such as attraction or repulsion between interviewers and interviewees (Globerson and Carmi 1982). Other studies have noted the difficulty in creating universal tests free of any cultural, psychological, linguistic or ethnic biases that might have a negative effect on the achievements of minority candidates.²⁷ In addition, studies of the effectiveness of IQ tests and psychometric tests have found a discrepancy between their results for members of the majority group and for members of minority groups.²⁸ Certain themes and content, examples, verbal descriptions and required skills (such as dealing with time pressure) on evaluation tests are liable to be unfamiliar and to cause minority testees to feel uncomfortable. Psychological pressures may also be at work, such as the presence during the test of an examiner of a particular sex or a particular sociocultural group. These and other biases may have a negative effect on the test performance of members of sociocultural minority groups.²⁹



26 Placement firms focus on recruiting, screening, classifying and evaluating applicants. By contrast, personnel firms are also the actual employers of the workers who are hired.

27 Orther 1963; Nevo 1976; Jensen 1969.

28 Beller 1994; Volansky 2005; Bowen and Cupples 1998

29 It has been argued that such biases affect Mizrahim, Arabs, persons from development towns and new immigrants. It has also been argued that the psychometric test fails to predict success in academic studies for pupils from a cultural and social background that is not the same as that of the test authors (Beller 1994; Volansky 2005).

The issue of cultural bias on evaluation tests is of course relevant to our discussion, since Arab pupils have a major problem with the psychometric test required for admission to universities in Israel.³⁰ From a broader perspective, Marwan Dwairy (2006) emphasized the differences between collectivist Arab culture and individualist Western culture in this context. Arab culture assigns high value to social norms, to conventional patterns of behavior and to sanctions of social rejection and punishment. Consequently, in Arab society intelligence is considered to be more closely related to self-control and compliance with social conventions than to logical thinking or speed of cogitation. In Arab culture the intelligent man is someone who can control himself, say what is expected of him, and conduct himself in accordance with the norms of his social and cultural environment (Jabiri 2002; Dwairy 2006). This is important for performance on screening and evaluation exams (Basis 2009).

The recruitment, screening and evaluation process employed by Israeli high-tech firms is marked by the biases and complications described above. In practice, we can list nine main barriers posed by this process that make it difficult for Arabs, even those who possess the appropriate education and skills, to find work in the high-tech sector. These barriers can be broken down into internal barriers, associated with the skills possessed by Arab applicants and their individual, social, cultural and linguistic baggage; and external barriers, associated with how high-tech companies and placement firms operate.

The main **internal barriers** are as follows:

- Relative youth. Because Arab applicants tend to be younger than the Jewish applicants, they lack life experience and an occupational history. This makes it more difficult for them to demonstrate the relevant knowledge and skills.
- Inadequate Hebrew. Their less than total fluency in Hebrew makes it difficult for Arab applicants to express themselves, to describe their abilities and to transmit their message during the screening and evaluation stages.
- Shaky self-confidence. Arab job applicants are beset by a lack of self-confidence, a product of their lack of experience and their skepticism about their chances of being hired. Their wobbly self-confidence may cause them to introduce themselves in an inappropriate way and to behave in a distant and defensive manner toward examiners and other applicants, which of course detracts from the impression they make.
- A lack of information and of job-search skills. Arab applicants lack the information and skills associated with the ability to track down relevant job offers, to apply in the normal way, to make it through a personal interview, and to succeed on the screening tests. They have scanty information about the Israeli labor market in



30 Abu-Asbah 2005; Mana 2008b; Abu-Asbah and Avishai 2009.

general and about the high-tech job market in particular, and little knowledge about the diversity, nature and hierarchy of jobs in the business world and high-tech sector. They have insufficient experience of situations like job interviews and timed tests; their ability to market themselves is not well developed; and they are nourished on the sparse economic news reported in the Arab media.

- Cultural differences. The different cultural codes are liable to cause an erroneous interpretation of an applicant's behavior during the interview. Body language, polite gestures and tone of voice may be interpreted incorrectly and cause both the interviewer and the interviewee to feel humiliation, rejection and dissatisfaction.

The main **external barriers** are as follows:

- Lack of access: The place where screening tests are given, the language of the tests and the identity of interviewers and examiners erect objective and subjective barriers for Arab applicants. There are no recruitment campaigns or test dates in Arab localities, the tests are written and administered in Hebrew, and the interviewers and examiners are not Arabs. This makes the whole process less accessible to Arab applicants and affects their ability to express their skills and qualifications properly.
- Lack of networking. The very small number of Arabs employed in key positions in high-tech firms in Israel means that there is no Arab social network within the sector that could promote the hiring of Arabs.
- Undeveloped internal market. There are no Arab high-tech firms that could provide enough jobs for university-educated Arabs.
- The absence of a policy to encourage the hiring of university-educated Arabs. The Israeli high-tech sector has no comprehensive and focused policy to encourage the hiring of university-educated Arabs or spread the idea that they constitute an appropriate target for recruitment (Zelika 2008a). As a result, high-tech firms and the placement companies they rely on do not do enough to hire Arab workers.³¹

To encourage the integration of Arabs with an appropriate education into the high-tech sector in Israel, ways must be found to lower these barriers and to make the recruitment, screening and evaluation process more positive and supportive for Arab applicants.

31 In this context we should note the project undertaken by Sikkuy, the Association for the Advancement of Equal Opportunity, in cooperation with HP Indigo and other high-tech firms, to increase awareness of the advantages of cultural and social diversity among the employees of high-tech firms and the economic benefits of hiring Arabs (Awad 2006, 41).

B. An undeveloped and unsuitable Arab residential housing sector

Decent and suitable housing is a basic human need.³² At the individual level, housing is a significant item of household expenditure. For the group, community, society and country, the housing sector is an engine of economic development and growth and serves as an index of the wellbeing and social and economic status of different groups. The housing sector is not socially and politically neutral³³ and may serve as an arena for intergroup conflict in divided societies (Khamaisi 2006b). On the one hand, it constitutes a resource and tool by which countries shape settlement patterns and organize their social, ethnic and economic space (Benchetrit and Czamanski 2002; Carmon 2002). On the other hand, the characteristics of the housing sector and the nature of public housing policy are influenced by the social, political, cultural and economic context, including the relations among different groups in society and between them and the political establishment (Avruch 2000).

A shortage of suitable housing and differences in the quality and availability of housing solutions for various sectors of the population are consequently a social, economic and political problem. This problem may act as a brake on economic activity in some districts, cause individual and group distress in some sectors of the population, and generate tension between sectors on account of social and class inequality. How a country and society gear up to guarantee suitable housing is of paramount importance and impacts on the achievement of social and economic well-being.³⁴

A discussion of housing for the Arab sector cannot ignore the divisions, tensions and disparities that pit Arabs against Jews and the government establishment in Israel. Their housing situation is one of many manifestations of Israeli Arabs' social exclusion and marginalization in investment, planning and public development.³⁵ The Arab sector in Israel is confined to a limited geographic space that is not in keeping with its significant demographic growth over the years: the jurisdiction of Arab local authorities does not exceed 2.5% of the total area of the country (Glickman 2008; Mana 2008b, 20).



32 There are several key indicators to determine whether housing is suitable: supply and demand; the quality and finish of the construction; economic access to housing; proximity to essential services and workplaces; the level of regional development; the diversity of types of housing units; and the compatibility with the needs of the population.

33 Rozenhek 1996; Khamaisi 2006a; Morris and Winn 1990.

34 Governments intervene in the housing market directly and indirectly - for example, by subsidizing rent; reducing taxes on residential property; granting mortgages, loans and grants to home buyers; reducing the cost of building inputs; allocating land for residential use at a lower price; spatial planning that encourages the development of residential areas; and encouraging public construction to guarantee affordable housing for the poorer sectors of the population. See Schwartz 2006; Bratt et al. 2006; Alterman 2002.

35 Khamaisi 1990; Rozenhek 1996; Orr Commission 2003; Baumel 2007; Mana 2008b.

The Arab population of Israel is the victim of escalating housing problems and suffers from inferior residential conditions. These problems are manifested in several ways. Many Arab localities are characterized by crowded living quarters and high spatial density (Mana 2008b). In 2004 the average residential density of Arabs was almost twice that among Jews—1.4 and 0.8 persons per room, respectively (Khamaisi 2008, 425). As described in Table 1 below, in 2007 more than half of Jewish households lived less than one person per room, but only 18% of Arab households did so. That same year, some 6% of Arab households were living with more than three persons per room, but only 0.4% of Jewish households were.³⁶

Table 1: Residential Density among Households in Israel, by type of locality and population group, 2007

	Total (thousands)	Persons per room (pct.)			Average density
		< 1	1–3	> 3	
All households	2,049.4	52.6	46.2	1.2	0.91
Jewish households	1,721.4	58.6	41.0	0.4	0.84
Urban localities	1,631.9	58.8	42.7	0.4	0.84
Rural localities	89.5	54.7	45.3	0.0	0.86
Arab households	279.2	18.4	75.2	6.1	1.43
Urban localities	272.7	18.6	75.1	6.2	1.42
Rural localities*	6.4	00.0	100	00.0	1.57

* Not including households in unrecognized localities.

Source: Central Bureau of Statistics 2008b, Table 5.23, p. 283.

In addition, despite the high rate of natural increase among the Arabs, their geographic distribution has scarcely changed (Mana 2008b). Since 1948 no new Arab localities have been established in Israel (Glickman 2008; Dahan 2008). In 2004 most Israeli Arabs were living in 107 localities; more than half of this population resided in the Galilee (Mana 2008a, 44–45).

What is more, many Arab urban localities that used to be villages have experienced accelerated natural increase and growth without a parallel process of geographic mobility - that is, migration by residents from rural to urban localities (Khamaisi 2008,

36 Nevertheless, it is important to stress that the residential density among the Arabs is not uniform. The figure is much higher among the Muslims in the Negev.

430; Tzafona 2008, 19). These circumstances have led to constrained urbanization, a process in which villages turn into towns in a helter-skelter and inappropriate fashion. This is associated with problems such as faulty urban planning, social, economic, cultural and institutional underdevelopment, and the authorities' inability to supply services and infrastructure on the required scale (Mana 2008b; Khamaisi 2008).³⁷

Another expression of the housing problem in Arab society is the large disparity between supply and demand.³⁸ According to forecasts by the Arab Center for Alternative Planning and by Adalah, in 2020 the demand for housing in the Arab sector will be nearly 200,000 units (Hamdan and Banna 2006, 6). Working on the basis of forecasts of natural increase, experts for Tzafona have estimated a need for approximately 100,000 additional housing units for the Arab population in northern Israel over the next 25 years and predict that the current rate of augmentation of the housing pool for this sector will not satisfy this need (Tzafona 2008, 19). On the supply side, the 2005 report by the Israel Lands Administration about the agency's Arab-sector planning and marketing programs for 2002–2006 stated that only 140,000 new housing units are envisioned for the Arab sector (Israel Lands Administration 2005). It reported that 2,676 units were marketed to the Arab sector in 2002, 1,383 in 2003, and 1,880 in 2004. The total marketing plan for 2005–2006 came to 8,332 residential units. The members of the working group do not believe that this rate of growth in the supply of housing marketed to the Arab sector corresponds to estimates and trends of the demand in that sector.

Furthermore, according to figures of the Central Bureau of Statistics (Central Bureau of Statistics 2007; 2008b), 35.8% of Jewish households live in leased or rented premises that they do not own, as against 7.4% of Arab households. According to the Galilee Society survey (2005), only 6.6% of Arab households live in rented premises. This indicates that the stock of rental units in Arab localities is much smaller than that in Jewish localities.³⁹

Another manifestation of the Arab sector's housing problem is the inferior quality of residential buildings and public infrastructure in many Arab localities, and especially in the Arab neighborhoods in the mixed cities (Khamaisi 2008). Unfinished residential units, old and neglected buildings that are in desperate need of renovation, unsettled key money rights that impede the ability to improve and renovate old buildings,⁴⁰ and

37 Among other things, Arab local authorities have few urban bylaws and a shortage of water and sewage corporations (Seif 2009).

38 The disparity between supply and demand stems in part from the high rate of natural increase in the 1980s among Israeli Arabs and the fact that persons born then are now joining the circle of those who need their own housing.

39 This shortage has led to increased migration by young Arab couples to Jewish urban neighborhoods and localities, where there is a larger supply of housing in general and of rental housing in particular. This phenomenon can be found in Upper Nazareth, Carmiel, Arad, Nahariya and Haifa, among other places. It sometimes triggers strong resistance by the Jewish neighbors and exacerbates tensions between Jewish and Arab residents of those towns.

40 Approximately two-thirds of Arab households in the mixed cities in Israel are key-money tenants.

decaying and undeveloped infrastructure that is not suited to the needs of a residential area (electricity, water and sewer systems, roads, public buildings, all types of services, public parks, and so on): all of these are typical of many Arab neighborhoods and localities.⁴¹ In addition, recent years have seen a sharp rise in land prices in Arab localities, which burdens chiefly young couples of limited means who do not own residential land (Tzafona 2008).

The housing distress in the Arab sector is exacerbated by unlicensed construction in Arab villages and localities that are not recognized by the authorities (Dahan 2008; Mana 2008b).⁴² Current estimates of the number of illegal structures speak of 50,000 housing units (Goldberg 2008). The population of the unrecognized Arab villages and localities is some 80,000 persons, who live in poor conditions and constant uncertainty about the status of their homes (Mana 2008b).

The proportion of Arab citizens who lack appropriate housing solutions is increasing. This situation may have social implications, such as causing young Arabs to defer marriage and starting a family to a later age.

The causes of the Arab sector's housing-sector problems fall into two main categories: internal factors, related to social, cultural and economic characteristics of the Arab housing sector; and external factors, associated with public policy about zoning and physical planning.

Internal factors: The internal factors that impede suitable and modern development of the housing pool for Israeli Arabs include habits, customs, and entrenched social and cultural codes. First of all, an overwhelming majority of the land in Arab localities is privately owned (Israel Lands Administration 2005). This means that the state has only a limited ability to influence the subdivision, use and sale of this land and construction on it (ibid.). Arab landowners have a fierce emotional tie to their property, with cultural, ethical, symbolic and historical aspects (Khamaisi 2007). They are not happy with outline plans for an entire locality, which might affect the zoning and subdivision of their lands. As a result, Arab local authority heads frequently reject new outline plans for fear that they will not be able to withstand the pressures of landowners. Landowners hesitate to part with their property, are unlikely to sell it to persons outside their extended family, and are not even eager to develop it. This causes a shortage of available land for residential construction and poses a real barrier to broad, diverse, planned and economically feasible development of housing solutions and public space for the Arab sector as a whole. Owners of land zoned for construction usually build their own private

41 Dahan 2008; Khamaisi 2008; Tzafona 2008, 19; Shatil 2008; Nevo 2009.

42 Most of the unrecognized localities are Bedouin villages in the Negev; there are also a few such villages in northern Israel (e.g., Deir al-Hanun). There are also unrecognized neighborhoods on the outskirts of mixed cities, such as Barbur in Acre and Dahamesh in Ramle (Dahan 2008; Mana 2008b).

residence on it and retain the option of building additional residences for their children and extended family on the same plot in the future.

Second, the traditional residential culture in Arab localities is marked by two main patterns. First of all, construction is a matter of private initiative and personal use (*ibid.*). The ultimate user of the residence is the person who initiates construction on land he himself owns; he is responsible for the entire process, from the application for a building permit through moving in. This type of construction, which requires privately owned land, makes it possible for the owner/builder to control the stages of raising resources and construction and to spread out construction over a protracted period of time. In addition, the buildings constructed tend to be private dwellings in a rural style, as opposed to multistory apartment blocks. These patterns impede orderly and locality-wide physical planning and zoning and their implementation. Moreover, they frequently result in a situation in which people move into unfinished premises where they live in uncomfortable conditions. They also limit the housing options in Arab localities and do not permit dense construction for young couples with no land and limited means. In addition, private do-it-yourself construction leads to an unplanned and inefficient distribution of residential buildings: the residential area may be too large or too dense. This increases the economic burden on Arab local authorities, making it difficult for them to provide appropriate infrastructure and maintenance.⁴³

Even when land is released for residential construction, building rights are not fully utilized.⁴⁴ For example, the utilization rate of building rights under approved outline plans (such as in the project for 34 Arab localities and the outline-plan cluster project for Arab localities) is only 25%–35%. The partial use of building rights stems in part from landowners' reticence to subdivide a plot with "strangers" who are not members of their own family, from their fear and distrust of the Israeli establishment and from their unwillingness or inability to invest the resources required for full utilization of approved building rights.

Another problem stems from the tendency in Arab society to encourage young couples to continue to live near their families. This reduces the geographic mobility of Arab households, increases do-it-yourself construction in existing localities, and holds back the development of a diversified and planned residential housing sector.

In recent years there have been signs of changes in residential patterns in Arab localities, notably the gradual transition from private houses to apartments (Khamaisi,

43 Note that the property-tax collection rate in Arab local authorities is only 28% (in several Arab local authorities it is less than 10%), as against 45% in Jewish local authorities in the lowest (1–4) socioeconomic clusters (Seif 2009).

44 These rights define construction percentages, building height, number of residential units and number of floors.

forthcoming). There is also a clear trend for young couples to move from rural localities to cities, such as Nazareth and Shefaram. In Nazareth private contractors, with the support of the Ministry of Construction and Housing, are building apartment blocks on land that is either privately owned or leased from the state; the units are being marketed to those without residential solutions. Similar projects in Reina, Tayybe, Jatt, Kafr Yasif, and Tarshiha are now fully occupied (Schnell and Fares 1996). In light of the increasing demand for apartments in the Arab sector, the Housing Ministry has also begun drafting a policy to support Arab households that want to build their own apartments. For example, lots have been marketed for do-it-yourself construction by local contractors and extended families in Kafr Manda and Kafr Qasim. The buildings constructed on them have up to four stories, with four to eight apartments, and are meant for nuclear families that are not necessarily related.

External factors: Public policy on housing and outline plans for the Arabs in Israel have been marked by discrimination and bureaucratic centralization. This policy is motivated by a territorial outlook that limits the allocation of land and resources for construction, infrastructure and economic development rather than by some functional perspective (Khamaisi 2008). Consequently the resources essential for the development of the Arab residential sector—first and foremost land (state- or privately owned) for residential construction in Arab localities—have not been forthcoming on a scale that would be appropriate to the needs of the population (Khamaisi 2004; 2008). The jurisdictional boundaries of Arab localities are very narrow, reducing their potential for development (*ibid.*). There is a clear and ongoing shortage of modern housing solutions, whether provided by public and contract tenancing companies or by public and private entrepreneurs.

The government would like to encourage the urbanization of existing Arab localities by means of denser construction in them. For many years, however, public planning mechanisms have followed a logic that is incompatible with the nature and needs of the Arab population. Some of its characteristics are as follows:

- No detailed outline plans have been drafted for many Arab localities; this exacerbates the problem of illegal construction.
- What planning has been done is incompatible with population-growth forecasts.
- Plans are too general and uniform and ignore the differences between localities.⁴⁵
- Plans are based on assumptions that are incompatible with the conditions in which the Arabs live as they experience unregulated urbanization. These assumptions



45 See, for example, National Outline Plan 35; Forest and Afforestation Plan 22; National Road Network Plan 3.

include the existence of spatial mobility and migration to urban areas; the development of a free market in land in Arab localities; the existence of a modern road network; and full utilization of building rights.

- The bureaucratic processes of planning and approval of outline plans drag on endlessly, sometimes for more than a decade.⁴⁶ During these years demand has grown, needs have changed and new facts have emerged on the ground.
- Outline plans do not allocate enough land for economic and industrial, commercial, and job development.

Israeli housing policy has been based chiefly on dense construction (apartments) and units for nuclear families, built by development and housing companies (Feibush 2006; Werczberger 2007). By contrast, most Israeli Arabs live in rural localities where the most common form of residence is a one or two-story private dwelling that is home to a single household, on private land (Kipnis et al. 1991; Kipnis 1996). As time passes the household tends to get larger and eventually the building is occupied by several nuclear families. In practice, however, there is frequently only one nuclear family living in a structure that could house several. From the perspective of the Housing Ministry, the Israel Lands Administration and the various planning agencies, buildings of this type consist of more than one housing unit; as far as the Arab tenants are concerned, however, they consist of only one unit.

The different housing patterns and divergent definition of “housing unit” have several implications: first of all, they may result in a distorted picture according to which there is no housing shortage in Arab localities, because, as far as the public planning establishment is concerned, every residential building counts as several residential units. Second, the planning establishment views Arab households as distinctive, in that they are based only on private homes, and assumes that do-it-yourself construction in a rural format will continue in Arab localities. Given the trend to urbanization and shortage of land for construction in the Arab sector, this image is off the mark and provides only limited housing solutions.

A third implication has to do with various forms of support and assistance in the housing sector. The eligibility criteria defined for receiving financial assistance and financing and tax benefits for the purchase of housing⁴⁷ do not suit the profile of the Arab sector (Khamaisi 1990; Baumel 2007). Arabs cannot satisfy some requirements, such as proving

46 For example, the outline plans for many localities (including Sakhnin, Tamra, Kabul, Deir Hana, Arrabe, Deir el Asad, and Majd al-Kurum), part of the project for 34 Arab localities in Israel, launched in 1998 at the initiative of the Ministry of the Interior, the Prime Minister's Office, and the Israel Lands Administration, have yet to receive final approval.

47 Such as mortgages, eligibility loans and location loans.

title to the land (which has often been inherited without a formal transfer of ownership); residence in national priority areas (some Arab localities are not in those regions); service in the IDF, which is a condition for receiving a larger eligibility loan; and a regular monthly salary that enables fixed monthly payments to repay loans or mortgages.

In recent years there have been changes in the Arab-sector planning initiatives of the Interior Ministry, Housing Ministry and Israel Lands Administration (Hudi 2009; Levy 2009). The increased awareness of the need to improve the housing pool in Arab localities, evinced by these and other agencies,⁴⁸ has led to the drafting of new and up-to-date outline plans that include long-term development plans (through 2020) for Arab localities. The new plans envision dense high-rise construction and the allocation of state-owned land for residential construction (to solve the shortage of land) and public uses. Their objective is to make land available for dense construction after all the appropriate infrastructure, roads and public buildings are in place. The development of public space is supposed to be based on a mechanism of reparcelization, aimed at altering the subdivision and zoning of land and plots (both privately and state-owned) in Arab localities. This mechanism aims to put an end to the traditional division of agricultural land among many private owners and produce a more equal division that includes both residential areas and public space.⁴⁹ Nevertheless, the new outline plans are encountering various difficulties, including Arab landowners' opposition to the whole idea of reparcelization, despite its social and economic benefits for the Arab population as a whole. Their opposition makes it necessary for the state to allocate more land so as to implement the plans in a way that can satisfy the demands and needs of the Arab sector (more on this below).

In summary, the Arab housing sector holds great economic and social importance for Arab society in particular and for Israeli society in general. This is the niche in which Arab households can make a major financial investment.⁵⁰ The investment in housing influences the development of services and centers of social and economic activity near the residents, so that an appropriate housing sector can provide employment and encourage socioeconomic mobility in Arab society.⁵¹ Consequently, an effort must be made to remove both the internal and external barriers that impede the improvement and development of the Arab residential housing sector.

48 Including the Finance Ministry, the Justice Ministry, and Arab local councils and municipalities.

49 This was done recently in the Iraq al-Shabbab neighborhood of Umm al-Fahm, where a plan was approved for a new residential neighborhood with an area of some 1,400 dunams, including 4,000 housing units and public open space (Levy 2009).

50 Note that, in Arab society, the norm is for a man to have a home before he can marry and start a family.

51 According to figures of the Central Bureau of Statistics, today some 20% of all employed Arabs are working in construction (Central Bureau of Statistics 2008a, Table 8.3), which has become an important sector of employment for Arabs. Expansion of the Arab housing sector could provide even more jobs for Arabs in construction, finishing, maintenance, renovation, infrastructure, architecture, engineering, land appraisal, real estate brokering and legal services.

C. Barriers that impede joint business initiatives by Arabs and Jews

Entrepreneurship and self-employment serve ethnic communities and minority communities as an important tool for social and economic mobility and as a source of employment and self-fulfillment (Light and Bonachich 1998; European Commission 2008). There is evidence that the rate of entrepreneurship among ethnic minorities, immigrant groups and disadvantaged sectors is higher than the national average in various countries (European Commission 2008, 8).

Small businesses constitute a major segment of entrepreneurial initiatives in general and of ethnic entrepreneurship in particular.⁵² Ethnic small businesses are extremely dependent on the resources and contacts provided by their ethnic community; frequently they are family businesses (*ibid.*). They develop relatively quickly, but there is also a high likelihood that they will fail (Birley 1985; Evans and Leighton 1989).

The research literature generally focuses on the characteristics and strategies of ethnic entrepreneurship from an interactive perspective (Waldinger et al. 1990; European Commission 2008), which holds that the characteristics of the ethnic group must be studied alongside its interaction with the opportunity structure in the society in which it lives and works, including market conditions and socioeconomic policies. That is, the patterns of ethnic entrepreneurship grow out of the interactions between intragroup factors and extragroup factors (European Commission 2008).

The opportunity structure is closely related to market conditions. The demand for small businesses in the national economy, the scale and nature of the commercial niches that are open to ethnic entrepreneurs, and the degree of competition in the market place: all of these variables influence the development and success of ethnic businesses. Research has shown that the commercial niches open to ethnic entrepreneurs are generally few and of limited scale. Ethnic businesses are found in marginal branches with a low profit margin and in inherently unstable markets.⁵³ The opportunity structure is also related to government policy and legislation on business ownership. The state may encourage ethnic entrepreneurship or, on the contrary, pile up obstacles to it by means of various bureaucratic and institutional mechanisms.

52 It is conventional to distinguish between “ethnic entrepreneurship” and “immigrant entrepreneurship.” Ethnic entrepreneurship has no single definition, but in general refers to businesses that are associated with an ethnic minority or immigrant group. It is frequently described in terms of the nationality of the principal owners of the business. These businesses operate in conditions of socioeconomic segregation and are based on a defined and limited community that provides them with a reservoir of workers, suppliers and customers. By contrast, immigrant entrepreneurship target a wider clientele, including groups and individuals who do not belong to the immigrant community or a particular ethnic community. Immigrant entrepreneurship operates in the free market and open economy and does not necessarily depend on intracommunity resources. Such entrepreneurship is characterized more by the immigrant experience itself and less by affiliation with a particular ethnic group or community (European Commission 2008).

53 European Commission 2008; Aldrich 1990; Aldrich and Zimmer 1985

The development of ethnic entrepreneurship is also linked to two key characteristics of the ethnic group. The first is its socioeconomic status. Minority groups frequently turn to entrepreneurial ventures because of their weak and marginal position in the labor market and national economy (ibid.). Such ventures offer them a way to get around the limitations and barriers they face as minority groups that are the victims of social and economic exclusion (Ya'ar 1986; Shalit 2002). The second characteristic is the ability to raise capital. Entrepreneurs do so by means of both official financial institutions and socioeconomic support networks;⁵⁴ but ethnic enterprises must depend mainly on their own community and the assistance of family ties and informal social networks.

Recent studies have shown that many restrictions and barriers hem in ethnic entrepreneurship in countries all over the world. These barriers impede its development and prevent the full exploitation of its latent potential. In divided societies, where the relations between the majority and minority groups are tense, ethnic entrepreneurship faces particularly high barriers. In this situation entrepreneurial activity is directed chiefly toward the ethnic minority and not to the majority community (European Commission 2008).

As for Israel, much has been written about the dual nature of its economy:⁵⁵ a developed Jewish economy, based on high-tech and human-capital intensive branches, as well as broad international markets, as against the economy of the Arab sector, which is still developing, limited in scale and opportunities, with a largely uneducated and unskilled labor force, and based mainly on a relatively small local market and traditional branches. This is a subordinate economy that in practice is dependent on the Jewish economy. This structural problem has beset the Israeli economy for many years.

The Arab business sector is still in the early stages of development. A recent survey by the Authority for the Economic Development of the Arab, Druze and Circassian Sectors found that 71% of Arab businesses are family owned, as against 33% of Jewish businesses (Seif 2009). Only 5% of Arab businesses involve investors and partners to help finance their opening, as against 32% of Jewish businesses. Some 65% of Arab businesses reported a shortage of professional and skilled labor, as against only 33% of Jewish businesses (ibid.).

Entrepreneurship in Arab society operates in conditions of economic and social segregation and is restricted chiefly to Arab localities and the Arab population (Haidar 2005). Thus it is a classic case of ethnic entrepreneurship with only limited and inadequate integration into the national economy. The segregated nature of the Arab economy

54 Official agencies include government agencies and banking and business organizations; informal networks include friends, relatives and coworkers. These are the channels through which entrepreneurs accumulate resources (capital, equipment, personnel) and spread word about the existence of their business (Birley 1985).

55 See, for example, Mana 2008a; Haidar 2004; 2005; Schnell 2004; Kramer 2004; Maman 1997; 2000; 2001; Bar-El 1993.

in Israel is reflected in the paucity of economic cooperation between Jews and Arabs, including the limited number of joint Arab-Jewish businesses (ibid.). Joint ventures are found in only a few sectors, such as construction and ethnic foods,⁵⁶ where the Arab businessman enjoys a certain advantage over his Jewish counterpart.

As for **internal barriers**, a number of factors hinder the development of entrepreneurship in Arab society, impede its integration into the national economy, and in particular restrain the growth of fruitful and beneficial business partnerships between Jews and Arabs:

- A deficit of business information from outside the community. Arab entrepreneurs generally have fairly extensive information about business and entrepreneurial behavior in Arab society over the generations, but very little knowledge about entrepreneurs and businesses in Jewish society.
- A reliance on internal networks. Arab entrepreneurs network through business, economic and social connections that are almost entirely within the Arab sector (Shalit 2002). As is the situation in other ethnic groups in the world (Fearon and Laitin 1996), they tend to cooperate chiefly with other Arab entrepreneurs. The intrasector ethnic networks are the main source for mobilizing the resources required to set up a business (Schnell and Sofer 2002). The heavy reliance on these networks leads entrepreneurs to an excessive commitment to their community and relatives, frequently at the expense of efforts to create opportunities in the outside market (Granovetter 2001). Consequently Arab entrepreneurs are active within the internal market and find it very difficult to break out of it (Falah 1993; Schnell and Sofer 2002).
- The lack of economic development in Arab local authorities. The Arab local authorities in Israel are relatively small and deficient in business and economic infrastructure and services worthy of the name (Seif 2009). They are not professionally or economically efficient and do not encourage entrepreneurship.⁵⁷ This is corroborated by the fact that not a single one of the 48 municipal corporations and development units registered with the Ministry of Industry and Trade is affiliated with an Arab local authority (ibid.).
- Private ownership of land. As described at length in the previous section, most land in the Arab sector is privately owned. The dominant perception is that land is not to be bought and sold in the marketplace and that it is a family asset to be preserved and used for the family only (Schnell 1994; Schnell et al. 1995). This cultural norm has created a severe shortage of land for trade, business and industry in Arab localities.

56 Such as specialty coffee, home-style tehina, and halal food for export to Arab migrants in Europe and other parts of the world.

57 Khamaisi 1990; 1993; 2008; Abu Sharqiya 2008; Ghanem and Azaiza 2008; Seif 2009.

- The lack of advanced technological education. As described above, most Arab university students in Israel still prefer to study the humanities and social sciences, rather than the exact sciences and disciplines associated with high-tech industry. Arab university graduates and entrepreneurs have only marginal representation in the high-tech sector in Israel; this naturally reduces the potential for joint ventures by Jews and Arabs in this field.
- Psychological barriers. Relations between Jews and Arabs in Israel are tense and insecure. The feelings of hostility, suspicion and frustration on both sides constitute an obstacle to economic and business cooperation between them.

When we turn to **external barriers**, there are two main factors that restrict Arab entrepreneurship and deter cooperative ventures between Jews and Arabs. The first of these is government and institutional policy. As noted, the municipal area of Arab local authorities is very small (Khamaisi 2008; Mana 2008b) and the area within them allotted for commerce, industry and public infrastructure is even smaller. In 2003 it constituted on average only 1% of the jurisdiction of the Arab local authorities, as against 7% in Jewish authorities (Mana 2008a, 250). In addition, Arab rural localities are relatively far away from the major commercial centers and are conspicuously short of industrial buildings, access roads and hook-ups to the sewer network.⁵⁸ What is more, Arab entrepreneurs do not have sufficient access to banking and financial institutions in Israel in order to raise capital and do not receive adequate public and government support.⁵⁹

The other external factor that keeps Arab entrepreneurship and joint ventures from developing is the tense political and security situation in Israel. This tension affects relations between the authorities and the Arab sector and between Jews and Arabs and makes it impossible for Arab entrepreneurs to break through the bounds of the local market and integrate into the national commercial sector.

Despite the barriers described above, there are factors that could encourage both Arab entrepreneurship and joint ventures between Jews and Arabs. In recent years policymakers, capitalists, economists, experts and civil-society actors have evinced increasing awareness of the need to help Arab society get ahead economically and commercially, in order to benefit the entire Israeli economy, reduce socioeconomic disparities in Israeli society and effect a rapprochement between the Jewish and Arab sectors. The encouragement of Arab entrepreneurship in general and of joint ventures in particular is seen as an important strategic tool for increasing the integration of Arab society into the Israeli economy (Huberman 2008). Both governmental and nongovernmental organizations—such as the new Authority for the Economic Development of the Arab,

58 Haidar 1993; Khamaisi 1993; Seif 2009.

59 Haidar 1993; Khamaisi 1993; Sofer et al. 1995; Shalit 2002.

Druze and Circassian Sectors, the Arab-Jewish Institute for Economic Development, and the Abraham Fund Initiatives—are actively working to promote Arab entrepreneurship and joint ventures by Jews and Arabs.

Business cooperation between Jews and Arabs is an interest of both Arab entrepreneurs and Jewish entrepreneurs, as a possible source of employment for both Arabs and Jews: the Arab entrepreneur can gain by employing Jews in marketing and sales in order to develop business contacts in the Jewish sector; while the Jewish entrepreneur has an interest in employing skilled and relatively cheap Arab labor. Joint ventures could provide entrepreneurs in both sectors with new markets for their products and services.

D. The failure of Arab society to develop and harness volunteer work as a socioeconomic resource

Volunteering is an activity in which individuals devote their time and energy to other individuals or agencies of their own free will and with no compensation or direct material benefit. It is customary to distinguish between formal and informal volunteering. In formal volunteering a person gives of his or her time and energy to or through a particular organization; in informal volunteering, a person devotes of his or her time and energy directly to some other person, with no mediating organization.⁶⁰ Volunteering is important for the individual, society and the country. For the individual, volunteering helps satisfy various needs and interests, including developing networks, attaining professional specialization and enhancing professional skills, expanding knowledge, acquiring information, publicizing individual talents and gaining professional and social experience.⁶¹ For society, it is an important means of increasing social inclusion and solidarity; for cultivating social capital, a sense of civic duty, and social and community involvement among individuals and groups; for developing innovative partnerships that involve the business, public and civil sectors; and for coming up with solutions to social problems (Avrahami and Dar 1995; CEV 2008; 2009).

As for the country, over the last decade the world has increasingly come to recognize the importance and economic contribution of volunteering to the national economy (Salamon and Sokolowski 2004; CEV 2008; 2009). This recognition has led to the establishment of major centers, organizations and international projects to study and measure the scope of volunteering in many countries.⁶² A 2004 study of the scale of volunteering and the



60 Giving as required by the law, by an obligatory social norm, or by virtue of friendly or family relationships is not considered to be volunteering (Zeidan and Ghanem 2000, 17-18).

61 Avrahami and Dar 1995; Pancer and Pratt 1999; CEV 2008; 2009.

62 These include: The Johns Hopkins Center for Civil Society Studies (CCSS), which is sponsoring two extensive projects: the Comparative Nonprofit Sector Project (CNP) and the JHU/ILO Volunteer Measurement Project (see <http://www.ccss.jhu.edu>); the European Volunteer Centre (CEV) (see http://www.cev.be/78-our_vision_and_our_work-EN.html); and the Institute for Volunteering Research (IVR) in England (see <http://www.ivr.org.uk/aboutus/>).

cash equivalent of volunteer work in 36 countries in 1995–2000 clearly indicates the scope of the phenomenon and its economic aspect (Salamon and Sokolowski 2004).⁶³ The data are summarized in Table 2 below.

Table 2: Cash Value of Volunteer Work and Rate of Volunteering in 36 Countries, 1995–2000

	Cash value of volunteer work (millions of dollars)	Percent of adult population who engage in volunteer activities
United States	109,012.6	22%
Germany	48,433.0	10%
France	41,929.6	14%
Japan	23,354.8	0.5%
Great Britain	21,976.2	30%
Netherlands	16,991.6	16%
Sweden	10,206.1	28%
Italy	8,290.7	4%
Spain	7,055.1	5%
Australia	4,484.8	13%
Norway	4,255.8	52%
Belgium	4,197.7	10%
Argentina	2,693.2	8%
Finland	2,657.5	8%
South Korea	2,433.2	3%
Austria	1,380.4	8%
India	1,355.9	2%
South Africa	960.5	9%
Israel	894.7	6%
Philippines	775.9	6%
Brazil	754.1	6%
Ireland	715.6	11%
Tanzania	289.5	11%
Colombia	229.1	5%
Mexico	219.6	0.1%
Czech Republic	196.4	5%
Romania	155.0	2%
Poland	150.8	12%
Morocco	98.4	4%
Pakistan	68.1	0.2%
Kenya	52.0	6%
Hungary	49.7	3%
Peru	38.2	5%
Uganda	30.5	23%
Egypt	22.1	1%
Slovakia	7.3	4%

Source: CCSS, http://www.ccss.jhu.edu/pdfs/CNP/CNP_table201.pdf

63 It is important to note that there are several different methods for computing the economic value of volunteer work.

The average rate of volunteering among the adult population of all the countries studied is 10%; 15% in developed countries and 6% in developing countries. Other data collected as part of the CNP project assess volunteering as a share of GDP in 36 countries.⁶⁴ These data are presented in Table 3.

Table 3: Volunteer Work as a Percent of GDP in 36 countries, 1995–2002

	Volunteer Work as Percent of GDP
Netherlands	4.70
Sweden	4.03
Tanzania	3.30
Norway	3.18
France	2.98
Great Britain	2.97
Germany	2.49
United States	2.18
Finland	2.12
Belgium	1.59
Australia	1.51
Argentina	1.30
Canada	1.26
Spain	1.25
Ireland	1.20
Israel	1.05
Philippines	0.96
South Africa	0.83
Italy	0.80
South Korea	0.78
Austria	0.61
Japan	0.61
Portugal	0.53
Kenya	0.49
Uganda	0.48
Romania	0.45
Czech Republic	0.43
India	0.31
Colombia	0.28
Brazil	0.21
Pakistan	0.13
Hungary	0.12
Poland	0.11
Mexico	0.08
Peru	0.06
Slovakia	0.04

Source: CCSS, http://www.ccss.jhu.edu/pdfs/CNP/CNP_comptable5_dec05.pdf

64 See above, n. 62.

We can see from Tables 2 and 3 that the rate of volunteering in Israel is relatively low in comparison to developed countries as well as to the average rate of all countries in the study, and that volunteer work as a percent of GDP is relatively low by the same standard.

Studies and surveys conducted in recent years have found a higher rate of volunteering in Israel. For example, the 2006 Social Survey by the Central Bureau of Statistics pegged the rate of volunteering among all Israelis aged 20 and over at 14.4%, and among Jews aged 20 and older at 16.2% (Central Bureau of Statistics 2006, 71, Table 14). Another, earlier survey, conducted for the Israeli Center for Third-Sector Research (ICTR), maintained that the rate of volunteering in Israel in 1997 was 32% of those aged 21 and older (Shye et al. 1999, 9). Whether we accept the findings of the Central Bureau of Statistics Social Survey or the 1999 ICTR study, the picture conveyed is that the rate of volunteering in the Arab sector is low both in absolute terms and relative to the Jewish sector (*ibid.*, 56). The Central Bureau of Statistics data indicate that the rate of volunteering among Arabs is only about 7%, as against 14.4% for the entire population and 16.2% among Jews (Central Bureau of Statistics 2006, 71, Table 14). There are also major disparities in the volunteering rates of Arab men and Arab women. Calculations based on the survey data indicate that the volunteering rate among Arab men is 9.8%, but only 4.3% among Arab women.

A study conducted by Elias Zeidan and As'ad Ghanem (2000), also for the ICTR, found that in 1997 the volunteering rate among Arabs aged 21 and over was 28%—lower than the population as a whole (32%) and than Jews (33%) (*ibid.*, 57; Shye et al. 1999, 56). In 2006, the rate of formal volunteering (through an organization) was 29% among Arabs but almost 50% among Jews (Central Bureau of Statistics 2006, 71, Table 14). Large-scale volunteering—meaning more than 250 hours a year—was five times as common among the Jewish volunteers as among the Arab volunteers (Shye et al. 1999, 56).

Despite the relatively low rate of volunteering in Arab society, more recent studies have found a consistent increase in formal volunteering by Israeli Arabs.⁶⁵ Zeidan (2005) found that there has been a sharp jump in the volunteering rate in Arab society. According to him, three of every four Arabs aged 18 and over engaged in volunteer work in 2001/2. In recent years there have been an increased number of initiatives to encourage volunteering at the local level in Arab society. Most of these initiatives are private, by individuals or groups, rather than by organizations; most of them are active for only a limited period of time and apply to areas such as education and development of local infrastructure.⁶⁶



65 In recent years there have been increasing calls to encourage volunteering in Arab countries and attention to this issue has increased. In October 2006, for example, a website went online in Saudi Arabia to promote a culture of giving and volunteering and to post research studies about volunteering in the Arab world. See: http://www.arabvolunteering.org/main/page_44.html. In 2007 there was a conference in Syria on “Young Arabs and Volunteer Work.” In 2008 there was a conference in Saudi Arabia on volunteering in an association for the blind.

66 For example, there is a volunteer initiative of university-educated young Arabs focused on education in the town of Tayybe. For more on this see <http://www.atta.co.il/Category.asp?id=23> (in Arabic).

All the same, it would appear that the development of volunteering in the Arab sector is insufficient and that it is far from fully realizing its potential. The survey by Zeidan and Ghanem indicates that most adult Arabs in Israel (72%) did no volunteer work whatsoever in 1997 (Zeidan and Ghanem 2000, 48). However, 61% of those who said that they had done no volunteering claimed that this was because no one had asked them to or because they had not thought about it themselves. Almost 70% of them rejected the idea that they had stayed aloof because they did not think that volunteering was important or beneficial (*ibid.*, 48). That is, Arab society does recognize the importance of volunteer work but lacks active encouragement for it.

The working group endeavored to identify the groups in Arab society with the highest rate of volunteering. This was done by processing the sociodemographic and occupational data of those engaged in volunteering in the Arab sector (such as age, sex, family status, educational level, occupational status, trade or profession, and branch of employment) as found in the database of the 2006 Social Survey by the Central Bureau of Statistics (Central Bureau of Statistics 2006) and studies by the Israeli Center for Third-Sector Research (Shye et al. 1999; Zeidan and Ghanem 2000).⁶⁷ The main findings are as follows:

- The rate of volunteering among young adults aged 20–39 is higher than that among persons aged 40 and over (8.3% and 4.9%, respectively).
- The rate of volunteering among those with a masters degree is the highest (50.3%) and significantly above that of those with other levels of education.
- The rate of volunteering among Israeli Ph.D.s is the highest, 27.5%; but among Arabs with doctorates the rate is negligible.
- More than 60% of the volunteers were employed at the time of the survey.
- The volunteering rate is highest among the unmarried (10.9%).
- The economic sectors in which the largest number of volunteers are employed are electricity and water (57.3%), followed by public administration (24.4%), education (20.9%), health and welfare services (18.2%), business services (18.2%), and banking, insurance and finance (17.1%).
- The rate of volunteers with a monthly salary of more than 4,000 sheqels is more than double that among those with a monthly salary of up to 4,000 sheqels (13.9% and 6.6%, respectively).



67 See the paper by Wisam Abu-Ahmad, in the list of working papers at the start of this document.

From these findings we see that there is a greater tendency to engage in volunteer work among young adults aged 20–39 and among the university-educated (especially those with a masters degree, but not those with doctorates). This is an energetic group with knowledge, advanced training and up-to-date skills. The fact that many of the Arab volunteers are also employed is of major importance. It shows that this is a group that is fully involved in the labor market and aware of its demands—a group with the knowledge, skills and connections relevant for the labor market.

In addition to identifying the population groups with the highest rate of volunteering, existing programs to encourage and develop volunteering were studied.⁶⁸ A study of these programs as they apply to Arab society in Israel indicates the three main weaknesses of their approach. First of all, there are no programs focused exclusively on the Arab sector and tailored to the circumstances of its life and needs. Second, the programs do not concentrate their efforts to encourage volunteering on the group with the greatest propensity to volunteer in the Arab sector – that is, the university-educated aged 20–39, and especially those with a master’s degree, who are currently employed.

A third key weakness has to do with the areas in which the programs specialize. In the view of the members of the working group, volunteering programs are insufficiently focused on employment and not appropriately directed to volunteer work to support the unemployed—women and men. The problem of unemployment in Arab society worsened between 2001 and 2004 (Mana 2008b), in part because of the declining weight of traditional sectors in the Israeli job market, which rendered many Arab workers no longer essential (Miaari 2008, 352). Patterns of unemployment in Arab society highlight the importance of volunteering among this group: the highest rate of unemployment in 2004 was recorded among those with no more than eight years of schooling (Miaari 2008; Mana 2008a, 75); some 64% of those unemployed in 2004 had been looking for work for at least six months (Mana 2008a, 76); and almost 70% of job seekers sought assistance from relatives and friends only (Miaari 2008, 353).

These patterns indicate that intensive action is required to improve the education and professional training of the Arab jobless. Many also require vocational retraining in order to boost their ability to find jobs. In addition, there is a need to enhance unemployed persons’ job-seeking skills and to expand the range of job options (*ibid.*). Young and highly educated Arab volunteers have the ability, knowledge and desire to contribute to jobseekers in these areas. Nevertheless, the two groups have not been linked up as they should be.

68 These include programs such as the “Youth Volunteer City” and the “Coordination and Support System for Volunteering on the Local Level.” These programs are run by JDC-Israel in cooperation with other agencies such as the Ministry of Education, the social services departments of the Ministry of Social Affairs, and civil society organizations. For more on this see <http://www2.jdc.org.il/category/jdc-main-activity-volunteerism>.

According to the working group, dealing with the four problems described here—problems that Arabs encounter in the screening, evaluation and hiring process in the high-tech sector; the undeveloped and inadequate housing sector; barriers that impede cooperative business ventures between Jews and Arabs; and the underdevelopment of volunteer work in Arab society—could help increase employment, the standard of living, social well-being and economic growth in the Arab sector in particular and in Israeli society in general. Many factors hold back their development—some of them external, but many of them associated with the internal characteristics of Arab society. The next section will present the working group's main recommendations, suggesting practical ways to deal with the problems described above and to develop the latent social and economic potential of these areas.

6. Recommendations

The working group's recommendations include key practical steps in each of the four areas identified. Some of them propose action and changes in government policy and in the attitudes of various organizations and agencies in the Israeli economy, while others propose essential action and change within Arab society and at its responsibility. The members of the working group attach great importance to the fact that the recommendations were drafted by experts and professionals who are themselves Israeli Arabs. They see this as an essential step toward the consolidation of appropriate and effective strategies for the social and economic betterment of the Arab population of Israel. For readers' convenience the recommendations are presented in the same order as the discussion in the previous section.

A. Improving the recruitment, screening and assessment of Arab job applicants in the high-tech sector

As described above, steps must be taken that will lead to increasing the hiring by the high-tech sector of university-educated Arabs with the appropriate background. The working group's first and most important recommendation is that the relevant government agencies and high-tech firms in the private sector begin to view qualified university-educated Arabs as job-recruitment targets. As noted, the obstacles to increased integration of educated Arabs in the high-tech sector are already manifested in the recruitment, screening and assessment stages, which are generally handled by outside placement firms. Because these obstacles stem both from the characteristics of the Arab applicants themselves and from how the placement staffs relate toward them, three major steps are proposed to eliminate or at least mitigate them:

1. Workshops for job applicants. Most of the effort must be focused on preparing and guiding Arabs who have the relevant background for high-tech industry and would like to find work in it.⁶⁹ To this end we propose developing a system of workshops that would provide job applicants with the tools for navigating the recruitment process and doing well on the screening and assessment tests employed by the high-tech industry. The workshops would be led by behavioral psychologists and other professionals (Arabs and Jews) who have experience in facilitation and assessment methods and are familiar with Arab culture and society in Israel. The workshops would be based on simulations that provide participants with an experience of the diverse situations that crop up in the job search and on the tests commonly administered by placement firms. The workshop

69 In fact, employment and educational guidance should begin in high school.

participants will internalize the differences between an educational institution and a workplace with regard to demands and expectations, learn about the organizational hierarchy in high-tech companies, acquire skills needed to look for jobs and contact employers in the high-tech sector, and learn how to write a standard CV. They will also learn how to prepare for a job interview, how to behave at an interview and how to present themselves and convey messages that enhance their prospects for being hired, including body language. By means of role-playing games they will learn ways of coping with and functioning in a variety of daily situations in high-tech jobs; become acquainted with common screening tests; have an experience of group dynamics and team work, with the emphasis on developing leadership ability and conflict-resolution skills; acquire tools for coping with pressure; and have individual consultation to deal with their own particular weak points. The workshops, which would include discussions and exercises as well as regular individual feedback to each participant, would be run by private commercial groups or civil society organizations in the Arab sector.

2. Lectures and workshops for placement firms and high-tech companies. We propose a program of lectures and workshops for employees and representatives of placement firms and high-tech companies, in order to increase their awareness of the cultural and social biases that may affect the processes of recruiting, screening and evaluating minority job applicants. The workshops will emphasize the commercial, economic and social advantages that accrue to companies from cultural diversification of their human capital (Awad 2006). In addition, they will offer an opportunity for getting to know Arab society in Israel and its great potential. This could contribute to a policy that encourages the hiring of Arab workers in high-tech industry and to the development of mechanisms for guiding and assisting Arabs who do find jobs in the sector.

3. Arabic-speaking interviewers and testers. The interviewers, testers and staff employed by placement firms and high-tech companies in the screening and assessment process should be drawn from a broader and more diverse group. There need to be many more psychologists and interviewers who are Arabs themselves or who are fluent in Arabic. This would prevent misinterpretation of applicants' behavior and increase their self-confidence and sense of belonging.

B. Developing and improving the Arab housing sector


Government agencies, local authorities, civil society and the private sector must all take energetic action to provide solutions to the growing housing distress of Arab society. An improvement of the Arab housing sector would alleviate physical discomfort and reduce the Arabs' feelings of discrimination. It would help eliminate tensions within Arab society and between Arabs and Jews, improve the Arabs' quality of life, and provide them with many more opportunities for economic, employment and social development.

The basic idea is to end the constrained urbanization of the Arab localities in Israel and adopt the principle of planned differential urbanization. This means that urbanization and development efforts would be concentrated in selected Arab localities, while regular planning and development would continue in others.⁷⁰ Implementation of this strategy would require an approach that combines three main arenas of activity:

1. Diversifying the residential housing pool for the Arab sector by planning more diverse and innovative forms of dwelling units and developing and marketing them;
2. Allotting state lands to Arab localities, providing financing solutions to Arabs and pursuing detailed planning for Arab localities. These measures would help the official planning agencies convey a new and positive message to the Arab sector;
3. Developing public infrastructure, commercial areas and employment zones before residential projects are marketed, and improving public infrastructure in existing localities.

On the practical level seven main steps are proposed aimed at providing an integrated solution to the problems of the Arab housing sector in Israel:

1. **Building new urban neighborhoods.** High-density residential neighborhoods should be constructed for Arabs, whether by the do-it-yourself model or by Arab public or private contractors. This would accelerate a change in residential patterns in the Arab sector, provide a solution for those without their own land, and promote the urban, social and economic development of many Arab localities. The planning, development and tenancing of these projects should be guided by the following recommendations:
 - Residential structures should have two to six stories, with a few taller high-rise buildings on major traffic arteries and in central locations.
 - Apartments should be built in many different sizes, between 90 and 200 square meters. This will satisfy the needs of the Arab population as it gradually transitions from the traditional to a modern residential pattern.
 - Residential structures should have a modular design that takes into account the gradual transition from private homes occupied by an extended family to nuclear

 70 This principle is reflected in National Outline Plan 35, with its guidelines for construction, development and preservation in many localities in Israel. NOP 35 was approved by the government three years ago and has been shepherded since then by the Planning Administration of the Interior Ministry. It includes more than 100 master plans and outline plans for localities, including 81 for Arab localities (Ministry of the Interior 2007, 10).

families in their own apartments. These buildings must include, for example, separate entrances for different floors and apartments, as well as separate yards for each dwelling unit.

- Public space should be planned and developed in a way that suits the needs of the Arab sector, including playgrounds, promenades, parks, neighborhood gardens, community buildings, roads and so on.
 - These new neighborhoods should be planned, built and marketed as a cooperative venture by government ministries and official planning agencies, on the one hand, and Arab local authorities, civil-society organizations and representatives of the Arab community itself, on the other. Involving those who will live in these projects in the planning, development, implementation and marketing stages is essential for their success.
2. **Regularizing the status of unrecognized localities.** Vigorous public action is required to resolve the problem of the unrecognized Arab localities and regulate construction without building permits in the Arab sector. Government agencies and civic organizations should run Arabic-language publicity campaigns about this subject in unrecognized localities and provide information about planning, registration of land titles, and the infrastructure to be developed to benefit the residents.
3. **Improving living conditions in the mixed cities.** The following steps are recommended to deal with the housing problems and substandard residential conditions of the Arab population in the mixed cities:
- Settling the key-money rights of Arab tenants in the mixed cities so that they can purchase, renovate or expand the homes in which they live;
 - Providing housing solutions that are within the financial reach of members of the lower middle class in these cities;
 - Designing neighborhoods in the mixed cities that are compatible with Arab cultural and aesthetic preferences, such as special community buildings and an architecture that incorporates elements of Arab culture.
4. **Providing public financial assistance and support for the Arab sector.** Such assistance should consist of three elements:
- A public development fund that makes loans and grants to Arab local authorities to serve as interim funding and underwrite the development of appropriate infrastructure and services in new residential neighborhoods;

- New support and funding tracks and a relaxation of the criteria for home mortgages and housing assistance for young Arab couples. Among other things it is proposed to take the total yearly income of the couple into account, rather than monthly income, increase the stock of bargain-priced housing, and grant location benefits and special mortgages to those with limited means.
 - A reduction of the price charged by the Israel Lands Administration for land on long-term lease and for high-density do-it-yourself construction. This step would make it possible to compete with the widespread tendency to do-it-yourself construction of rural-style private residences and help those of limited means.
5. **Consolidating and regulating the reparcelization procedure for Arab localities.** As stated, reparcelization triggers resistance among private landowners in the Arab sector. Three steps should be taken to help overcome this resistance:
- The Surveying Division of the Housing Ministry, which ratifies the surveys conducted to register land after reparcelization, should publish explanations of the reparcelization process in Arabic, stressing how it can increase the housing stock in Arab localities.
 - The tax on reparcelization and registration of land title should be reduced, as a way to reduce the cost of housing in Arab localities.
 - When land in an Arab locality is reparcelized, the area designated for public use should be allocated mainly from state lands. This could reduce private landowners' opposition to the process and help increase the quantity of land available for residential construction in Arab localities.
6. **Drawing up development plans at the same time as outline plans.** It is recommended that the drafting and approval of outline plans be accompanied by detailed development plans for land intended for housing. This would guarantee the availability of plans and practical solutions with regard to water, sewerage, and road infrastructure, and prevent delays in the implementation of the plans.
7. **Forging long-term cooperation between the Arab community, the Arab local authorities and government ministries.** This partnership would be manifested in new mechanisms of regular and ongoing dialogue about the planning, development and marketing of housing solutions in the Arab sector, such as meetings that include representatives of all parties and visits to Arab localities by professional teams from government ministries and planning agencies. The goal of the partnership is to create mutual trust and permit regular updates about the population's needs and desires. Such a partnership could further the implementation of development plans in Arab localities and bolster the image of residential projects in the Arab sector. In addition, it is recommended to include

Arab professionals in the planning, development, construction, tenancing and maintenance stages of residential projects in Arab localities. For example, at least half of the members of the team planning a residential project for the Arab sector should be Arabs themselves.

C. Encouraging joint business ventures between Jews and Arabs

The non-integration in the national economy of Arabs in general and of Arab entrepreneurs in particular works against any improvement in the Arab sector's socioeconomic status and in the long term also reduces the economic growth of the country as a whole. Cooperation in business entrepreneurship would be a keystone in the integration of the Arab sector into the Israeli economy; it requires action by the government as well as by the business and civil-society sectors.

With regard to the government, a staff unit dedicated to promoting economic and commercial cooperation between Arab entrepreneurs and Jewish entrepreneurs should be established. This unit should be part of the Authority for the Economic Development of the Arab, Druze and Circassian Sectors, recently established in the Prime Minister's Office.⁷¹ The staff unit would operate in full coordination and cooperation with business organizations and civil-society organizations engaged in Jewish-Arab economic cooperation. The unit's work would be accompanied by periodic follow-up studies to evaluate its success; these studies would collect data on the number of Jewish and Arab entrepreneurs engaged in cooperative ventures, the scope of the economic activity of such joint ventures and the number of Arab entrepreneurs who sell their wares on the Israeli market. The unit's activities would be funded by the government, by donations and by fees paid by businesses in return for its services. The work of the staff unit should focus on four main practical steps:

1. **Establishing regional extensions.** It is recommended that the staff unit set up three extension offices, in central Israel southern Israel and northern Israel. These offices could serve as an address for entrepreneurs interested in joint ventures and could provide a basket of services that includes advice, guidance, referrals to financing and so on. A country-wide extension for university students only should be established, to encourage joint ventures by students, especially in high-tech fields. In addition to serving as a venue for meetings, this office would provide advice and support, provide funding to bring new joint ventures to fruition, support the development of connections between young Arab and Jewish entrepreneurs, offer courses to train business advisers for the universities and hold conferences on joint entrepreneurship for Arab and Jewish students.



71 For more on this agency, see <http://www.pmo.gov.il/PMO/PM+Office/rsuiot/ecoAR.htm> (Hebrew) and <http://www.pmo.gov.il/PMOEng/PM+Office/Authorities/calcalihome.htm> (English).

2. **Assistance in marketing products and developing new markets.** The unit should provide tools to promote the marketing of goods and services produced by joint Jewish-Arab businesses in Israel and abroad—in part by developing marketing infrastructure (including on the Internet), conducting marketing research and identifying commercial or business opportunities.
3. **Establishing a loan fund to assist joint Jewish-Arab businesses.** It is recommended to establish a fund that would offer grants, loans, benefits or discounts, and tax rebates to joint ventures. Among other things, the fund would make development grants at special and attractive terms and promote the establishment of joint industrial zones for Jews and Arabs that would be given the status of priority areas and enjoy special government benefits.
4. **Launching a countrywide project to offer professional assistance to those who wish to set up joint ventures.** We recommend a project to assist Arab and Jewish entrepreneurs who want to establish joint ventures. The project would provide assistance, advice and guidance in areas such as business planning, financial planning, locating sources of finance and so on.

As for the business sector and civil society, it is suggested to promote the activity of organizations that encourage economic cooperation between Jews and Arabs and focus their efforts on the development of joint business enterprises—as opposed to measures focused exclusively on the development of the Arab economy or on cultural and social coexistence. Information campaigns should be staged to raise awareness of the importance and latent potential of such economic cooperation, including joint entrepreneurship workshops and conferences to provide entrepreneurs from both sectors with opportunities for collaborative ventures.

D. The development of volunteering in Arab society as a socioeconomic resource

A broad initiative to encourage volunteering in Arab society is essential, chiefly to help the unemployed. To this end it is recommended to establish an organization to leverage volunteer activity in the Arab sector. The organization would serve as a liaison between Arab citizens who are interested in volunteering and have a potential for volunteering⁷² and private individuals, families, organizations and institutions that need volunteers. This would create an active link between supply and demand in the field of volunteering in Arab society. In its first years the new organization would focus on volunteering within Arab localities. After it has struck roots in Arab society it



72 As described in the previous section, the reference is especially to young working adults with a bachelor's or master's degree. In addition, we recommend encouraging volunteering by Arabs with Ph.D.s, who currently have a negligible rate of volunteering.

could expand its activity to the country as a whole, perhaps stationing Arab volunteers in the employment bureaus.

As stated, the organization would focus its efforts on volunteer work to encourage employment and to improve the ability of Arab men and women to find their place in the labor market. Through its volunteers it would offer individual mentoring, as well as professional guidance and training in areas such as Hebrew and English language; improving computer and Internet skills; preparation for screening and placement exams; and guidance in looking for jobs (including writing resumes) and contacting employers. The organization would also conduct information campaigns to raise awareness of the contribution that volunteering could make to Arab society.

It is recommended that the new organization seek to forge strategic cooperation with civil society organizations, the heads of municipalities and local authorities, and Arab capitalists, as well as with government ministries and relevant public organizations. The organization's activity would be accompanied by periodic studies of its successes and failures.

From a structural point of view, the organization should have two main branches: in the north, in Nazareth, and in the center of the country, in Tayybe. The staff of each office would include Arabs with at least a bachelor's degree who serve as directors of the several fields of volunteering in the Arab sector. They would be kept up to date about all varieties of volunteer work, both internationally and in Israel and in Israeli Arab society, and about existing programs to encourage volunteering in the fields for which they are responsible. They would analyze the available data in order to identify factors that are liable to cause programs to encourage volunteering to fail and would build up-to-date and accessible databases on citizens who volunteer or would like to do so, as well as on organizations and individuals that might be helped by volunteers. These area directors will serve as active brokers for volunteer work in Arab localities.

* * *

In conclusion, promoting the integration of university-educated Arabs into high-tech industry, improving the housing sector in Arab localities, promoting joint Arab-Jewish business ventures and developing volunteering in the Arab sector: these are major stepping stones toward improving the socioeconomic status of the Arabs in Israel. We hope that the insights and recommendations drafted by the members of the working group and presented in this document will help policymakers, decision-makers, experts, professionals and social activists in the difficult and important task of bettering the social and economic status of the Arabs in Israel, to the benefit of Israeli society as a whole.

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