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Labor market competition, perceived threat, and endorsement of economic discrimination against foreign workers in Israel

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Labor Market Competition, Perceived Threat, and Endorsement of Economic Discrimination against Foreign Workers in Israel

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The research examines the impact of labor market competition and fear of economic competition on support for economic discrimination against outgroup populations. The data, obtained from a national representative sample of 1,100 Israeli citizens, focus on attitudes toward foreign workers in Israel. The findings revealed by the analysis lead to the following conclusions. First, a considerable number of Israelis view foreign workers as posing a threat to their economic interests (i.e., wage level, employment opportunities). Second, endorsement of economic discrimination against foreign workers is substantial. The analysis lends firm support to socio-psychological explanations of discrimination, suggesting that fear of economic competition (i.e., perceived threat) is more pronounced among the disadvantaged, subordinate, and vulnerable populations; and that support of economic discrimination against foreign workers is affected first and foremost by perceived threat. Further analysis provides considerable support for the split labor market model. It reveals that most of the effect of socioeconomic and employment status on the endorsement of discrimination is mediated via perceived threat of economic competition. The effect of ethnicity on endorsement of discrimination, however, is not consistent with the split labor market model. Other things being equal, Jews—the superordinate ethnic group in Israel—express higher support of economic discrimination than Arabs—the subordinate ethnic group. These findings are understood and discussed within the context of Israel as an ethno-national state.

Sociologists and economists advanced alternative, and at times conflicting, theoretical models to explain economic discrimination against subordinate populations. Whereas neoclassical economic theory (i.e., Arrow 1973; Becker 1957) contends that employers’ discrimination is economically irrational, the conflict-Marxist approach views discrimination as a rational behavior motivated by labor market competition and by employers’ interest to weaken the working class and reap the profits (e.g., Bonacich 1972, 1976; Cummings 1980; Reich 1971, Szymanski 1976). Many social-psychological explanations of economic discrimination, however, suggest that prejudice, motivation to discriminate and actual discrimination are a result of fear of competition and of the perceived threat posed by the outgroup population. That is, the greater the sense of threat and the greater the fear of competition, the greater the motivation to discriminate against outgroup populations (e.g., Blalock 1967; Blumer 1958; Kinder and Sanders 1996; Olzak 1992, 1995; Quillian 1995).

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Surprisingly, although the literature on economic discrimination is now substantial, only a few studies systematically examine the extent to which support of economic discrimination is motivated by fear of competition and by perceived threat. In this paper, we shall seek to determine, within the Israeli context, whether endorsement of economic discrimination against “guest workers” is influenced by perceived threat in the economic arena, and whether perceived threat mediates the relationship between labor market competition and endorsement of economic discrimination. By so doing, we shall be in a position to better understand the social mechanisms underlying the emergence of hostility and discriminatory attitudes against outgroup workers in a host society.\(^1\)

**Review of Past Theory and Research**

A large corpus of sociological research reveals a significant association between minority size and its socioeconomic disadvantage. Specifically, the socioeconomic disadvantages of subordinate minorities tend to increase with their relative size in the population (e.g., Fossett 1984; Frisbie and Niedert 1977; Semyonov et al. 2000; Tienda and Li 1987; Wilcox and Roof 1978). The explanation most often entertained in the sociological literature for this association is essentially a socio-psychological one and is based on the notion of “competition.” It was initially introduced by Williams (1947) and Allport (1958) half a century ago, and was further developed and discussed in detail by Blalock (1967:Chapter 5) and Olzak (1992, 1995). The socio-psychological thesis of competition contends that a rise in the relative size of an outgroup minority leads to a rise in perceived threat of competition over jobs and resources. This, in turn, results in higher motivation to economically discriminate against members of the outgroup minority.\(^2\)

Motivation for discrimination, as well as prejudice and hostility toward outgroup members, are often viewed in the sociological literature as a response to a “collective threat,” whether actual or perceived, to the interests and privileges of the dominant group (Blumer 1958; Bobo 1983; Bobo and Hutchings 1996; Bobo and Klugel 1993; Case, Greely, and Fuchs 1989; Kinder and Sanders 1996; Quillian 1995, 1996; Scheepers, Gijbsberts, and Coenders 2002; Smith 1981; Sniderman and Carmines 1997). According to this view, minority group members are considered as potential competitors over valuable resources. A rise in the proportion of a minority group can be perceived as a rise in a collective threat, since an increasing number of outgroup members become potential competitors for rewards and resources (Blalock 1967; Blumer 1958; Quillian 1995; Smith 1981). A rise in competitive threat is likely to increase, in turn, hostility and discriminatory attitudes. To put this idea in Quillian’s (1995:588) words: “The greater the sense of threat to their prerogatives, the more likely are members of the dominant group to express prejudice against threatening outsiders” (see also Case, Greely, and Fuchs 1989; Fossett and Kiecolt 1989; Giles 1977; Giles and Evans 1985; Kinder and Sanders 1996; Pettigrew 1959; Scheepers, Gijbsberts, and Coenders 2002).

Explanations cast within the social class or conflict paradigm share the view with the socio-psychological explanation that hostility and motivation for discrimination are prompted by threat and by fear of competition. However, the conflict paradigm focuses exclusively on economic processes and class structure as the main determinants of ethnic antagonism. Here,

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1. We would like to note at the outset of the paper that we do not intend to study actual discrimination. Rather, we are concerned with understanding discriminatory attitudes—the endorsement of economic discrimination. In other words, we do not argue that endorsement of economic discrimination can serve as a measure of actual discrimination. One should refer to it as a measure of discriminatory attitudes.

2. Other explanations along the lines of “queueing” or “overflow models” (e.g., Glenn 1964; Hodge 1973; Lieberman 1980) suggest that large minority population increases the supply of cheap labor to be channeled in disproportionate numbers to low-status, low-paying jobs, hence, opportunities for discrimination.
hostility and motivation for discrimination arise from actual and direct competition between groups over scarce and valuable resources in the labor market (Boggs 1970; Boswell 1986; Cummings 1980; Olzak 1992; Pettigrew 1959).

Under conditions of direct competition, prejudice, and discriminatory ideologies rationalize the exclusion of subordinate minorities from equal access to societal and material goods. For example, the split labor market model (e.g., Bonacich 1972, 1976), which is cast within the class-conflict paradigm, specifies the causal relations between labor market competition and hostility toward subordinate groups. According to the model, in a capitalist economy, subordinate minorities are often forced to supply their labor at a lower cost, hence, they become a source of cheap labor. When they do so, they drive down the earnings and working conditions of highly priced workers (e.g., Hodge and Hodge 1965; Semyonov and Lewin-Epstein 1989). This process of competition may well lead to a rise in ethnic antagonism and hostility, since workers of the subordinate outgroup (cheap labor) are perceived by workers belonging to the dominant group as a direct threat to their economic well-being (Bonacich 1972, 1976). Thus, a rise in labor market competition and rise in threat will eventually lead to increased ethnic antagonism (Bonacich 1972, 1976; Labovitz and Hagedorn 1975; Lewin-Epstein 1989).

Ethnic antagonism “is intended to encompass all levels of intergroup conflict, including ideologies and beliefs (such as racism and prejudice), behaviors (such as discrimination, lynchings, riots), and institutions (such as laws perpetuating segregation)” (Bonacich, 1972:549). From this point of view, we expect that threat posed by cheap labor to better paid labor would lead not only to exclusionary practices, ethnic attacks, and violent behavior as demonstrated in past research (e.g., Bonacich 1976; Boswell 1986; Olzak 1995), but also to discriminatory attitudes and to the endorsement of economic discrimination (the focus of the present paper). Thus, while exclusionary practices directed at “cheap labor” can be seen as a rational response, discriminatory attitudes, especially endorsement of economic discrimination, should be viewed as an emotional response prompted by the sense of threat (see similar argument regarding the perception of threat as an emotion-laden attitude by Kinder and Sanders 1996:90).

The concept of competitive threat is, indeed, central to understanding the emergence of hostility and discriminatory attitudes toward subordinate minorities. However, it is not the actual competition, but rather the fear of competition and perceived threat, that prompt hostility and discriminatory attitudes toward subordinate minorities (see Bobo and Hutchings, 1996 for a detailed discussion of the concepts). For example, Scheepers, Gijsberts, and Coenders (2002) demonstrate that perceived threat intervenes between individuals’ socio-economic position and support for ethnic exclusionism across 15 European countries. Moreover, Del Fabbro (1995) show that anti-immigrant sentiments in Germany are more pronounced in the East (where the share of foreigners is much lower) than in the West (where most foreigners have long been living and working). This phenomenon—“xenophobia without strangers” suggests that it is not the “real threat,” but rather the “perceived threat” that is responsible for anti-immigrant sentiments.

To date, most empirical studies on the relations between labor market competition and discrimination (whether attitudes or outcomes) have relied on the relative size of the minority population as an indicator of either direct competition or threat of competition (e.g., Fossett and Kiecolt 1989; Quillian 1995, 1996; Semyonov et al. 2000; Taylor 1998; Tienda and Lii 1987; Wilcox and Roof 1978). It should be noted, however, that researchers relied on size of the minority population (at the ecological-contextual level) as a proxy of competition and fear of competition because data on perceived threat at the individual level were not readily available (see also Quillian 1996:821, on lack of appropriate data).

3. This body of research consistently demonstrates that discrimination outcomes (i.e., earnings, occupational status), as well as anti-minority sentiments, tend to increase with the relative size of the minority population. The minority population can be either an indigenous racial group, such as blacks in the U.S., or an outgroup population, such as guest workers in host societies.
In the present paper, we use indicators of perceived threat of economic competition measured at the individual level, to examine the extent to which the endorsement of economic discrimination against outgroup workers is affected by the position of individuals in the social and economic system, and by their perception of economic threat. By so doing, we confine the analysis to the economic arena with a focus on the impact of competitive threat on the endorsement of economic discrimination against foreigners in Israeli society.

**The Setting—Israel**

Israel provides a particularly illuminating setting to examine the impact of labor market competition and fear of competition on support for economic discrimination against outgroup workers. Israel is an ethno-national state that encourages Jewish immigration, but discourages settlement of non-Jewish migrants. The state is committed to the successful absorption of its Jewish immigrants. According to the law of return (1950) and the law of nationality (1952) every Jew has the right to settle in Israel and immigrants can be awarded Israeli citizenship upon arrival. The country relies on the system of pure *jus sanguinis* to determine the citizenship status of immigrants and their descendants. Unwillingness to accept non-Jewish immigrants is expressed through exclusionary immigration policies (especially limitation of family reunion and refusal to secure residence status), restrictive naturalization rules and a double standard: exclusionary model for non-Jews, but “acceptance-encouragement” model for Jews. Thus, Israel can be viewed as an immigrant-settler society based on an ethno-nationalist structure, defined both ideologically and institutionally (Smooha 1990).

Despite its ethno-national character, Israel is, *de facto*, a multi-ethnic society inhabited mostly by Jews and Arabs. The Jewish majority is divided into two major groups of distinct ethnic origin, Jews of European or American origin and Jews of Middle East or North-African origin. Yet the most meaningful ethnic split in Israel is between Jews and Arabs. The Arab minority (which constitutes approximately 20 percent of the citizens of Israel) is disadvantaged relative to Jews in every aspect of social stratification, including education, occupational status, earnings, and standard of living (Lewin-Epstein and Semyonov 1993, 1994; Semyonov et al. 1996). These disadvantages can be attributed largely to socio-economic discrimination and should be understood within the context of the Jewish-Arab conflict (e.g., Al-Haj and Rosenfeld 1988; Lewin-Epstein and Semyonov 1993; Lustick 1980; Semyonov and Cohen 1990; Wolkinson 1991, 1994).

The Arab minority in Israel lived in this region for generations; most resided in small towns and rural communities and were highly segregated from the Jewish population. Since Jews began migrating to Palestine at the turn of the 20th century, conflict and competition have pervaded the relations between the groups. When the state of Israel was established in 1948, the confictual relations between the two groups were structured along lines of Jewish superordination and Arab subordination politically, socially and economically. Studies on ethnic inequality in the Israeli labor market repeatedly demonstrate that Israeli Arabs are handicapped in the attainment of socio-economic outcomes when competing with Jews in the labor market (e.g., Lewin-Epstein and Semyonov 1993, 1994; Semyonov 1988; Semyonov and Cohen 1990).

In recent decades, the ethnic composition of the Israeli labor force changed with a massive entry of foreign labor migrants. Similar to many European societies, Israel began receiving and importing non-citizen workers mostly for low-paying menial jobs in construction, agriculture and service industries. Following the “Intifada” (Palestinian uprising in 1987) the importation and recruitment of foreign workers as a replacement for Palestinian workers, increased considerably, mostly from Romania (construction), Thailand (agriculture), and the Philippines (personal services). By 1987, the number of work permits to foreign workers accorded by the Israeli Ministry of Labor was 2,500; it increased gradually to 9,500 in 1993, and it reached over 100,000 by 1996 (estimated circa 103,000 by Bartram 1998, Table 3). Cur-
Currently foreign workers comprise about 10 percent of the Israeli workforce. According to the Ministry of Labor and Welfare (1999), about fifty percent of the foreign workers are employed without work permits and are, in fact, undocumented workers (Table 1:16).

Although non-national workers became an integral part of the Israeli economy, they do not generally benefit from the welfare system and union protection accorded Israeli citizens (e.g., Bartram 1998; Borowski and Yanay 1997; Rosenhek 2000). Foreign workers in Israel are placed at the bottom of the labor market and the social order. They hold the least desirable jobs and occupations; they earn the lowest salaries (many times below minimum wage), and suffer from the worst working conditions. From this point of view, foreign workers should be seen as a source of cheap labor, hence, as a competitive threat to Israeli workers; perhaps more to Arabs than to Jews.

Following the theoretical models discussed at the outset of this paper, we arrive at the subsequent propositions: a) perception of threat is more pronounced among the subordinate and vulnerable groups (i.e., Arabs, low income, low-education and unemployed); b) the endorsement of economic discrimination against outgroup workers is motivated by the perception of threat in the economic arena; and c) perception of threat posed by outgroup workers to the economic well-being of ingroup populations mediates the relationship between position in the socioeconomic system and endorsement of economic discrimination against foreign workers. Indeed, the Israeli case provides us with an opportunity to examine theoretical propositions regarding the effect of fear of economic competition on endorsement of economic discrimination against outsiders in a multi-ethnic context.

**Data and Variables**

Data for the present analysis were obtained from the “Attitudes toward Minority Workers Survey” conducted by the B. I. and Lucille Cohen Institute for Public Opinion Research at Tel Aviv University during the second half of 1999. The survey solicited data from a national representative stratified sample of 1,100 Israeli adults (aged 25–65), on demographic, labor force status, and socioeconomic characteristics of respondents, as well as on their attitudes toward groups of foreign workers in Israel.\(^4\) From this data set, a series of background variables were selected to represent demographic and labor force characteristics of respondents on the one hand, and attitudinal variables to represent respondents’ fear of economic competition and propensity to discriminate economically against foreign workers, on the other hand.

The background variables include: age (in years), gender (male = 1), marital status (married = 1), and ethnicity (Jew = 1). The socioeconomic characteristics consist of education (years of formal schooling) and household income per capita (in New Israeli Shekels). Labor force position is defined by a set of dummy variables distinguishing between employed, unemployed, and not in the labor force.

Perceived threat of labor market competition was measured on a 1–7 scale based on response to the following two questions: 1) To what extent do foreign workers negatively affect your wage level?; and 2) To what extent do foreign workers negatively affect your employment opportunities? The two measured items are used to construct a latent variable “perceived threat of economic competition” (hereafter ECONTHREAT).\(^5\)

Endorsement of economic discrimination against foreign workers was measured as a response to questions regarding the salary a foreign worker “deserves” in comparison to an

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4. The information was obtained through face-to-face interviews in respondents’ homes, lasting, on average, 40 minutes. Israeli Arabs were oversampled in order to increase the number of observations for greater confidence in the statistical estimates. The sample was weighted accordingly in the data analysis.

5. The two indicators of “economic threat” (i.e., damage to wage level, damage to employment opportunities), are highly interrelated with a correlation \(r = .73\) between the two variables.
Israeli Jew (the superordinate-advantaged group in Israel). Respondents were provided with information regarding the average monthly salary an Israeli Jewish worker earns in construction and in sanitation services, respectively, and were asked “in your opinion what is the salary a foreign worker deserves to earn in this specific occupation?” The difference between the actual salary of an Israeli-Jew and the salary a foreign worker “deserves” is used to estimate “endorsement of economic discrimination” in construction and in sanitation services, respectively. The two measured items (construction and sanitation services) were used to create a latent variable “endorsement of economic discrimination” against foreign workers. Endorsement of discrimination (PRODISC) is by no means an indicator of actual discrimination. It captures hostility, anti-minority sentiments, and other forms of discriminatory attitudes.

**Analysis and Findings**

**Descriptive Overview**

Table 1 contains proportions, means, standard deviations, and definitions for the variables included in the analysis. The values specified in the top rows of the Table pertain to socioeconomic, demographic, and labor force characteristics of the population. The values in the bottom rows of the Table pertain to the attitudes toward non-citizen workers, namely, perception of economic threat, posed by outgroup workers, and measures of endorsement of economic discrimination against foreign workers.

The mean values demonstrate rather clearly that about a third of Israeli citizens perceive foreign workers as economically threatening. The figures are quite similar (almost identical) for the two indicators of economic threat (i.e., wage level $\bar{x} = 3.64$ and employment opportunities $\bar{p} = 3.44$). Examination of the percentage distribution (not shown) reveals that about a third of the respondents indicated (categories 6–7 on the 7 point scale) that the presence of foreign workers negatively affects their earnings level, as well as their employment opportunities. It should be noted that perceived threat is somewhat more pronounced among Arabs than among Jews. The mean values for threat to wage level are $3.38$ and $4.68$ for Jews and Arabs, respectively, and threat to employment opportunities, $3.15$ and $4.64$ for Jews and Arabs, respectively.

Propensity for economic discrimination against outgroup workers is also substantial. Most Israeli citizens stated that foreign workers deserve to be paid less than Jewish workers in the same occupation. On average, our measure for “endorsement of wage discrimination” amounted to 22 and 19 percent, respectively, in construction, and in sanitation services. That is, Israelis indicate that foreign workers deserve to be paid less than Jews employed in the same type of occupation. Endorsement of discrimination is similar among Arabs (23%) and Jews (22%) with regard to construction. It is less evident among Arabs (11%) than among Jews (21%) with regard to sanitation services. Indeed, the data do not leave much doubt that the endorsement of economic discrimination against foreign workers in Israel is considerable among both Jews and Arabs.

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6. The measure “endorsement for economic discrimination” constructed here, follows the logic embodied in Becker’s (1957) measure of market discrimination (MDC) captured by the following formula:

$$MDC = \frac{\pi_B - \pi_A}{\pi_A}$$

when $A$ and $B$ are the ingroup and the outgroup, respectively, and $\pi$ is the wage level in a state of equilibrium.

7. The measures representing “propensity for discrimination” for construction and sanitation jobs are associated by a correlation $r = .66$. 

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<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Proportion</th>
<th>Mean</th>
<th>SD</th>
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</thead>
<tbody>
<tr>
<td>Ethnicity</td>
<td></td>
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<tr>
<td>Jews</td>
<td>Ethnic origin – Jews = 1</td>
<td>0.80</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Arabs</td>
<td>Ethnic origin – Israeli Arabs descendant = 1</td>
<td>0.20</td>
<td>—</td>
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<td>Demographic</td>
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<tr>
<td>Age</td>
<td>In years</td>
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<td>39.84</td>
<td>12.10</td>
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<td>Marital status</td>
<td>Married = 1</td>
<td>0.73</td>
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<td>—</td>
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<tr>
<td>Gender</td>
<td>Men = 1</td>
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<td>Income</td>
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<td>Labor market position</td>
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<td></td>
</tr>
<tr>
<td>Employed</td>
<td>Economically active = 1</td>
<td>0.68</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unemployed</td>
<td>Unemployed = 1</td>
<td>0.11</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Not in labor force</td>
<td>Not in the economical active labor force = 1</td>
<td>0.21</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Perceived Threat</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. to wage level</td>
<td>“To what extent do non-national workers negatively affect your wage level.” Measured on 1–7 scale: 1 = not at all, 7 = to a large extent.</td>
<td>—</td>
<td>3.64</td>
<td>2.61</td>
</tr>
<tr>
<td>2. to employment opportunities</td>
<td>“To what extent do non-national workers negatively affect your employment opportunities.” Measured on 1–7 scale: 1 = not at all, 7 = to a large extent.</td>
<td>—</td>
<td>3.44</td>
<td>2.67</td>
</tr>
<tr>
<td>Endorsement of discrimination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. in construction</td>
<td>“The average earnings of Israeli-Jews employed in construction is NIS 5000 per month. In your opinion what is the salary a foreign worker deserves to earn in this specific occupation?”</td>
<td>—</td>
<td>0.22</td>
<td>0.24</td>
</tr>
<tr>
<td>2. in sanitation services</td>
<td>“The average earnings of Israeli-Jews employed in sanitary services is NIS 4000 per month. In your opinion what is the salary a foreign worker deserves to earn in this specific occupation?”</td>
<td>—</td>
<td>0.19</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Note: Endorsement for economic discrimination was calculated as percentage difference between the standard salary of Israeli–Jews and the salary non-nationals “deserve.”
Estimating the Model

Although interesting, the descriptive data do not tell us about the ways in which socioeconomic status and labor force position affect fear of economic competition, and the extent to which fear of economic competition intervenes between socioeconomic position of individuals and their endorsement of economic discrimination against foreign workers. Following the theoretical rationale discussed at the outset of the paper, we arrive at the following three hypotheses: a) perceived threat to economic well-being should be more pronounced among individuals of subordinate ethnic origin (i.e., Arabs), individuals of low socioeconomic standing (i.e., low education, low income), and individuals of vulnerable position in the labor market (i.e., unemployed); b) perceived threat should be positively related to the endorsement of economic discrimination—the higher the perceived threat, the higher the support of economic discrimination against foreign workers; and c) perceived threat should intervene in the relationship between endorsement of economic discrimination and socioeconomic and labor force position of individuals as proposed by the split labor market model.

To test these three hypotheses, we estimated a structural equation model (SEM) with latent variables, using AMOS (version 4.01) full information maximum likelihood procedure (Arbuckle and Wothke 1999). The model was estimated twice (full and trimmed). The estimation procedure was based on the observed covariance matrix of the measured variables (pairwise matrix), and under the assumption of correlations among all exogenous variables. The full model simultaneously estimates a) the direct effects of the exogenous variables (i.e., income, education, employment position, ethnicity, gender, age, and marital status) on the latent variable “perceived threat of economic competition” (hereafter, ECONTHREAT); b) the direct effect of ECONTHREAT on the latent variable “endorsement of economic discrimination” (hereafter, PRODISC); and c) the direct and indirect (via ECONTHREAT) effects of the exogenous variables on PRODISC.

Table 2 presents fit measures and parameter estimates (for both the full and the trimmed models) for foreign workers. Figure 1 displays the path diagram for the trimmed model. It should be noted that the coefficients of both models (full and trimmed) are strikingly similar, and lead virtually to similar conclusions. In both models, the data provide very good fit, with the ratio of $\chi^2$ to degrees of freedom (CMIN/DF) lower than 1.5. Indeed, the value $p > .05$ indicates exact fit of the data. The RMSEA is well below 0.05, providing high level of confidence in the models’ fit (PCLOSE = 1). In addition, all other fit measures—GFI (goodness of fit index), AGFI (adjusted goodness of fit), NNFI (non-normed fit index), well exceed the value of .95, which is considered to provide acceptable fit of the theoretical model.

The coefficients displayed in column 1 of Table 2 strongly support the theoretical expectation (first hypothesis) that fear of economic competition is most pronounced among the most vulnerable and subordinate populations and least prevalent among the privileged populations. Specifically, perceived threat by foreign workers is more evident among Arabs and among the unemployed, and is likely to increase as level of education and income declines. Gender has a curious effect on perceived threat, with men expressing higher levels of fear of economic

8. Whereas the full model includes all possible paths, all non-significant effects are eliminated from the trimmed model. Thus, the trimmed model includes only paths that represent significant effects. Age and marital status are used as control variables (constraint to zero).

9. In addition to the assumption of intercorrelations among all exogenous variables, and in order to fit the model, we had to estimate a correlation between the error terms of PRODISC and the error term of threat to wage level, and a path between ethnicity and propensity for discrimination in construction.

10. According to Arbuckle and Wothke (1999), the various measures of fit are defined as follows: CMIN/DF is the minimum discrepancy, $\hat{\epsilon}$, divided by its degrees of freedom. RMSEA is a measure of model adequacy based on population discrepancy. PCLOSE is “p value” for testing the null hypothesis that the population RMSEA is no greater than 0.05. While RMSEA of 0.05 or less indicates a close fit, PCLOSE gives a test of close fit. GFI, AGFI and NNFI are all fit measures based on comparison to a base line model. For detailed explanation of the various measures of fit and their properties, see Arbuckle (1999), Appendix C.
### Table 2 • Standardized Coefficients of Full and Trimmed Structural Equation Models (SEM) Predicting Endorsement of Economic Discrimination Against Foreign Workers in Israel

<table>
<thead>
<tr>
<th></th>
<th>Full Model</th>
<th></th>
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<th>Trimmed Model</th>
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<tr>
<td></td>
<td>ECONTHREAT</td>
<td>PRODISC</td>
<td>PRODISC</td>
<td>ECONTHREAT</td>
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<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
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<td>Ethnicity</td>
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<td></td>
<td></td>
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<td>0.28*</td>
<td>0.19*</td>
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<td>(0.79)</td>
<td>(0.61)</td>
<td>(2.32)</td>
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<td>(2.57)</td>
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<tr>
<td>ECONTHREAT c</td>
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<td>0.21*</td>
<td>0.20*</td>
</tr>
<tr>
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<td>(4.14)</td>
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<td>(5.46)</td>
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</table>

**Fit Measures:**

- **Chi-square** = 20.917
- **Chi-square** = 35.699
- **DF = 15**
- **DF = 24**
- **CMIN/DF = 1.394**
- **CMIN/DF = 1.487**
- **(minimum discrepancy function/df)**
- **(minimum discrepancy function/df)**
- **P = 0.14 RMSEA (root mean square of approximation) = 0.019**
- **P = 0.06 RMSEA (root mean square of approximation) = 0.02**
- **RMSEA 90 percent**
- **RMSEA 90 percent**
- **Confidence interval = 0.000; 0.037**
- **Confidence interval = 0.000; 0.035**
- **St. RMR (root mean square residual) = 0.135**
- **St. RMR (root mean square residual) = 0.204**
- **PCLOSE (probability of close fit) = 1**
- **PCLOSE (probability of close fit) = 1**
- **GFI (goodness of fit index) = 0.997**
- **GFI (goodness of fit index) = 0.995**
- **AGFI (adjusted goodness of fit index) = 0.984**
- **AGFI (adjusted goodness of fit index) = 0.983**
- **NNFI (non-normed fit index) = 0.989**
- **NNFI (non-normed fit index) = 0.987**

**Notes:**

* t-value in parentheses.
* See Figure 1.
* Endogenous in the model.
* Fit measures are for the model presented by the equations in columns (1) and (2).
* * p < .05.
competing than women ($\beta = .09$ in both models). Perhaps, due to gender occupational segregation, women are less likely to fear economic competition from foreign workers, since the overwhelming majority of foreign workers in Israel are men. Neither age nor marital status exerts significant effect on fear of economic competition.

The coefficients for ECONTHREAT (displayed in column 2 of Table 2) firmly support the second hypothesis that fear of economic competition is likely to increase support for economic discrimination against foreign workers. The impact of the latent variable ECONTHREAT on the latent variable PRODISC is positive and highly significant ($\beta = .17$ in the full model and $\beta = .21$ in the trimmed model). That is, those who perceive foreign workers as posing a threat to their economic interests are more likely to endorse economic discrimination against foreign workers. Apparently, consistent with social psychological explanations of discrimination, we find that the greater the perceived threat of economic competition, the higher the support for economic discrimination.

According to the third hypothesis, we expect threat of economic competition to intervene in the relations between socioeconomic status of individuals and the endorsement of economic discrimination. That is, individuals of subordinate position in the social system are more likely to express antagonistic attitudes toward foreign workers because they perceive them as a source of competition. The findings displayed in column 2 of Table 2 firmly support this hypothesis with regard to the effects of education, income, and employment status. Consistent with theoretical expectations derived from the split labor market model, neither education nor income nor employment status, exert significant direct effect on PRODISC. The impact of these variables on PRODISC is mediated via ECONTHREAT. Apparently individuals of lower socioeconomic status are more likely to perceive foreign workers as a direct threat to their economic interests and thus, are more likely to support practices of economic discrimination against them.

The effect of ethnicity on endorsement of economic discrimination, however, is not consistent with theoretical expectations derived from the split labor market model. Net of socioeconomic characteristics and net of perceived threat, endorsement of economic discrimination is more pronounced among Jews (the superordinate group), than among Arabs (the subordinate group). While the direct effect of ethnicity (Jew = 1) on ECONTHREAT (in column 1) is negative and significant ($\beta = -.13$ in both models), the direct effect of ethnicity on PRODISC

Figure 1 • **Structural Standardized Coefficients Predicting Endorsement of Economic Discrimination against Foreign Workers in Israel (Trimmed Model)**
(in column 2) is positive and significant ($\beta = .28$ in the full model; $\beta = .24$ in the trimmed model).

This finding does not mean that Arabs do not “endorse” economic discrimination against foreign workers. They do (as evident from the descriptive statistics displayed in Table 1). However, the social mechanisms underlying the emergence of hostility against foreign workers differ for Arabs and Jews. Among Arabs, the endorsement of economic discrimination can be explained as resulting from perceived threat in the economic arena. Among Jews, however, support for economic discrimination seems to be motivated not only by labor market competition, but also by ethnic sentiments, which are entirely exogenous to the labor market.

To specifically test the possibility that Jews’ greater support of economic discrimination against foreigners is motivated by ideological-national reasons, we examined an alternative-expanded model. In this model we included an additional intervening—endogenous—variable, which measures (on 1 to 7 scale) response to the question: “whether Israel should be a Jewish state.” This variable (ETHNATION) serves us as an indicator of identification-level with the ethno-national character of the state.\textsuperscript{11} For the sake of parsimony, we do not present all parameters of the expanded model. We do present (in column 3 in Table 2) the equation in which endorsement of economic discrimination (PRODISC) is predicted by both threat of economic competition (ECONTHREAT) and identification level with the ethno-national character of the state (ETHNATION).

The estimated coefficients revealed by the equation (column 3) suggest that respondents who express greater support for the Jewish character of the state are more likely to endorse economic discrimination against foreigners. The effect of ETHNATION on PRODISC is .13 in both the trimmed and the full models. The data further reveal that even after controlling for respondents’ attitudes toward the Jewish character of the state, Jews are still more likely than Arabs to endorse economic discrimination against foreigners. The direct net effects of ethnicity on PRODISC in the expanded model, although reduced from 0.24 to 0.15 in the trimmed model and from 0.28 to 0.19 in the full model, is statistically significant. Apparently, Jews greater support of discrimination against foreigners is based partially on threat of economic competition, partly on national ideological grounds, and partly on ethnocentric sentiments not captured by the model. We will discuss the meaning of this finding in the concluding section.

In Table 3A, we list the direct and indirect effects (via ECONTHREAT) of the socioeconomic, demographic and labor force status characteristics on endorsement of economic discrimination (PRODISC) for the full and the trimmed models, respectively. In Table 3B, we list the direct and indirect effects of the exogenous variables on endorsement of discrimination via both ECONTHREAT and ETHNATION. The data reveal, rather clearly, that among all background variables, only ethnicity exerts direct effect on endorsement of economic discrimination (PRODISC). While the effects of background variables such as education, income, and employment status are mediated via perceived economic threat, ethnic origin directly influences endorsement of discrimination in both Tables 3A and 3B. Other things being equal, Jews are more likely to endorse economic discrimination against foreign workers than Arabs. It should be noted that, in Table 3A, the direct effect of ethnicity on PRODISC is considerably higher than the indirect effect, and it differs in its sign. That is, the ethnic component associated with the endorsement of discrimination, which can be attributed to economic threat, is relatively small and of different meaning than the component associated directly with ethnic origin. However, when identification level with the ethno-national character of the state is also taken into account, the direct effect of ethnicity in PRODISC is reduced considerably. Apparently, part of the effect of ethnicity on endorsement of economic discrimination against

\textsuperscript{11} As expected, the support for the Jewish character of the state is much more pronounced among Jews than among Arabs ($\beta = .70$) in the model.
foreign workers, is mediated by ideological commitment of the Jewish population to the Jewish character of the state.

**Discussion and Conclusions**

The main objective of the research reported here, was to examine the impact of labor market competition and fear of such competition on endorsement of economic discrimination against foreign workers in Israel. The findings yield the following conclusions: 1) perceived threat to economic interests (i.e., wage level, employment opportunities) posed by foreign workers is quite substantial among Israelis; 2) perception of threat is more prevalent among the disadvantaged populations (i.e., Israeli Arabs, low-income, low education, unemployed) and least evident among the privileged populations (i.e., Jews, high-income, high education, employed); 3) endorsement of economic discrimination against non-citizen workers is also substantial and is affected by the perception of threat—the greater the perceived threat, the higher the endorsement of economic discrimination against foreign workers; and 4) perceived threat mediates the relationship between economic standing, labor force status, and the support for economic discrimination, as outlined by the split labor market model. However, it does not mediate the relationship between ethnicity and endorsement of discrimination along

<table>
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<th>Variables</th>
<th>Full Model</th>
<th>Trimmed Model</th>
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<td>Total Effects</td>
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<td>Ethnicity</td>
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<td>0.28*</td>
</tr>
<tr>
<td>Age</td>
<td>-0.06</td>
<td>-0.05</td>
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<tr>
<td>Education</td>
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<td>-0.04</td>
</tr>
<tr>
<td>Income per Capita</td>
<td>-0.09*</td>
<td>-0.07</td>
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<tr>
<td>Unemployed</td>
<td>0.04*</td>
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</tr>
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<td>Not in Labor Force</td>
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<tr>
<td>ECONTHREAT</td>
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Note: * p < 0.05.
the rationale embodied in the split labor market model. Other things being equal, Jews—the dominant ethnic group in Israel—express higher levels of hostility toward outsiders than do Israeli Arabs.

From a theoretical point of view, these findings provide firm support to the social psychological explanation of discrimination, according to which individuals of low socioeconomic standing are likely to perceive outgroup workers as a source of threat to economic well-being, and that fear of economic competition is likely to prompt hostility (e.g., Bobo and Hutchings 1996; Kinders and Sanders 1996; Quillian 1995, 1996; Scheepers, Gijsberts, and Coenders 2002). The findings also lend considerable support to the theoretical rationale embodied in the split labor market model according to which discriminatory attitudes and hostility toward subordinate groups (cheap labor) is produced through labor market competition. That is, fear of economic competition intervenes between socioeconomic status of individuals and their endorsement of economic discrimination against outgroup workers.

If acting rationally, however, one would expect “threatened workers” not to endorse pay differentials, because endorsement of lower wages for foreign workers could further increase employers’ motivation to replace citizens with foreign workers. However, in the context of the present research and consistent with the logic embodied in the split labor market model, endorsement of economic discrimination is taken as an indicator of hostility directed at “cheap labor.” In other words, when “outsiders” are viewed as a threat to economic well being, “threatened workers” do endorse economic discrimination, even when such discrimination is against their own interests.

The findings, however, do not support the split labor market thesis with regard to the effect of ethnicity on endorsement of discrimination against non-citizen workers. We find that Jews, the superordinate group that is less threatened by the presence of cheap labor, express higher levels of discriminatory attitudes toward foreign workers. That is, net of labor force status, socioeconomic and demographic characteristics, and net of fear of economic competition, Jews are more likely to express attitudes supporting discrimination against non-citizen workers. This finding implies that while the endorsement of economic discrimination among Arabs is mediated by fear of economic competition, support of economic discrimination among Jews is motivated not only by labor market relations, but also by sentiments which are entirely exogenous to labor market competition.

There are several explanations for the higher endorsement of economic discrimination against foreign workers among Jews. The first explanation is derived from the marginality theory (e.g., Fetzer 2000). According to this view, other things being equal, subordinated minorities (i.e., Arabs) are more likely than members of the superordinate group (i.e., Jews) to sympathize and identify with other marginalized groups (i.e., foreign workers), because the former are also exposed to economic discrimination. This, indeed, may explain the lower endorsement of economic discrimination against foreign workers among Arabs as compared to Jews.

The second explanation pertains to the ideological commitment (among Jews) to preserve the Jewish character of the State. This commitment should be understood, of course, within the context of Israel as an ethno-national state according to which membership in the nation (i.e., Jewish origin) is a pre-requisite for substantial membership in the state (citizenship). Therefore, non-national workers are evaluated not only as economic competitors, but also as a threat to the very essence of the social and political order of the state and to its national (Jewish) identity.

The findings presented in this paper suggest that the basis for exclusionary ideologies and discriminating attitudes toward foreign workers in Israel, lies not only on economic rationale and labor market competition, it also lies on national-ideological grounds, and perhaps also, on in-group favoritism, ethnocentrism and xenophobia. Although we demonstrated that both economic threat and ideological commitment to the ethno-national character of the state affect discriminatory attitudes toward foreign workers in Israel, we cannot discount other forms of threat (i.e., personal, collective) and prejudice (i.e., symbolic racism, realistic conflict) that were
found in previous studies in Europe and the U.S. (Bobo 1983; Bobo and Hutchings 1996; Kinder and Sanders 1996; Quillian 1995; Scheepers, Gijsberts, and Coenders 2002; Sniderman and Tetlock 1986; Taylor 1998). Indeed, these forms of threat and prejudice were beyond the scope of the present study, and should be addressed in future research on the topic.

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