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### The Cost of Being Palestinian in Lebanon

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# The Cost of Being Palestinian in Lebanon

Sawsan Abdulrahim and Marwan Khawaja

*For over 60 years, long-term Palestinian refugees have been largely excluded from participating in the Lebanese labour force, yet no study has examined the socio-economic consequences of such exclusion. Utilising data from a survey conducted in three low-income urban neighbourhoods in Beirut in 2002, this paper provides a descriptive analysis of the cost of being Palestinian in Lebanon. Our findings reveal that, while exclusionary policies have not been successful at completely barring Palestinians from participating in the Lebanese labour force, this participation takes place at a cost. Palestinian men are segregated into less-desirable segments of the mainstream economy and earn lower wages than Lebanese men in virtually all educational and occupational categories. While Palestinian women are also segregated, they are more represented in professional occupations and in the health and social service sector. Nonetheless, this group pays the highest cost in wages due to the accumulated disadvantage of being Palestinian and female in the Lebanese context.*

*Keywords: Labour Force Segregation; Unequal Wages; Palestinian Refugees; Lebanon*

## Introduction

Income is one of the main measures of socio-economic position and an important determinant of well-being (Oaks and Rossi 2003; Rodgers 2002). Factors which contribute to income or wage inequalities have been the subject of study in a wide range of disciplines. Two explanatory frameworks have been advanced to explain inequalities in wages between individuals and groups. The first comes primarily from economics and is embedded in human capital theory. It argues that some individuals earn higher wages than others because they make higher investments in human

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capital (Becker 1993). Human capital consists of the education and skills an individual acquires which are marketable in the context in which she or he lives (Lin 2001). According to this framework, members of ethnic or racial minorities earn lower wages because they are disadvantaged by lower human capital investments. As such, their lower wages reflect their worth in a neutral, but competitive, labour market.

The second framework advances that human capital is not the only determinant of wages but that structural factors such as discrimination, segregation and labour market segmentation play important roles. The phenomenon of a segmented labour market has long been realised and described in the disciplines of economics and sociology (Bonacich 1972; Reich *et al.* 1973). Segmentation is an outcome of historical and political processes and leads to two parallel labour markets—the primary labour market characterised by stability and potential upward mobility, and the secondary labour market which comprises jobs that offer low wages. In a segmented labour market, members of certain social groups earn lower wages due to factors which are not only related to their accumulated human capital. Accordingly, the segmentation framework posits that ethnic minorities and women earn lower wages not only because they have lower education and skills but also because of structural inequalities in the labour market (Light 2007; Tomaskovic-Devey 1993).

Evidence in support of labour market segregation comes from studies in which income inequalities by race and ethnicity have been studied in a number of national contexts. In the United States, Blacks in the 1960s and 1970s earned lower incomes for the same level of education and occupation as Whites (Johnson and Sell 1976; Siegel 1965; Wright 1978). More recent evidence shows that the effect of ‘race’ persists and, in fact, both the income and wealth gaps between Whites and Blacks in the United States have been increasing (Cancio *et al.* 1996; Oliver and Shapiro 1997). In Brazil, census data reveal that Blacks earn lower wages than Whites, and that as much as one third of the wage differences cannot be explained by individual-level factors such as educational attainment (Telles and Lim 1998). Further, in comparison to Jews in Israel, Palestinians who hold Israeli citizenship are segregated in the labour market and disadvantaged with respect to wage rewards on education (Lewin-Epstein and Semyonov 1994; Semyonov 1988).

Studies on income inequalities by ethnicity in Arab countries are rare. The Arab region is overwhelmingly viewed through the prism of political turmoil and rarely examined as one in which socio-economic inequalities persist and determine the life chances and well-being of its citizens. The World Bank contends that the Middle East and North Africa region has one of the most equal income distributions in comparison to other world regions (Adams and Page 2003). However, the Middle East is ethnically and religiously heterogeneous and indicators for income disparities between ethnic groups *within* Arab countries are lacking. Further, while the occupational segregation of women and gender inequalities in wages have been highlighted as a major global problem (England 2005), the focus in Arab countries remains on increasing the proportion of women who participate in the labour force

as a means to advance the development of the region (UNDP 2005). Very little is known about the extent to which women in the labour force in Arab countries earn lower wages than men.

In this paper, we examine inequalities in wages between long-term Palestinian refugees and Lebanese citizens in Lebanon. Utilizing data from a survey conducted in three low-income urban neighbourhoods in Beirut, we first describe differences between the two groups in labour force participation, education, occupation, employment status and industrial sector concentration. Second, we examine differences in hourly wage returns on education and occupation. In line with the studies reviewed above, we hypothesise that Palestinians experience occupational and industrial sector segregation in the Lebanese labour market, and earn lower wages than the Lebanese for the same level of education and occupation. We further analyse the data by gender and hypothesise that Palestinian women in Lebanon experience a double disadvantage due to the intersection of ethnicity and gender.

### **The Setting**

Lebanon is a Middle Eastern country that came into existence as an independent nation-state in 1943 to encompass a highly heterogeneous population within its constituted borders. Even though it came out of a Civil War (1975–1990) almost two decades ago, the country continues to pass through uncertain political and economic circumstances. Notwithstanding its classification by the World Bank as an upper-middle-income country (World Bank 2008), some contend that Lebanon exhibits high inequality rates and low social mobility (El Khoury and Panizza 2001; Makdisi 1996). Religious sect, a term used to define and differentiate social groupings in the Lebanese context, determines to a large extent identity, social position and political power (Makdisi 1996; Sayigh 1995). As such, this constructed social category operates similarly to how race and/or ethnicity operate in other national contexts. In addition to official Lebanese sects whose members are granted citizenship rights at birth, Lebanon has a large number of non-citizen migrant workers from Asia and Africa (Abu Habib 1998; Jureidini and Moukarbel 2004) and an estimated 400,000 Palestinian refugees (UNRWA 2006).

The situation of Palestinian refugees is unique in Lebanon. A number of political and economic factors interact to place this group in an extremely inhospitable environment. While Palestinian refugees have been granted citizenship rights in some host countries (Jordan), and the right to work and own property but without citizenship in others (Syria), second- and third-generation Lebanese-born Palestinians continue to be denied basic civil rights. Lebanese labour law prohibits Palestinians from owning businesses outside refugee camps and excludes them completely from holding government or professional jobs (Al-Natour 1997). Classified as ‘foreigners’, second- and third-generation Lebanese-born Palestinians who obtain professional qualifications are prevented from joining syndicates for medicine, engineering or law, since members of such syndicates have to be Lebanese citizens. Further, the majority

reside in semi-permanent camp structures and remain economically and spatially segregated from the host country.

While the plight of Palestinians in Lebanon has been described in a few writings (Al-Natour and Yassine 2007; Peteet 1996; Sayigh 1995), as of yet, no study has empirically examined the consequences of prolonged policy-supported exclusions on the relative socio-economic standing of this group. The lack of empirical evidence is an outcome of both the dearth of data that support research and a restrictive political climate. On the one hand, datasets that include demographic and socio-economic indicators in Lebanon are limited (El Khoury and Panizza 2001). On the other hand, revealing ethnic inequalities in Lebanon, as is the case in virtually all Arab countries, is faced with immense sensitivity (Makdisi 1996). Indeed, a national census has not been carried out in Lebanon since 1932, arguably out of fear that the current demographic profile might expose inherent flaws in a so-called 'sectarian balance' upon which a political system and a constitution have been in operation since the country's independence (Salibi 1990).

Furthermore, the national household surveys that have been carried out in Lebanon exclude Palestinians living in camps while, at the same time, internationally sponsored studies on Palestinian refugees do not typically include non-refugee populations. For example, the 1996 Lebanese Population and Housing Survey (MOSA 1996) and the 2004 Mapping of Living Conditions Survey (UNDP 2006) did not include Palestinian refugees residing in camps. On the other hand, studies on Palestinian refugees in Arab countries focus on this population alone and do not gather similar data on the host populations in the countries in which the refugees live (for example: Khawaja and Tiltnes 2002; Uglund 2003). The data we utilise are unique in that they allow us to compare Palestinian refugees and Lebanese citizens who live in geographic proximity, and under similar conditions, on a number of socio-economic indicators.

Three communities were selected for this study: Nab'aa (NA) is a predominantly Christian (77 per cent) Eastern suburb of Beirut which has developed as a consequence of population displacement during the Lebanese civil war; Hay el-Sullum (HS) is a 99 per cent Muslim southern suburb of Beirut which is predominantly inhabited by families who migrated north during the Israeli occupation of South Lebanon during the 1980s and 1990s; Burj el-Barajneh (BB) is a Palestinian refugee camp whose inhabitants are persons who fled from their towns after the creation of the state of Israel in 1948, and their descendents.

Despite differences in religious and ethnic make-up, the three communities share similar structural conditions. For example, they all have very poor housing and infrastructure: HS and BB do not receive government-sponsored services such as solid waste disposal. Further, descriptive findings from the Urban Health Study showed that the average household size in the three communities is similar (4.3 in NA, 4.9 in HS and 4.6 in BB). While the mean annual household income is much lower in BB (4,854,000 LL—1,500 LL = \$1) than the two Lebanese communities (9,974,000 for NA and 8,588,000 for HS), the percentage of individuals in the three

communities who reported having poor socio-economic status was similar (54 per cent in NA, 49.3 in HS, and 50.6 in BB).

In this study, we use the term 'ethnic group' in reference to Palestinians in Lebanon. While we acknowledge international law which grants this group the right to return to villages and towns they were forced to leave under war circumstances, we argue that their long-term refugee status and disadvantaged socio-economic circumstances places them under conditions which resemble those of disenfranchised racial/ethnic minorities in industrialised countries rather than short-term refugees. Others have referred to Palestinians in Lebanon as the 'unrecognised sect' or the 'excluded other' (Peteet 1996; Sayigh 1995). We feel the term 'disadvantaged ethnic group' captures the economic and social realities the group faces just as well. Ethnicity is a socially constructed identity and an outcome of an interplay between factors which are internal to the group (culture, language and history) and structural factors imposed by the larger society (Nagel 1994). In addition to a shared history of exile and the efforts to maintain a collective memory, current socio-economic and political factors also contribute to shaping a unique Palestinian ethnic identity in Lebanon.

### **Data and Methods**

We used data from the Urban Health Study, or UHS, a cross-sectional household survey conducted by the Center for Research on Population and Health at the American University of Beirut. The UHS was initiated to examine the effects of social exclusion and population displacement on the health and well-being of low-income urban residents.

The data were collected in two phases over a two-year period, 2002 to 2003. The household sample was chosen using a probability-proportional-to-size stratified sampling design. Since no sampling frames were available in Lebanon, area maps were developed for the purpose of the study by dividing the communities into blocks, each consisting of about 100 households. A sample of blocks was then chosen proportional to size before proceeding to a complete count of households per sampled block within each community. A systematic random sample of households was then selected from each block. In Phase I of the UHS, a household survey ( $n = 2,797$ ) was carried out to collect data on the social and demographic characteristics of households and their members. In this paper, we used data from the household survey (Phase I), which includes socio-economic information on all Lebanese and Palestinian household members in the three communities. In Phase II, data on health issues were collected from three demographic groups in the sampled households: adolescents (13–19 years of age;  $n = 1,294$ ), ever-married women (15–59 years of age;  $n = 1,869$ ); and elders (60 years and older;  $n = 971$ ).

First, we examined the rates of labour force participation by ethnicity and gender. Labour force participation was included for those aged 15 years and older according to the International Labour Organization framework (ILO 1983), which distinguishes

between economically active and non-active members. Economically active persons were defined as those who were either employed or were unemployed but actively seeking work. On the other hand, those outside the labour force were defined as individuals who were not available for work for various reasons, including homemaking, study, disability, old age or discouragement (for example, giving up on looking for work). Thus, according to ILO criteria, unemployment is not the same as being outside the labour force. Persons without work who are actively seeking a job are counted among labour force participants while the unemployed who are not seeking a job are classified as outside it. We defined employment as work for pay or profit or unpaid work in a family enterprise for at least one hour during the previous week.

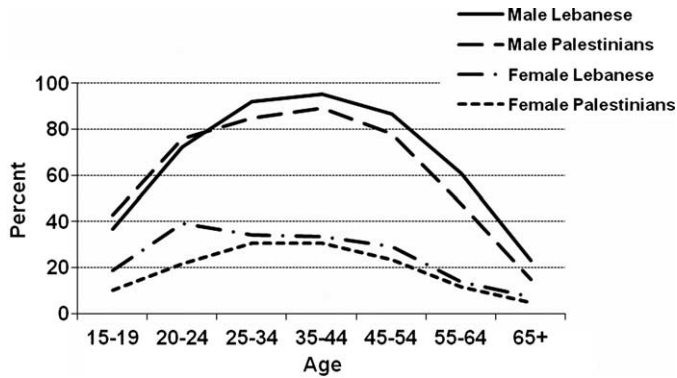
For those in the labour force, open-ended data on occupation and industry were obtained. Occupation was coded in three digits according to the ILO occupational classifications system (ILO 1990). In this study, the standard one-digit classification was used, yielding 12 broad occupational groupings. Likewise, industry was measured according to the standard international classification system of economic activities (UN 1990). Here, industrial activities were grouped into a one-digit classification, yielding nine broad groups. For the employed, wages were measured through self-reported questions about earnings from current work. The hourly wage was calculated by dividing the reported wage by the total number of hours worked during the previous week.

In addition, we included in our analysis data on ethnicity, education and gender. The survey included a direct question on ethnicity/nationality, distinguishing Lebanese who mainly reside in NA and HS from Palestinians who reside in BB. Educational attainment was measured by completed level of education and was included in the analysis in four categories: less than elementary, elementary, intermediate, and secondary and higher. Secondary and higher education levels were grouped into one category because of sample size considerations. In the communities under study, the number of college-educated women in the labour force was too small to allow for meaningful statistical analysis.

Descriptive analysis was carried out, disaggregated by ethnicity and gender. We examined socio-economic characteristics (education, employment status, occupation and industry) for all labour force participants, regardless of whether they were employed or unemployed at the time of the survey. Afterwards, we examined our main outcome variable—hourly wages—among the employed only. For that, we analysed the hourly wages of the employed by ethnicity and gender.

## Results

Figure 1 shows the rates of labour force participation for Palestinians and Lebanese by gender. It reveals that participation differs by ethnic identification. At almost every age group, Palestinian men and women participate at lower rates than Lebanese men and women, respectively. The only exception is Palestinian males in their late teens



**Figure 1.** Rates of labour force participation for Palestinians and Lebanese in the UHS by gender

and early twenties, who participate more in the labour force than Lebanese males in the same age group. Nonetheless, the differences in participation between the two ethnic groups are not as dramatic as one would expect in light of the exclusionary policies. Only a slightly lower proportion of Palestinian men (69 per cent) participate in the labour force compared to Lebanese men (74 per cent). Similarly, 22 per cent of Palestinian women participate in the labour force compared with 28 per cent of Lebanese women. On the other hand, our findings reveal dramatic gender differences for both ethnic groups. This is consistent with the fact that the Middle East region exhibits the lowest rates of female labour force participation among developing regions of the world (Moghadam 2003). Palestinian women in our study have the lowest rate of labour force participation among the four ethnic/gender groups. It is worth noting that Lebanese and Palestinian participants who were outside the labour force provided similar reasons for their lack of participation, except that Palestinians reported discouragement more frequently (one in four reported giving up on finding a job) than the Lebanese (only one in 10).

Table 1 presents the socio-economic characteristics of labour force participants by gender and ethnic identification. One important finding to highlight is that Palestinians do not differ from the Lebanese with respect to their educational attainment. For example, the proportion of Palestinian men who have a secondary or more education (14.7 per cent) is slightly higher than that of Lebanese men (13.4 per cent). Further, only a slightly lower proportion of Palestinian women have a secondary or more education (20.7 per cent) than Lebanese women (22 per cent). As such, with respect to educational attainment, Palestinians do not seem to be disadvantaged compared to the Lebanese. Most notable is the finding that the women in our study exhibit a better educational profile than the men, despite the lower rates of female educational attainment compared to men in the Middle East (Moghadam 2003). This is the case for both ethnic groups. More Lebanese and Palestinian women have intermediate (19 per cent and 18.4 per cent, respectively) and secondary or more



**Table 1.** Proportion of labour force participants (per cent)

	Men		Women	
	Lebanese	Palestinians	Lebanese	Palestinians
<b>Education</b>				
None	23.23	27.45	23.28	26.23
Elementary	48.34	45.31	35.58	34.75
Intermediate	15.08	12.51	19.05	18.36
Secondary+	13.35	14.73	22.09	20.66
<b>Employment status</b>				
Self-employment	30.41	31.99	17.22	20.22
Employed by family	2.30	5.33	5.59	11.99
Employee, government	15.71	***	4.53	***
Employee, NGO	1.12	9.36	2.87	37.83
Employee, private	50.45	53.22	69.79	29.59
<b>Occupation</b>				
Legislators and managers	***	***	***	***
Professionals	3.52	5.52	11.54	24.34
Technicians, associate professionals	3.31	2.61	6.00	9.74
Clerks	3.58	2.81	10.79	4.12
Service and sales workers	18.84	13.54	29.69	23.97
Skilled agricultural and fishery workers	1.28	***	***	***
Crafts and related workers	31.91	55.47	12.59	19.48
Plant and machine operators	19.05	7.82	8.40	1.50
Elementary occupations	10.83	11.03	19.79	16.10
<b>Industry</b>				
Agriculture, hunting, forestry, fishing	1.44	1.00	***	***
Manufacturing, mining, quarrying	26.20	22.09	29.09	22.10
Construction, electricity, gas	8.45	27.21	***	***
Trade, hotels and restaurants	23.16	27.11	26.99	19.85
Transportation, storage, communication	12.57	4.42	2.10	***
Financial intermediation, real-estate	2.19	1.10	5.85	1.50
Public administration and defence	14.81	***	2.55	***
Education, health and social work	4.87	7.63	18.59	41.57
Community social service and other	6.31	9.04	12.59	13.86

Note: All chi-square two-tailed tests are statistically significant at the  $p < 0.001$  level; \*\*\* is  $< 1\%$ .

(22 per cent and 20.7 per cent, respectively) education than Lebanese and Palestinian men.

With respect to employment status, the findings reveal important differences between the two ethnic groups. As expected, Palestinian men and women appear to be completely excluded from government jobs (less than 1 per cent), a sector which employs 15.7 per cent of Lebanese men and 4.5 per cent of Lebanese women. Otherwise, the proportion of Palestinian men is similar to that of Lebanese men in self- and private employment. Important differences between Palestinian and Lebanese women exist. The largest proportion of Palestinian women work in non-governmental organisations (37.8 per cent) whereas the largest proportion of Lebanese women work in private firms (69.8 per cent). Palestinian women have

the highest proportion of employment in NGOs compared to the three other subgroups. It is important to note that the NGO category includes the United Nations Relief and Works Agency (UNRWA), which operates a large number of schools and health clinics in Palestinian refugee camps and employs a sizable proportion of Palestinian women, particularly those with secondary and higher education.

The occupational profiles of the two ethnic groups show important variation. Compared to Lebanese men, Palestinian men are under-represented in service and sales (13.5 per cent versus 18.8 per cent) and in plant and machine operation occupations (7.8 per cent versus 19 per cent); these differences are statistically significant ( $p < 0.001$ ). On the other hand, they are over-represented in crafts and related occupations (55.5 per cent) compared to Lebanese men (31.9 per cent); these differences are also statistically significant at the  $p < 0.001$  level. The proportion of men from both ethnic groups in managerial, professional, technical and clerical occupations is very small. The occupational profile of Palestinian and Lebanese women presents a different picture. The proportion of women from both ethnic groups in professional occupations is higher than of men; 11.5 per cent of Lebanese women compared to 3.5 per cent of Lebanese men and 24.3 per cent of Palestinian women compared to 11.5 per cent of Palestinian men. This is consistent with the finding that women in our study have better educational attainment. Interestingly, Palestinian women have the highest proportion of professional occupations among the four ethnic-gender groups.

Similarly, there are marked differences in the industry profile between Palestinians and Lebanese. While Palestinian and Lebanese men are similar in some ways (such as in their proportion in the manufacturing, mining and quarrying industries and in the trade, hotel and restaurant sectors), their profile clearly shows that they concentrate in certain sectors and are under-represented in others. Palestinian men are over-represented in the construction, electricity, and gas sector (27.2 per cent) compared to Lebanese men (8.5 per cent). They are, however, under-represented in transportation, storage and communication (4.4 per cent) and virtually excluded from public administration and defence ( $< 1$  per cent). Palestinian women are also excluded from these two industrial sectors. On the other hand, the proportion of Palestinian women in education, health and social work (41.6 per cent) is more than double that of Lebanese women (18.6 per cent).

In Table 2, we present the hourly wages in Lebanese Lira for employed participants by ethnic identification and gender. For the occupation and industrial sectors, we did not include in the table categories in which the proportion of labour force participants is less than 1 per cent for both Lebanese and Palestinians. For example, we excluded the 'legislators and managers', 'skilled agricultural and fishery workers' and 'agriculture, hunting, forestry and fishing' categories. We also present calculated wage ratios by ethnic identification, i.e. the ratio of the wages for Palestinian men in each educational or occupational category compared to those of Lebanese men, and those for Palestinian compared to Lebanese women. The most glaring and consistent

**Table 2.** Hourly wages in Lebanese lira (LL) in each educational and occupational category by gender and ethnic identification

	Men			Women		
	Lebanese	Palestinian	Ratio	Lebanese	Palestinian	Ratio
<b>Education</b>						
None	2,030	2,010	0.99	1,920	1,290	0.67
Elementary	2,580	1,830	0.71	1,900	1,570	0.82
Intermediate	2,750	2,590	0.94	2,390	1,740	0.73
Secondary +	3,670	3,030	0.83	3,180	2,420	0.76
<b>Employment status</b>						
Self-employment	2,710	2,230	0.82	2,420	1,500	0.62
Employed by family*	1,840	2,680	1.46	–	–	–
Employee, government	3,600	–	–	2,800	–	–
Employee, NGO	3,860	2,500	0.65	2,580	2,110	0.82
Employee, private	2,320	2,060	0.89	2,190	1,490	0.68
<b>Occupation</b>						
Professionals	4,580	3,280	0.71	3,530	2,240	0.63
Technicians and associate professionals	4,550	2,450	0.54	3,120	1,830	0.58
Clerks	3,560	2,290	0.64	2,410	1,810	0.75
Service and sales workers	2,310	1,920	0.83	1,710	1,660	0.97
Crafts and related workers	2,440	2,120	0.87	2,100	1,060	0.50
Plant and machine operators	2,520	2,120	0.84	1,860	0,650	0.35
Elementary occupations	2,190	2,190	1.00	2,240	1,730	0.77
<b>Industry</b>						
Manufacturing, mining, quarrying	2,320	1,910	0.82	1,960	1,260	0.64
Construction, electricity, gas	2,730	2,120	0.78	–	–	–
Trade, hotels and restaurants	2,310	1,790	0.78	1,750	1,280	0.73
Transportation, storage and communication	2,650	2,310	0.87	–	–	–
Financial intermediation, real-estate	–	–	–	2,800	1,260	0.45
Public administration and defence	3,320	2,130	0.65	–	–	–
Education, health, and social work	3,510	2,980	0.85	3,190	2,090	0.66
Community social service and other	2,490	2,450	0.99	2,090	1,740	0.83
<b>Total</b>	<b>2,640</b>	<b>2,180</b>	<b>0.83</b>	<b>2,300</b>	<b>1,790</b>	<b>0.78</b>

\*Sample for this category is too small.

finding is that Palestinian men and women earn lower wages than their Lebanese counterparts in the overwhelming majority of categories. Moreover, for all categories, women in both ethnic groups earn less in hourly wages than their male ethnic counterparts. The only exception is Lebanese women in elementary occupations who earn slightly higher wages (2,240 LL/hour) than either Lebanese or Palestinian men (2,190 LL/hour). In summary, Table 2 reveals that women in both ethnic groups earn lower hourly wages than men and Palestinians earn lower wages than the Lebanese in

virtually all educational and occupational categories. The total Palestinian:Lebanese ratio is 0.83 for men and 0.78 for women.

It is important to note that, while wages increase with higher educational attainment within each ethnic group, the gap between Palestinian and Lebanese earnings does not necessarily decrease with increasing education. In fact, the gap is lowest (i.e. the ratio is highest) in the 'no formal education' category for men (0.99) and in the 'elementary education' category for women (0.82). The wage ratio for men in the secondary or more educational category is 0.83—on average, a Palestinian man with a secondary or more education earns 83 per cent of that which a Lebanese man with the same level of education earns. Similarly, a Palestinian woman with a secondary or more education earns on average 76 per cent of that which a Lebanese woman with a similar level of education earns.

With respect to differences in hourly wages by occupation between the two ethnic groups, Palestinian–Lebanese wage ratios for men range from 0.54 to 0.87. Palestinian men in crafts and related occupations, the category in which they are the most over-represented, earn on average 87 per cent of that earned by Lebanese men. The wage ratios for women range from as low as 0.35 (for plant and machine operators) to as high as 0.97 (for service and sales workers). Employed professional Palestinian women earn, on average, 63 per cent of the wages of professional Lebanese women. Palestinian women, in all educational and occupational categories, earn the lowest wages compared both to Palestinian men and to Lebanese men and women.

With respect to wages by employment status and industrial sector, our data reveal that Palestinians earn lower wages than the Lebanese, with the exception of Palestinian men in the 'employed by family' category (ratio = 1.46). However, the sample for this category is too small to warrant drawing a conclusive argument based on this finding. Our results on Palestinian women who are employed in NGOs are interesting. Although this group earns higher wages in comparison to self- and privately employed Palestinian women, they still earn lower wages than Lebanese women who work in NGOs (ratio = 0.82). Finally, while we include the wages and ratios for industrial sector categories, it is important to note that there is a wide range of types of occupation and educational levels in each industrial sector. Nonetheless, Palestinians, both men and women, still earn lower wages in each industrial sector category than the Lebanese.

## **Discussion**

The main objective of our study was to examine wage inequalities between long-term Palestinian refugees and Lebanese citizens in Lebanon. Our findings reveal that exclusionary policies and legal restrictions have not been successful at completely barring Palestinians from working in Lebanon. At most ages and for both genders, Palestinians participate in the labour market only at slightly lower rates than the Lebanese. This participation, however, takes place at a considerable disadvantage. While Palestinians enter the labour force with the same level of human capital as the

Lebanese, they become disadvantaged in it due to two types of inequality—industrial sector and occupational segregation, and lower wage returns on education and occupation. Another important finding of our study relates to the ‘double cost’ which Palestinian women pay due to the intersection of ethnicity and gender. In all educational and occupational categories, Palestinian women earn the lowest wages.

Before we discuss our findings on segregation and discriminatory wages, we visit an interpretation which relates to the importance of the quality, and not only the quantity, of human capital. Despite obtaining the same level of education, it may be that Palestinians receive an inferior-quality education which leads to their funnelling into certain occupational and industrial sectors and to their lower wages. This is a plausible argument given that the two ethnic groups go through two different educational systems. Not permitted into the Lebanese state education system, the majority of Palestinians attend schools operated by UNRWA. While UNRWA offers free education to Palestinian refugees, criticism of the quality of that education in Lebanon abounds. A study on adolescent coping and resilience (Serhan and Tabari 2005), for example, reported on some of the challenges students encounter in UNRWA schools. Adolescents in the study complained about poor infrastructure, untrained teachers and the double-shift system which leads to a very short school day and condensed class sessions. It is safe to assume that most Lebanese labour force participants from the two disadvantaged neighbourhoods in our study (NA and HS) attended Lebanese state schools. While this system is not ideal, it may prepare Lebanese labour force participants to earn higher wages than Palestinians. Following this logic, one can make the argument that the wages Palestinians earn are commensurate with the quality of human capital they have accumulated.

Acknowledging the importance of the quality of human capital, our findings provide strong evidence that Palestinian men are segregated into the less-desirable segment of the mainstream economy, a factor which naturally contributes to depressing their wages. As expected, they are virtually excluded from public administration, which offers long-term jobs, relatively higher wages, and health and social-security benefits. On the other hand, they are over-represented in crafts-related occupations and construction, both of which offer less-secure short-term contractual jobs and lower wages. Our findings further reveal that Palestinian men earn lower human-capital-adjusted wages than Lebanese men. This logically implies that there are Lebanese employers who take the risk and hire Palestinians, despite prohibitive policies. These employers, however, compensate for the risk they take by paying lower wages. As such, Palestinian men pay a cost in wages simply in return for employment in the mainstream economy. Due to the self-perpetuating nature of the situation (Palestinians’ need to work in order to make a living and employers’ desire to maximise their profit), Palestinian men participate in the Lebanese labour force despite the exclusionary policies; however, they do so at a considerable financial cost.

Palestinian women follow a different mode of adaptation to exclusionary policies than that followed by Palestinian men in mainstream economy occupations. While our findings demonstrate the existence of segregation, interestingly, Palestinian

women are more represented in professional occupations and in education, health and social services. We borrow from the sociological literature on the 'ethnic economy', which describes enterprises maintained by immigrants and ethnic groups in industrialised countries (Light *et al.* 1994). This economy develops in contexts where certain ethnic groups are excluded from mainstream labour segments due to discrimination. Ethnic groups instrumentally adapt to discrimination by maintaining an ethnic economy of their own—i.e. firms owned by members of the ethnic group who hire their co-ethnics. It has been argued that, while ethnic economies reduce unemployment among members of an ethnic group, thereby providing some protection, they offer lower financial rewards than the mainstream economy (Sanders and Nee 1987; Semyonov 1988). We extend this literature and argue that local and international NGOs in Palestinian refugee camps constitute a 'Palestinian ethnic economy', which hires relatively educated Palestinians to run health and social service programmes in their own communities. Similar to the way in which ethnic economies operate in industrialised countries, Palestinian-run NGOs serve to reduce unemployment but generally provide low financial rewards. This is evidenced by the fact that, in the NGO sector—in which UNRWA is included—Palestinian women still earn lower wages than Lebanese women. While UNRWA might offer wages that are competitive in comparison to those which Palestinians earn in other employment sectors, the international NGO still pays wages which are lower in comparison to Lebanese NGOs. It is important to note that the 'Palestinian ethnic economy' is not limited to local or international NGOs, but that Palestinians hold a wide range of low-paying jobs in refugee camp retail and service businesses as well.

What psycho-social effects does the unequal wage return on education have on Palestinians? Palestinian adolescents in Lebanon drop out of school at rates which are higher than both the Lebanese population and Palestinian refugees elsewhere (Tiltnes 2005). In fact, the participation of young Palestinian males in the labour force at a rate higher than Lebanese males in the same age category in our study is a negative outcome of the higher rate of school drop-out among this group. For a long time, Palestinians have coped with displacement and exile by holding on to education as the key to social mobility (Chatty and Hundt 2005). While it is important to acknowledge this instrumental mode of adaptation, it is also crucial to examine the effects of prolonged political and economic exclusion on the fabric of Palestinian society in Lebanon. Unlike older generations, young Palestinians may learn that education does not promise social mobility in a context in which exclusionary policies continue to exist. Working against this learned perception is important. However, this requires shifting the focus from programmes designed to convince young Palestinians of the virtues of education to structural and broad-based measures to undo inequitable policies. Until structural measures are put in place, it is nonetheless important to emphasise that education does confer limited rewards on Palestinians despite the tenuous circumstances under which they live. Our findings reveal that, even though education does not reduce the gap in wages between

Palestinians and Lebanese, it improves the wages Palestinians earn in comparison to their less-educated ethnic counterparts.

Acknowledging that the positive association between education and income holds for both Palestinians and Lebanese, gender is clearly also an important factor. While Lebanese women earn lower wages than Lebanese men for all educational categories, our findings reveal that Palestinian women pay the highest cost in wages due to the accumulated disadvantage of being female and Palestinian in the Lebanese context. This is despite the fact that their educational profile is similar to Lebanese women and that they are more represented in professional occupations. With few exceptions, writings on Palestinian refugees in Lebanon and in general tend to be gender-neutral or to focus on the reproductive role of women. In examining labour force participation and occupational- and industrial-sector concentration by gender in addition to ethnic group, we provide evidence that Palestinian women in Lebanon experience the double whammy of ethnic and gender discrimination.

In this study, we make a compelling case to move beyond the rhetoric that the Middle East has low levels of income inequality, but to continue to examine inequities in socio-economic outcomes between ethnic groups *within* countries in the region. With respect to Palestinians in Lebanon, while a number of authors have argued against the continuing exclusion of this group (Al Natour and Yassine 2007; Sayigh 1995), our study is the first to present empirical evidence on the actual economic cost Palestinians pay and the nuanced ways in which exclusionary policies work. Our study was limited to one refugee camp community in Beirut and it could be argued that Palestinian refugees in camps located away from large urban centres may have different experiences of the Lebanese labour market. Nonetheless, in our focus on three disadvantaged communities in the suburbs of Beirut, we were able to show that Palestinians pay a cost, which is not fully explained by their accumulated human capital. We view the factors involved (lower-quality human capital, labour market segregation and discriminatory wages) as synergistic and not mutually exclusive. Exclusionary policies and the interests of mainstream and NGO employers interact to produce a situation in which Palestinian workers in Lebanon earn wages which are not commensurate with their education and occupational status. Our study further reveals that gender cannot be ignored as a structural determinant of well-being and is an important factor to consider when examining income inequalities between ethnic groups in Lebanon specifically and in the Arab region in general.

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