Birzeit University, Palestine

Faculty of Business and Economics

Gender Wage Gap in Palestinian Labor Market: Evidence from the Labor Force Survey Data for the year 2018

MA Thesis

Amani Aruri (1135298)

February 2020

Thesis Supervisor: Dr. Riyad Musa

Abstract

In this study, a literature review was conducted to establish what is already known about the gender pay gap, in particular, related to Human Capital theory. The statistical analysis, which is based primarily on the raw data (secondary data) of the Palestinian Labor Force Survey for the year 2018. Drawing on raw data from the Palestinian labor force survey, this study will contribute to the existing body of literature by comparing employment status and earnings for males and females of different levels of education and different sectors. By examining the gender gap in the labor market, we are able to assess the earnings of males and females, taking into consideration the factors that would dramatically influence the employment and earnings outcomes of males and females. The study uses Oaxaca wage decomposition method (1973) to decompose the average hourly wage differences between men and women into their explained and unexplained portions. This decomposition is presented in specification that follows from the Ordinary Least Squares (OLS) regressions, in which the dependent variable is the logarithm of daily wages and the explanatory variables of endowment. Findings of the study indicates the existence of the gender wage gap, where the endowment factors explained Blinder-Oaxaca decomposition shows that in analyzed sample the difference in wages between groups is statistically significant in the private sector. That implies uneven situation of males and females on the labor market. The explained endowment factor implies that if women had the same characteristics, their wage would be lower- the wage logarithm would be on average 0.251 lower, which explains as much as much as 69% of the gap between females in comparison with males. In other words, if the labor market rewarded women like it rewards men, their wages would be on average substantially higher- the increase in logarithm of wage would be 0.251.

Table of Contents

Introduction

In Palestine, many researchers have tried to investigate the existence and magnitude of the gender wage gap, i.e. the difference between the earnings of males and females from one hand, and the increasing rates of unemployment among female graduates on the other hand. While Palestine has witnessed increasing rates of female participation in both the labor force and higher education institutions, the ratio of female unemployment has risen.

In interpreting gender wage gap figure, most of the reported wage gap did not account for age, level of education and training, university degree, occupational choices; key factors which can vary for males and females and which can mediate salary differences. Therefore, an analysis of the gender wage gap for educated labor force has much appeal. This study focuses on estimating an analysing wage and employment differences between educated males and females in Palestine by using the Oaxaca-Blinder decomposition, a technique that isolates wage gap due to characteristics, such as discrimination against women. The data used in the analysis is obtained from the Labor Force Survey of the Palestinian Central Bureau of Statistics for the year 2018. The study also analyses gender wage gap attributed to discrimination, especially to underestimation of female graduates' characteristics on the labor market.In this study, a literature review was conducted to establish what is already known about the gender pay gap, in particular, related to Human Capital theory.

The LFS data is used not only to establish the relative pay of different groups but also to identify the personal characteristics that are associated with differences in pay, such as level of education. These variables are referred to in the study as factors of pay gaps, although it is only possible to say that these are associated with, rather than the causes of, pay gaps. This analysis reveals, based on the data available, how much of the pay gap can be explained and how much is left unexplained.

Background

Palestinian women experience a multi-layered oppression; one is the patriarchal structure embedded in both societal norms and traditions and the legal system that discriminates against women, and the other is the oppression of the Israeli occupation that has a disproportionate impact against women.

In Palestine, women regularly and systematically face violence, threats, intimidation, restriction on movement, and discrimination as a result of Israeli policies that violate international humanitarian and human rights law. Violations of women's rights and human rights include property destruction, demolition, and the lack of adequate housing; aggression and targeting of civilians; expansion of settlements and settler violence; forcible eviction of Palestinians from occupied Jerusalem, and collective punishment as a tool in forcible transfer; and targeting women human rights defenders, women journalists and activists. The expansion of Israeli settlements in the West Bank is among the factors that negatively impact the engagement of women in the labor force: The geographic, physical, and social ruptures created by Israel's checkpoints and permanent closures of entrances and exits to residences in many areas seriously impact the mobility of Palestinians, which particularly affects women. The uncertainty with respect to commuting time that comes as a result of Israel's movement restrictions makes it more difficult for women to seek employment outside their local communities, thus reducing their work chances even more compared to men. On the other hand, results of the violence survey in 2019 showed that 15% of currently married women reported that they or at least one of their households' members faced difficulties in reaching their workplace, while 90% of the reasons causing difficulties in reaching workplace in general is restrictions imposed by Israeli occupation forces and settlers including internal and external border crossings. (Palestinain Central Bureau of Statistics, 2019)

Despite high education levels among women, stark gender disparities persist, including high unemployment, low wages and low participation rates in the labor market. Female unemployment tends to be highest among better-educated women, demonstrating the continued mismatch between the skill sets of educated women and labor market demands. Moreover, violence against women and girls remains a serious issue, despite the implementation of a number of commendable measures by the government. Gender-based violence can affect the organization of work, productivity, and working environment. On the community level, the cost of violence at work has a negative impact as it requires rehabilitation or reintegration of the victims, retraining costs for those who lost their job, disability for victims who lost their capacities, and legal consultation expenses. Hence, achieving the implementation of women's rights in the workplace is a responsibility of the government, of employers, and of

women themselves. Lack of knowledge among women about their equal rights as workers is another issue, as working women and new female graduates are not exposed to labor-rights topics, and this is a major constraint that hinders women from effectively acquiring their labor rights that are enshrined under both national legislation and international standards.

Palestine acceded to the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in April 2014 without reservations or declarations, the only state in the Middle East and North Africa region to do so. In July 2018, The Committee on the Elimination of Discrimination against Women reviewed the initial report of the State of Palestine on its implementation of the provisions of the CEDAW. (The Office of the High Commissioner for Human Rights (UN Human Rights) , 1979). In its concluding observations on the initial report of the State of Palestine, CEDAW Committee noted the efforts of the Palestinian government to enhance women's participation and conditions in the labor market; but also expressed its concerns about many issues including the gender pay gap as follows:

"36. The Committee notes the efforts of the State party to improve the participation of women in the labour market, such as the adoption of Labour Act No. 7 of 2000, which governs persons employed in the private sector. The Committee also notes that the Decree Law on Social Security provides for 12 weeks of paid maternity leave. However, it notes the following with concern: (a) The high unemployment rate among women and the lack of concrete measures to enforce the principle of equal pay for work of equal value in order to narrow the gender wage gap in the State party; (b) The concentration of women in the informal sector, including in the agricultural sector, where women working in family enterprises are excluded from social security protection, and the fact that the Labour Act does not extend to domestic workers or to the informal sector, in which women are concentrated; (c) The absence of legislation that prohibits, and sets out the punishment for perpetrators of, sexual harassment in the workplace; (d) The lack of data disaggregated by sex and disability on the participation of women with disabilities in the labour force, since the implementation of the quota pursuant to which 5 per cent of posts in government and non-governmental organizations be reserved for persons with disabilities. 37. The Committee recommends that the State party: (a) Intensify efforts to fully implement the existing laws and regulations on gender equality in employment and reduce unemployment among women by promoting their entry into the formal economy through, among other things, vocational and technical training; (b) Effectively enforce the principle of equal pay for work of equal value in order to narrow and close the gender pay gap by regularly reviewing wages in sectors in which women are concentrated, conducting regular labour inspections, applying gender-neutral analytical job classification and evaluation methods and conducting regular pay surveys; (c) Extend social protection to women working in family enterprises in the agricultural sector and extend the application of the Labour Act to domestic workers and to the informal sector, in which women are concentrated; (d) Adopt legislation to

prohibit sexual harassment in the workplace and to set out the punishment for perpetrators, collect statistical data on the extent of the problem of discrimination on the basis of sex in the workplace, including cases of sexual harassment, and conduct regular labour inspections aimed at enforcing those laws; (e) Provide, in the next periodic report, data disaggregated by sex and disability on the number of women with disabilities who have been employed since the implementation of the quota pursuant to which 5 per cent of posts in government and non-governmental organizations are reserved for persons with disabilities." (The Office of the High Commissioner for Human Rights (UN Human Rights) , 2018)

The Palestinian Authority was conscious of the need to address the gender pay gap; the need to harmonize maternity leave legislation, which was guaranteed at 10 weeks by the labor law and 12 weeks by the law on social protection; and define and criminalize sexual harassment in the workplace. Even though women represented 61 per cent of the university graduates, this did not translate into their greater participation in the labor force and in particular in positions of power and decision-making. (The Office of the High Commissioner for Human Rights (UN Human Rights) , 2018)

According to the ILO's factsheet (2012), there is significant gender pay gap in the West Bank and Gaza Strip, as women's median daily wage is 84 percent men's. The report mentioned that the gap is even wider in the manufacturing sector where women receive only 57 percent of the median wage of men. The prevalence and persistence of wage discrimination against women is reflected in the 20 percent gender pay gap among recent graduates in their first private sector job. "The gender pay gap is driven less by women's lower pay for same work than by their lower pay for work of equal value, which underlines the importance of gender-neutral job evaluations. Occupations more frequently filled by women, such as clerks, administrative assistants, nurses, and teachers, generally receive lower remuneration, but for the same occupation men and women access same wage. This phenomenon is also prevalent in the public sector. The low wages for occupations that are usually filled by women negatively impacts women's labor force participation, particularly if they have children in need of day-care, given the prevailing perception that children are the responsibility of women. In a 2009 survey, 58 percent of Palestinians considered that women employees with small children essentially spent their wages on day-care centers." (International Labour Organization, 2012)

The Palestinian Constitution bans discrimination between men and women; hence it calls for equal pay for the same workday. Article (100) of the Palestinian Labor Law confirmed that it is not allowed to discriminate between males and females in working terms and conditions. (Palestinian BAR Association) However, it seems that employers do not abide by this article of the labor law and most of them do not implement this legislation. If we take a look at

the average daily wage for men and women in different economic activities[1] for the same number of hours worked, and the same occupations[2], we will notice the wage gap between males and females, hence, the discrimination between males and females in the labor market clearly exists. For example, in 2018, the median wage for females working in the agriculture, hunting and fishing 60 NIS, while for males it was 70 NIS. According to economic activity, the average monthly income of females working in commerce, hotels and restaurants was 1,192 NIS, while it was 2131 for males. Females average monthly income for females working in services was 1329, while it was 2223 for males.

Usually, employers do not abide by this legislation, as the average daily wage in New Israeli Shekels (NIS) for wage Employees in Palestine is higher for males than females. In 2018, the average daily wage for females in Palestine was 93.6 NIS, while it was 95 NIS for males. The difference becomes more obvious when we account for region. In the West Bank, the average hourly wage for females in 2018 was 97.5 NIS, while for males was 112.8 NIS. However, in Gaza The gap is in favor of women, where the average daily wage for females in 2018 was 84 NIS, while for males was 67.2 NIS. (Palestinian Central Bureau of Statistics, 2019)

Purpose of the Study

Although limited job opportunities affect everyone in Palestine, especially under the restrictions imposed by Israeli military occupation on the Palestinian economy, a striking feature of the labor market in Palestine is the significantly higher rate of unemployment among females relative to males, with differences in wages between females and males. There are limited studies that focus on gender pay inequality in Palestine's workforce. The purpose of this quantitative research is to determine the extent of the gender wage gap among Palestinian workforce and the main factors contributing to this gap. It explores and analyses how the different elements in Palestinian society and economy work together in further marginalizing women in an already male dominated economy. Specifically, it aims to answer the following questions:

1. Does a gender wage gap exist in the Palestinian labor market? If yes, in which sectors?
2. Do the gender differences vary by age, marital status, region, occupational choices, sector of employment, economic activity, and years of education?
3. What are the most important determinants of income for women and men? To what extent are they similar or different between men and women?

[1] Economic Activities: Commerce, Hotels & Restaurants, Mining, Quarrying & Manufacturing, Construction, Transportation, Storage & Communication

[2] Occupations: Legislators & senior managers, Professionals & technicians, Service & sales workers, Skilled agricultural workers, Craft & related trade workers and Plant and machine operators

4. After controlling for age, marital status, region, occupational choices, sector of employment, economic activity, and years of education, what is the gender wage gap among the Palestinian recent graduates?

Data and Sample

In addressing the questions, the study will attempt to highlight the gender wage gap by estimating how much the characteristics of the labor market in Palestine explain the gender wage gap among females. To that end, this study will use raw data from the Palestinian Central Bureau of Statistics, specifically the raw data of labor force survey for the year 2018, excluding employees in Israeli settlements. The data used in this study restricted to include those who were wage employees aged from 15 to 65 for the year 2018 in the public, private and non-governmental sectors in Palestine.

The first response variable in this study's regression models is average daily wage for females (as the data published by PCBS measures income by average daily wage). The focal explanatory variables in this study include gender, age, marital status, region, occupational choices, sector of employment, economic activity, and years of education. The two categories for the gender variable include males (treated as the reference category) and females.

Significance of the Study

Findings from this study will inform researchers and policy makers on how individuals' education, social characteristics, and occupation-related experiences influence the wages of women and men and how they explain the gender wage gap among Palestinian labor force. In addition, this study's results will reveal the role of occupational choices, sector of employment, age, years of education, marital status and region in explaining gender wage gap when the extent of feminization of the sector (i.e., the proportion of women in the sector) is held constant. An exploration of the gender pay gap within the Palestinian labor force will provide empirical evidence as to what contributes to the gaps, and will estimate the consequence of women's underrepresentation in a given sector on the gender pay gap. Such understanding can facilitate more constructive discussions about equal pay within the different fields and further contribute to the discussion of the gender wage gap in general, hence, it will inform policy makers on the existing gender wage gaps in the Palestinian labor market and will help in initiating policy reforms by building advocacy campaigns based on the findings of this study and other related studies. Drawing on raw data from the Palestinian labor force survey , this study will contribute to the existing body of literature by comparing employment status and earnings for males and females of different levels of education and different sectors. By examining the gender gap in the labor market, we are able to assess the earnings of males and females, taking

into consideration the factors that would dramatically influence the employment and earnings outcomes of males and females.

Sample Descriptive

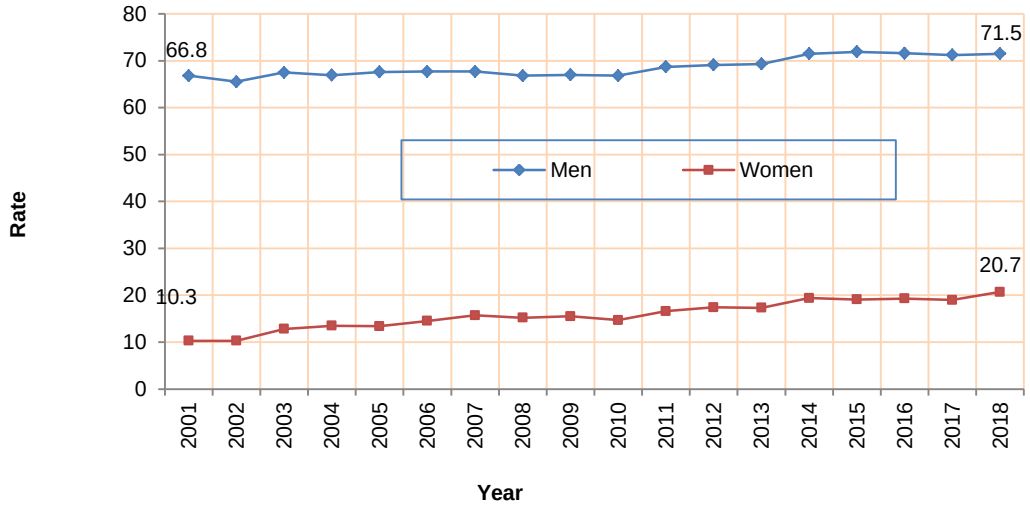
According to the Palestinian Ministry of Education and Higher Education, for the scholastic year 2017/2018 male's enrollment in secondary stage was 71%, compared to female enrollment, which was 91%. As for the percentage of female students enrolled in the Palestinian higher education institutions reached 60% of the total number of students enrolled in institutions of higher education.

As shown in figure 1, despite the increase in participation of women in the labor force in previous years, still, it is very low compared to men, where women participation rate was 20.7% of the total women at work age in 2018, compared to 10% in 2001, while the men participation rate was 71.5% in 2018. The highest labor force participation rate (LFP) was among persons aged 25-34 years which reached 63.6%, 91. % for males and 35.37% for females. (See the table below)

Age group	LFP rate for males and females	LFP rate for males	LFP for females
25-34	63.6%	91. %	35.37%
35-44	59.73%,	92.0%	26.9%
15-24	33.2%	53.1%	12.4%

The labor force participation rate in the West Bank was 46.1% for persons aged 15 years and above: 73.7% for males and 17.6% for females. In Gaza Strip, labor force participation rate was 46.9%, as 67.8% for males compared with 25.7% for females. This highlights the increased discouragement about the desperate economic situation that are causing females to avoid entering the labor force.

Figure (1) Labor force participation rate of women and men (15 years and above) in Palestine, 2001- 2018



*Source: PCBS, Labor Force Survey for the year 2018

Results also show that there was a gap in the average daily wages between men and women, 92 NIS for women compared to 129 NIS for men. (Palestinian Central Bureau of Statistics, 2018)

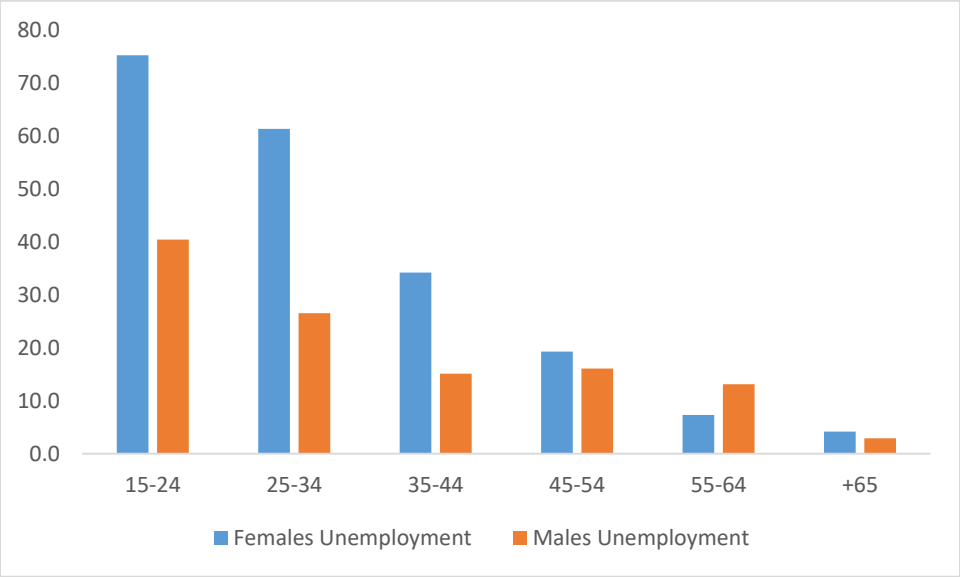
For unemployment rate in 2018 (shown in figure 2), it reached 30.8% distributed as 51.2% for females and 25.0% for males. Results shows that unemployment was concentrated among youth aged 15-24 years at 46.7% (75.2% for females and 40.4% for males) indicating that young women have hard time in transitioning from school to workplace. In the West Bank, the unemployment rate was 17.6% (30.2% for females and 14.7% for males). The unemployment rate among youth aged 15-24 years was 29.9%, distributed as 55.3% for females and 25.7% for males. In Gaza Strip, the unemployment rate was 52%, 74.5% for females for males 43.5%. The unemployment rate among youth aged 15-24 years was 71.8%, distributed as 92.2% for females compared to 65.3% for males. The distribution of unemployment per years of education showed that the percentage of unemployment is the highest among females who have more than 13 years of schooling, which reached to 77.5%, while this percentage was 24.2% for their male counterparts.

Qualitative research reveals that men are usually viewed as the breadwinners of their families and thus more deserving of jobs when competing directly with skilled women. The UN Women's study "Understanding Masculinity" which surveyed the social attitudes of men and women in Palestine on different political, economic, and social aspects, revealed that round 83 per cent of men and 70 per cent of women agreed that men's access to work should take priority over women's when such opportunities are scarce. Therefore, prevailing patriarchal social norms affect the employers' decisions when it comes to hiring new employees.

Moreover, men appear more willing or able to work in low-skilled occupations than skilled women.

Often, men and women with high educational attainment do not compete for the same jobs. The jobs available to educated women are far more limited than those available to educated men. Educated women are more concentrated in certain occupations and economic sectors than educated males. T

Figure (2) Unemployment Distribution by Sex and Age for Females and Males in the Palestinian Labor Market in 2018.



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

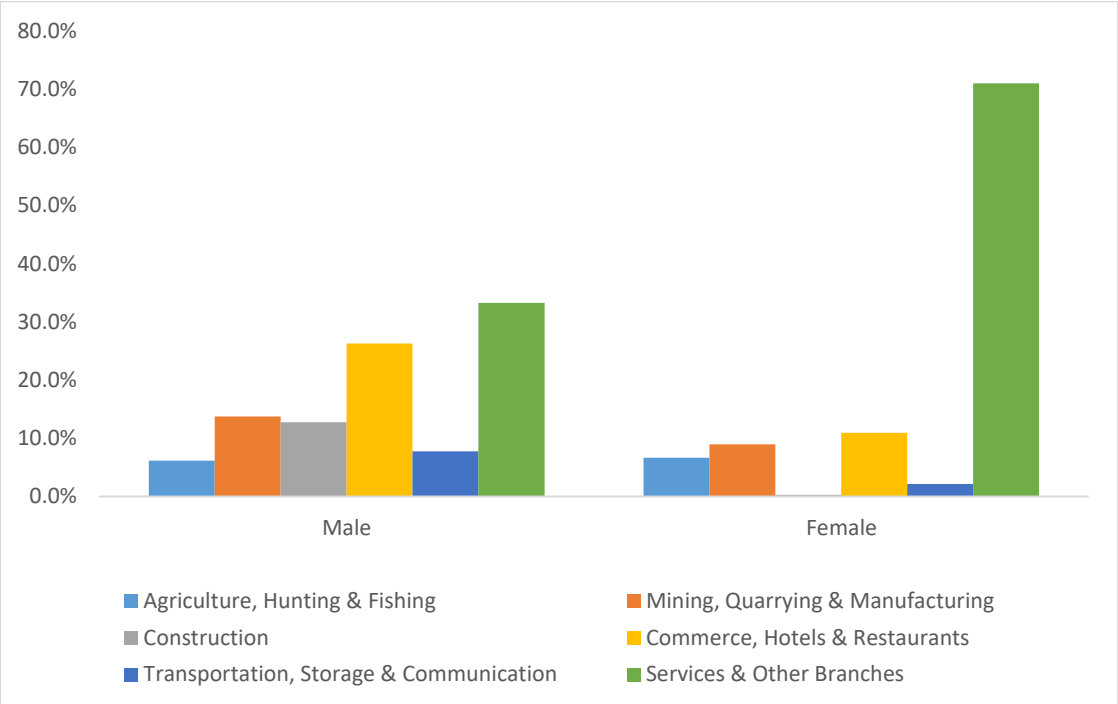
The employment distribution per economic activity (according to the classification of PCBS) in 2018 in the Palestinian labor market, excluding workers in Israeli settlements, was concentrated in the service and other branches activity, which reached 40.1% of employed individuals, distributed as 71% for females, and 33.3% for males. (Palestinian Central Bureau of Statistics, 2019)

Employment Distribution per Economic Activity	Total	males	Females
Service and other branches activity	40.1%	71%	33.3%
Commerce, Hotels & Restaurants	23.5%	11%	25.3%
Mining, Quarrying & Manufacturing	12.9%	9%	13.8%

Transportation, Storage & Communication	6.8%	2.1%	7.8%

The fact that Palestinian women are highly concentrated in two sectors of the economy: services and commerce, and virtually nonexistent in other important sectors of construction and transport creates another layer of impediment women face in the labor market. This concentration implies that women do not have equal access to all sectors compared to men. Although this is a worldwide phenomenon, the situation in Palestine is more extreme and, as a result, Palestinian women experience a higher degree of marginalization in the labor market. (See figure 3)

Figure (3) Employment Distribution by Economic Activity for Females and Males in the Palestinian Labor Market in 2018.



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

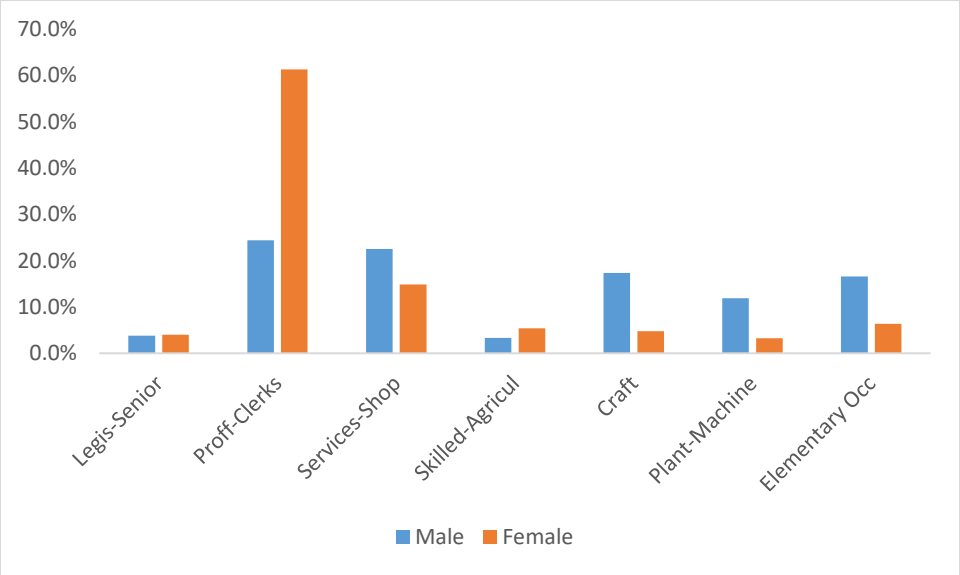
In 2018, employed individuals were distributed according to place of work as 60.1% were employed in the West Bank compared with 26.6% employed in Gaza Strip while 13.3% were employed in Israel and Israeli settlements (which is 18.2% of employed individual in the West Bank), while employed from Gaza Strip had not been accessed to work in Israel or Israeli settlements since 2007. Employed individuals were distributed by employment status as

follows: 69.7% wage employees, 18.9% self-employed, 7.1% were employers, and 4.3% were unpaid family members.

In terms of occupation, 31% of employed individuals in Palestine worked as professionals, technicians and clerks, distributed as 61.3% for females and 24.4% for males. (See figure below) The difference in occupations by sex is closely associated with differences in fields of study. Women tend to study fields geared toward public sector employment and focus on the social sciences and humanities.

Occupation	Total	Females	Males
professionals, technicians and clerks	31%	61.3%	24.4%
service and sales workers	21.2%	14.9%	22.5%
Craft and related trade workers	15.1%	4.8%	17.4%
Plant and machine operators and assemblers	10.3%	3.2%	11.9%
Elementary Occupations	14.8%	6.4%	16.6%
Legislators, senior officials and managers	3.9%	4.1%	3.8%
Skilled agricultural and fishery workers	3.7%	5.4%	3.4%

Figure (4) Employment Distribution by Occupation for Females and Males in the Palestinian Labor Market in 2018.

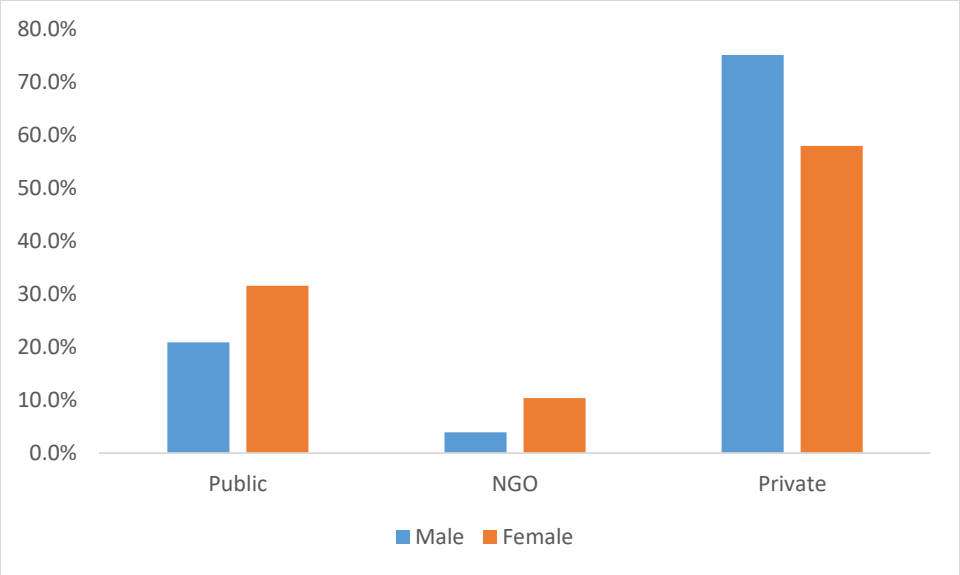


Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

Results indicated that the percentage of male wage employees is higher in private sector compared with public sector, as the percentage of wage employees in the public sector (Palestinian governmental sector) was 22.8% in 2018 distributed as 31.6% for females and 20.9% for males. In the private sector, the percentage of employment reached 72.1%, distributed as 58% females and 75.2 for males, while in the non-governmental sector the employment was 5.1%, distributed as 10.4% females and 3.9% males. The breakdown of wage employment share by gender and sector is shown in Figure 5.

In general, females' share of wage employment in the private sector is lower than males' wages. However, it is higher in the public and non-governmental sector. This points out that the majority of female employment is in the service sector. (See figure 5)

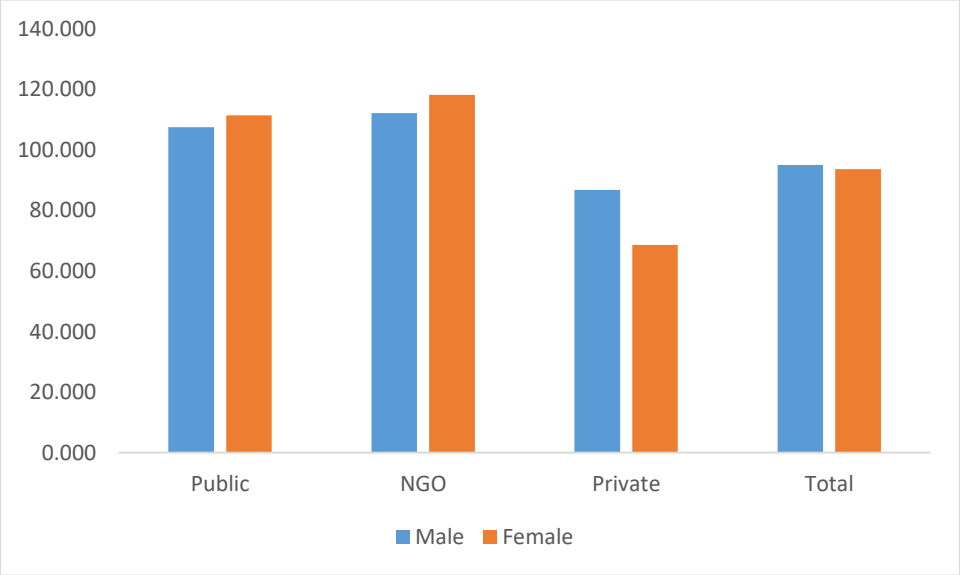
Figure (5) Employment Distribution by Sector of Employment for Females and Males in the Palestinian Labor Market in 2018.



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

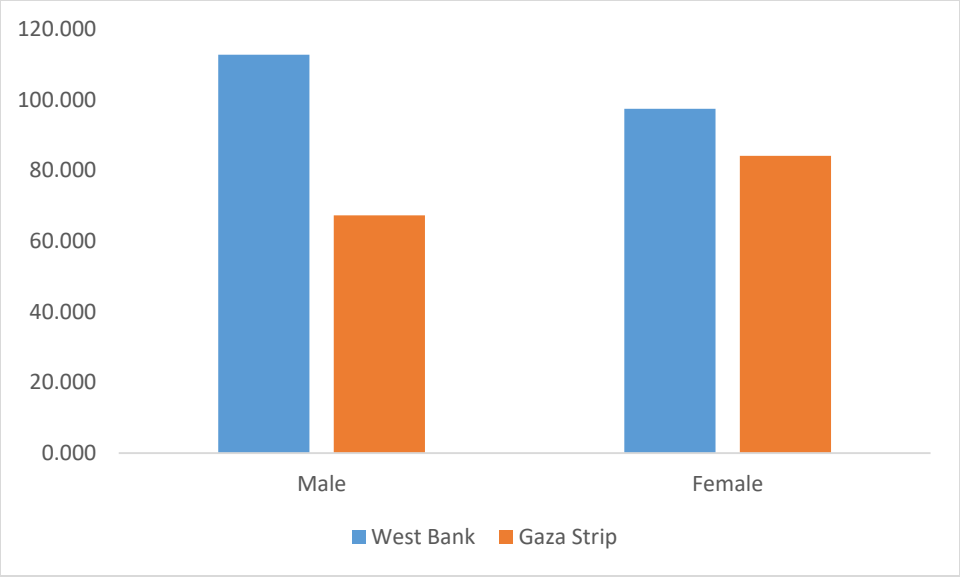
The figure below shows that average hourly wage for females in the private sector is lower than the average hourly wage for their male counterparts. However, female wages are higher in the public sector, and the non-governmental sector. This can be explained by the higher level of education among females, which is reflected by higher salaries in the public sector which has a unified salary scale according to level of education and experience.

Figure (6) Average Hourly Wage by Sector for Females and Males in Palestine, 2018



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

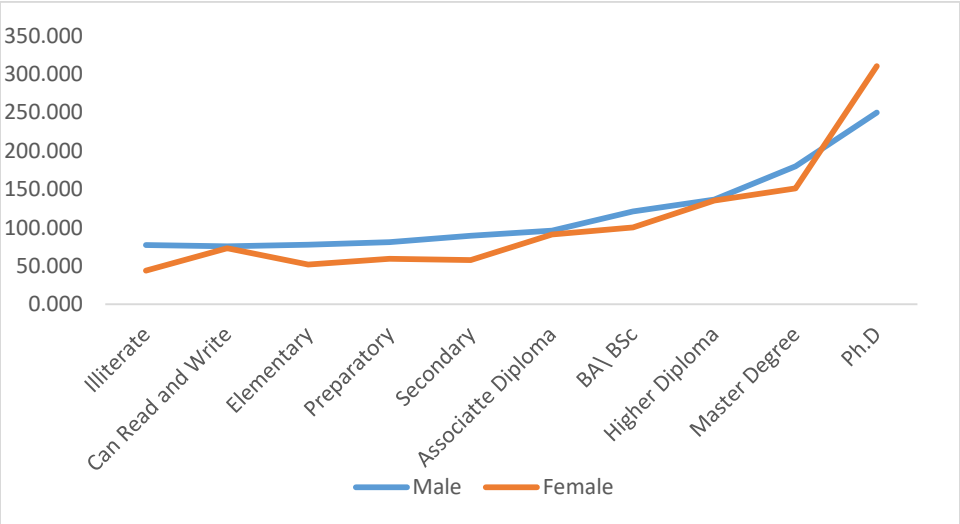
Figure (7) Average Hourly Wage per Region for Females and Males in Palestine, 2018



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

With respect to educational attainment, Palestinians wage employees with more educational attainment earn wages that are higher than those of workers with less education. This finding is in line with evidence that a more educated cohort can likely afford to wait longer to find desirable jobs with higher wages. As figure 8 shows, the gender wage gap is narrowed down by the increase of educational attainment. At the level of PHD, females' wages are higher than males' wages.

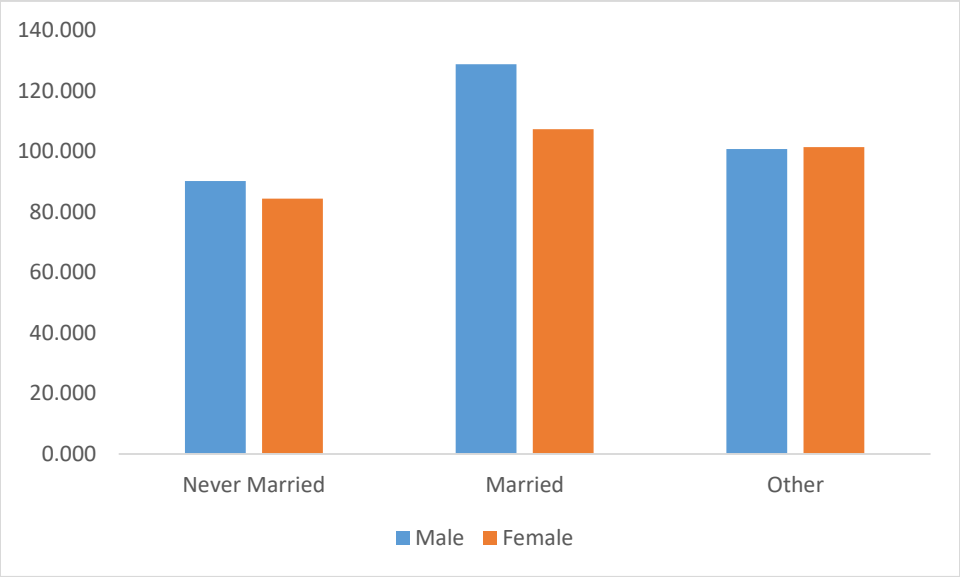
Figure (8) Average Hourly Wage by Educational Attainment for Females and Males in Palestine, 2018



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

According to marital status, never married individuals, whether male or female, tend to earn lower wages than married individuals, which can be explained by family allowances for employment in any sector. As shown in figure 8, the results of labor force survey for 2018 also shows that married women receive higher wages than unmarried women.

Figure (9) Average Hourly Wage by marital status for Females and Males in Palestine, 2018



Source: Authors Calculations based on Raw Data, PCBS, Labor Force Survey, 2018

Theoretical Literature on Gender Wage Gap

One of the elements of gender inequality is gender wage gap, which most scholars argue that it causes slower economic development and growth. According to the World Bank, "Greater gender equality can enhance productivity, improve development outcomes for the next generation, and make institutions more representative" (World Bank, 2011). However, it is important to understand the factors leading to gender wage gap and its correlations with economic growth. Many scholars emphasize the lack of women and girls' access to education due to cultural, religious and societal restrictions, resulting in lower human capital and, inevitably lower economic developments (Klasen & Lamanna, 2009; Klasen, 2002; Knowles, Lorgelly, & Owen, 2002). In an Article for Equilibrium titled "The Impact of Gender Wage Gap on Sectoral Economic Growth – Cross-country Approach", Wolszak-Derlacz investigates the impact of gender wage gap on economic development in 18 OECD (Organization for Economic Co-operation and Development) countries, evidencing a negative relations between gender wage gap on one hand and productivity and sectoral growth on the other hand. Therefore, in addition to the personal discriminations female workers face, gender wage gap leads to a

minimized human capital on the short term and a slower economic growth on the long run. (Wolszczak-Derlacz, 2013)

With the economic developments and growing labor market worldwide, the gender wage gap has attracted the attention of many researchers and policy makers. While gender inequality harms women on many levels, gender wage gap has resulted in slower economic growth and less societal developments. Gender wage gap is at the intersection of the historical, cultural, societal, political, and economic discriminations and norms against women, providing women with less opportunities and binding constrains for personal capacity developments in the labor market. Understanding what gender wage gap is and its root causes is a prerequisite for projecting a fully fledge economic model and for economic development. In order to understand the nature of Gender Wage Gap, it is important to dissect factors contributing to its creations.

The Segmented Labor Market theory explains the gender wage gap by the occupational segregation of females and males, where females tend to be in lower paid occupations than males. The theory focuses on employing organizations (the demand side), the architects of the employment system, in the shaping of labor market inequalities. According to Reich, Gordon and Edwards (1973), labor market segmentation is the "historical process whereby political-economic forces encourage the division of the labor market into separate submarkets, or segments, distinguished by different labor market characteristics and behavior rules." This division leads to differential in earnings among people who have similar occupations, work in the same industries, or have the same levels of productivity (Pignatti, 2010). Labor Market Segmentation result in occupational sex segregation, which occurs as a result of certain jobs being characterized as 'female' jobs and other jobs are characterized as being 'male' jobs. Economists suggest that wages tend to be lower in 'female' occupations because the greater prevalence of part-time opportunities and labor market discrimination can result in an over-supply of female labor for these jobs. Labor Market Segmentation theory argued that the labor market could be divided into a secondary and a primary segment (dual labor market). The primary segment is called Internal Labor Markets (ILM), characterized by high-wage jobs, returns to human capital, large firms and job security. The secondary segment, on the other hand, is characterized by low-wage jobs, no returns to human capital, and a high degree of job insecurity. Furthermore, mobility between the segments is severely restricted and jobs in the primary segment are rationed. According to the LMS theory, segmentation may occur mainly because competitive market forces are replaced by corporate rules. Thus, one implication of LMS is that the price mechanism does not function well in the primary segment; at least not as well as in the secondary segment. Segmented labor markets are thus the outcome of a segmentation process. Segments may cut horizontally across the occupational hierarchy as well as vertically.

The primary and secondary segments are differentiated mainly by stability characteristics. Primary jobs require and develop stable working habits; skills are often acquired on the job, wages are relatively high, and job ladders exist. Secondary jobs do not require and often discourage stable working habits, wages are low; turnover is high; and job ladders are few. Secondary jobs are mainly (though not exclusively) filled by minority workers, women, and youth.

Researchers described the segmentation within the primary sector as "subordinate" and "independent" primary jobs. Subordinate primary jobs are routinized and encourage personality characteristics of dependability, discipline, responsiveness to rules and authority, and acceptance of a firm's goals. Examples of this segment are factory and office jobs. In contrast, independent primary jobs encourage and require creative, problem- solving, and self-initiating characteristics and often have professional standards for work. Voluntary turnover is high and individual motivation and achievement are highly rewarded.

Sex segregation implies that certain jobs have generally been restricted to men; others to women. Wages in the female segment are usually lower than in comparable male jobs; female jobs often require and encourage a "serving mentality and orientation toward providing services to other people and particularly to men. These characteristics are encouraged by family and schooling institutions. (Reich, Gordon, & Edwards, 1973)

On the other hand, Human capital theory, which has its roots in Adam Smith's *The Wealth of Nations*, lays the ground to analyzing the start and continuity of Gender Wage Gap. While discussing specialization and human capacity development, Smith discusses the impact of education and employable skills on wage disparities. Furthermore, the theory hypothesizes a positive relation between education—as an investment on a personal level to increase one's knowledge, skills, and capacities—and employability opportunities, productivity, and wage rise (Smith, 1776).

However, other variables and binding constrains can heavily impact this relation. For example, while wage rise depends on a person employability skills and productivity, productivity itself is influenced by access to education, which may vary based on one's gender, skin color, migration, and access to healthcare (Becker G. , 1962; Mincer & Polachek, 1974; Erosa, Fuster, & Restuccia, 2016; Becker G. , 1993). From a gendered perspective, due to the uneven division of labor and the societal considerations for men and women, gender wage gap is inevitable. The gendered norms are translated into economic phenomena in the division of labor, job opportunities, and wage rise. Female workers face the mythologies and norms of men being naturally strong and more capable and women being naturally incapacitated peaceful weak "beautiful souls" in needs of physical and financial protection provided by men (Sjoberg & Gentry, 2007; Elshtain, 1992; MacKenzie, 2012). Therefore, men are historically

placed as "bread winners" of the family, and women are situated as caregivers to children and family, moving them away from the labor market and justifying their unnecessary need for education, human capital development, and labor market experience (Erosa, Fuster, & Restuccia, 2016; Bertrand, Kamenica, & Pan, 2015). These biding constrains give women a late start in the labor market, placing gender wage gap at the intersectionality of gender, societal stereotypes, and discriminatory situation, resulting in less human capital development and productivity for women.

The human capital theory analyzes gender differences in qualifications, which implies that every person has a certain level of endowment of human capital. Human capital can be determined as the abilities, skills, education, training, and experience. The human capital theory suggests that the endowment of these qualifications are the basis for the earnings everyone receives. Mincer and Polacheck (1974) explained how traditional division of labor by gender in the family adversely impacts women's decisions to accumulate labor market experience than men. As women anticipate shorter and discontinuous work patterns, their incentives to invest in labor market oriented formal education and on the job training are less. Therefore, the lower human capital investments women pursue, the lower their earnings compared to men. On the other hand, the longer hours that women spend on housework, they are less likely to put effort into their market jobs compared to men, which decreased hours worked, and reduce their productivity and wages (Mincer & Polachek, 1974).

Human Capital Theory seeks to explain wage differentials as a consequence of differing human capital stocks that determine an individual's marginal productivity. Human capital stock is defined in *Fundamentals of Labor Economics*, as "the stock of knowledge, skills, aptitudes, education, and training that an individual or a group of individuals possess" (Robert, Thomas, & Geraint, 2004). The theory addresses the heterogeneous nature of the labor market, relaxing the basic model assumption of homogeneity. Many studies documented that workers with more education earn higher wages. Human capital analysis explains this as the increased productivity of those more highly trained workers. Individuals who invest money and time (which can be evaluated monetarily by the opportunity cost of forgoing work options) gain skills that improves their human capital and ultimately their productivity.

The Human Capital theory allows us to examine a variety of other characteristics as part of human capital investments. These include school quality, attitudes towards work, work motivation, additional training, etc. One's incentive to invest in training is directly proportional to the time one expects to work over a lifetime. The theory contends that because females anticipate less time in the labor market due to child rearing or other career interrupting issues, they invest less time and money into education and training, and therefore do not reap rewards compared to males. As a result, employers anticipate this tendency and the resulting effects.

This type of reasoning helps us progress towards understanding differences in earnings across workers that are not accounted by schooling differences alone.

Following on from the human capital approach, it has been popular to decompose and quantify the influence of a range of observable characteristics, such as education, age, occupational choices, marital status, area of residency and other characteristics on the gender wage gap and the extent to which this explains the gap. This approach attempts to identify the core elements responsible for the difference between male and female wages. These analyses provide a measure of the level of the gap that is 'explainable' with the unexplainable element often labelled as resulting from unobservable factors such as discrimination.

Scholar Solomon W. Polachek argues the value of the Human Capital Model and claims that it explains why the gender wage gap has narrowed. According to Polachek (2004), "Secularly rising women's labor force participation relative to men's implies that women's human capital investments should intensify compared to men's." The rise in female relative human capital investments to males suggests a narrowing in the gender wage gap. (Polachek, 2004) For example, Becker (1985) argues further that (married) women expend less efforts and time on market work by seeking less demanding jobs. Following these propositions, the gender wage gap can be explained by human capital differences between men and women and should disappear if human capital is adequately measured. (Becker G. S., 1985)

However, the Human Capital theory has many disadvantages. For example, every difference in remuneration that is observed in the labor market cannot possibly be caused by the acquisition of human capital. The unobserved heterogeneity issue accounts for other skills, in some other dimensions, that are not being measured by characteristics of labor force. The presumption that all pay differences are related to skills is too broad and can be subject to errors by not accounting for compensating differentials, labor market imperfections, and workplace/hiring discrimination.

Several studies that analyzed gender wage gap suggest that human capital theory and its endowment factors that explain variances in wages between women and men is important in explaining the gender wage gap, but there are also many critics arguing that women and men cannot be studied as autonomous individuals and the different conditions they face in their working life must be put in material and social context (Regeringskansliet, 2000). Moreover, human capital differences may not explain the entire wage gap. Only a limited part of the wage gaps can be explained by included factors such as education, work experience. In Many countries, including Palestine, women are actually better educated than men on average, but they work more often in low wages sectors and occupations.

The theories of general discrimination and statistical discrimination are important to understanding a portion of the gender wage gap that cannot be clearly explained by the Human Capital Theory.

According to Labor market discrimination theory, the unexplained portion of the pay gap is generally presumed to be due to labor market discrimination, which affects women's' wages and occupations. Different concepts of discrimination are used to describe and analyze conditions on the labor market. Economic discrimination is defined as when identical workers receive different pay doing the same job, or are given different chances of employment or promotion. It is the presence of different pay for workers of the same ability but who are in different groups, e.g. male, female, which is defined as direct discrimination (Schieder & Gould, 2016). The term distribution discrimination pertains to women facing limited access to rewarding position within an organization and receive unequal treatment of people in higher positions about recruitment and promotion. The term value discrimination means that jobs performed mostly by women are paid less than those jobs that are performed primarily by men, while Wage discrimination is the material foundation for the subordination of women and for the lack of economic equality. (Arrow, 1972)

After examining human capital differences, occupational, and industrial structures, a portion of the gender pay gap remains unexplained. According to Becker, it has been argued that this unexplainable portion is due to discrimination. Becker (1985) developed a theory of discrimination to formalize the racial discrimination found among male workers in the U.S. Becker's model states that due to a 'taste' for discrimination, the following three channels could exhibit discrimination: the employer, the employees or the customers. When someone has a 'taste' for discrimination', he or she acts as if there was a non-pecuniary cost of hiring, working with or buying from the other person. In this particular case, it would be women who are discriminated against based on human capital investments or elements of job segregation as previously discussed. In addition, the Theory of Statistical Discrimination was developed by Phelps (1972) and Arrow (1973). This theory analyzes the perceptions of gender differences in productivity and ability, and suggests that if employers believe that certain workers (such as women) generally have low levels of productivity and ability, they are not likely to hire them or will pay them less. This type of discrimination is based on individual level hiring practices and is a result of survey data analysis. Although gender discrimination still exists today, it is difficult to gather data on personal prejudices and quantify such hiring practices.

Grybaite (2006) concluded in her paper on theoretical approaches to gender wage gap that both human capital theory and labor market discrimination theory are useful to understand reasons of gender pay inequity, however, no one of reviewed models can be demonstrated to be superior to the others in explaining gender pay gap and in proposing the

ways to solve the problem. She emphasized on the importance of legislation and collective agreements, movement of trade unions in combatting wage discrimination. (Grybaite, 2006).

Empirical Literature

While there have been a lot of studies on the main reasons of gender wage gap and contributing factors, such as geographical location, occupation, type of industry of employment, and field of education, there remains significant proportion of gender wage gap that cannot be fully explained, even in controlling these mentioned factors behind this ever-green economic phenomena Finnie and Wannell (2014) showed through their empirical analysis of the gender earnings gap among recent Canadian Bachelor's level university graduates that the overall gap as of two years leaving university narrowed significantly across successive cohorts of graduates, but widened significantly from two to five years out for all groups. Differences in the explanatory variables 'explained' account for between 40% and essentially the entire gap across the different periods, this portion rising from two to five years out and across cohorts. By the final group, all of the gap is thus 'explained' at the two-year point in time, and most of it is explained at the five-year mark, meaning that labor market returns are largely gender-neutral for the last group of graduates. Hours of work is the single most important influence, while past work experience, job characteristics, family status, and province of residence and language have smaller and more mixed effects. (Finnie & Wannell, 2004).

While the field of education and access to education might be a determining factor for early graduates, many studies have shown gender wage gap increases with the age, which are highly due to the disproportionate by careers breaks and on job trainings for male and female employees (Finnie & Wannell, 2004). In a study among graduate studies by Christianne Corbett and Catherine Hill, American leading anthropologist and economist, titled *Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation* in 2012 among graduates in the USA discovered that “women earned just over $38,000, while men earned just over $45,000” for the same major of graduation (Corbett & Hill, 2012). In their study, female teachers were earning only 89% of what their male colleagues earned after one year of graduation and in the sales occupation, they were earning only 77% of what their male peers would earn. According to another study conducted in Australia using the GDS data (1999–2009) and the Blinder-Oaxaca decomposition, the wage gap has always remained 5%-15% depending on the type of industry for workers within the same skill sets, field of studies, and work experience; the wage gap was only explained by gender discrimination while the other factors were controlled (Li and Miller, 2012; Borland, 1999).

The freedom of choosing a major of study is common on many of the western countries, the choice of studying in determined by the final grade students get in their final year of high

school in most of the Middle Eastern countries, including Palestine. Regardless of the freedom of selection and the timing students decide to specialize, the gender wage gap remains unchanged. Ofer Malamud, Professor of Human Development and Social Policy, from North Western University in Chicago analyzed the labor market outcomes of two different educational systems in his article, "The Timing of Specialization in Higher Education". One educational system requires students to decide on their specialization or field of study prior to their enrollment to the higher education system allowing them to accumulate more human capital in a specific field during their years of study, while the other system leaves this choice for students to decide on their specialization on a later stage during their years of study, allowing them to accumulate more information and knowledge on specific field.

In his paper, Malmud examined the tradeoff between the acquisitions of specific skills by deciding on specialization prior to university enrollment, versus broader learning about match quality in different fields of study. The model Malmud developed was extended to include the choice of switching to occupations different than the ones chosen upon entry into the labor market, based on observations from the English and Scottish systems of higher education (Malamud, 2010). The study provided an evidence of the prediction that individuals who switch to unrelated occupations experience lower initial wages. Malmud found that the wage differential associated with switching fields of study on a later stage suggests a larger wage loss in England than Scotland; hence, more individuals in England suffer a loss in their initial wages upon their entrance to the labor market. However, the wage differential does not persist over time. Specifically, Malmud found that the wage differential becomes insignificant 6 years after the entrance in the labor market (Malamud, 2010).

The Palestinian society has one of the most significantly high rate of gender wage gap with almost 30 per cent difference between male and female workers, accompanied with the high rate of unemployment among women compared to men (Palestinian Central Bureau of Statistics, 2018). Saleh Al Kafri and Kahdijah Hussein, in their book *Discrimination in the Palestinian Labor Market: A Gender Perspective* addressed the issue of gender discrimination in the Palestinian labor market from various aspects, including the gender wage gap. They used the "Conditions of Graduates from High Education and Vocational Training Survey, 2006" to analyze the gender gap and showed that wages vary between males and female's employees from youth graduates. For example, females who graduated from the same field of study like males, and were employed in the private sector, received wages less than what males received, as females received average daily wage of 70 NIS, compared to 93 NIS for their males' counterparts (Al Kafri & Hussein, 2011). Additionally, opportunities and trainings given to female workers are lower than those given to the males, which increases the gap between males and females. The Conditions of Graduates Survey for the year 2006 showed that there is a variation in graduates' wages in their first month of employment. The author mentioned that

this is a precise indication which proves that there is a clear distinction between males and females, given that the comparison made between a homogenous group with no previous experience or training.

Furthermore, the discrepancy in favor of men is due in part to the promotion, habilitation and training mechanisms and the accumulation of experience. The government sector, gives the same wages for males and females without distinction; however, it is indicated that there is a variation in pay between males and females in favor of men, where women's wages relative to men's in the West Bank in the government sector reached up to 89.3%, and in the Gaza Strip, 89.6% (Al Kafri & Hussein, 2011). The public sector male employees who work in the civil services receive trainings and courses to increase their abilities and qualify them for higher degrees and promotions, since there is a positive relationship between qualification, experience and knowledge, and promotion females were more likely to get higher degrees in the annual evaluation; hence pay raise. The author concluded that an explicit discrimination in wages exists. Not because women receive wages less than men in the same position, but because of the nature of position that is given to women, such as secretarial profession, or administrative assistant, or nursing, or teaching. So, the source of this pay gap is largely due to the discrimination in opportunities.

The huge wage gap between men and women and extremely low women's wages drive them towards the services sector which mostly involves working in the governmental sector and thus reducing working women's participation in other productive sectors. As for the main occupation, statistics indicate that the wage gap between men and women increases in handicrafts and similar occupations where women are paid 37% of men's average wages in this occupational category. Moreover, women working in higher positions such as senior administration and legislation receive on average 72% of the wages received by their men counterparts (Shabaneh & Al Saleh, 2009). Women working in services and market sales, on the other hand, receive 81% of wages received by men working in this category, and women in the "technical, associate professionals and clerks" category receive 81% of wages received by men in the same category (Shabaneh & Al Saleh, 2009). This probably explains why women choose traditional occupations such as teachers in elementary or secondary education or working in ministries and public sector service establishments.

As for the qualification, statistics show the role of education as the main gateway to improve the average of daily wages for women compared to men. Women with qualifications below elementary education receive 71% of wages received by men in the same category and working women with preparatory secondary level qualifications receive 58% of wages received by men while women with post-secondary qualifications receive nearly 64% of daily wages received by men in the same category. According to sectors, statistics indicate that women's

average wages are equal to approximately 97% of those of men in the public sector, 67% in the private sector and approximately 79% in other sectors. Hence, the main problem is in the wage gap in the Palestinian private sector. The above findings show that the more women are educated, the more are their daily wages, which confirms the fact that some uneducated women refrain from entering the labor market as it requires a certain level of education. This also is a natural result for women's concentration in the traditional occupations such as education and health which require qualifications to compete for (Shabaneh & Al Saleh, 2009; Alkafri & Husein, 2011).

Many studies indicated that women suffer from wage discrimination in the Palestinian labor markets. Some studies mentioned that there are significant pay differentials between males and females who work in the same sectors of employment, and who do similar work in the same level. Some researchers showed that there is evidence that occupations that are female-concentrated like teachers, seem to reduce wage levels for men in those areas "The notion of "family income" in which it is assumed that female wages only supplement that of a male breadwinner appears to be a common assumption that deflates women's wages throughout the economy, and also shows up in policies excluding female employees from health insurance and family benefits" (Daoud & Shanti, 2012).

Methodology

The common method of measuring the gender wage gap is to estimate the semi-log wages equations for both male and female. The wage equations are standard human capital (Mincer, 1974; Becker, 1975) forms; where the log of the wage of individual I in sector j depends on schooling and a group of social and personal characteristics (X_j).

The study uses Oaxaca wage decomposition method (1973) to decompose the average hourly wage differences between men and women into their explained and unexplained portions. This decomposition is presented in specification that follows from the Ordinary Least Squares (OLS) regressions, in which the dependent variable is the logarithm of daily wages and the independent variables are: education level as a continuous variable, age as a continuous variable, region (Gaza or West Bank) as a dummy variable, occupation as a dummy variable, economic activity as a dummy variable, marital status as a dummy variable, and sector as a dummy variable. Coefficients will be converted from the logarithmic scale to the original scale (Israel Shekels). Therefore, the coefficients can be understood in percentage terms.

The equation that is used to estimate the daily wage consists of social, educational and personal characteristics:

$$Ln(W) = \beta_0 + \beta_1 age + \beta_2 Edu + \beta_3 Dreg + \lambda_j Docc_j + Z_l Dind_l + Y_k Dmar_k + V_r Dsec_r + \varepsilon \quad \ldots\ldots\ldots\ldots \textbf{(1)}$$

Where Ln(W) is natural logarithm of daily wage, age is the age of employee, edu is years of education, Dreg is dummy variable of region (west bank =1, Gaza strip=0), Docc is dummy variable of occupation (j=2,…,7), Dind is dummy variable of economic activity (l =2,…,6), Dmar is dummy variable of marital status (k=2,3), Dsec is dummy variable of sector (r=2,3), β,λ,Z,Y,V are coefficients.

Oaxaca Blinders decomposition of natural logarithm mean wages is performed to explain how the total gap is interpreted by changes in variables (X) which affect wage such as age, years of education, region, occupation, economic activity, marital status and sector. The log wage differential be defined as follows:

$$\underbrace{\overline{Ln(W_M)} - \overline{Ln(W_F)}}_{R} = \underbrace{(\overline{X_M} - \overline{X_F})'\beta_F}_{E} + \underbrace{\overline{X_F}'(\beta_M - \beta_F)}_{C} + \underbrace{(\overline{X_M} - \overline{X_F})'(\beta_M - \beta_F)}_{I} \quad \textbf{....(2)}$$

Where M is the males to be compared with Females (F). R is the difference, if R statistically significant, the decomposition is performed. Endowments factor (E), that is what would be the mean increase (or decrease) if the discriminated group (females) had the same characteristic as

favored group (males). Interaction factor (I) measures simultaneous effect of previous two factors.

Analysis and Results

Table (1) Estimates of daily wage equations of males and females

Males model (n=10,088, R-squared=0.5664), Females model (n=2,613, R-squared=0.491

Variables	Male		Female	
	Coefficient	std	Coefficient	std
Age	0.0114***	(0.000566)	0.0140***	(0.00111)
Years of education	0.0412***	(0.00154)	0.0559***	(0.00488)
Region (dummy variable (WB)	0.778***	(0.0103)	0.453***	(0.0225)
Professional -Clerks	-0.264***	(0.0313)	-0.215***	(0.0502)
Services-Shop	-0.286***	(0.0341)	-0.528***	(0.0703)
Skilled-Agriculture	-0.325***	(0.0801)	0.0763	(0.510)
Craft	-0.295***	(0.0363)	-0.649***	(0.122)
Plant-Machine	-0.342***	(0.0365)	-0.323***	(0.102)
Elementary Occupation	-0.457***	(0.0349)	-0.268***	(0.0722)
Mining, Quarrying & Manufacturing	0.214***	(0.0278)	0.229*	(0.121)
Construction	0.508***	(0.0267)	0.419*	(0.248)
Commerce, Hotels & Restaurants	0.0634**	(0.0265)	0.182	(0.124)
Transportation, Storage & Communication	-0.0292	(0.0330)	0.353***	(0.136)
Services & Other Branches	0.211***	(0.0289)	0.00363	(0.115)
Married	0.161***	(0.0142)	0.120***	(0.0244)
Others	-0.0490	(0.0661)	0.0406	(0.0432)
NGO	-0.0601***	(0.0198)	0.107***	(0.0294)
Private	-0.292***	(0.0184)	-0.577***	(0.0259)
Constant	3.170***	(0.0539)	3.041***	(0.162)

*** p<0.01, ** p<0.05, * p<0.1

Table (2): Estimates of daily wage equations of Palestinian labors in private sector

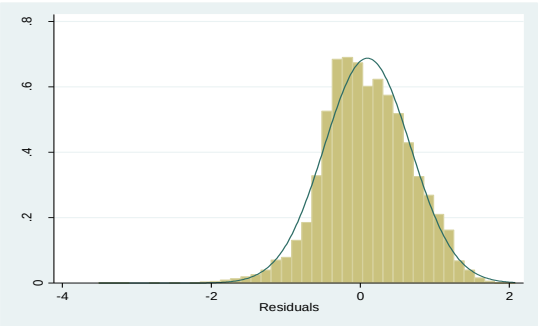
VARIABLES	(1) lndwage
Age	0.0190***
	(0.000964)
Years of education	0.0334***
	(0.00300)
Professional - Clerks Services- Shop	-0.554***
	(0.0735)
Skilled- Agriculture Craft	-0.992***
	(0.0764)
Plant- Machine Elementary Occupation	-0.724***
	(0.136)
Professional - Clerks Services- Shop	-0.825***
	(0.0774)
Skilled- Agriculture Craft	-0.804***
	(0.0779)
Plant- Machine	-0.934***
	(0.0765)
Agriculture	0.151***
	(0.0499)
Mining, Quarrying & Manufacturing Construction	0.587***
	(0.0380)
Commerce, Hotels & Restaurants Transportation,	0.937***
Storage &	(0.0418)

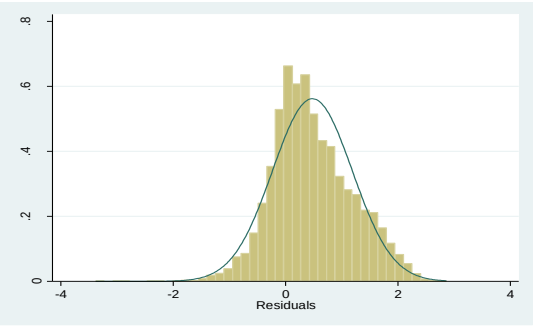
Communication	
Services & Other Branches	0.429***
Mining, Quarrying & Manufacturing	
	(0.0399)
Construction	-
Commerce, Hotels & Restaurants	
Transportation, Storage & Communication	0.334***
	(0.0404)
Married	-0.147***
	(0.0221)
Others	-0.107
	(0.0711)
Gender (Female=1)	-0.436***
	(0.0280)
Constant	3.613***
	(0.0982)
Observations	7,094
R-squared	0.233

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

- **Test of Normality of error term**

1. Histogram of residuals of males model **2. Histogram of residuals of females' model**





The histogram of residuals above of both male and female shows that the residuals distributed normally, which allow to use the models results.

- **Test of multicollinearity**

Table (3) Variance inflation factor for all models

	VIF		
	Male's model	Female's model	All labor's model in private sector
Pr1	2.07	1.41	1.83
Pr3	1.49	2.5	1.62

Since VIF (table 3) of Pr1 (age) and Pr3 (years of education) in both models is less than 10, this means that the two models are free from multicollinearity problem.

The results above shows the coefficient value and significance level of each variable of both male and female models. According to statistics' results, male daily wage in West Bank showed to be higher than the male daily wage in Gaza Strip by 77.8%. On the other hand, female daily wage in West Bank is higher than the female daily wage in Gaza Strip by 45.3%.

As shown in the Male model (Table 1), all variables are significant at 0.05 level of significance except the transportation, storage and communication activity comparing with agriculture. The same applies for marital status, as "married" status is significant comparing to "unmarried" status.

According to marital status, the daily wage of married male workers is higher than daily wage of unmarried male workers by 16.1%. For females, the daily wage of married female workers is higher than the daily wage of unmarried female workers by 12%. (See figure below)

For female model (Table 1), all variables are significant at 0.05 level of significance per occupation except for the skilled agricultural and fishery category, setting legislators, senior officials and managers as the reference category. All variables are significant at 0.05 level of significance per economic activity, comparing with agriculture, hunting and fishing activity as the reference group, the same applies for and other marital status comparing with unmarried as a reference category.

According to economic activities, setting the agriculture, hunting and fishing activity as the reference category, male daily wages mining, quarrying and manufacturing activity is higher

than the daily wage of male workers in agriculture by 21.4%, construction workers' daily wage is higher than the daily wage of agriculture workers by 50.8%. For the daily wage of males working in commerce, hotels and restaurants workers, it is higher than the daily wage of agriculture workers by 6.3%, while services workers daily wage is higher than daily wage of agriculture workers by 21.1%.

According to sectors, setting the public sector as a reference category, the daily wage of males working in NGO sector is less than the daily wage of public workers by 6%, and the private workers daily wages less than the daily wage of public workers by 29.2%. On the other hand, for females, the daily wage of females who work in NGO sector is higher than the daily wage of public workers by 1.1%, while daily wages for females working in the private sector is less than the daily wage of females working in the public sector by 57.7%.

According to age, the results show that as age increases by one year the female daily wage increases by 1.4%. However, as years of education increase by one year, the male daily wage increases by 4.12%.

By years of education, as years of education increase by one year the female daily wage increases by 5.6%. On the other hand, as years of education increase by one year the male daily wage increases by 4.12%.

According to occupations, and setting legislators, senior officials and managers as the reference category, the daily wage of male professionals, technicians, associates and clerks is less than the daily wage of male legislators, senior officials and managers by 26.4%. Service and sales workers' daily wage is less than the reference category by 28.6%, skilled agricultural & fishery workers' daily wage is less than the daily wage of reference group by 32.5%, while craft and related trade workers' daily wage is less than it by 29.5%, plant machine is less than it by 34.2% and elementary occupation is less than the daily wage of reference category by 45.7%.

As for females, the female model shows that the female daily wage of female professionals, technicians, associates and clerks is less than female legislators, senior officials and managers by 21.5%. Female service and sales workers' daily wage is less than the reference category by 52.8%, while female craft and related trade workers' daily wage is less than it 64.9%, female workers' daily wage in plant machine is less than the daily wage of the reference by 32.3% and female daily wages of elementary occupations daily wage is less than the reference by 26.8%.

According to economic activities comparing with agriculture activity female daily wages is higher than workers in agriculture activity by 35.3%.

Estimates of daily wage equations of all employees by wage in private sector.

In general, by estimating the model for all labors in private sector only and adding the variable df (dummy variable, 1: female, 0: males) which indicates the difference between the labors wages by gender. According to results in table (2), it shows that df is significant at level 0.05 and coefficient equals -0.436, this means that the wage of females is less than males by 43.6%.

Oaxaca Blinders Decomposition

Table (4): Blinders-Oaxaca decomposition estimates (All sectors)

VARIABLES	(1) overall	(2) endowments	(3) coefficients	(4) interaction
Pr1		-0.0387***	-0.0974**	0.00713**
		(0.00448)	(0.0473)	(0.00351)
Pr3		-0.148***	-0.213***	0.0387***
		(0.0135)	(0.0747)	(0.0136)
dw		-0.0244***	0.113***	-0.0175***
		(0.00262)	(0.00873)	(0.00213)
dg		-0.0244***	-0.0493***	-0.0175***
		(0.00262)	(0.00403)	(0.00213)
docc1		-0.00465**	0.000366	-0.000153
		(0.00194)	(0.00396)	(0.00165)
docc2		-0.0238	-0.0305	0.0166
		(0.0339)	(0.0632)	(0.0345)
docc3		-0.0255***	0.0187***	0.0250***
		(0.00875)	(0.00669)	(0.00890)
docc4		0.00139	-0.000150	-0.00156
		(0.00174)	(0.000225)	(0.00177)
docc5		-0.0448***	0.00417***	0.0432***
		(0.0133)	(0.00149)	(0.0134)
docc6		-0.00342	-0.000330	-0.000735
		(0.00666)	(0.00304)	(0.00678)
docc7		0.000618	-0.0143**	-0.0257**
		(0.0115)	(0.00657)	(0.0117)
dind1		-0.00787*	0.000308	0.00145
		(0.00409)	(0.000879)	(0.00414)
dind2		0.00191	0.00137	0.00133
		(0.00402)	(0.00422)	(0.00411)
dind3		0.0258	0.000240	0.0146
		(0.0216)	(0.000372)	(0.0217)
dind4		-0.00191	-0.00489	-0.0102
		(0.00748)	(0.00369)	(0.00766)
dind5		0.00531**	-	-0.0118***

			0.00582***	
		(0.00265)	(0.00158)	(0.00293)
dind6		0.0730***	0.208***	-0.0918***
		(0.0182)	(0.0430)	(0.0191)
dmar1		0.000731	0.00547	-0.000223
		(0.000611)	(0.0101)	(0.000445)
dmar2		0.00496***	0.0341**	0.00427*
		(0.00147)	(0.0169)	(0.00220)
dmar3		0.000787	-0.00485	0.00448
		(0.00164)	(0.00340)	(0.00314)
dsec1		-0.0158***	-0.0173**	0.00400**
		(0.00226)	(0.00781)	(0.00185)
dsec2		-0.0220***	-0.0312***	0.0173***
		(0.00252)	(0.00378)	(0.00247)
dsec3		-0.0775***	0.101***	0.0453***
		(0.00553)	(0.00908)	(0.00473)
group_1	4.331***			
	(0.00698)			
group_2	4.347***			
	(0.0135)			
difference	-0.0157			
	(0.0152)			
endowments	-0.348***			
	(0.0334)			
coefficients	0.286***			
	(0.0138)			
interaction	0.0463			
	(0.0329)			
Constant			0.269**	
			(0.122)	
Observations	12,701	12,701	12,701	12,701

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The results of Blinder-Oaxaca decomposition as shown in table (4) explain that the difference in daily wages between males and females is insignificant. So that there is no need to do the decomposition.

According to descriptive analysis, it's clear that the wage gap differ among sectors, it's not clear in public and NGO's sectors, while it's very large within private sector. So, the analysis of Blinders-Oaxaca decomposition was repeated cross the private sectors only. The results of this analysis differ widely comparing with general analysis (table 5). The most important change in new analysis, the difference in daily wages between males and females which became significant. The most important change in new analysis, the difference in daily wages between males and females which became significant. That implies uneven situation of males and females on the labor market. The explained endowment factor implies that if women had the same

characteristics, their wage would be lower- the wage logarithm would be on average 0.251 lower, which explains as much as much as 69%[3] of the gap between females in comparison with males.

Table (5) Blinders-Oaxaca decomposition estimates for private sector.

	(1)	(2)	(3)
VARIABLES	overall	explained	unexplained
Pr1		-0.0300***	-0.0321
		(0.00714)	(0.0900)
Pr3		-0.101***	-0.505***
		(0.0107)	(0.162)
docc1		-0.00527	0.00278
		(0.00488)	(0.00451)
docc2		-0.0518***	0.204***
		(0.0197)	(0.0490)
docc3		-0.00915*	0.0113
		(0.00484)	(0.0170)
docc4		0.000577	-0.000432*
		(0.000870)	(0.000257)
docc5		-0.0270***	0.0113**
		(0.00673)	(0.00466)
docc6			0.00537
		-	

[3] Explained percentage= explained coefficient*100%/ difference coefficient=0.173 *100%/0.251=69%

		0.0104***	
		(0.00335)	(0.00593)
docc7		-0.0569***	-0.0344***
		(0.00741)	(0.00932)
dind1		-0.0162***	0.00447*
		(0.00231)	(0.00268)
dind2		0.0103***	0.0133
		(0.00270)	(0.0118)
dind3		0.110***	0.00338***
		(0.00542)	(0.00120)
dind4		0.00627	-0.00562
		(0.00392)	(0.0129)
dind5		-0.0101**	-0.0364***
		(0.00406)	(0.00819)
dind6		0.0321**	0.0482
		(0.0146)	(0.0365)
dmar1		-0.0141***	0.0436
		(0.00425)	(0.0312)
dmar2		-0.00601	-0.0415
		(0.00544)	(0.0310)
dmar3		0.00539	0.000253
		(0.00351)	(0.00228)
group_1	4.198***		

	(0.0112)		
group_2	3.947***		
	(0.0273)		
difference	0.251***		
	(0.0295)		
explained	-0.173***		
	(0.0211)		
unexplained	0.424***		
	(0.0311)		
Constant			0.732***
			(0.205)
Observations	14,162	14,162	14,162

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Conclusion and recommendations

The study shows that Human capital theory alone cannot explain the existing gender wage gaps, as it can only attribute a relatively small portion of the gap to endowment factors. However, other unexplained factors could be attributed to the existing discrimination within the patriarchal structures that is reflected in the labor market. The factors that Human Capital Theory presents are highly affected by the discrimination practices starting from the social norms within the family and society, the educational institutions and its patriarchal system that emphasizes on gender roles, and eventually reflected in the labor market that offers feminine jobs for women, and masculine jobs for men and treat and compensate them differently. The study shows that the public sector doesn't appear to have a gender wage gap; however, we need to go beyond the salaries and wages that are paid according to a defined scale. Discrimination in opportunities also exists, and men tend to have more opportunities of

training and capacity building than women, assuming that women have family commitments that they cannot, which is reflected in higher managerial positions for men than women in the public sector.

The gaps in the Palestinian labor market are wide and worrisome. Female graduates refrain from participation in the labor market as they are hopeless about getting a job, or they work in lower positions and low paying sectors due to the general economic hardship that Palestinians experience with the high unemployment rates . In order to provide a strategic solution to the problem of women's low participation and high unemployment, policies have to aim not only to expand the size of the productive sectors (like agriculture and manufacturing), but also to increase their capacities to absorb women.

The low wages for occupations that are usually filled by women negatively impact women's labor force participation, particularly if they have children in need of day-care, given the prevailing perception that children are the responsibility of women. The introduction of a minimum wage in the private sector (at the rate of NIS 1,450/month) in January 2013 had significant positive effects on low-paid workers, particularly women. However, 32.8% of wage employees in the private sector received less than the minimum wage (1,450 NIS) in Palestine in 2018; 13.1% in the West Bank with an average of monthly wage 1,076 NIS, and 79.5% of about with an average of monthly wage 671 NIS in Gaza Strip. It is difficult to solve a chronic issue like gender wage gap without sound comprehension of its concepts and consequences, both in the workplace and in society in general. Inspections on economic entities in both the formal and informal sectors are much needed, along with more strict policies and procedures that should be embedded in the labor law.

There is a need for promoting a favorable environment for the provision of decent work for women with a focus on the application of the principles of non-discrimination in occupation and equal remuneration for work of equal value in line with ILO conventions (No.111 and No.110). This should be ensured by the ministry of labor with active monitoring from the civil society. Women also should be aware of their economic and social rights especially at the work place, and they should be able to demand them. Dissemination of information about the labor rights of women and nondiscrimination is an important instrument and a primary step towards improving the working conditions of women in the labor market and for the protection of their labor rights. Raising the awareness of women will eventually help advance their economic empowerment and ensure their access all sectors.

Bibliography:

Al Kafri, S., & Hussein, K. (2011). *Discrimination in the Palestinian Labor Market: A Gender Perspective.* Policies on Gender Equality.

Alkafri, S., & Husein, K. (2011). *Discrimination in the Palestinian Labor Market: A Gender Perspective.* Ramallah: Muwatin.

Arrow, K. (1972). *Models of Job Discrimination. In A.H. Pascal (Ed.), Racial discrimination in economic life. x: , .* Lexington, MA: Lexington Books.

Becker, G. (1962). *Investment in human capital: A theoretical analysis. Journal of Political Economy.* Chicago: The University of Chicago Press.

Becker, G. (1993). Human Capital: A Theoretical and Empirical Analysis, With Special Reference to Education. *National Bureau of Economic Research*.

Becker, G. S. (1985, January). Trends in Women's Work, Education, and Family Building. *Journal of Labor Economics, 3*(1), S33-S58.

Bertrand, M., Kamenica, E., & Pan, J. (2015). Gender Identity and Relative income within Households. *The Quarterly Journal of Economics*, 571–614.

Corbett, C., & Hill, C. (2012). *Graduating to a Pay Gap: The Earnings of Women and Men One Year After College Graduation.* Washington D.C.: American Association of University Women.

Daoud, Y. S., & Shanti, R. (2011). Private-public sector employment choice and wage differential in Palestine:a gender perspective. *SSRN ELECTRONIC JOURNAL*.

Daoud, Y., & Shanti, R. (2012). *Private-Public Sector Employment Choice and Wage Differential in Palestine: A Gender Perspective.* Retrieved from SSRN Electronic Journal: https://www.researchgate.net/publication/254445041_Priva

Daoud, Y., & Shanti, R. (2012). Private-Public Sector Employment Choice and Wage Differential in Palestine: A Gender Perspective. *SSRN Electronic Journal*. doi:10.2139/ssrn.2136708

Education, Audiovisual and Culture Executive Agency (EACEA). (2012). *HIgher Education in the Oddcupied Palestinian Territory.* European Commission.

Elshtain, J. B. (1992). *Just War Theory* (1st ed.). New York: New York University Press.

Erosa, A., Fuster, L., & Restuccia, D. (2016). A quantitative theory of the gender gap in wages. *European Economic Review*, 165-187.

Finnie, R., & Wannell, T. (2004). Evolution of the gender earnings gap among Canadian university graduates. *Applied Economics, Taylor & Francis Journals*, 1967-1978.

Grybaite, V. (2006). Analysis of theoretical approaches to gender pay gap . *Journal of Business Economics and Management, 7*(2), 85-91. Retrieved from https://doi.org/10.1080/16111699.2006.9636127

International Labour Organization. (2012). WOMEN'S PARTICIPATION IN THE PALESTINIAN LABOUR FORCE: 2010-2011. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_218024.pdf

Klasen, S. (2002). Low schooling for girls, slower growth for all? Cross-country evidence on the effect of gender inequality in education on economic development. *World Bank Economic Review, XVI*.

Klasen, S., & Lamanna, F. (2009). The impact of gender inequality in education and employment on economic growth: New evidence for a panel of countries. *Feminist Economics, XV*(3).

Knowles, S., Lorgelly, P., & Owen. (2002). Are educational gender gaps a break on economic development? *Oxford Economic Papers, LIV*.

Lindsay, E. (2014). *An analysis of the gender wage gap in the Australian graduate labour market, 2013.* Australia: Graduate Careers Australia. Retrieved from http://www.graduatecareers.com.au/wp-content/uploads/2014/06/GCA%20Gender%20Wage%20Gap%20Paper%20-%202013%20GDS%20-%2017%20June%202014%20FINAL.pdf

MacKenzie, M. (2012). *Female Soldiers in Sierra Leone: Sex, Security, and Post-Conflict Development* (1st ed.). New York: New York University Press.

Malamud, O. (2010). Breadth vs. Depth: The Timing of Specialization in Higher Education. *NBER Working Paper Series*(15943). Retrieved from https://www.nber.org/papers/w15943.pdf

Mincer, J., & Polachek, S. (1974). Family investments in human capital: earnings of women. *Journal of Political economy*, 76-108.

Ofer Malamud, H. (2010). Breadth versus Depth: The Timing of Specialization in. *LABOUR, 24*(4), 359–390. Retrieved from http://home.uchicago.edu/malamud/Timing_LABOUR_article.pdf

Palestinain Central Bureau of Statistics. (2019). *Preliminary Results of the Violence Survey in the Palestinain Society.* Ramallah-Palestine.

Palestinian BAR Association. (n.d.). *Palestinian Labor Law number 7 for the year 2000.* Retrieved from https://www.bal.ps/pdf/8.pdf

Palestinian Central Bureau of Statistics. (2018). *The Eve of the International Women's Day: Press Release.* Retrieved January 4, 2020, from http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_7-3-20148-women-en.PDF

Palestinian Central Bureau of Statistics. (2019). *Palestinian Labour Force Survey: Annual Report*. Retrieved from http://www.pcbs.gov.ps/Downloads/book2433.pdf

Pignatti, N. (2010). Labor Market Segmentation and the Gender Wage Gap in Ukraine. *ESCIRRU Working Paper No. 17*. Retrieved from https://pdfs.semanticscholar.org/3102/e45f3099d8bdab07ab813d7206a7a61df998.pdf?_ga=2.63616879.1117845110.1583833328-1683986826.1583833328

Polachek, S. W. (2004, April). *How the Human Capital Model Explains Why the Gender Wage Gap Narrowed .* IZA Discussion Paper No 1102. Retrieved from https://ssrn.com/abstract=527142

Regeringskansliet. (2000). *Highlighting pay differentials between women and men.* highlightingMinistry of Industry and Communications.

Reich, M., Gordon, M. D., & Edwards, C. R. (1973). Dual Labor Markets: A Theory of Labor Market Segmentation. *3*. Retrieved from https://digitalcommons.unl.edu/econfacpub/3

Robert, T., Thomas, H., & Geraint, J. (2004). *Fundamentals of Labor Economics.* Captus Press: New York.

Schieder, J., & Gould, E. (2016). *"Women's work" and the gender pay gap: How discrimination, societal norms, and other forces affect women's occupational choices—and their pay.* Economic Policy Insititue.

Shabaneh, L., & Al Saleh, J. (2009). *Palestinian women's participation in the labour market: Challenges and required interventions. A quantitative and qualitative study of women's participation in labour market.* UNESCO. Palestinian Women Research and Documentation Center.

Sjoberg, L., & Gentry, C. E. (2007). *Mothers, Monsters, Whores: Women's Violence in Global Politics* (1st ed.). London & New York: Zed Books.

Smith, A. (1776). *An Inquiry Into the Nature and Causes of the Wealth of Nations.* London.

Statistics, P. C. (2015). *Labour Force Survey: Annual Report: 2014.* Ramallah-Palestine.

The Office of the High Commissioner for Human Rights (UN Human Rights) . (1979, December 18). *Convention on the Elimination of All Forms of Discrimination against Women.* Retrieved from https://www.un.org/unispal/wp-content/uploads/2018/09/CEDAW.C.PSE_.CO_.1.pdf

The Office of the High Commissioner for Human Rights (UN Human Rights) . (2018, July 25). Retrieved from https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=23377&LangID=E

Wolszczak-Derlacz, J. (2013). The Impact of Gender Wage Gap on Sectoral Economic Growth – Cross-country Approach. *Equilibrium*, 103-122.

World Bank. (2011). *World Development Report 2012:.Gender Equality and Development.* Washington DC: World Bank.