



## Making Cheaper Labor: Domestic Outsourcing and Development in the Galilee

*Hebatalla Taha, Leiden University*  
*h.h.m.taha@hum.leidenuniv.nl*

### Abstract

This article focuses on the rise of domestic outsourcing in the high-tech industry in the Galilee in northern Israel. Outsourcing has emerged as a self-proclaimed mode of development targeting Palestinian citizens of Israel. This industry has expanded significantly in the past decade, attracting lucrative funds from public and private sources, and it has received widespread acclaim. Firms in this industry tend to have ties to the Israeli security establishment, a key player in the architecture of high-tech in Israel. At the same time, a Palestinian capitalist class has coalesced around this industry, embracing the discourse of technology and globalization as forms of self-empowerment. I argue that separation—in terms of wages and physical spaces—is a core operational characteristic within this industry, yet firms simultaneously invoke development as part of their organizational cultures, particularly the integration of Palestinian labor into the Israeli economy, empowerment of women, and peacemaking. Locating the practice of domestic outsourcing within a history of subcontracting to the Galilee, I illustrate that this “new” and “innovative” industry builds on established patterns that reinscribe Palestinian workers as a cheaper labor force. These practices illustrate the intertwining of inclusion and exclusion within neoliberal economic development as well as the mutual production of Palestinians of 1948 as subjects of Israeli capitalism and colonialism.

**Keywords:** outsourcing, development, high-tech, Israel/Palestine, labor

### Introduction

Since the end of the second intifada, the Israeli government has accelerated policies aiming to develop and integrate Palestinian citizens (also known as Palestinians of 1948, or Arab-Israelis). Currently representing 23 percent of Israeli citizens, this population is comprised of Palestinians who remained on their land in 1948 during the mass exodus of Palestinians known as the Nakba. They subsequently became citizens of Israel, although they remain marginalized

(Yiftachel 2006). Development takes place alongside enduring exclusion, evinced in legislation and public rhetoric. Such intertwining of inclusion and exclusion is not paradoxical but has historically been central to a process of colonialism, described by Shira Robinson in the Israeli context as resulting in a “liberal settler state” (2013). This article explores the emergence of domestic outsourcing, a highly acclaimed mode of development towards Palestinians of 1948. Among outsourcing firms, separation is a core operational characteristic, yet they simultaneously invoke developmental objectives—the integration of Palestinian labor into the Israeli economy, empowerment of women, and peacemaking—within their organizational cultures. These practices are not dissonant; they illustrate the intertwining of the mutual dynamics of inclusion and exclusion, while reinscribing and reproducing Palestinians as a cheaper labor force.

Outsourcing firms have been established in predominantly Arab areas in Israel, such as the Galilee in the north, using public and private funding sources. Advertised as a new and innovative model for Palestinian employment and increased Arab-Jewish collaboration, many firms are led by Palestinian entrepreneurs, working closely with Jewish capital and connections. A key objective of domestic outsourcing is integrating Palestinians into Israel’s high-tech economy, enabling them to take part in the so-called “Start-Up Nation,” referring to Israel’s large number of start-ups per capita described in a best-selling book on Israel’s “economic miracle” (Senor and Singer 2009).

Although domestic outsourcing promulgates a mission of economic empowerment and political coexistence in the Galilee, it also represents a continuation of a history of segregation. While situating the rise of domestic outsourcing as a developmental project within the nexus of neoliberalism and security, I concurrently historicize the phenomenon as a reincarnation of previous waves of subcontracting to the Galilee, such as the textiles industry. The difference is that contemporary firms are tapping into a pool of skilled labor, such as university graduates, that has not

This is an open access article under the terms of the Creative Commons Attribution-NonCommercial-NoDerivs License, which permits use and distribution in any medium, provided the original work is properly cited, the use is non-commercial and no modifications or adaptations are made.

been absorbed by the Israeli market, rather than, for example, the unskilled labor embodied by women in sweatshops or construction workers. As domestic outsourcing arrangements are formulated according to a profit-maximizing regime of cost-efficient and flexible labor (Harvey 2005, 100; Mills 2003), the cheapness of Arab labor in these projects is not inadvertent. Rather, it is at the core of their establishment.

Labor markets are produced and structured via social and political processes (Block 1990; Fligstein 2001; Peck 1996). Patterns of domestic outsourcing indicate a political process that, despite an emphasis on en-skilling, enframes Arab workers as a secondary labor force, i.e., characterized by inferiority vis-à-vis the primary labor market. Cheaper labor is not only about the lower wages of Palestinian workers but also about the larger political patterns within which they are engulfed. The underlying schisms within the labor market are a constitutive feature of the outsourcing project, discernible in the operational activities of the firms, which are built on separation in wages and spaces.

I focus on the interactions between this separation and three discourses espoused by outsourcing firms as part of their developmental cultures. The first pertains to the employment of Palestinians, particularly in high-tech, which illustrates the continued securitization of Palestinian labor. The precarity faced by Palestinian workers is further structured by a gendered component, the second discourse espoused by the outsourcing industry, which frames Palestinian women as “traditional” (Sa’ar 2017). The third is peacemaking. Emerging during Israel’s neoliberal restructuring in the mid-1980s, peacemaking grew in prominence in the 1990s during the Oslo period, but it did not dissipate after the second intifada. Instead, the discourse of peacemaking has become entangled with that of developmental praxis. The intersections between gender, class, and ethnonational identity are essential to understanding the distinct experiences of Arab workers (Walby et al. 2012), as is the overarching presence of a colonial dynamic between the Israeli state and the indigenous Palestinian population in the Galilee (Sa’di 2003).

After describing the methodology, I next outline the main characteristics of the industry, contextualizing its rise alongside previous patterns of subcontracting and relating its contemporary manifestation to other subjects of neoliberal development, namely ultra-Orthodox Jewish women. I proceed to highlight the ways in which domestic outsourcing operates according to principles of separation and perpetuates segregation. This is followed by a critical investigation of firms’ self-proclaimed developmental aspirations pertaining to labor and security, gender, and peacemaking. The conclusion explores the politics of cheaper labor.

## **Methodology and Context**

My ethnographic site is the Galilee in northern Israel, where clusters of Palestinians live. I focus on the outsourcing sector in Nazareth and surrounding areas, dubbed the “Arab high-tech hub” in Israeli media, between 2008 and 2015. I carried out open-ended discussions with individuals working in the outsourcing industry alongside semi-structured interviews with managers and architects of outsourcing projects. In addition, I critically analyzed the discourses of firms on their official websites and their representations in the press in Arabic, Hebrew, and English.

The firms discussed in this article follow an ethos of development, presenting their enterprises as preliminary steps towards Arab-Jewish economic integration. They are not subsidiaries of Israeli companies but independent firms that offer outsourcing services to multiple clients. Also known as home-shoring, on-shore outsourcing, or outsourcing to remote domestic locations, domestic outsourcing is a new term for the long-standing practice of subcontracting to a third party in the same country (Oshri et al. 2015, 32). The practice is attributed to the incremental decline of global labor arbitrage due to rising wages in offshore destinations. Higher labor costs incurred by “re-shoring” are offset by lower expenditure on transportation and shortened supply chains. Economic nationalism constitutes a core part of the branding for domestic outsourcing firms: for instance, Nazareth-based NCS Software Services proclaimed itself to be “blue-and-white [the colors of the Israeli flag] for the benefit of the client, the state, the economy, and Israeli industry” [*kaḥol-lavan le-to’elet ha-laḳoah, ha-medinah, ha-kalkalah ye-hata’asīyah ha-yiśra’elit*], stressing that all its activities were carried out within Israel and that all its employees and any external bodies it contracted were Israeli professionals.

Domestic outsourcing is a global phenomenon that is not exclusive to Israel. There are firms in the southern United States, for example, that offer similar services (see Pearce 2014). There is a geographic element in Israel as well, between the center and periphery, terms that reflect both geography and power imbalance. Firms located in the center can save around 30 percent by outsourcing to engineers in the north. This savings is attributed to competitive wages, lower production costs, lower municipal taxes, and government subsidies. Domestic outsourcing in high-tech emerged as a way to reduce outsourcing to engineers outside the country (in India, China, and Eastern Europe, for example), estimated to cost Israel an annual US \$3 billion (Kloosterman 2009). Tapping into the potential within the country’s borders was the rationale behind the establishment of domestic outsourcing operations by leading figures in Israeli high-tech, mostly from the security

establishment. Dozens of outsourced tech firms have emerged in Nazareth alone. The geographic proximity of the Galilee to central Israel means that transportation costs remain constant while firms profit from a cheaper labor force that is familiar with the language, operates under the same legal system and time zone, and has a corresponding level of political and economic stability.

An indigenous Palestinian capitalist class has coalesced around the emerging architecture of domestic outsourcing. As both beneficiaries and subjects of colonialism, indigenous capitalists attain unique, and often paradoxical social positions (Birla 2009; Vitalis 1990); therefore, their activities offer insights into class structures and class formation. Members of this class fetishize globalization and champion entrepreneurialism as a solution to Palestinian marginalization, resembling the emerging “corporate moral economy” of software professionals observed in India (Upadhy 2016). Business leaders become moral and political icons, transforming corporate technologies into forms of social development (Upadhy 2016). Taking advantage of lucrative resources in the development industry, in Israel and globally, this class imbues its capitalist endeavors with developmental undertones.

The outsourcing industry has benefited from the architecture of previous subcontracting patterns. Textile subcontractor Delta employed thousands of Palestinian women between the 1970s and 1990s (Drori 2000, 214; Sawt al-Amil 2008; Shehadeh and Khalidi 2014, 125). After Delta’s plants in the Galilee shut down (though the firm remains in business elsewhere), its managers established a new entity in 2008, called Babcom, which contains an outsourcing tech center among other services. The firm was taken over in 2011 by Israeli outsourcing giant Matrix, which describes itself as “the first Zionist local offshore outsourcing” firm (Algazi 2006, 27). Announcing the deal, Israeli newspaper *Haaretz* described it as “the first exit [takeover] of an Israeli-Arab high-tech company [by a Jewish-Israeli firm]” (Hirschauge and Mittelman 2011), attesting to the importance of Palestinian indigenous capitalists as intermediaries and stakeholders in domestic outsourcing processes.

Articulations of development by outsourcing firms are encoded with a civilizing mission, a sense of duty to address the cultural or religious practices of minority groups via integration into capitalist structures. Perceived as a burden on the contemporary neoliberal state, Palestinians and ultra-Orthodox Jews have become the principal subjects of development, resulting in a plethora of policy proposals discussing ways to integrate their labor (e.g., OECD 2018, 10–11). The integration of their labor into the private sector is tied to familiar cultural categories of modernity, linking employment to productivity and responsibility in society

and casting the unemployed as “non-citizens” (Flint 2009). Women’s employment, in particular, has been tied to emancipation (Abu-Lughod 1998).

Hundreds of ultra-Orthodox women have worked at the Talpiot center in the settlement of Modi’in ‘Illit (Frenkel and Wasserman 2016; Raz and Tzruya 2017). Talpiot is also run by Matrix, but Arabs and ultra-Orthodox Jewish women are not employed in the same place. Each group operates in a segregated tech hub. Subsidized by the government, which pays roughly one-fifth of employees’ salaries, Talpiot is a testament to the political role of outsourcing and development in service of Zionism. It illustrates the intertwinement of settlements within Israeli economic circuits, which become part of a leading Israeli industry, thereby further consolidating control over occupied territory. It is an indication, as Gadi Algazi argues, that Israeli capitalism can be “both colonial and digital, and move back and forth between global markets and colonial settlements, and between campaigns for unbridled privatization and heavy government subsidies” (2006, 37). Domestic outsourcing represents the nexus between neoliberal development, formulated according to regimes of flexible labor, and enduring colonial patterns, exemplified by military networks.

### **Operational Separation**

The model of domestic outsourcing is based on the presence and maintenance of separation between the core and periphery industries. The pursuit of profit is based on the exploitation of workers in the periphery, although it is also deeply interwoven with an ethos of development, affecting employment, gender, and peacemaking.

The logic of outsourcing is straightforward: firms increase their profit margins by reducing expenditure on wages, which usually represent the bulk of their costs. The industry is premised on the assumption of a wage differential, that salaries of employees in outsourced plants are lower than the salaries of employees in-house. There is a stark difference between the wages of employees in high-tech in Nazareth and the salaries of employees working in high-tech areas near Tel Aviv. According to figures from Israeli business newspaper *Calcalist*, the wage of an employee at the junior level in Nazareth is 35–40 percent less than the wage of an employee in central Israel (Gilad 2011). At a more senior level, it can be up to 50 percent less (Gilad 2011). In 2014, interlocutors who had recently started told me they received a monthly wage that was around 30–55 percent below the average starting salary in high-tech in Israel.

Wages have generally not equalized. Rather, the fluctuation and evolution of the two industries appear to move at different scales. The high-tech sector in the center has experienced consistent growth, with salaries

rising progressively. In 2014, the average employee received a pay rise of 5.4 percent, the fifth straight year of salary increases in the industry and the largest increase in a single year in recent history (Orpaz 2015). Israeli business magazine *Globes* described 2014 as a “peak year for high tech in almost every parameter: financing, stock exchange offerings, exits and demand for programmers” (Hoffman 2015). This trend continued into 2017, prompting fears that the bubble might burst (Dover 2017). If the high salaries were the motivation behind outsourcing, their continuous increase would be counterintuitive. From a classical economic perspective, the rise in salaries suggests that the demand for skilled labor in high-tech is higher than the supply, but this is not the case, given the number of unemployed or underemployed Palestinian graduates and those who are working in the outsourced sector. At the same time, the cost of labor has not been affected by the parallel outsourcing industry that has grown since 2008, nor do jobs in this sector seem threatened.

The incorporation of structural economic data (e.g., wage gaps or supply and demand) does not only demonstrate that the free market contains fundamental discrepancies and dysfunctionality but also enables one to link the machinations of classical economic theory meaningfully to political and cultural phenomena. It demonstrates that the market is conditioned by separation. Palestinian labor is perceived as external to the available skilled labor pool. Palestinian workers are recruited to different jobs with different wage scales and arguably a different economy altogether. This separation not only demystifies the link between wages and the theoretically apolitical principles of the free market but also, and more importantly, confirms that the two sectors operate as if in different worlds. Workers in the high-tech industry in the center continue to be protected from competition by workers in the periphery.

Labor segmentation is not accidental. Rather, it tends to be orchestrated and institutionalized by the state through capitalist structures (Burawoy 1981). Theorizing the distinct trajectory of Palestinian political economy in Israel, scholars have described the Palestinian labor market as a secondary labor market, with lower wages and greater insecurity (Khattab and Miaari 2013). Palestinian economic activity has also been described as operating in an “ethnic enclave” (Schnell et al. 1995). Palestinian employment and industrial development faced stringent limitations due to the imposition of martial law until 1966, along with policies that explicitly aimed to protect Jewish industry (Rosenhek 2003). This was followed by a period in which Palestinian labor was subjected to “flexible utilization,” employment that was contingent upon conditions of Jewish workers (Shalev 1989), which led to the creation of ethnicized and gendered labor markets (Samed 1976). New industrial arrangements, such as

domestic outsourcing, entrench and capitalize on such circumstances, particularly the wage disparity, known as an “ethnic penalty” (Miaari and Khattab 2013).

None of my interlocutors who worked in outsourcing firms seemed to perceive the salaries of Jewish high-tech workers as a benchmark for their own wage scales. Although multiple interlocutors cited low pay as their main criticism of the firms, they did not mention the divergence in pay with their Jewish counterparts in the center until I raised it. In response, a female engineer contended that it would be “odd” (using the Hebrew word *muzar*) to expect the same wages, as the business model of outsourcing would not make sense. Generally, most of my interlocutors were not overtly critical either of the firms or of the phenomenon of outsourcing, though they were aware of the discrepancy between receiving low pay and being advertised as professionals.

Outsourcing firms proclaim to be enskilling Palestinian workers. For example, on its website, Galil Software declares itself as the “place to be” for those looking for a career in Israeli high-tech, as the firm facilitates long-term careers in high-tech, work in the sector in Israel and abroad, and learning new technologies. It features testimonials from employees, including one who highlights learning “the most advanced tools and methodologies in today’s market.” Rebuffing proclamations that outsourcing firms are enskilling Palestinians, one engineer described the low wages as proof that working in the outsourced tech industry does not actually amount to a career but represents a bridge to the high-tech industry. Aware of the limitations of working in the outsourced sector but seeking to leverage its benefits to her favor, her ultimate objective was to *leave* the firm to pursue a career in high-tech. In this formulation, the high-tech hub in Nazareth operates as a back-door entrance to the high-tech industry in the center, enabling employees to interact with and experience high-tech from an external position. This illustrates that employees themselves take part in, and sustain, the mechanisms of operational separation.

The location of firms in the value chain is not only linked to wage differentials but also to the configuration of spaces. Outsourcing firms and client firms interact in a “hybrid workspace” (Halford 2005), which enables the establishment of a virtual professional encounter using intangible flows and processes, yet it also internalizes and projects operational separation. The cornerstone of this joint workspace in the outsourcing industry is its ability to mediate between spatial disjunctures, re-imagining geographic separation without reconfiguring the polarized division of labor and physical segregation. In its efforts to define relations of production, the workspace dictates a continued division between the labor groups. Similar to earlier cases

of sub-contracting, the outsourcing industry operates on the sidelines of the Israeli economy, adhering to a binary in which the Israeli economy remains distinct from the “Third World” Palestinian population.

Operational separation does not imply that there is no contact. Rather, it points to a specific type of contact that reinforces segregation. Mediating institutions and figures such as managers who have direct contact or influence in organizing and arranging connections—in this case, between the outsourced and non-outsourced sectors—become essential to the entire arrangement (Smith and Neuwrith 2008). Although many of my interlocutors were enthusiastic about, and even proud of, the nascent Nazareth tech scene, some nevertheless expressed a degree of skepticism about its ability to spur innovation independently, in line with its perception as a temporary path to high-tech in the center. A male engineer with three years of experience was concerned that the industry is developing in an inward-facing, ghettoized form and is therefore not attuned to global tech patterns.

Furthermore, several firms refer to their activities as “near-shoring” on their official websites. Matrix Global advertises “offshore/nearshore services,” while Galil Software’s main page declares the firm as “your Israeli near-shore R&D partner.” A term with transnational connotations, near-shoring is typically used in reference to offshore outsourcing by firms to a nearby location (such as from the US to Mexico or from Europe to North Africa). The term reveals the mental map in which outsourcing in Israel functions: in firms’ official descriptions, the Galilee is almost as if in another country, albeit under direct Israeli control and actively supporting Israeli capitalism. It is close but distant, evoking the converging processes of inclusion and exclusion.

The virtual professional encounter of the workspace becomes the prescribed method for exchanges and transactions, giving the illusion that the two sides are moving towards interconnectedness while ensuring they remain separate. Using new technologies, a workspace, in theory, overcomes distances and enables closer connections between economies, yet it simultaneously incentivizes the continued peripheralization of outsourced workers. Spatial disjuncture is a feature of this development project: it brings Palestinian spaces into the Israeli economy while keeping them separate and dependent, ensuring continued Israeli control over the Galilee.

While segregation and separation are a fundamental part of the operations of domestic outsourcing, they are inextricably intertwined with cultures of development. The combination of operational separation with development illustrates the complex ways in which outsourcing ensures the continued precarity of Palestinian labor. As they deepen

segregation and profit from cheaper labor, firms invoke developmental ideals. The rest of the article delves deeper into the cultures of development that shape, and are shaped by, operational separation in labor practices: employment and securitization, gender, and peacemaking.

### **Development, Employment, and Security**

The provision of employment to Palestinian workers in the periphery is one of the main developmental objectives of outsourcing firms, but it cannot be discussed independently of the securitization of Palestinian labor and the presence of the Israeli military establishment in high-tech. The overarching securitization of Palestinian labor is a key rationale for the creation of a parallel outsourcing industry, thereby ultimately sustaining separation.

Military service is heavily entangled with discourses on labor. Since Palestinians generally do not serve in the military and therefore do not have security clearances, they are often excluded from jobs under the pretext of security. Recognized as an institution of social mobility and inclusion, the military provides material perks and socioeconomic mobility, compelling some Palestinians to enlist (Kanaaneh 2008, 35–49). Job advertisements sometimes state explicitly that employers are seeking an employee “after the army” (*aharey ha-tsava*). For example, a position advertised by the Airports Authority in the transportation sector included the precondition of army service, though it mostly requires handling baggage (Adalah 2013).

The role of military networks in domestic outsourcing is exemplified by Hybrid, which works with outsourcing firms. Hybrid was established in 2016 to boost Arab participation in high-tech, in cooperation with the Nazareth Business Incubator and alumni of the Intelligence Corp’s Unit 8200, a cybersecurity unit notorious for spying on Palestinians. Funded by the Ministry of Economy and Industry in partnership with the Authority for Arab Economic Development in the prime minister’s office with an annual budget of NIS 1.5 million (US \$385,300), the program selects ten start-ups to receive support and mentorship on developing their businesses, raising capital, and forging contacts to enter the tech market.

The high-tech industry in Israel contains an underlying militarism enmeshed with a modernist-capitalist cosmology (Tawil 2015). Events displaying high-tech innovation centered on technology’s ability to defy and defeat nature—e.g., turning “night into day” or “controlling weather” (Tawil 2015, 225). Furthermore, “military capital,” defined as a result of a socialization process into the military system, is a key variable in Israeli high-tech (Swed and Butler 2015). Many figures involved in high-tech in Israel, overwhelmingly Jewish males, are veterans of elite

Israeli military units and have been less inclined to hire outsiders. Considered a “founding father” of Israeli high-tech, Itsik Danziger, who was the chairman of Galil Software, described the industry as based on “social ties, and also of shared service in certain military units,” arguing “of course, your average [Jewish] Israeli executive is not going to recruit an Arab engineer he does not know” (Arlosoroff 2010). Palestinian exclusion from high-tech is depicted as a result of a lack of social networks and capital, nurtured in the army, rather than a reflection of a continuing colonialism, in which Palestinian citizens—their bodies, land, and economic activities—are subjects of military control. This is a fundamental contrast with outsourcing to ultra-Orthodox Jewish women who do not serve in the army but are not subjected to the same patterns of securitization.

Those employed in the outsourced tech sector continued to associate the Israeli intelligence with military practices, even as aspects of it have become known to them through technology and jobs. Discussing the role of veterans of Unit 8200 in Nazareth’s high-tech industry, interlocutors highlighted the normalization of militarization in Israeli society and in their lives, suggesting that the presence of military figures in the outsourcing industry is not out of the ordinary. These patterns align with the description of operational separation as an encounter in itself, a type of contact that entails continued control over the Galilee, part of larger—and seemingly mundane—practices of disciplining Palestinians. A young female engineer argued that even if intelligence figures were not physically present, they would be behind the scenes of the industry, implying that they would indirectly influence and monitor the work. This is partly because the high-tech industry is known to be strategic, and partly because Palestinians tend to be perceived as a threat regardless of their occupation. Another interlocutor, a male engineer with several years of experience in high-tech, responded to enquiries about cooperation between the military intelligence and high-tech firms by reminding me that “to speak of high-tech in Israel is to speak of the military,” while contending that as a young Palestinian man working in high-tech, it is preferable to have volunteered in the army, as it “makes you appear more trustworthy” and results in career advantages.

There is a history of employment being contingent upon loyalty and engulfed in systems of patronage, a practice that continues to manifest itself in new arrangements. In the first decade of statehood, employment was routinely used as a reward, with informants likely to receive jobs (Sa’di 2014, 82, 140). Zionist institutions such as the Histadrut, Israel’s labor union, have historically undermined Palestinian workers: in 1976, the Histadrut indicated that Palestinians

who participated in the Land Day demonstrations and strikes would face reprisals, including dismissal from their jobs (Badarne 2008). The securitization of Palestinian labor persists until today: during the Gaza war in 2014, several Palestinians were fired after expressing anti-Zionist views or critiques of the Israeli military on social media (Kashti et al. 2014). These examples point to the lasting and rooted implication of employment being a privilege, contingent upon accepting Zionist ideals. They build on the historic delineation of Palestinian workers as inferior. Early Zionist settlers conceptualized the notion of “Hebrew labor,” which has connotations of productivity and industriousness, encouraging Jews to only employ Jews in order to displace and conquer “Arab labor” (Lockman 1996, 38; Shafir 1989). Still used colloquially in Israel to imply poor-quality or inadequate work, the term “Arab labor” remains a lasting cultural category and political-economic construction. Employment and securitization are not incompatible or mutually exclusive; they are a manifestation of discourses and practices of development that combine liberalism and security (Lazell 2016).

Outsourcing projects profess to rectify irregularities in industrial relations. However, by building an alternative structure, they ultimately accommodate and capitalize on marginalization. The segregation inherent to operational separation is not an unintended effect but part of the business strategy.

### **Gendered Development**

Outsourcing to women from minority groups and developing countries has been well-documented on a global scale, and it has been similarly presented in other capitalist contexts as a form of development (Nakamura 2014; Vora 2015). Firms have recruited women for repetitive jobs, requiring skills typically associated with secretaries, such as data entry and call centers, often referred to as electronic sweatshops. Women’s employment on the margins of the global tech economy reflects their inferior gendered position in labor markets and their symbolic roles as subjects of development (Gillard et al. 2008). The gendering of labor markets further structures the employment of Palestinians under the conditions of operational separation: firms fundamentally built on the isolation and insecurity of women claim to be intervening for their empowerment. In this context, they mutually produce Palestinian women as a third world labor force and at the same time captives of Arab culture. The model of gendered development embraced by outsourcing firms is unsurprisingly fraught with contradictions.

Part of their declared developmental aspirations is to empower women while accommodating their cultural particularities. According to a mid-level female manager at one of the firms I visited, outsourcing

firms purport to establish a family-friendly environment and build “harmony between the home and the workplace.” This is part of their self-description as agents of development for women and their families and, by extension, for the entire community. She links the establishment of offices in the periphery to this mission of helping Palestinian women find work by bringing available jobs to their doorsteps, immersing the firm into their lives. Describing Babcom as a “modern firm that is sensitive to tradition” (Sadeh 2010), its CEO highlights gendered practices, such as offering transportation to women to remedy reservations about commuting to work and limiting encounters between the genders.

Such practices are billed as a culturally sensitive response to the special needs of the Palestinian community, akin to the segregated hubs employing ultra-Orthodox Jewish women to avoid mixing. Offering employees transportation is depicted as a solution, not simply part of a routine benefits package. Rather, it is relayed as resulting from cultural sensitivities and transformed into a highly gendered practice. Such a culturist discourse belies another underlying structural issue: the lack of a public transportation system, a matter discussed in developmental terms since the 1960s (*New Outlook* 1962, 18–19).

The debates over Palestinian women’s employment take place within an overarching landscape of neoliberalism. Development schemes encouraging women’s employment concurrently impoverish them through increasingly aggressive neoliberal structures (Sa’ar 2017). Female interlocutors frequently chronicled the precarious effects of employers’ cost-cutting strategies on their well-being. In fact, one person said she is careful not to allow her employer to exact more time than the job deserves, arguing that otherwise the firm would turn the women into “slaves” for the company. Women are thus cognizant that firms shroud low wages and poor working conditions in neoliberal ideas of fulfillment and empowerment (Sa’ar 2016).

Meanwhile, the Israeli press has focused on outsourcing firms hiring female engineers in the male-dominated domain of high-tech (e.g., Shehadeh 2011). It is filled with articles on young Arab engineers breaking stereotypes—referring especially to Muslim women, with detailed descriptions of their dress codes, particularly whether they wear a hijab. This is part of a well-known global drive to “save” Muslim women (Abu-Lughod 2013, 88). A female programmer recalled frequent queries from Jewish-Israelis regarding whether she is Christian, followed by admiration for her work when she reveals she is Muslim. Jokingly, she stated that she was not aware that computers were forbidden in Islam. In this narrative, Israel’s economy appears as a savior of Palestinian women from religion

and patriarchy, giving them an opportunity to embrace science and technology. There is also a gendered culturist component affecting ultra-Orthodox Jewish women in high-tech: a brief reference to ultra-Orthodox women in a survey of outsourcing describes their labor as “inexpensive,” and the “modern, well-equipped offices” as filled with “women wearing religiously-conservative attire of long skirts, long sleeves, and head coverings” (Carmel et al. 2014, 418–19).

Firms have focused on nurturing relationships with men, whose support is perceived as essential to the success of the project. Similar to acquiring consent from Arab men for outsourcing endeavors, there is an emphasis in the case of ultra-Orthodox Jewish women on blessings from rabbis for their employment in high-tech (Frenkel and Wasserman 2016), ultimately reinforcing power dynamics and social hierarchies pertaining to gender. This arrangement is unsurprising, as the use of patriarchal values and motifs was central to subcontracting in textiles (Drori 2000).

Although they emphasize the empowerment of women as career-oriented individuals, outsourcing firms reproduce, accommodate, and internalize patriarchal structures in their bureaucratic apparatuses. The reliance on younger women is itself linked to the structure of the gendered labor market: women comprise a secondary labor market within the secondary labor market of Palestinians in Israel’s periphery, and therefore their wages are even lower and more insecure than wages of Palestinian men. Only around 26 percent of Palestinian women are employed, although they are generally well-educated (Hamdan-Saliba and Nicola 2015). Tapping into this market is thus highly strategic for outsourcing firms. Outsourcing proclaims to be more “modern, developed, and appropriate for our time,” as Imad Telhami, Babcom’s CEO, told me in an interview, but firms are grafted with relics of its predecessor, subcontracting giant Delta, using a gendered and precarious workforce in the periphery to magnify profits and bypass the high cost of labor in the center.

### **Peacemaking**

Domestic outsourcing firms have embraced peacemaking as part of their developmental cultures, a discourse that ultimately establishes these firms as spaces of “anti-politics” (Ferguson 1994). Disregarding the everyday separation inherent in outsourcing, peacemaking emphasizes small-scale professional encounters between Arabs and Jews as leading to coexistence and underscores the supposedly positive social benefits of Palestinian employment.

Outsourcing firms receive financial support from the state, as well as liberal organizations inside and outside Israel promoting Arab-Jewish coexistence. Emerging in the 1990s as part of the Oslo Accords

and coinciding with Israel's increased integration into the global economy, peacemaking has morphed into a discursive device and an industry (Hanieh 2002; Stein 2008). The prominence of integration as a form of peacemaking for Palestinians in Israel was not a side effect of the Oslo process but an objective of the agreement, which sought to "create distinct experiences of politics among different segments of Palestinians under Israeli rule" (Pasquetti 2012, 104). Peacemaking prioritizes economic engagement over political reconciliation, in line with a depoliticized neoliberal logic. Entangled with securitization, this process reduces political violence to an expression of economic marginalization, thereby elevating liberal ideals of development and integration within the arithmetic of conflict resolution (Duffield 2001).

The model espoused by domestic outsourcing firms is built on creating an anti-political space, which is crucial for their operations (see Ferguson 1994). Conceding, for instance, that the 2014 war in Gaza made business difficult, one manager depicted it predominantly as an interruption to the flow of daily life. Similarly, in a public interview, Telhami made it clear that he is not interested in taking part in the political discussions raging throughout the country, reiterating his stance that he "does not talk politics, is not involved in politics and does not pretend to understand it" (TheMarker 2010). According to this philosophy, the workplace deals with questions other than the existential political ones, casting politics as emotional, rather than productive, and thus irrelevant in the realm of business. The Nazareth Industrial Park, marketed on its website as a "model of Arab-Jewish cooperation," is also linked to economic peace via constructive engagement. Its founder, Stef Wertheimer, describes work as a distracting force from politics and violence. "When people are working together," he argues, "they have no time for nonsense. They are too tired at night to commit terrorist acts" (Manor 2004). Employment is portrayed as a civilizing tool that can produce loyal subjects, combat radicalization, and save young Palestinians from fundamentalism—a perspective that attaches an overall morality to work.

These anti-political stances have themselves transformed into a political statement, as in all forms of anti-politics (Ferguson 1994). Outsourced firms acquire significance beyond merely being places of employment. They become symbolic of a space within Israel for Palestinian citizens, a space of disjuncture. As "Arab start-ups," they are viewed as finally giving Arabs a place within the so-called Start-up Nation, albeit on the margins. For example, Pitango, a large venture capital fund, launched its own Arab subsidiary called al-Bawadir in 2010. It is run by Chemi Peres, the son of former president Shimon Peres, who was a major supporter of economic peace and domestic

outsourcing specifically. Supported by top government officials, al-Bawadir is investing around 40 percent of its capital in tech firms. Chemi Peres describes "connectivity" as key for appealing to the (Palestinian) youth in Israel, stating, "Many young Israeli-Arabs will tell you: Forget about the Palestinians. We want to be part of Israel" (Behar 2013). Employment in outsourcing firms in Israel's periphery is thus sold as creating this opportunity to "be part of Israel," which entails participating in its economy—if only on the periphery.

While discussing the agenda of peacemaking, one of my interlocutors jokingly recalled her participation in "peace workshops" in the Galilee in the past. Emphasizing face-to-face discussions between Palestinians and Israelis as a form of peacemaking, these workshops flourished during the 1990s, sponsored by governments, private entities, or NGOs. She described both settings as awkward and unintuitive, evoking feelings of discomfort and dislocation. Both contexts require controlled and rigid participation, disciplined by mechanisms of surveillance—a teacher or a supervisor—ensuring the sanitized peace environment is not undercut. They revolve around the aesthetic of peace yet entail minimal meaningful engagement, with political sentiments either overlooked or reduced to a technical issue.

The discourse of peacemaking aligns with Israel's self-depiction as a liberal and multi-cultural space. According to Khalil Gharra, this image is deployed to "cover up its various forms of subjugation, repression, and colonization" and "whitewash Israel's image in front of the world, to prove to the world that it looks after Palestinian citizens, helps them, and facilitates an environment that embraces their ambitions and creative thoughts, that it provides a space for innovation" (Gharra, 2016). This dialectic of development and dispossession is fundamental to the operations of domestic outsourcing, illustrating their complex intertwinement in the digital age.

### **Conclusion: On the Politics of Cheaper Labor**

Kiva [an international development non-profit providing loans] originally saw Israel as a developed economy, a member of the OECD. It took us a couple of years to convince them that not all of Israel is like that. We persuaded them that some sections of Israeli society—notably Arab and Bedouin women—are actually Third World. It's not a political issue. (Bentley 2011)

The above quotation comes from the Managing Director of the Koret Israel Economic Development Fund, an Israeli nonprofit (and recipient of a loan from Kiva), discussing a micro-finance project targeting Arab women in Israel. The juxtaposition aptly



reflects the way Palestinians in Israel are constructed: third world, conjuring images of poverty, disenfranchisement, powerlessness—but “it’s not political.” This dichotomy, in which specific groups are rendered “third world” in Israel’s industrialized economy, resembles the terminology of international development globally (Escobar 1995). Within the microcosm of domestic outsourcing, the practice of operational separation and developmental discourses both mobilize and perpetuate categories of inferiority, which, as described above, contain implications for the securitization of labor, gender stratification, and anti-politics. This illustrates the ways in which developmental projects build on and empower not only neoliberalism but also segregation and colonialism.

Connotations of inferiority pervade the vocabulary of the outsourced high-tech industry and shape material processes. Jimmy Levy (founder of the Nazareth-based high-tech firm Galil Software and co-founder of al-Bawadir) describes Palestinians as “an emerging market within Israel’s developed economy” (Elis 2014). At a roundtable at an Israeli business conference held in 2012 discussing high-tech, Danziger asserted that they can compete with offshore centers, such as those in India (Shelah 2012). Cheaper labor is at heart a political construct, rooted in precarity: the lower cost of labor is fundamentally linked to the production and reproduction of Arab labor as inferior. As an overlooked terrain of the state and market engagement with Palestinians of 1948, outsourcing projects illustrate the colonial dynamics of inclusion and exclusion in the liberal settler state. Although they keep relations static, they are not merely a policy of inaction, rather a specific mechanism of capitalist development ensuring that Palestinians are circumscribed as cheaper labor-power.

### Acknowledgments

I am grateful for postdoctoral funding from the Arab Council for Social Sciences, which made the writing of this article possible.

### References

- Abu-Lughod, Lila. 1998. “Feminist Longings and Postcolonial Conditions.” In *Remaking Women: Feminism and Modernity in the Middle East*, edited by Lila Abu-Lughod, 3–31. Princeton, NJ: Princeton University Press.
- . 2013. *Do Muslim Women Need Saving?* Cambridge, MA: Harvard University Press.
- Adalah. 2013. “‘Military Service’ Requirement to Work at Airport – Even as Baggage Handler.” <https://www.adalah.org/en/content/view/8114>, accessed February 18, 2020.
- Algazi, Gadi. 2006. “Offshore Zionism.” *New Left Review* 40: 27–37.

- Arlosoroff, Meirav. 2010. “Business, Not as Usual.” *Haaretz*. <https://www.haaretz.com/1.5139463>, accessed February 18, 2020.
- Badarne, Wehbe. 2008. “Position Paper: Sawt al-Amel’s Assessment of the Histadrut.” *Sawt al-‘Amel* [Arab Workers Union]. <http://www.badil.org/en/resources/documents/human-rights-organizations.html?download=90:sawt-al-amel-position-paper-on-the-histadrut&start=40>, accessed March 18, 2020.
- Behar, Richard. 2013. “Peace through Profits? Inside the Secret Tech Ventures that are Reshaping the Israeli-Arab-Palestinian World.” *Forbes*. <https://www.forbes.com/sites/richardbehar/2013/07/24/peace-through-profits-a-private-sector-detente-is-drawing-israelis-palestinians-closer/>, accessed February 18, 2020.
- Bentley, Desmond. 2011. “Boosting Israeli-Arab Entrepreneurship through Micro-Loans.” *Israel21c*. <https://www.israel21c.org/boosting-israeli-arab-entrepreneurship-through-microloans/>, accessed February 18, 2020.
- Birla, Ritu. 2009. *Stages of Capital: Law, Culture, and Market Governance in Late Colonial India*. Durham, NC: Duke University Press.
- Block, Fred. 1990. *Postindustrial Possibilities: A Critique of Economic Discourse*. Berkeley, CA: University of California Press.
- Burawoy, Michael. 1981. “The Capitalist State in South Africa: Marxist and Sociological Perspectives on Race and Class.” *Political Power and Social Theory* 2(1981): 279–335.
- Carmel, Erran, Mary C. Lacity, and Andrew Doty. 2014. “The Impact of Impact Sourcing: Framing a Research Agenda.” In *Information Systems Outsourcing: Towards Sustainable Business Value.*, edited by Rudy Hirschheim, Armin Heinzl, and Jens Dibbern, 397–430. Heidelberg: Springer.
- Dover, Shiri. 2017. “High-Tech Salaries Rise Strongly in 2017.” *Globes*. <https://en.globes.co.il/en/article-high-tech-salaries-rise-strongly-in-2017-100121698>, accessed February 18, 2020.
- Drori, Israel. 2000. *The Seam Line: Arab Workers and Jewish Managers in the Israeli Textile Industry*. Stanford, CA: Stanford University Press.
- Duffield, Mark. 2001. *Global Governance and the New Wars: The Merging of Development and Security*. London: Zed Books.
- Elis, Nevi. 2014. “Exclusive: Arab High-Tech Made in Israel.” *The Jerusalem Post*. <http://www.jpost.com/National-News/Exclusive-Arab-Israeli-start-ups-eye-users-across-political-boundaries-345584>, accessed February 18, 2020.
- Escobar, Arturo. 1995. *Encountering Development: The Making and Unmaking of the Third World*. Princeton, NJ: Princeton University Press.



- Oshri, Ilan, Julia Kotlarsky, and Leslie P. Willcocks. 2015. *The Handbook of Global Outsourcing and Offshoring: The Definitive Guide to Strategy and Operations* 3rd. Basingstoke: Palgrave Macmillan.
- Pasquetti, Sylvia. 2012. "The Reconfiguration of the Palestinian National Question: The Indirect Rule Route and the Civil Society Route." In *Political Power and Social Theory*, vol. 23, edited by Julian Go, 103–46. Emerald: Bingley.
- Pearce, John A. 2014. "Why Domestic Outsourcing is Leading America's Reemergence in Global Manufacturing." *Business Horizons* 57(1): 27–36.
- Peck, Jamie. 1996. *Workplace: The Social Regulation of Labor Markets*. New York, NY: Guilford Press.
- Raz, Aviad E., and Gavan Tzruya. 2017. "Doing Gender in Segregated and Assimilative Organizations: Ultra-Orthodox Jewish Women in the Israeli High-Tech Labour Market." *Gender, Work & Organization* 25(4): 351–78.
- Robinson, Shira. 2013. *Citizen Strangers: Palestinians and the Birth of Israel's Liberal Settler State*. Stanford, CA: Stanford University Press.
- Rosenhek, Zeev. 2003. "The Political Dynamics of a Segmented Labour Market: Palestinian Citizens, Palestinians from the Occupied Territories and Migrant Workers in Israel." *Acta Sociologica* 46(3): 231–49.
- Sa'ar, Amalia. 2016. *Economic Citizenship: Neoliberal Paradoxes of Empowerment*. New York, NY: Berghahn Books.
- . 2017. "The Gender Contract under Neoliberalism: Palestinian Israeli Women's Labor Force Participation." *Feminist Economics* 23(1): 54–76.
- Sa'di, Ahmed. 2003. "The Koenig Report and Israeli Policy towards the Palestinian Minority, 1965–1976: Old Wine in New Bottles." *Arab Studies Quarterly* 25(3): 51–61.
- . 2014. *Thorough Surveillance: The Genesis of Israeli Policies of Population Management, Surveillance and Political Control towards the Palestinian Minority*. Manchester: Manchester University Press.
- Sadeh, Shuki. 2010. "'Ani mi'ut be-tokh mi'ut be-tokh mi'ut ye zeh ha-coah sheli' [I am a Minority within a Minority within a Minority, and This is My Strength]." *Haaretz*. <https://www.haaretz.co.il/misc/1.1195508>, accessed February 18, 2020.
- Samed, Amal. 1976. "The Proletarianization of Palestinian Women in Israel." *MERIP Reports* 50: 10–15+26.
- Sawt al-'Amil. 2008. "No Bread and no Roses: Arab Women Textile Workers in the Galilee, Israel." *Memo by Sawt al-'Amil [The Arab Workers Union]*. July 2008.
- Schnell, Itzhak, Michael Sofer, and Israel Drori. 1995. *Arab Industrialization in Israel: Ethnic Entrepreneurship in the Periphery*. Westport, CT: Praeger.
- Senor, Dan, and Saul Singer. 2009. *Start-up Nation: The Story of Israel's Economic Miracle*. New York, NY: Twelve.
- Shafir, Gershon. 1989. *Land, Labor and the Origins of the Israeli-Palestinian Conflict, 1882–1914*. Cambridge: Cambridge University Press.
- Shalev, Michael. 1989. "Jewish Organized Labor and the Palestinians: A Study in State/Society Relations in Israel." In *The Israeli State and Society: Boundaries and Frontiers*, edited by Baruch Kimmerling, 93–133. Albany, NY: State University of New York Press.
- Shehadeh, Manar. 2011. "'Araviyah, tse'irah, ye-samankal hevrat hi-tech—zeh efshari [Arab Woman, Young, and Vice President of a High-tech Company—This is Possible]." *Ynet*. <https://www.ynet.co.il/articles/0,7340,L-4039414,00.html>, accessed February 18, 2020.
- Shehadeh, Mtanes, and Raja Khalidi. 2014. "Impeded Development: The Political Economy of the Palestinians inside Israel." In *Decolonizing Palestinian Political Economy: De-development and Beyond*, edited by Mandy Turner, and Shweiki, Omar, 115–37. Basingstoke: Palgrave Macmillan.
- Shelah, Shmulik. 2012. "Elisha Yanai: ayn le-ta'asiyat ha-hi-tech katovet ba-mimshalah [Elisha Yanai: 'The Government Does Not Have an Agenda for Employment in High-Tech']." *Globes*. <http://www.globes.co.il/news/article.aspx?did=1000809183>, accessed February 18, 2020.
- Smith, Vicki, and Esther Neuwirth. 2008. *The Good Temp*. Ithaca, NY: Cornell University Press.
- Stein, Rebecca. 2008. *Itineraries in Conflict: Israelis, Palestinians, and the Political Lives of Tourism*. Durham, NC: Duke University Press.
- Swed, Ori, and John Sibley Butler. 2015. "Military Capital in the Israeli Hi-Tech Industry." *Armed Forces and Society* 41(1): 123–41.
- Tawil, Yoel. 2015. "A 'Start-Up Nation': On Performance and Creativity in Israel." *Ethnologie Francaise* 45(2): 223–33.
- TheMarker. 2010. *101 mashpi'im le-tovah—ha-anashim she-hofkhim et yi'sra'el le-ma'kom tov yoter [101 People Who Make Israel a Better Place]*. <http://www.themarker.com/misc/1.580509>, accessed February 18, 2020.
- Upadhyaya, Carol. 2016. *Reengineering India: Work, Capital, and Class in an Offshore Economy*. London: Oxford University Press.

*Anthropology of Work Review*

- Vitalis, Robert. 1990. "On the Theory and Practice of Compradors: The Role of 'Abbud Pasha in the Egyptian Political Economy.'" *International Journal of Middle East Studies* 22(3): 291–315.
- Vora, Kalinda. 2015. *Life Support: Biocapital and the New History of Outsourced Labor*. Minneapolis, MN: University of Minnesota Press.
- Walby, Sylvia, Jo Armstrong, and Sonia Strid. 2012. "Intersectionality: Multiple Inequalities in Social Theory." *Sociology* 46(2): 224–40.
- Yiftachel, Oren. 2006. *Ethnocracy: Land and Identity Politics in Israel/Palestine*. Philadelphia, PA: University of Pennsylvania Press.

DOI: 10.1111/awr.12188

---