Palestinian Employmen
Challenge
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PRINT Abu Ghosh Printers - Ramallah

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We would like to thank the *Netherlands Organization* for *International Development Cooperation* (*NOVIB*), whose continuing support for JMCC's work made this project possible.

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Palestinian Employment: Challenges and Prospects

By Jamil Rabah

JERUSALEM MEDIA AND COMMUNICATION CENTER
August 2000



Preface

Unemployment and employment have been the major challenges facing the economy and politics in Palestinian society, whether during the direct control of the Israeli occupation, or during the current interim and self-autonomy phase.

Israel has worked deliberately on impeding any chances for job-creation opportunities in the agricultural, industrial and tourism sectors in the West Bank and Gaza Strip. It has also drawn unemployed Palestinians in the West Bank and Gaza towards job opportunities in Israel, thus helping those laborers to earn their bread. This took place at the expense of the Palestinian economic structure and reinforced Palestinian subordination to the Israeli economy.

Currently, the creation of job opportunities is one of the major challenges facing the Palestinian economy towards ending this subordination and building the components of the independent Palestinian entity and the aspired-for state. Further, the success of the Palestinian state's economy is considered a major factor for ensuring stability in the region.

This issue is particularly important because it overlaps with other developmental issues, particularly social issues. Population growth and the level of educational, for example, are issues intertwined with unemployment and economic growth, thus making them crucial and sensitive topics.

The Jerusalem Media and Communication Center (JMCC) is proud to present this study, an important, courageous and timely contribution, in the hopes of adding to the current developmental debate in Palestinian society towards establishing priorities and the most effective policies for achieving the goal of economic and political independence and stability.

Ghassan Khatib, Director Jerusalem Media and Communication Center (JMCC)

Acronyms

CPRS Center for Palestine Research and Studies

EU European Union

ILO International Labor Organization

JMCC Jerusalem Media and Communication Center
MAS Palestine Economic Policy Research Institute

PA Palestinian Authority

PCBS Palestine Central Bureau of Statistics

PECDAR Palestinian Economic Council for Development and Reconstruction

PLO . Palestine Liberation Organization

PNA Palestinian National Authority

UNRWA United Nations Relief and Works Agency for Palestine

UNSCO United Nations Office of the Special Coordinator in the Occupied Territories

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Introduction

Employment is essential for stable economies and is necessary for their growth. High employment rate stimulates the economy, increases investments, reduces the burden on the public sector, and increases supply and demand. Higher employment means more taxation, thus better services. The improvement in the supply and demand sides of the economy also generates more employment, thus more investments, and so forth. In general, a healthy employment environment enhances the economic well-being of people and, consequently, reduces the negative social and political ramifications associated with high unemployment. On the social level, increase in employment figures reduces crime rate, improves family relations, etc. On the political level, the higher the employment rate, the more stable is the political system. Better economic conditions are essential for good governance and for democratic development¹.

Over the past three decades, the employment situation in Palestine was plagued by various problems: internal and external. The external ones were and still are attributable primarily to the Israeli occupation of the West Bank and the Gaza Strip. The internal ones are predominantly a result of social, political, and economic shortcomings that characterize the Palestinian territories and the rest of the Arab world.

The recent developments in the Arab-Israeli peace process has brought hope to the Middle East and hopes for ending the conflict. In this respect, the parties involved in the process focused attention at the economic situation of the Palestinian people and emphasized the need to improve their economic conditions. Hundreds of millions of dollars were pledged to rebuild it and to set the bases for its reconstruction. Significant portion of these pledges

¹ Lipset, Seymour Martin, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy", <u>American Political Science Review</u>, (53), March 1959, pp. 69-105.

was targeted at creating jobs for the Palestinian labor force. Plans for building industrial areas were drawn, private and foreign investments were encouraged and significant number of Palestinians were employed in the newly established Palestinian public institutions.

The efforts of the parties involved were neither without shortcomings nor without setbacks. Most of these difficulties stemmed from the lack of progress on the political front, and the others resulted from measures by the Israelis, the Palestinian Authority and by the international donor community. The economic conditions are deteriorating and the economic hardships are becoming detrimental to the peace process. The inability to properly deal with those challenges is a cause of concern. According to the Director General of the International Labor Organization, Michel Hansenne:

"The risk of social havoc undermining prospects for lasting peace in the region will soon become overwhelming unless jobs are created urgently and on a large scale... This should be a top priority"²

This study aims at addressing these impediments in order to outline remedies and to draw conclusions and recommendations. In reaching this objective, the researcher will first assess the variables and conditions in the West Bank and the Gaza Strip of relevance to employment situation. In the second chapter the impact of the Israeli occupation and the Israeli measures on employment will be examined. The role the Palestinian Authority played regarding the Palestinian labor force will be the focus of the third chapter. In Chapter four, an analysis of the efforts targeted at resolving the employment situation within the framework of the peace process will be assessed.

Focusing on Israeli policies is essential in understanding the current employment situation and consequently in drawing practical conclusions. This is particularly important in the

²ILO Press Release. "Unemployment Threatens Peace in Gaza and the West Bank". 3 December 1995. http://www.essential.org/ilo/press_releases/ilo2.html

future efforts to remedy the impact of Israeli policies that restructured the Palestinian labor force from a generally agrarian one to one dependent primarily on cheap employment in Israel.

Assessing the internal factors is equally important. Understanding the needs of the Palestinian economy particularly with regard to the utilization of the country's resources efficiently should be the bases for any policies targeted at economic growth. This part will be the main focus of the study because abundant literature has been conducted on the impact of the Israeli occupation on the Palestinian economy. Very few indeed examined the internal and domestic factors hindering economic growth, particularly those related to human resources and the labor force.

The researcher will assess whether the objectives envisaged by the international community materialized with respect to alleviating the employment problem were met. The challenges faced in this regard and the reasons for those challenges will be elaborated and discussed.

It is the aim of this researcher that after examining those issues a clearer picture will emerge which will hopefully assist in drawing recommendations that consider the realities of the political situation and the challenges confronting the Palestinian leadership and the Palestinian society.

The study was based primarily on figures and data from the Palestinian Central Bureau of Statistics, from the Palestinian Ministry of Labor, and from other sources such as the World Bank, the European Union, and the United Nations. The researcher also consulted with a number of studies conducted by various Palestinian and foreign scholars and experts who wrote on the subject. In addition, the author relied on specially gathered material by

the Jerusalem Media and Communications Center which were believed to be important but not available.

Throughout the course of this research, the researcher was assisted by a number of individuals whose contribution was helpful and whose suggestions added significantly to the study. I am grateful to Mr. Ghassan Al-Khatib for his support and encouragement, to Dr. Adel Zagha for his supervising the manuscript and for his invaluable comments and suggestions, to the Ministry of Labor for providing me with valuable literature and information on the Palestinian labor force, and to Dr. Hasan Abu Libdeh for making the resources of the PCBS available to the researcher.

I am also indebted to my colleagues at JMCC for their help during my research. Gratitude is particularly due to each and every one of them. Finally, special thanks go to my wife Isabelle for her insight and for reviewing the manuscript and checking the consistencies of figures.

Chapter One Overview of Employment in the West Bank and the Gaza Strip

1. Geographic and Demographic Characteristics

1.1 Geographic Characteristics

The size of the Palestinian territories is 6,170 km²: 5,800 km² comprise the West Bank and 365 km² comprise the Gaza Strip. Israel surrounds the West Bank from the north, south, and west. The borders on the east are with Jordan. Israel borders the Gaza Strip from the north and northeast, Egypt from the southwest, and the Mediterranean Sea from the West. While Israel geographically separates the West Bank and the Gaza Strip, the Oslo Agreement guaranteed the geographic contiguity of both parts.

1.2. Demographic Characteristics

1.2.1. Population size and distribution

It is estimated that the number of Palestinians all over the world exceeds seven million as stated by the US Population Office¹. Less than half live in the West Bank and the Gaza Strip. The rest are scattered in many countries around the world.

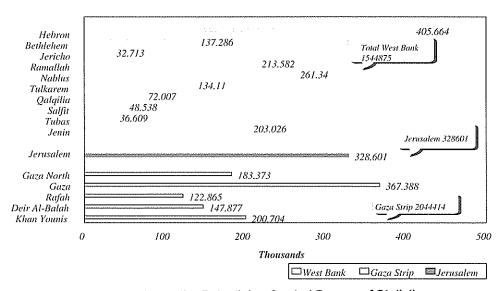
The number of registered refugees all over the world exceeds three million according to the United Nations Relief and Works Agency (UNRWA). According to 1995 UNRWA estimates, approximately 1.3 million of registered refugees live in Jordan. Almost one million reside in refugee camps in Jordan, Lebanon, Syria, and in the Occupied Palestinian Territories. Most of those are living in the Gaza Strip.

Quoted from Al-Quds Daily Newspaper, 11/9/1999, p. 21

The last census carried out in the West Bank and the Gaza Strip was in 1997. The census was supervised and conducted by the Palestinian Central Bureau of Statistics (PCBS). According to this census, the overall population of the West Bank and the Gaza Strip in 1997 was about 2,895,683 million distributed as follows: 1,544,875 million (53.3%) in the West Bank, 1,022,207 (35.3%) in the Gaza Strip and 328,601 (11.3%) in Jerusalem. The population of the various districts of the Palestinian territories is indicated in figure 1.1 below.

Figure 1.1

Population Size of the Palestinian Territories According to Area and
District
1997 Census



Source: Data Compiled from the Palestinian Central Bureau of Statistics

Of all the Palestinians in the West Bank and the Gaza Strip, 41.4% are designated as refugees (65.1% in Gaza and 26.5% in the West Bank)². While a sizeable percentage is

²http://pcbs2.org/english/phc_97/popu.html.

designated as refugees, only 14.7% reside in refugee camps. The majority, (57.5%) lives in cities and 27.8% live in villages³.

The PCBS expects the population size of the Palestinian territories to increase rapidly. As Table 1.1 below shows, the projected population is expected to grow to 3.5 million by the year 2003. The estimates are based on high population growth rate and high fertility rate⁴ (6.06 in the WBGS with fertility rates being higher in the Gaza Strip –7.4- than in the West Bank –5.44-)⁵.

Table 1.1: Projected Population and Growth Rate of the West Bank and the Gaza Strip (1993-2003)

| Year | Mid Y | ear Populatio | n (millions) | | Growth Rate | : (%) |
|------|-------|---------------|--------------|------|-------------|-------|
| | West | Gaza | WBGS | West | Gaza | WBGS |
| | Bank | Strip | | Bank | Strip | |
| 1993 | 1.32 | 0.79 | 2.11 | 3.95 | 5.24 | 4.43 |
| 1994 | 1.40 | 0.84 | 2.24 | 6.65 | 8.16 | 7.22 |
| 1995 | 1.50 | 0.91 | 2.41 | 5.77 | 6.26 | 5.95 |
| 1996 | 1.60 | 0.96 | 2.56 | 5.61 | 6.12 | 5.80 |
| 1997 | 1.70 | 1.02 | 2.72 | 5.45 | 6.00 | 5.65 |
| 1998 | 1.80 | 1.10 | 2.90 | 5.29 | 5.85 | 5.51 |
| 1999 | 1.80 | 1.15 | 2.95 | 5.14 | 5.72 | 5.36 |
| 2000 | 1.90 | 1.21 | 3.11 | 3.20 | 4.36 | 3.64 |
| 2001 | 2.00 | 1.26 | 3.26 | 3.14 | 4.27 | 3.58 |
| 2002 | 2.05 | 1.32 | 3.37 | 3.10 | 4.18 | 3.52 |
| 2003 | 2.11 | 1.37 | 3.48 | 3.48 | • 4.10 | 3.45 |

Source: PCBS, 1994. The Demography of the Palestinian People in the West Bank and Gaza Strip, The Status Quo Report Series, number (1). Ramallah- West Bank, pp. 216-218.

The increase in the population in the West Bank and the Gaza Strip does not take into account the growth rate of the Palestinian refugees living in the Diaspora (350,000 in

×

³Kirbaj, Yousef, "Re-Shuffling Population Papers in the Middle East: The Demographic Future for Palestine/Israel". Majallat al-Dirasat al-Filastiniyah, No. 38, Spring 1999, pp. 56-79.

⁴PCBS defines fertility rate as "the number of children a woman bears under prevailing fertility conditions".

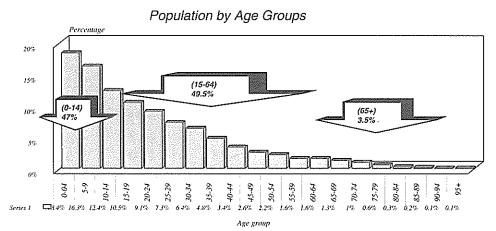
⁵http://www.pcbs.org/english/populati/pop_main.htm

Lebanon, 300,000 in Syria, 1,300,000 in Jordan, in addition to thousands in Libya, Iraq, the Gulf, and in other parts of the world). Once a peace agreement is reached between Israel and the Arab countries, hundreds of thousands of Palestinians will return back to Palestine, most probably to the West Bank and the Gaza Strip. According to Joseph Alpher and Khalil Shikaki, the vast majority of Palestinian refugees will have to reside in those areas as it is unlikely that permanent residency will be granted to the Palestinians in their present hosting countries once a permanent settlement is reached⁶.

1.2.2. Age grouping

The Palestinian population in the West Bank and the Gaza Strip is a very young one. Over 47% are below the age of 15 years and almost one fifth of the population are below the age of 5. Figure 1.2 below shows the age distribution of Palestinians in the West Bank and the Gaza Strip and how high the dependency ratio is.

Figure 1.2



Source: Data compiled from the Palestinian Central Bureau of Statistics, 1997. Data does not include East Jerusalem http://www.pcbs.org/english/phc_97/phc_12.htm

⁶Alpher, Joseph and Khalil, Shikaki, <u>The Refugee Problem and the Right of Return.</u> Weatherhead Center for International Relations, Harvard University, May 1998, Cambridge, Massachusetts. (In Arabic).

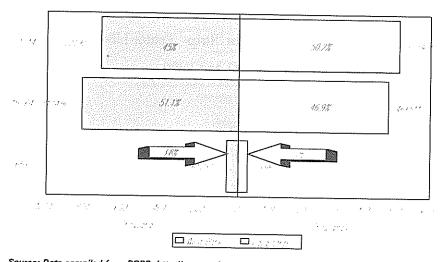
While the population is young in the West Bank, it is more so in the Gaza Strip. As indicated in figure 1.3, the population above the age of 15 is 53.1%, 55.1% in the West Bank and 49.6% in the Gaza Strip⁷.

This percentage is high when compared to the below 15-year old age group of the world which, in 1995, amounted to approximately 31.5%. While the Palestinian rate is not high compared to the average rate in the Arab World, it is nonetheless high compared to other regions like North America (22%), Europe (19.1%), South East Asia (34.7%) and Latin America (33.6%)⁸.

Figure 1.3

Population by Age Group

According to District



Source: Data compiled from PCBS. http://www.pcbs.org/english/phc_97/phc_t2.htm

⁷PCBS, Labor Force Survey # 11, October-December 1998, p. 19. There are some trivial differences from the figures indicated in figure 1.3 because that figure refers to data from 1997.

⁸Khalifeh, Mohamed Sadek, Palestinian Labour Force: Reality and Prospects, p. 3.

2. National Accounts

The Gross National Product (GNP) increased in the Palestinian territories from US\$ 3,531 million in 1994 to US\$ 4,509 million in 1996, an increase of US\$ 978 million. The per capita GNP increased from US\$ 1,578 in 1994 to US\$ 1,779 in 1996, an increase of 12.7%. The highest per capita GNP in 1996 was in Jerusalem, and amounted to US\$ 2,536, compared to US\$ 1,695 in 1994 (US\$ 1,933 for the West Bank and US\$ 1,368 for the Gaza Strip)⁹.

As for the Gross Domestic Product (GDP)¹⁰ of the Palestinian Territories, it was estimated at US\$ 3,897 million in 1996¹¹: US\$ 484 million for Jerusalem, US\$ 2,227 million for the West Bank, US\$ 1,186 for the Gaza Strip. This figure increased by US\$ 922 million over the 1994 figure. The per capita GDP is US\$ 1,537: US\$ 1,900 for Jerusalem, US\$ 1,691 for the West Bank and US\$ 1,232 for the Gaza Strip. Table 1.2 below indicates the fluctuations in the real GDP and GNP between 1993 and 1996.

Table 1.2: GDP and ANP Growth Rates (Percentages)

| | 1993 | 1994 | 1995 | 1996 |
|---------------------|-------|------|-------|------|
| Real GDP per capita | -5.6 | 4.0 | -12.0 | -6.0 |
| Real GNP per capita | -14.4 | 2.0 | -10.0 | -7.0 |

Sources: World Bank analysis of preliminary PCBS national accounts for 1994-1996 and Israeli Central Burau of Statistics for 1993¹².

⁹PCBS: http://www.pcbs2.org/english/nat_acco/nat_main.htm

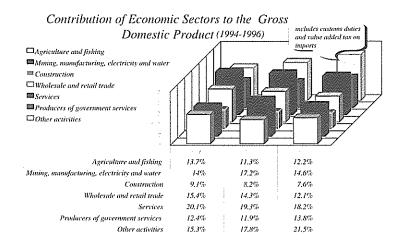
¹⁰ The UN definition of the GDP includes also revenues on imports and duties. The Israeli Central Bureau of Statistics for example does not include that when calculating the Israeli GDP, while the Palestinian Central Bureau of Statistics does.

¹¹ http://pcbs2.org/english/nat_acco/nat_main.htm

¹²See Ishac Diwan and Radwan Shaban (eds.), Development Under Adversary: The Palestinian Economy in Transition, the World Bank and MAS, 1999, p. 26.

In 1994, the main contributors to the Palestinian GDP were the sectors of services and retail trade. These sectors alone contributed to 35.5% of the GDP in 1994. As a result of a more active role in the economy by the Palestinian Authority, the situation changed rapidly. Thus, by 1996, as indicated in figure 1.4 below, the major contributor to the GDP became the other activities that included customs duties and valued added tax which increased from 15.3% in 1994 to 21.5% in 1996, an increase of 6.2%.

Figure 1.4



Data compiled from the PCBS website: http://www.pcbs2.org/english/nat_acco/nat_main.html

3. Types of businesses/employers

The 1997 Population, Housing, and Establishment Census set the number of establishments¹³ in the Palestinian territories (excluding Jerusalem) at 99,120 establishments of which 69,400 in the West Bank and 29,720 in the Gaza Strip. Of those, only 82,305 are in operation, and the rest are either temporarily closed (5,417), permanently closed (3,823), or under preparation (702), and 6,873 are designated as

the Gaza Strip increased from 58,156 in 1994 to 76,962 in 1997 and the number of "persons engaged" in them increased during that period from 153,062 to 191,361 in both the private and government sectors, an increase of 38,299 (25%)¹⁵.

These establishments are divided into 13 different sectors: agriculture, mining and quarrying, manufacturing, electricity and water supply, construction, whole sale and retail trade, hotels and restaurants, transport and communication, financial intermediation, realestate, education and health and social work, and other community and personal services.

The government sector alone owns 5.9% of the overall number of establishments. The remaining are owned by private and government companies. Figure 1.5 below illustrates the ownership of these operations and the type of economic activities the private and government establishments engaged in.

¹³Establishments defined by the PCBS as "an enterprise or part of an enterprise in which one group of goods and services is produced (with the possibility of secondary activities)".

PCBS defines the number of persons engaged as the "paid employees and unpaid owners and family members, as well as all permanent staff aged 10 years and older. The reference date for employment data is 30/9/1997".

Data compiled from the Palestinian Central Bureau of Statistics, Establishment Report, December 1998 (p. 125).

Figure 1.5

Number of Economic Establishments According to Ownership



Source: Data compiled from the Palestinian Central Bureau of Statistics, Establishment Report, Dec. 1998

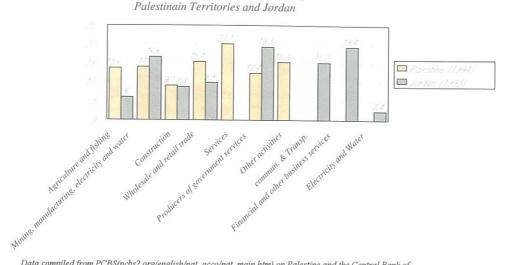
Private national companies number account for 93.1% of all the government and private establishments. The remaining ownership is divided among the central government, local authorities, and UNRWA. Foreign governments and companies own few¹⁶.

While most establishments are engaged in internal trade, as indicated above, there is no single economic activity that could be regarded as a main contributor to the GDP. Not very dissimilar from Jordan, the main economic activities, as shown below in figure 1.6, are concentrated in services and a high percentage of those services are provided to the government. The level of industrialization is very low and its trade deficit is high while Israel is the main trading partner with the Palestinian territories. ¹⁷

¹⁶Data compiled from the Palestinian Central Bureau of Statistics, Establishment Report, December 1998 (p. 40).

¹⁷The World Bank, The Future of the West Bank and the Gaza Strip, Development Brief Number 32, March 1994. http://www.worldbank.org/html/dec/Publicatons/Briefs/DB32.html.

Figure 1.6



Data compiled from PCBS(pcbs2.org/english/nat_acco/nat_main.htm) on Palestine and the Central Bank of Jordan on Jordan (http://www.cbj.gov.jo/docs/statistic/stat20.htm

The Contribution to the GDP by Economic Activity in the

3.1. Concentration and Status of the Economic Establishments

The highest concentration of the economic establishments is in Hebron, followed by Nablus, Gaza City, Jenin, Ramallah, Tulkarem, Bethlehem, and Khan Yunis. The number of economic establishments is lower in Jerusalem and the other districts of the West Bank and the Gaza Strip. As for the legal status of those establishments, almost 90% are classified as sole proprietorship, 5% as de facto companies, 1% as general partnership, 0.3% as limited partnership, 1.7% as shareholding companies; 0.16% are cooperatives, 1.2% charitable, and the rest are either branches of foreign companies, or limited and unlimited liability companies. Very few are public shareholding companies, only 31 in total.

3.2. The Employment Share of the Various Sectors

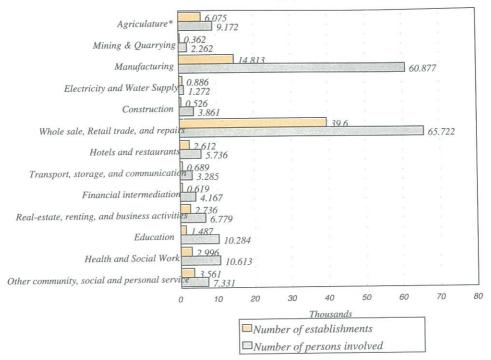
The Palestinian Authority is the largest employer. The number of people employed in the public sector is estimated to be around 125,000. According to Sayigh, et al., the number of the PA's civil and security personnel is 100,000 and the number of people working in the local government is approximately 25,000. This number represents 25% of the active Labor Force.

As indicated below in figure 1.7, the manufacturing sector, on the one hand, and wholesale and retail trade, on the other hand, are the two main private sector employers with a 66% share of the number of people engaged in them. Whilst this is the case, the contribution of those two sectors to the GDP is nonetheless very small as previously indicated. For example, whereas 34.3% of all people employed in Palestinian establishments are engaged in wholesale and repair, the contribution of this sector to the GDP is a mere 15.4%. This situation is even worse in manufacturing (including water supply and electricity) sector were 32.5% of all persons employed were engaged in this sector while contributing only 14% to the GDP.

¹⁸Sayigh, Yezid and Khalil Shikaki, (Principal authors), "Independent Task Force Report on Strengthening Palestinian Public Institutions", Council on Foreign Relations, 1999, p. 73.

Figure 1.7

Establishments in Operation in the Palestinian Territories and the Persons Engaged in Them



Palestinian Central Bureau of Statistics, Establishments Report, Statistical Reports Series No. 1, December 1998, p.

Moreover, the number of people employed in a specific sector is not indicative to the importance of that sector to the economy. For example, whereas the construction sector contributes less than 10% to the GDP, recent indicators show that, in 1998, the growth in employment was mainly in construction which absorbed 50.4% of the overall employment growth, despite the fact that more than half of those were employed in Israel or in the Israeli controlled areas.¹⁹

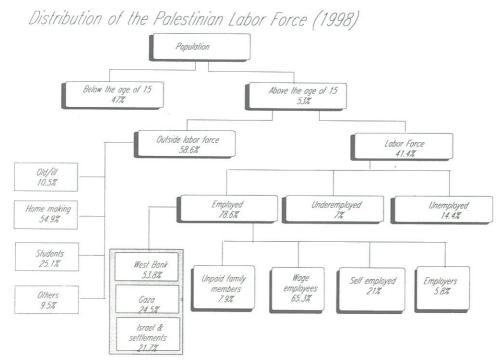
¹⁹UNSCO Report on Economic and Social Conditions in the West Bank and the Gaza Strip. Spring 1999, pp. 21-22.

4. Palestinian Employment Status

4.1. Structure of the Palestinian Labor Force

The size of the Palestinian labor force consists of every person above the age of 15 who is willing to work at a market wage rate, and who is either working or actively seeks to work. In the Palestinian territories, the percentage of those eligible to be included in the labor force is 53%, as indicated in figure 1.8 below. According to the Palestinian Central Bureau of Statistics, this figure amounts to 1,288,254²⁰ in both the West Bank and the Gaza Strip. Of those, 41.4% are actually inside the labor force. Those outside the labor force are primarily housewives and students.

Figure 1.8



Data compiled from PCBS Labor Force Annual Report 1998. (http://www.pcbs.org/english/labor/yearlist.htm)

Although the unemployment rate seems relatively low, it is important to note that the discrepancy between the employment rate and those who are actually employed is high. As figure 1.9 below shows, 58.6% of those eligible to be in the labor force do not participate due to homemaking, studying, old age, etc.

Figure 1.9

Implied 1868

Implied 1868

Unempland 1848

Outside Later Lace

The Employment Situation in WBGS by Labor Force Status

PCBS Annual Report: hhtp://www.PCBS.org/english/labor/yearlist.html

among many Palestinian circles. Palestinian employment figures have to take into consideration women unemployment, an issue that will be discussed in greater depth in the next chapters.

²⁰This number was derived from subtracting the number of people falling in the 1-14 and 65+ age groups from the overall population of the West Bank. The data was compiled from PCBSs table P o pulation by Age Groups in Years, Region, and Sex in http://www.pcbs2.org/english/phc_t2.htm.

4.2. Employment According to Region

The employment situation differs between the West Bank and the Gaza Strip. While the situation is serious in the entire areas, indicators show that the situation in the Gaza Strip is more problematic. This is due to a number of reasons. First, the Gaza Strip was more dependent on employment in Israel than the West Bank and, as such, Israeli closure of the Gaza Strip by Israel in recent years aggravated the employment conditions. Second, the inability of Gazans to market their products impeded the ability of the various sectors of the economy to absorb job seekers. Third, the demographic nature of the Gaza Strip and its high birth rate rendered the labor market incapable of incorporating these larger numbers of employment seekers. Fourth, the high increase in population and the high population density relative to the available land, led to further shrinking of agricultural land which in turn reduced the capacity of the traditionally important agricultural sector to employ people.

As indicated in table 1.3 below, the rate of unemployment in the Gaza Strip is 20.9% compared to 11.5% in the West Bank. With 63.6% of people outside the labor force, the Gaza Strip is facing a serious and an alarming problem whose ramifications extend beyond the economy, especially with a low median daily wage which is substantially lower than that of the West Bank, as indicated below.

Table 1.3: Comparison between the Labor Force Status in the West Bank and the Gaza Strip:

| 21.16. | | | |
|---------------------------------|-----------|-------------------|-------------------|
| | WBGS* | West Bank | Gaza Strip |
| Population | 2,601,669 | 1,600,100 (61.5%) | 1,001,569 (38.5%) |
| Below age of 15 | 1,223,196 | 720,292 (58.9%) | 503,904 (41.1%) |
| Above age of 15 | 1,378,473 | 879,808 (63.8%) | 497,665 (36.2%) |
| Outside labor force | 58.6% | 55.8% | 63.6% |
| Inside labor force | 41.4% | 44.2% | 36.4% |
| Employed | 79.1% | 80.1% | 76.8% |
| Underemployed | 6.5% | 8.4% | 2.3% |
| Unemployed | 14.4% | 11.5% | 20.9% |
| Median daily wage ²¹ | 57.7 NIS | 50 NIS | 40 NIS |
| | | | |

Source: Population data were derived from the PCBS home page: http://www.pcbs2.org/english/phc_97/phc_t2.htm. Employment data were compiled from the PCBS "Labor Force Survey: Annual Report" (1998), April 1999.

As for the underemployed, recent figures put the rate at 6.5%, 2.3% in Gaza and 8.4% in the West Bank. Of the overall underemployment rate, 74.2% is invisible and 25.8% visible²². The highest underemployment can be found among wage employees, then the self-employed, and the unpaid family members. Underemployment among employers was too small to be statistically significant.

4.3. Employment According to Sectors

In 1967, the majority of the Palestinian population in the West Bank and the Gaza Strip were involved in agricultural activities. In the West Bank, close to 40% of the labor force were engaged in agriculture. In the Gaza Strip, the proportion was approximately 30%. By 1996, as figure 1.10 below indicates, the percentage of Palestinians employed in the agricultural sector fell to 16.3%. More recent figures predict even lower figures.

^{*} Does not include Jerusalem

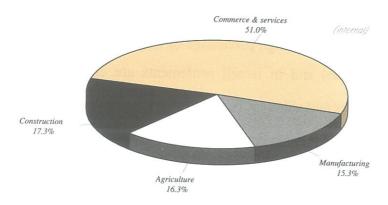
²¹The median wage for the West Bank and the Gaza Strip is higher than both the West Bank and the Gaza Strip because the median wage in Israel and Israeli settlements for Palestinian workers is 100 NIS.

²²PCBS "Labor Force Survey: Annual Report" (1998), April 1999, p. 90.

²³Kahan, David, "Agriculture and Water Resources in the West Bank and Gaza (1967-1987). The West Bank Data Project. Jerusalem Post Publications, 1987, pp. 3-4.

Figure 1.10





Source: Hashweh, Mazen, "Education and Training in Palestine", in "International Conference on Employment in Palestine", Palestinian National Authority, May 1998, pp. 19-36

This major structural transformation within the Palestinian labor force was largely influenced by Israeli policies. According to Khalifeh, the changes in the structure of the Palestinian labor force in the agricultural sector, for example, drove the Palestinian labor force to dependency on employment in Israel and Israeli settlements. He wrote:

[The] sharp drop in the percentage of employed persons who work in agriculture is due to the long sufferings of the agricultural sector from different problems including the competitiveness of the Israeli agricultural products, the high costs of the main inputs (wages of employed persons, animal cultivation and irrigation water), the agricultural sectors sensitivity to the seasonal fluctuations added to the continuous expansions of the Israeli settlements and the various problems facing the farmers due to the Israeli practices and the fragmentation of the agricultural ownership. All these problems considerably affect the absorption of employment by the agricultural sector 24.

²⁴Khalifeh, Mohamed Sadek

http://www.pna/org/mol/ice/papers/khalifeh.htm

Currently, most of the employed Palestinians are wage employees (65.3%) according to the 1998 PCBS figures. The Palestinian public sector employs 20.5% of wage employees, the private sector employs 70.4%, and the remaining is in other sectors.²⁵

The percentage of wage employees is significantly higher in the Gaza Strip than in the West Bank. While 53.5% of West Bank residents are wage employees, the percentage in the Gaza Strip reaches 65.5%. The high percentage of wage employees is because 95% of Palestinians working in Israel and in Israeli settlements are employed as such²⁶. The remaining 5% are contractors and alike.

As table 1.4 below shows, above one third of the Palestinian employees are working in very low value adding jobs.

Table 1.4: Distribution of Palestinian Employment According to Occupation and Place of Work

| Occupation | WB | GS | Israel and settlements | Tota l |
|--|-------|-------|------------------------|-----------|
| Senior officials and managers | 5.2% | 3.6% | 1.2% | 3.9% |
| Professional, technicians and clerks | 18.8% | 26.4% | 2.8% | 16.5 |
| Service, shop and market workers | 5.5% | 10.6% | 3.3% | 6.4% |
| Skilled agricultural and fishery | 13.8% | 5.6% | 1% | 9.2% |
| workers Craft and related trade workers | 21.3% | 19.5% | 38.7% | 24.7 |
| Plant and machine operators | 10.3% | 6.7% | 4.9% | 8.3% |
| Elementary occupations | 25.1% | 27.6% | 48.1% | 31% |

Source: PCBS: http://www.pcbs.org/english/labor/anneemp10.htm

4.4. Employment Conditions

Palestinian labor force works an average of 23 days per month at an average of 44 hours a week. The PCBS estimates the median daily wage at less than 60 New Israeli Shekels

²⁵Palestinian Central Bureau of Statistics, Labor Force Survey: Main Findings (October-December 1998), Number 11, March 1999, p. 21.

²⁶PCBS: http://www.pcbs.org/english/labor/anneemp9.htm

(approximately US\$ 15) in July-September 1998²⁷. Accordingly, based on a work month of 23 days, the median annual income for an employed Palestinian is NIS 16,560, which is equivalent to approximately US\$ 4039. The latest Figures from the PCBS suggest that the median daily wage for a Palestinian in the West Bank is 50 NIS and 40 NIS for the Gaza Strip. The median daily wage earned by Palestinians working in Israel and the Israeli settlements is estimated at 100 NIS²⁸.

The Palestinian per capita earnings, Radwan Shaban of the Palestine Economic Policy Research Institute (MAS) argues, place the Palestinian economy amongst the lower middle income economies of the world. Despite this, poverty levels among Palestinians are relatively high, especially among refugees. This, according to Shaban, is attributed to worsening employment conditions, particularly in the aftermath of the peace process:

"One of the disturbing economic outcomes in the WBGS since 1993 is the high level of poverty. Mostly, this has occurred as a result of worsening labor market conditions. Given a poverty level of \$650 per capita annually (less than \$2 per day), approximately one-fifth (19.1 percent) of the WBGS population was poor at the end of 1995. This is indeed large, and implies that about one-half million of the estimated 2.5 million Palestinians are poor. The incidence of poverty is greater in the Gaza Strip, where more than one-third (36.3 percent) of the population was poor at the end of 1995, amounting to about 350,000 people. In the West Bank, roughly one out of ten people were poor, constituting approximately 150,000 people. Since 1995, the situation seems to have deteriorated much more".

While Shaban argues that the nature of poverty is linked to the "softness in the labor market and the repeated and severe shocks from border closures", trade union activists and others emphasize the graveness of the work conditions. In a meeting held at the Palestine

²⁷PCBS: http://www.pcbs.org/english/labor/lab_curr.html

²⁸PCBS "Labor Force Survey: Annual Report" (1998), April 1999, p. 23.

²⁹Shaban, Radwan Ali, "Palestinian Economic Development: Recent Experience and Strategic Considerations". Paper presented at the Palestinian Ministry of Labor's International Conference on Employment "Towards Employment Strategy in Palestine", Ramallah 13 May 1998.

Central Bureau of Statistics in Ramallah on 25 August 1999, Shaher Saad, the Secretary General of the General Union of Palestinian Workers, stressed that Palestinian workers are confronting a harsh working environment in the West Bank and the Gaza Strip. There is no well-defined legal base to protect them and their rights are often lost. Work injuries, according to Saad, are numerous and safety conditions are weak.

Having said that, it is important to note that there is no sufficient literature drawing a comprehensive picture about the Palestinian work conditions in the areas falling under the jurisdiction of the Palestinian Authority. What is known is primarily based on individual cases. However, one could argue that the absence of a Palestinian legal structure undoubtedly contributes to generally harsh working conditions.

There are signs, however, indicating that the Palestinian Authority is working towards alleviating the seemingly bad work environment. The Palestinian Labor Law is being drafted and is in the process of ratification. In addition, the Ministry of Labor is working on improving work conditions in all economic sectors by starting to establish a national social security system in Palestine as well as a labor inspection unit for the improvement of better and healthy working conditions.

5. Employment in Israel

The Palestinian Ministry of Labor estimates the number of Palestinians working officially in Israel to be 25,494, of whom, 278 are women³⁰. However, the actual number is

^{*}Official workers are those who obtained a permit by the Israeli authorities to work in Israel. Most estimates put the number of Palestinians working in Israel to be more than 100,000.

³⁰Mashharawi, Alaa', "Report on the Activities of the Ministry of Labor", Al-Quds Newspaper, 21 June 1999, p. 9.

estimated at 107,308, compared to 386,874 in the West Bank and the Gaza Strip³¹. There are major differences between the type of employment in the WBGS and those working either in Israel proper or in Israeli settlements in the WBGS. Approximately 48% of Palestinian workers in Israel and Israeli settlements are employed in elementary occupations and 38.7% are employed in craft and trade related businesses. Very few are engaged in professional or skill related activities³².

The Palestinians find in Israel and in Israeli controlled areas a place for employment. Two reasons explain this tendency. First, Israel as an occupying power has seriously damaged the Palestinian economy over the past thirty two years of occupation, thus preventing the growth of the Palestinian economy to a level capable of absorbing more people into the Palestinian labor market. Second, the internal weaknesses within the Palestinian economy stem from the constant increase of people entering the labor market, due to the high population growth rate³³, and from the inability of the Palestinian economy to provide wages competitive to those available in Israel. The relatively high wages in Israel and the inability of the Palestinian labor market to provide jobs for the ever-increasing labor force have had a clear impact on the dependence of the Palestinian labor force on Israel. Chapters Two and Three will provide more detailed information about the role of Israel and the domestic Palestinian factors in this respect.

³¹UNSCO Report on Economic and Social Conditions in the West Bank and the Gaza Strip. Office of the Special Coordinator in the Occupied Territories, Gaza, April 1999, p. 22. Numbers are for 1998 averages calculated from PCBS and the Palestinian Ministry of Finance.

³²PCBS: http://www.pcbs.org/english/labor/anneemp10.htm

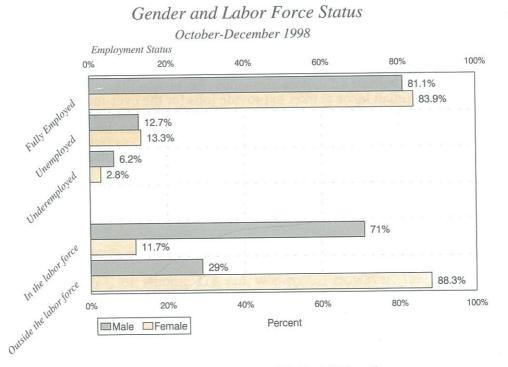
³³UNSCO, 1999.

6. Women Employment

Not dissimilar from other countries in the region, women in the Palestinian societies are not as active in the labor force as men are. Despite recent developments in the educational status of women, they are still not represented, as they should in the labor force. The reasons behind this phenomenon will be discussed in the next chapter.

The number of women who are eligible to participate in the labor force is as high as 83.9%. However, 88.3% are outside the labor force, the majority of which is active in unpaid jobs, particularly homemaking. Only 11.7% are inside the labor force, as indicated in figure 1.11 below.

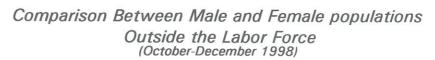
Figure 1.11

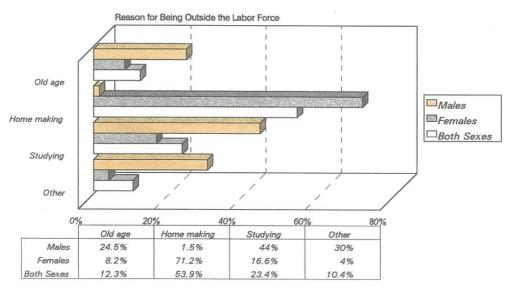


Data compiled from PCBS Labour Force Survey Report Series #11, March 1999, p. 19

According to the PCBS, the high unemployment rate of females in the Palestinian territories is due to the segregated nature of the Palestinian labor force.³⁴ Women are expected to fulfill the traditional role of homemaking and child caring. As shown in figure 1.12 below, 71.2% of females are outside the labor force in order to take care of the house and the family.

Figure 1.12





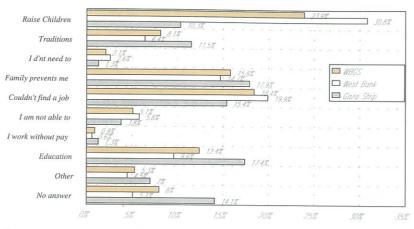
Data compiled from PCBS # 95

In a poll conducted by the Jerusalem Media and Communications Center in August 1999, 45.1% of the interviewed women said that they would like to work and 53.9% said that they prefer to stay at home, while 1% did not give any answer. When asked as to the reasons for not working, a large number of females stated that raising children and other traditional considerations were behind that. As shown in figure 1.13 below, women preferring to work stated that raising children is the reason for not working, followed by lack of appropriate jobs, then family restrictions.

³⁴PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 10

Figure 1.13



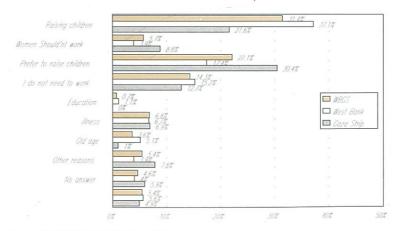


Source: JMCC's Public Opinion Poll, August 1999.

Similar trends were also observed with respect to women who stated in the same survey that they prefer not to work. Raising children was also the main reason why women said they prefer to stay at home (31.4%). As indicated below in Figure 1.14, another 22.1% of this category of females also stated that another reason behind their preference to stay at home is because raising children is a responsibility that they like to undertake.

Figure 1.14

Reasons Given by Women Preferring not to Work for their Decision West Bank and the Gaza Strip



Source: JMCC's Public Opinion Poll, August 1999.

The above figures indicate to a trend that could be described by many as traditional and perhaps necessitated by the fact that the number of children born for a married couple is relatively large. As indicated in table 1.5 below, women respondents have more than 4 children, and are still producing, and their average age is below 20. Because of large number of children and the young age at marriage of the mothers, their educational or professional experience at marriage is negligible. This further introduces obstacles before their employment.

Table 1.5: The average number of children and the average age at marriage of women

| | Number of children | Age at the time of marriage |
|---|--------------------|-----------------------------|
| Women in general | 4.4 | 18.9 |
| Working women | 4.1 | 19 |
| Non-working woman | 4.4 | 18.9 |
| Non-working woman, but would like to work | 4.1 | 19.5 |
| Non-working woman, but would not like to work | 4.5 | 18.5 |

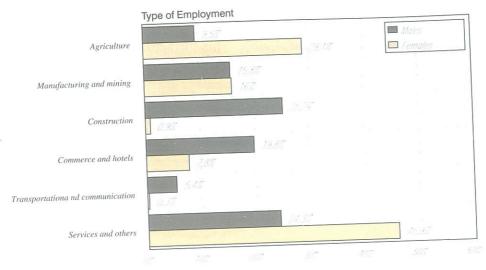
Source: JMCC Public Opinion Poll, August 1999.

Not surprising, therefore, that female employment is concentrated in very few economic sectors, particularly in agriculture and education (figure 1.15). Of all female employment, 56% are employed in these two sectors¹. Very few females run and own enterprises. In the services sector, the women's share is 28.4% in the West Bank and 15.7% in the Gaza Strip. Of all private businesses, women's share is 15% in the West Bank and only 9% in the Gaza Strip. Moreover, 30.5% of all employed women are without pay. According to the PCBS, this is due to the high concentration of women employment in the agricultural sector, particularly in the West Bank².

¹PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 9

²PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 9

Gender and Type of Employment 1998



PCBS, http://www.pcbs.org/english/labor/anneemp3.htm

7. Employed Children in the Palestinian Territories

As discussed earlier, Palestinian children constitute half the population in the West Bank and the Gaza Strip. More than one third of the children are below the age of five. According to the PCBS, about 6.3% of all children³ are working. Of those employed, 45.3% are paid for their work, the rest are not. The median wage for the paid children is US \$ 8.1 per day. Of all working children, 31.8% are not enrolled in schools⁴.

³The Draft Palestinian Labor Law set the age limit at 15. Accordingly, PCBS defines a child laborer as any working child who is below the age of 15. The International Labor Organization Minimum Age Convention Number 138 sets the basic age for admission into employment at 15.

⁴PCBS: http://www.pcbs2.org/english/child/labr.htm

Although employment conditions for Palestinian children are not admirable, the employment conditions for West Bank children are better than for Gaza Strip children. In the West Bank, 17.9% of working children (5-17 years old) have a paid sick leave and holidays, while in the Gaza Strip, the percentage is as low as 6.5%. Health insurance for working children is also better in the West Bank. About 8.8% of West Bank working children have health insurance compared to 2.2% for Gaza children⁵.

While it seems that child labor in the West Bank and the Gaza Strip is better than that of other countries, including in Europe, which set the age much lower (the allowed age in Switzerland, Germany, and Denmark, for some types of jobs is set at thirteen⁶), the situation in the West Bank and the Gaza Strip remains alarming nonetheless. Although the employment age in Palestine is in conformity with the age set by the ILO's Minimum Age Convention Number 138, Palestinian children are involved in industrial and hazardous jobs. About 45% of child labor are in services and other branches, 26.8% in mining, quarrying and manufacturing, whereas 28.1% are in agriculture, forestry and fishing. As for working hours, children work the same weekly hours (43.7 hours per week) as the legally employed persons.⁷

8. The Palestinian Educational System

Prior to 1967, the educational structure in the West Bank fell under the responsibility of the Jordanian Ministry of Education, and under the Egyptian Ministry of Education in the Gaza Strip. After the Israeli occupation of the West Bank and the Gaza Strip in 1967, the Jordanian and Egyptian laws, regulations, and curricula remained in force with some

⁵Palestinian Bureau of Statistics electronic page: http://www.pcbs.org/english/child/labr.htm

⁶UNICEF's electronic page: http://www.unicef.org/sowc97/

⁷Khalifeh, ibid., p. 2. http://www.pna/org/mol/ice/papers/khalifeh.htm

amendments enforced by the Israeli civil administration who assumed all responsibilities over education.

After the Palestinian Authority took over the responsibility over civilian matters, including education, formal education was restructured into three main divisions:

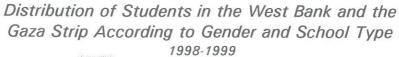
- Pre-school and kindergartens. The duration of this is three years.
- Formal education. This phase is extended over a 12-year period: ten years are basic and two are secondary. Prior to 1992, formal education was divided into three phases: elementary (six years), preparatory (three years), and secondary (three years). The secondary phase was divided into three streams: arts, sciences, and technical. Formal education also embodies other educational activities including illiteracy, adult education, special education, and technical training centers.
- Higher education. This is divided into two main sectors: College and
 University education. The first extends for a period not exceeding three years,
 while the second extends over a period of more than four years, depending on
 specialization.

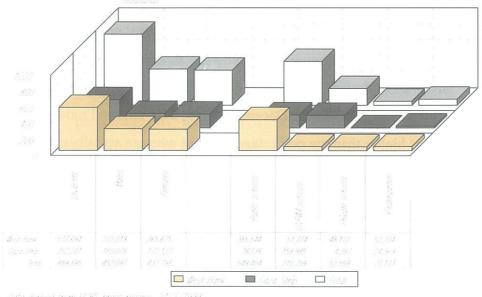
The number of schools for the basic and secondary education reached 1,475 schools in the West Bank and the Gaza Strip, of which 1,166 in the West Bank. Of those, 18% are dedicated for secondary schools. The government runs 54% of all schools, UNRWA is responsible for 13% (259 schools: of which 159 are in the Gaza Strip), while the private sector is in charge of the remaining schools (33%)⁸.

As indicated in figure 1.16 below, the overall number of students in pre-school and formal education in the West Bank and the Gaza Strip approximates 890,000. Of those, 60.4% are enrolled in West Bank schools.

⁸ Ishtayyeh, Muhammad, "The Palestinian Economy During the Interim Phase", Palestinian Economic Council for Development and Reconstruction (Pecdar), 1999, pp. 172-178.

Figure 1.16





As for teachers, PECDAR estimates the number at 24,342 of which 17,242 are in the West Bank and 7,100 are in the Gaza Strip. Of all teachers, 14,681 are enrolled in the public sector, 5,571 in UNRWA schools, and 4,090 in private schools. Accordingly, the number of students per teacher is as follows⁹:

Table 1.6: Student-Teacher Ratio in Palestinian Schools

| Government | 1 teacher for every 37.4 students | |
|------------|-----------------------------------|--|
| Private | 1 teacher for every 12.9 students | |
| UNRWA | 1 teacher for every 37.8 students | |

Palestinian Economic Council for Development and Reconstruction (Pecdar), 1999, p. 183.

⁹Data compiled from Ishtayyeh

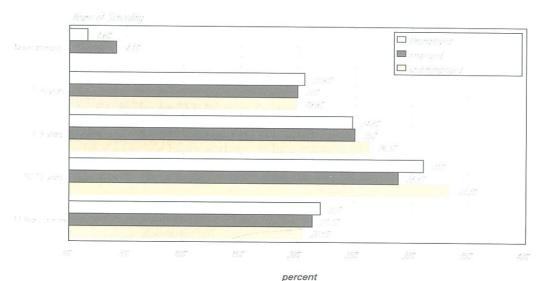
9. Who are the Unemployed?

9.1. Education and Employment

In general, the unemployed in the Palestinian territories do not lag behind in their educational attainment. On the contrary, as shown in figure 1.17 below, the educational attainment of those unemployed is marginally higher than those employed. Of all those designated as unemployed in October-December 1998, 22% received more than 12 years of schooling, which is higher than the percentage of those who are actually employed.

Figure 1.17





Data on the unemployed was derived from the PCBS, Labour Force Survey Report Series (11), March 1998. Data on the employed was derived form: http://www.pcbs2.org/english/labor/anneemp6.htm

According to a study by the Ministry of Labor¹⁰, 66% of new graduates are unemployed. Of those, 65% are below the age of 30 and 27% are below the age of 40.

¹⁰Indicators and Features of the unemployed University Graduates (in Arabic). Ministry of Labor, November 1998, pp. 17-20.

The highest percentage of the unemployed graduates was in Hebron (23.1%) followed by Nablus (19.7%), then by Jenin (15.7%). Areas like Jerusalem had a low rate (2%) and in the Ramallah district the percentage reached 8.8%.

According to the same study, the highest percentage of unemployed graduates were among the social sciences with as high as 34.9% unemployed, followed by business and economics and finance graduates whose unemployment rate reached 21.8%. As for science graduates, the percentage of unemployed was 7.8% among the scientific branches (mathematics, chemistry, etc.), 8.5% among engineering graduates, and 6% among health and medical graduates.

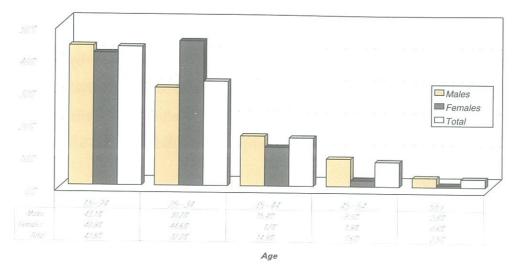
The majority (45.8%) of those unemployed graduates attained their certificates two years ago, 20.7% before 3-5 years, 10.6% between 6-9 years, and a surprising 21.5% graduated more than ten years ago. This strongly indicates that unemployment among these graduates is of a structural nature that is very difficult to be influenced or changed. It also indicates that the educational system is becoming more divorced from the needs of society.

9.2 Employment and Age

As for age, 70% of the unemployed are below the age of 35. As becomes clear from figure 1.18 below, the younger the age group, the higher the unemployment among them.

Figure 1.18

Distribution of the Unemployed by Age and Gender



Data derived from: http://www.pcbs2.org/english/labor/annepsnn.htm

The above indicates to a very alarming situation. Age seems to be a factor in determining whether people are employed or not. Education, as seen earlier, is not of particular significance to find a job. This implies that the market is incapable of absorbing new recruits. Another explanation may be either due to the fact that the younger the person is the lower is the chance of him obtaining a permit to Israel. The second explanation is perhaps due to the fact that a large percentage of this age group is educated and the labor market seems to be more receptive to less skilled labor. As noted earlier, the recent increase in employment has been among those who are not highly skilled or who have no other choice but to join the ranks of the unskilled labor force.

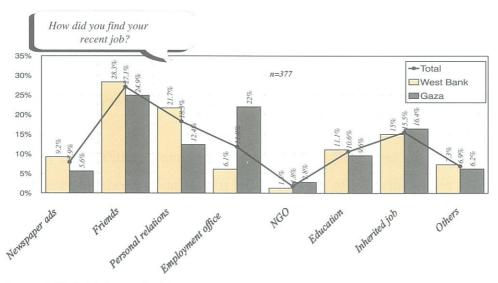
10. How do people find jobs?

One of the major problems for people searching for jobs as well as for employers looking for employees in the Palestinian territories is the insufficient number agencies to assist in this regard. The Palestinian Ministry of Labor has a department within the ministry for that purpose, but it seems that its efforts are not fully utilized despite the fact that the number of

people seeking jobs at the Employment Office, according to their 1999 May Report, reached 13,792, (of which 2,681 were women).¹¹

In a survey specially designed for this study, the majority of people interviewed stated that they find jobs through personal interaction (Figure 1.19). Only 11.8% found their present jobs through employment offices, although in the Gaza Strip, the percentage is as high as 22%. This may indicate to two explanations: either people in the Gaza Strip solicit employment agencies and offices after they exhausted all other means or because employment offices there are more structured and effective. However, the situation in both the Gaza Strip and the West Bank indicates that information about the labor market is insufficient and inefficient. On the one hand, people get educated with limited knowledge of what services are going to be demanded three or four years later. On the other hand, job placement is not easy and takes a long time to process, because job employment agencies are in short supply or are not referred to by either the employer or the jobseeker.

Figure 1.19



Source: JMCC Public Opinion Poll, August 1999

¹¹Mashharawi, Alaa Report on the Activities of the Ministry of Labor A1-Quds Newspaper, 21 June 1999, p. 9

High dependence on relations for jobs poses a number of questions and queries the examination of which need to be seriously addressed by planners and public officials. What are the economic ramifications of hiring employees on the basis of personal relations? To what extent is this phenomenon present in the public sector? How can employers attract appropriate staff?

The answer to these questions is not within the scope of this study. This condition perhaps exemplifies the overall problem of employment and the structural deficiencies within the Palestinian labor market which will be examined in the following chapters.

Chapter Two

External Problems Facing the Palestinian Labor Market Israeli occupation

The Palestinian labor force is fragmented and its structure is largely dependent on and sensitive to the political environment that has been hostage to numerous influences, most important of which is the Israeli occupation of the West Bank and the Gaza Strip on 7 June 1967.

Since the first day of occupation, Israel by virtue of military proclamations, orders, and regulations started changing and amending the laws in practice: the Jordanian law in force in the West Bank and the Egyptian and Palestinian laws in force in the Gaza Strip. East Jerusalem was a special case because Israel annexed this part of the city and parts of the areas surrounding the city immediately after occupation. As such, this area became subject to Israeli "law, jurisdiction, and administration".

The first Israeli military proclamations and orders were intended at consolidating Israeli occupation of the newly occupied areas. Military proclamation number 2, for example, issued on 7 June 1967, granted all powers vested in the hands of the Jordanian Authority to the Israeli Area Commander. A similar proclamation was promulgated in the Gaza Strip.

Immediately, the Military Commanders of the West Bank and the Gaza Strip started issuing military orders enabling various Israeli military officials the power to assume wide jurisdiction, including legislation on matters related to their respective competence. Laws were amended and new laws were introduced. In a short period, most of the laws were amended in a manner that fundamentally served the Israeli agenda. Most striking examples of this were in the laws pertaining to the economy whose share of those regulations was the

largest. Almost two thirds of Israeli military orders and proclamations were targeted towards the economic activities of the Palestinian territories⁴⁵.

In this chapter, I will examine the impact of the Israeli occupation and the Israeli practices and measures on the Palestinian economy and the effect those measures had on the Palestinian labor force. In this regard, I will assess the period from 1967 until the signing of the Declarations of Principles (DOP) between the State of Israel and the Palestine Liberation Organization in September 1993. The period following the signing of the DOP will be discussed in Chapter Four of this study because new developments occurred namely the emergence of the Palestinian National Authority and the proliferation of foreign aid programs which constituted a major source of income to the economy of the Occupied Palestinian Territories.

The Israeli occupation of the West Bank and the Gaza Strip had had far-reaching consequences on the Palestinian economy in general and the employment situation in particular. Notwithstanding the dire social and political impact of the occupation on Palestinian society, Israeli policies on Palestinian employment were detrimental. Land confiscation and settlement activity, controlling water resources, restricting Palestinian trade, imposing arbitrary taxation, limiting local, and foreign investment, separating the West Bank from the Gaza Strip, and imposing regular closures between and within them as well as with Israel, etc. have not only limited the growth of the Palestinian economy, they also led to its deterioration.

During its 33 years of occupation, Israel adopted three types of policies that had a detrimental effect on the Palestinian life, in general, and the Palestinian economy, in particular. The first set of policies restricted the use by Palestinians of their natural

⁴⁵Rabah, Jamil, and Natasha Fairweather, <u>Israeli Military Orders in the Occupied</u> Palestinian West Bank: 1967-1992. Jerusalem: JMCC, 1993.

resources. Israel appropriated Palestinian land, stole and manipulated Palestinian water and other resources such as religious and historic cites. The second set targeted the Palestinian economy in general. Military orders and regulations were introduced to restrict Palestinian trade and the Palestinian financial sector, curfews were frequently imposed and areas were closed, thus preventing movement of goods and of persons even within the Palestinian territories.* The third set of policies impacted individual Palestinians. Businessmen were refused permits to start businesses, to travel or to build, etc.

The culmination of the three above-mentioned policies slowed down and even dedeveloped the Palestinian economy. First, they forced the Palestinian economy to be dependent on Israel for trade, raw material, permits, etc. Second, they restructured the Palestinian economy from mainly agrarian, to a service economy predominantly linked to and dependent on the Israeli labor market. Third, as a result of the above, the Palestinian traditional economy became paralyzed. Investment remained static and many businesses were obstructed to develop as Israeli competitors were more advantaged. According to Munther Dajani, former Director General of the Palestinian Ministry of Economics,

"Thirty years of Israeli occupation of the West Bank and the Gaza Strip have led to a steady deterioration in the political and economic conditions there. During that period, Israel succeeded in restructuring the Palestinian economy in such a way that it became dependent on the Israeli one. This led to a small and feeble Palestinian economy, with a limited capacity for job creation and labor force participation. One third of the Palestinian labor force depends on the Israeli work market." ⁴⁶

In no instance was the Israeli occupation of the West Bank and the Gaza Strip more aggressive as in the effort of the Israelis to control Palestinian land. According to Raja Shehadeh,

This trend continues even after the Oslo agreement was put into practice. Trade between the Gaza Strip and the West Bank declined by almost 1/4th in the first two years after Oslo was signed. Notably, exports from the West Bank to the Gaza Strip declined by 40% during this period. See: UNCTAD, Palestine Merchandize Trade in the 1990s. Geneva, 1998.

⁴⁶Dajani, Munther. "Economic Challenges for the PNA" in Palestine-Israel Journal of Politics, Economics and Culture, Vol. VI, Number 3, 1999, p.31.

"A primary requirement for the Judaization of the West Bank is the possession of land. Successive Israeli governments have attempted to acquire all the land that it is possible to acquire by the 'legal' methods that have been devised during the 17 years of occupation. As to the remaining areas, the policy is to prevent, as far as possible, Palestinian development in them." "47

From the onset of occupation, Israel began confiscating and expropriating Palestinian land under different pretexts. In the beginning, Israel appropriated land under the pretext of building military installations. This, according to Shehadeh, changed in 1979 when Israel began confiscating land which the Israeli authorities declared as 'state land' By declaring any land 'state land', the Israeli military authorities put the burden on the opposite parties, in this case the Palestinians, to prove that it is otherwise. Such proofs were almost impossible to get because of various complexities introduced by numerous military orders. Accordingly, roads were opened for Israeli settlements as more and more settlements were built at the detriment of the Palestinians. As argued by Geoffry Aronson of the Foundation for Middle East Peace, a US non-governmental organization monitoring Israeli settlement activities in the West Bank and the Gaza Strip:

"Israel's occupation of the West Bank and Gaza is essentially a contest for control of the region's resources, principally land and water. To the extent that these assets are used by one antagonist, occupation has been structured so that the other loses." ⁵¹

⁴⁷Shehadeh, Raja. <u>Occupier's Law: Israel and the West Bank</u>. Revised Edition. Institute for Palestine Studies, Washington, 1985, pp. 17.

⁴⁸Shehadeh, Raja. <u>Ibid.</u>, pp. 17-18.

⁴⁹Military Order 418 of 23 March 1971 abolished local (Palestinians) participation in the planning and zoning committee, as stipulated in the Jordanian Urban and Rural Planning Law of 1966. By doing so, all the members became Israeli officials who became solely responsible for drawing regional and road plans. This order also restricted the licensing powers of the municipalities.

⁵⁰Benvenisti, Meron. <u>The West Bank Data Base Project: A Survey of Israeli Policies</u>, American Enterprise Institute for Public Policy Research, Washington DC, 1984.

Foundation for Middle East Peace, <u>Report on Israeli Settlement in the Occupied Territories</u>, Special Report, "The Socio-economic Impact of Settlements on Land, Water, and the Palestinian Economy", May-June 1999, Volume 9, Number 3. (http://www.fmep.org/reports/v9n3.html

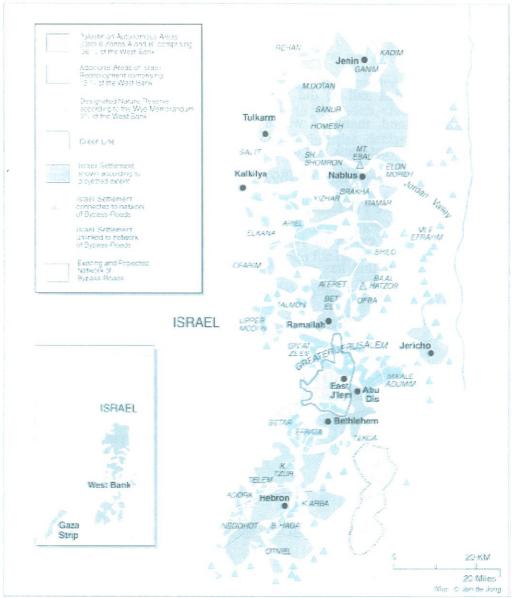
Indeed, the Palestinians have lost and are still loosing, even six years after the signing of Oslo. By 1999, Israel was in control of 72% of the West Bank and a large part of the Gaza Strip still remains under Israeli control. In East Jerusalem, Israel appropriated about 5,845 acres of predominantly Palestinian owned land, approximately one third of East Jerusalem since its occupation of the city in 1967.

Land appropriation proceeded and so did the transfer of Israeli citizens. Jewish citizens were handed Palestinian land, many of which were privately owned. By June 1998, the number of settlers in the West Bank and the Gaza Strip, approached 370,000 (200,000 in East Jerusalem and its neighborhood, and 169,000 in the rest of the West Bank and in the Gaza Strip). Today, there are 177 settlements in the West Bank and 17 in the Gaza Strip. Figure 2.1 below, shows the extent of Jewish build up, the road network linking those settlements, and the effect this has on the geographic contiguity of the Palestinian residential and agricultural areas.

⁵²Data compiled from the Foundation for Middle East Peace: http://www.fmep.org.

Figurex

Current and Projected Israeli Redeployment According to the Wye Memorandum 1998



Source: Foundation for Middle East home page: http://www.fmep.org/

A 1993 study of the World Bank, "Developing the Occupied Territories - An Investment in Peace," argued that the Israeli occupation of the West Bank and the Gaza Strip severely damaged the Palestinian economy. In this study, the World Bank argued that Israeli

policies of land confiscation and settlement construction have targeted the best land used for agriculture by the Palestinians and that these settlements had a detrimental effect on Palestinian water resources.

"Confiscation of Palestinian land has enabled Israel to proceed with the construction of settlements and related structures in various areas of the West Bank that were traditionally considered to be wilderness zones. Most important among these are the eastern slopes and the central part of the West Bank which once housed a variety of wildlife and provided a winter grazing ground for livestock and recreation for the local population.... Similarly, building agricultural settlements in the Jordan Valley has gradually deprived the Palestinian inhabitants of these areas of their richest soils and water wells. A similar situation has developed in the Gaza Strip where settlements have encroached upon fertile inland and coastal areas. The Israeli settlement program was not accompanied by adequate and proper environmental considerations. None of the settlements have developed sewage treatment plants. Sewage is often allowed to run into valleys even if a neighboring [Palestinian] village is threatened. The sewage system of the settlements on the eastern hills and slopes north of Jerusalem has contaminated fresh water supplies for drinking and irrigation of Palestinian areas up to Jericho. "53

Control over land and water was so severe that the Palestinian agricultural sector, the main component of the Palestinian economy prior to 1967, was ruined. According to a study by the Jerusalem Media and Communications Center entitled <u>Israeli Obstacles to Economic Development in the Occupied Palestinian Territories</u>, "given the predominance of agriculture in the West Bank and Gaza Strip's economy, current Israeli water policy amounts to a concerted attack on Palestinian economic and political integrity"⁵⁴.

⁵³Quoted from <u>Report on Israeli Settlement in the Occupied Territories</u>, Special Report, "The Socioeconomic Impact of Settlements on Land, Water, and the Palestinian Economy", May-June 1999, Volume 9, Number 3. (http://www.fmep.org/reports/v9n3.html

⁵⁴JMCC, Israeli Obstacle to Economic Development in the West Bank and the Gaza Strip, 1994, p. 50.

Agriculture in the West Bank and the Gaza Strip comprised 24% of the gross domestic product and the agricultural sector employed more than 43% of total employment. ⁵⁵ By 1996, the contribution of agriculture to the GDP dropped dramatically to a mere 12.2%. ⁵⁶

These policies forced the Palestinian farmer to move to other professions. The only available ones were in Israel. In a short period, Palestinian farmers became semi-skilled workers employed in the various Israeli economic sectors. According to Khalifeh,

"[The] sharp drop in the percentage of employed persons who work in agriculture is due to the long sufferings of the agricultural sector from different problems including the competitiveness of the Israeli agricultural products, the high costs of the main inputs (wages of employed persons, animal cultivation and irrigation water), the agricultural sector's sensitivity to the seasonal fluctuations added to the continuous expansion of the Israeli settlements and the various problems facing the farmers due to the Israeli practices and the fragmentation of the agricultural ownership. All these problems considerably affect the absorption of employment by the agricultural sector." 57

This restructuring was also assisted by Israel's competitive edge in agricultural produce. While West Bank and Gaza markets were flooded with Israeli agricultural produce, Palestinian produce was prevented from entering Israel by virtue of various military orders. According to Ezra Sedan: "The agricultural produce of the [Palestinian] territories is subject to a highly restrictive licensing policy, whereas Israeli agricultural exports to the territories are free." Israeli Military order number 47 Concerning Transportation of Agricultural Produce, issued on 9 July 1967, prohibited the transport in or out of the West Bank of plant or animal produce without a permit from the Israeli military authority. Military Order number 818 of 22 January 1980 set restrictions on the number and types of

⁵⁵<u>Report on Israeli Settlement in the Occupied Territories,</u> Special Report, Ibid., p. 12. (http://www.fmep.org/reports/v9n3.html.

⁵⁶Palestinian Central Bureau of Statistics: http://www.pcbs2.org

⁵⁷Khalifeh, Mohamed Sadek, "Palestinian Labour Force: Reality and Prospects", p. 10.

http://www.pna/org/mol/ice/papers/khalifeh.htm

⁵⁸Sedan, Ezra, "The Best Way for Both Sides", <u>Palestine-Israel Journal</u>, Number 1, Winter 1994, p. 69.

flowers grown by Palestinian farmers. Military order number 1010 of 24 July 1982 empowered the military authority to confiscate agricultural produce from farmers if they do not have proof of customs and duties. Numerous military orders were drafted to restrict the movement of agricultural produce such as Military Order number 1253 of 1 September 1988 which stipulated that fruits and vegetables like olives, olive oil, almonds, etc. may not enter Israel. The same order also prohibited Palestinians from exporting via Israeli ports agricultural produce such as olive and olive oil, eggs, etc.

Like agriculture, the Palestinian industrial capacity was restricted. Licenses to build factories, import machines, export goods, or build new industries were hard to obtain. According to Simcha Bahiri, et al.,

"The Israeli occupation authorities either held up or refused licenses for industries that would compete with Israeli firms. ... Israel banned the reopening of local Arab-owned banks, making it difficult for entrepreneurs to find credit and financing.

... Industrial development in the territories was severely limited by a combination of restrictive practices by Israeli occupation, and by the existence of the dominant Israeli economy next door." ⁵⁹

The same view was echoed also by another prominent Israeli economist, Professor Ezra Sedan. According to Sedan,

"With regard to industrial goods, Israel implemented administrative constraints. A new industrial plant had to prove it could sell its products in the territories or abroad before it received a license. This was intended to discourage Palestinian industrialists from competing in Israeli markets."

The restrictions set on Palestinian industry were institutionalized through various military orders. Military order number 209 of 24 January 1968 granted the Israeli official in charge of licensing wide jurisdiction with respect to whether or not to grant permits for industry. Military Order 398 of 19 June 1970 obliged all companies to re-register and enabled Israeli

⁶⁰Sedan, Ezra, Ibid., p. 69.

⁵⁹Bahiri, Simcah and Samir Hulleileh, "Peace Pays: Palestinians, Israelis and the Regional Economy". Israel/Palestine Center for Research and Information, Jerusalem, 1993, pp. 40-41.

companies to operate in the occupied territories. The same order also amended the Jordanian Corporate Law, in force in the West Bank then, so that appeals against the decisions of the Israeli registrar of companies will be changed so that military objections committees will hear those appeals rather than local courts. On average only ten industrial projects were approved every year and it used to take more than five years to obtain the necessary licenses.⁶¹

While it was difficult for new companies to be established because of licensing constraints, existing industries were also prohibited from marketing their products in Israel and even outside Israel in some cases. Military order number 1253, referred to above, prohibited Palestinians from exporting certain products like stone and aluminum through Israeli ports. Due to Israeli restrictions, trade continued to favor Israel, even six years after the signing of a peace agreement between Israel and the Palestine Liberation Organization. During 1998, the amount of Palestinian imports from Israel was estimated at US\$ 1714 million while the exports to Israel increased by 7.2% from 1997 figures to reach US\$ 492 million. 62

Israel also imposed restrictions that were not direct or specific to those sectors. Military Orders that restricted movement or closed certain areas weakened existing industries and limited their development, as they did with other sectors of the economy. New taxes were introduced such as value-added tax, new customs duties, special payment on vehicles etc. ⁶³ Tax and customs regulations were illegal and severe, and tax collection methods were arbitrary and used in many instances as means to punish certain people or individuals for either political or economic reasons. ⁶⁴ According to JMCC,

⁶¹Sandler, N. "An Economy Apart?", Jerusalem Report, 28 November 1991, p. 10.

⁶²UNSCO Report, Spring 1999.

⁶³Stephens, Marc, <u>Taxation in the Occupied West Bank: 1967-1989</u>, Al-Haq, Ramallah, 1990, p. 25.

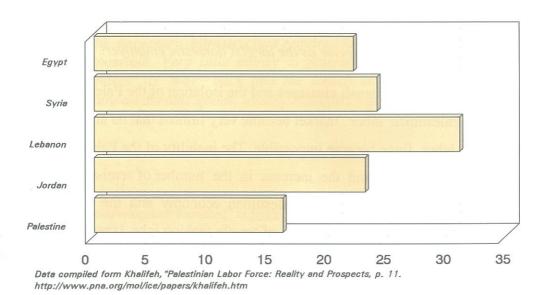
⁶⁴Stephens, Marc, <u>Ibid.</u>, 1990, pp. 119-123.

Israeli taxation policies and practices imposed on Palestinians in the occupied territories are intended predominately to serve Israels interests, including financial gain, and keep the occupied Palestinians territories in a permanent state of de-development, dependency, and its population in despair. 65

The impact of Israeli policies on Palestinian industry was evident in the number of people employed in the industrial sector. In comparison to other countries in the region, the employment in the industrial sector in the West Bank and the Gaza Strip in 1990 was small as indicated in figure 2.2 below. This percentage will be even much lower when taking into consideration that a major part of employment in the countries stated below was in the army and in the public sector. In the West Bank and the Gaza Strip, public sector employment was very low because of occupation and the non-existence of a Palestinian army.

Figure 2.2

Industrial Employment in Palestine in Comparison to Selected Arab Countries



¹⁶⁵JMCC, <u>Israeli Obstacles to Economic Development</u>, 2nd edition, 1994, p. 142.

The low percentage of the industrial sector employment was a consequence of the Israeli restrictions and the Israeli occupation. According to Khalifeh,

"The low percentage of persons employed in the industrial sector is due to the obstacles imposed by the Israeli occupation authorities which impeded the development of the Palestinian industry, in addition to the political instability and the weakness of the investment environment in the Palestinian territories. This consequently minimized the size of invested capitals in this sector in addition to the problem of the natural resources which are mainly imported (61% of the natural resources come from Israel and 15% come from abroad through Israeli companies)." ⁶⁶

Israeli restrictions on planning and building, control of Palestinian imports and exports, limitations on the financial sector and on the development of an industrial base favored the Israeli economy and hampered all efforts at the formation of a viable Palestinian productive capacity. According to Sara Roy, Israeli policies

"... not only mediated the economic transfer of Palestinian resources to the Israeli economy, but de-linked local economic activity (employment, trade, personal income) from market forces, making them increasingly dependent on demand conditions in Israel. The result was the steady weakening and disablement of Palestine's economic base, an eroding productive capacity, and the growth of the service sector as the largest domestic employer." ⁶⁷

As a result of the repressive Israeli measures and the isolation of the Palestinian market, the ability of the Palestinian labor market became very limited that its absorption of the newly restructured labor force became impossible. The inability of the Palestinian market to employ Palestinian workers and the increase in the number of semi-skilled workers resulting from the restructuring of the Palestinian economy and the ruining of the agricultural sector produced a large number of people seeking jobs. Israeli labor market was the only choice left for most semi-skilled, while the skilled and the educated emigrated in large numbers to the Gulf States or to the United States.

⁶⁶Khalifeh, Ibid., p. 11. http://www.pna/org/mol/ice/papers/khalifeh.htm

In both cases the situation was favorable to Israel. While the emigration of Palestinians was obviously advantageous to Israel politically, the flooding of Palestinian workers to the Israeli labor market was economically beneficial. According to Sedan, Israeli policies with respect to the import of labor services from the territories into Israel have been "relatively liberal"⁶⁸. Those workers provided cheap labor that enabled Israeli products to enjoy competitive advantage locally and overseas. Thus, the number of Palestinians working in Israel increased from 20,000 people in 1970 (11.9% of the Palestinian labor force) to 109,000 by 1987 (48% of the labor force.

Palestinians became dependent on Israel for trade and for employment and the institutional change required for capital formation and structural transformation of the Palestinian economy was repressed and even prevented.⁶⁹ The dependency on trade with Israel has started from the day Israel occupied the West Bank and the Gaza Strip in June 1967. In 1968, Israel supplied 75% of total Palestinian imports and 40% of Palestinian exports.⁷⁰ According to JMCC

"Coupled with the complete lack of public financing on infra-structural facilities, including in human resources, the ability of the Palestinian economy to create the necessary infrastructure required for sustained economic growth has been impossible. Very little money is generated locally. Even money earned in Israel makes its way back into the Israeli economy through consumption expenditure on durable goods, usually made in Israel."

⁶⁷Roy, Sara. "De-development Revisited" in <u>Journal Of Palestine Studies</u>, Vol. XXVIII, Number 3, Spring 1999, pp. 64-82.

⁶⁸Sedan, Ezra, Ibid., p. 69.

⁶⁹Roy, Sara. "The Gaza Strip: The Political Economy of De-development", <u>Institute of Palestine Studies</u>, 1995, pp. 135-153.

⁷⁰JMCC, <u>Ibid</u>., p. 89

⁷¹JMCC, <u>Ibid.</u>, p. 161. It is not money itself which is meant here, rather it is value added.

Despite the relative independence of the Palestinian economy in the past few years and the relaxation which the Palestinian economy had witnessed as a result of the peace process, numerous restrictions still remain. Most of the Palestinian land continues to be under Israeli control, including water, trade barriers are reflected in Israel's control over border crossing and Israel's insistence on separating the West Bank and the Gaza Strip and the isolation of those areas from Jerusalem in specific and Israel in general. These conditions did not improve local nor foreign investment. Only in Gaza where an increase in newly-registered companies was observed. In the West Bank, there was a 12% decline in total registration (UNSCO). According to UNSCO, the future is even gloomier with respect to investment:

"There was no reduction in the severity of the general closure and separation policy applied in the WBGS by the Israeli authorities in 1998. The mobility of Palestinians between the West Bank and East Jerusalem, and between the West Bank and the Gaza Strip remained severely restricted. Palestinian public and private institutions, as well as international agencies, continued to experience high transactions costs, time delays and lost productivity due to Israeli movement restrictions on personnel and goods at border crossings." ¹⁷²

Israeli impediments continue to negatively effect the Palestinian economy. As will be discussed later in chapter four, Israel's measures and practices have generally remained unchanged. Israel continue to control natural resources, movement of goods and persons are still subject to Israeli policies, and the hegemony of the Israel economy and its dominance over the Palestinian economy renders the later subject to the rules and interests of the former. The inability of the Palestinian economy to function independently because of the present political environment will persist as long as the Palestinian-Israeli conflict is not resolved. The Palestinian economy can move in different directions depending on the outcome of the peace process.

⁷²UNSCO Report on Economic and Social Conditions in the West Bank and the Gaza Strip. Spring 1999. p. ii (executive summary)

Whilst the political process is fundamental to the structure of the future Palestinian economy, the internal structure of the Palestinian society and the nature of the Palestinian Authority are at least as important as the Israeli constraints. Neglecting and ignoring their significance render any developmental efforts futile and ineffective.

In the following chapter, an assessment of the internal Palestinian variables and conditions that influence the Palestinian economy and the Palestinian labor force will be examined. Without such inquiry, the actual remedies and solutions to the employment situation will be insufficient and even destructive.

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Chapter Three Internal Palestinian Impediments

The Israeli occupation as discussed in Chapter Two have had devastating impact on the Palestinian economy, particularly on the structure of the employment market. However, the growth of Palestinian employment in terms of quantity and quality is also effected by Palestinian internal conditions.

The internal economic problems associated with the Palestinians may be classified into three main types: one emanating from the societal structure of the Palestinian society, another from the economic structure, and another stems from the political system that emerged after the signing of Oslo and the return of the Palestinian leadership from Tunis.

3.1. Cultural and Social Impediments

Various social and cultural characteristics contribute to the weakening of sustainable growth in the Palestinian economy particularly in the Palestinian employment situation. These include, inter alia, high population growth rate, social and cultural impediments on women involvement in the job market, inappropriate and inadequate educational system, child labor, etc. The importance of these factors will be discussed and highlighted in the following subsections.

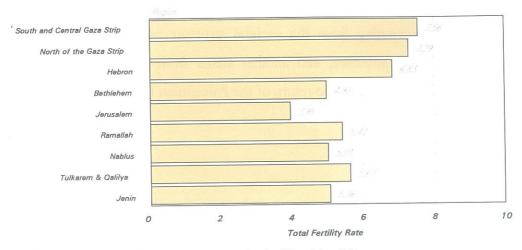
3.1.1. Overpopulation

High birth and fertility rates and the tendency of marriages to occur at an early age are characteristics of young population and are signs of high population growth rate. The Palestinian population is a fairly young one, the fertility rate is very high, the household size is large, and the population growth rate is therefore an issue of concern.

The Palestinian Central Bureau of Statistics estimates that the fertility rate in Palestine is about 6.06 births per woman.⁷³ In other words, a Palestinian woman delivers on average more than six children during her life. As indicated in figure 3.1 below, the rate is even higher in the Gaza Strip where it exceeds 7.

Figure 3.1





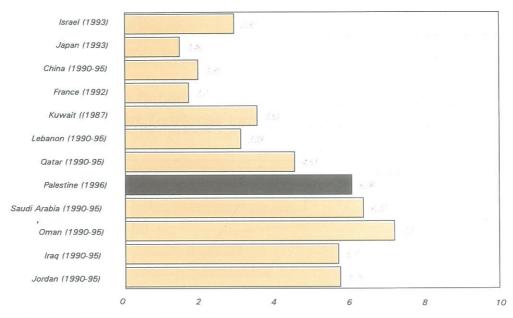
Source: Palestinian Central Bureau of Statistics, http://pcbs2.org/english/gender/gen_f1.htm

In all accounts this is an extremely high rate. As shown in figure 3.2 below, the rate in the Palestinian territories is considerably much higher than in most countries, higher than most countries in the region.

PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 12.

Figure 3.2



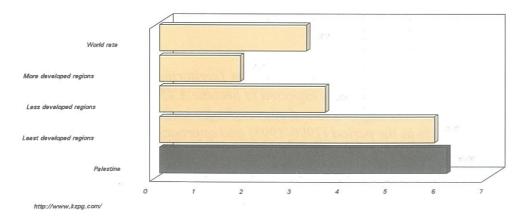


Source: Data compiled from Khalifeh, Ibid., p. 4

Looking closer at the Palestinian birth rate in comparison to the world rate and the regions of the world, a gloomier picture even emerges. As shown below in figure 3.3, the birth rate in Palestine is higher than the rate of the world region classified as least developed.

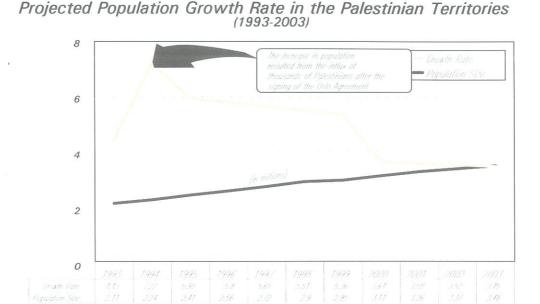
Figure 3.3

Comparison of Palestinian Birth Rate and World Rate



The current rate is high and the projections for the next few years, while relatively lower, remains nonetheless high. Graph 3.4 shows that by the year 2003, the population of the Palestinian territories will reach approximately 3.5 million and the growth rate will decrease to 3.45%.

Figure 3.4



Data compiled form PCBS, 1994. The Demography of the Palestinian People in the West Bank and Gaza Strip. The Status Quo Report Series, No. 1, Ramallah, pp. 216-218 (from Khalifeh, pp. 2-3).

While the projected reduction in the fertility rate is significant, the projected rate itself remains high in comparison even to the countries commonly designated as least developed. According to Khalifeh:

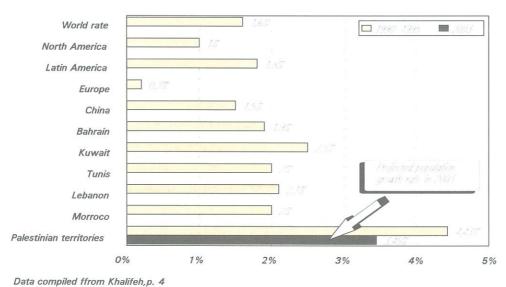
the population growth rate [in the Palestinian Territories] will gradually decrease in the period (2000-2003) and it is expected to become 3.45% in the mid 2003. But it remains high and only approaches the growth rate in the African countries which amounted to 2.8% in the period (1990-1995) and approaches the rate in other Arab countries such as Jordan 3.5% in 1993, Iraq 3.3% and Syria 3.4%.

⁷⁴ Khalifeh, ibid., p. 2. (http://www.pna/org/mol/ice/papers/khalifeh.htm)

Figure 3.5 below illustrates the above point even further. While it is expected that the growth rates of the selected countries will decrease from the 1990-1995 figures, the 2003 Palestinian rate remains very high indeed.

Figure 3.5

Comparison Between the Population Growth Rate in the Palestinian Territories and Other Selected Countries



In the next paragraphs I will assess the problems associated with the increase in the Palestinian population growth rate and the impact such growth has on the Palestinian employment prospects.

High birth rate is associated with economic decline and social inequity. On the one hand, the demand for jobs becomes high and employment opportunities become selective and consequently work conditions deteriorate. On the other hand, it leads to an increase in poverty generated primarily by the inability of income earners to provide for a large number of dependents that live in a single household.

These problems were the reason why the United Nations called for a conference on population growth. The 1994 UN Cairo Population Conference alerted to the impact of high population growth on sustainable economic development. Other agencies and world bodies, official and non-governmental emphasize the need for national strategies to combat overpopulation. According to Mary Chin, deputy Director-General of the International Labor Office, Geneva:

"... demographic factors play a critical role in social progress. One of the basic rationales for ILO's involvement in population and related activities is that rapid population growth, directly affects the demand for employment opportunities. Unbalanced population growth, and uneven population distribution, undermines the attainment of the core of ILO objectives of promoting social justice, full and freely chosen productive employment, the dignity of workers and improved working conditions." ⁷⁷⁵

In the Palestinian territories, poverty, social inequality, child labor, and bad working conditions are definitely present. According to the Palestinian Ministry of Labors' study, Labour Market in the West Bank and the Gaza Strip: Basic Features, 80.6% of all establishment work without written contracts with the employers, 68.7% do not provide health insurance for their employees, and 57.4% do not give end of service compensation. As for salaries, 30% of establishments pay less than US\$ 130 monthly salary for some employees, and only 5% who pay more than US\$ 1300 monthly salary for some employees.⁷⁶

Bad working conditions persist if the flow of labor to the labor market is not paralleled by a similar increase in production.⁷⁷ According to UNSCO, the population increase in the

⁷⁵Address by Mary Chin, Deputy Director-General, International I Labor Office, at the 1994 Cairo Population Conference. Source:

gopher: //gopher. und p. org/00/ung ophers/popin/icpd/conference/una/940910162224%09%09%2B

⁷⁶ Palestinian Ministry of Labor, <u>Labor Market in the West Bank and the Gaza Strip: Basic Features:</u> http://www.pna.org/mol/

⁷⁷Roberts, Nigel. "The Prospects for the Palestinian Economy". A paper presented at University of Warwick's conference entitled "Resolving the Palestinian Refugee Problem: What Role for the International

Palestinian territories over the first half of 1997 reached 5.7% with a 5.8% increase in the number of people entering the labor force during that period. While some may indicate that this is a positive trend, others believe that this further stresses the economy, particularly if the increase did not occur because of an increase in production. The 1999 UNSCO Report argued that the increase in the number of people entering the labor force does not compensate for the increase in population due to increase in birth. According to UNSCO:

"Labour force growth was the result of the growth of population, and especially the working-age population, and not of greater levels of labour force participation." ⁷⁹

Another shortcoming for the increase in population and the large demand for jobs is the tendency of the government to employ more people in the public sector because of the unemployment situation.⁸⁰ According to Sara Roy:

"Between 1993 and 1997, the Palestinian Authority (PA) created at least 65,000 jobs. It is striking that during the first quarter of 1997, the PA employed more Palestinian workers (18.7%) than manufacturing (16.6%) or agriculture (11.6%) in the occupied territories and Israel combined and was virtually tied with construction (19.0%) as the largest employer of Palestinian Labor. By mid-1998, the PA employed 48,138 civilian workers and 40,992 police for a total of 89,130 public servants (excluding local government workers and daily paid workers). By the end of the year, the PA had absorbed 20% of the total labor force. During the first half of 1998, 46.9% of the job growth in the territories came from the PA. '81

The large increase in the public sector meant that public expenditures also increased. According to Roy, Palestinian government recurrent expenditures increased from US\$ 258

Community", p. 5. http://www/arts.mcgill.ca/MEPP/prrn/prwarrob.html

⁷⁸ UNSCO, Autumn 1998, p. 16.

⁷⁹ UNSCO 1999, p. 17

⁸⁰Roberts, Ibid., Footnote 8. http://www/arts.mcgill.ca/MEPP/prrn/prwarrob.html

⁸¹Roy, 1999, pp. 70-71.

million in 1993 to US\$ 779 million by 1996, and by 1998, public sector salaries absorbed 60% of the Palestinian budget.⁸²

The high public expenditure allocations to public salaries have had serious ramifications on the Palestinian economy particularly on the provision of vital services to the citizens. According to the World Bank,

"Because the share of budget resources has risen in favor of general government functions, resources for education and health services have declined in proportional terms at a time when demographic trends actually support greater spending on social services. With high population growth rates, reduced budgets will make it increasingly difficult to sustain current social indicators with respect to primary enrollment rates and access to health care."

In chapter four, I will explore this issue further and I will assess the political implications of such a policy and the ramifications this has on discouraging investment, on lowering morale, and on sustaining corruption.

In addition to the above-mentioned shortcomings, high fertility and high birth rates produce large households who become dependent on a single income earner. The average household size in the West Bank and the Gaza Strip is 6.4 (6.1 in the West Bank and 6.9 in the Gaza Strip)⁸⁴. Since almost half the population is below the age of 15, and most women are not employed, the breadwinner, usually the male, is responsible to feed six to seven members. But since the earner of the household can only cover 70.5% of basic household needs and 46.4% of total household expenditures⁸⁵, a sizeable number of Palestinian families will be forced to cope with the gap between household and family needs and income generated by the bread-winner. Accordingly, the higher the birth rate, the higher is the dependency and

⁸²Roy, 1999, p. 71.

⁸³Quoted in Roy, ibid., p. 71.

⁸⁴ PCBS homepage, http://pcbs2.org/english/phc_97/popu.htm

⁸⁵ UNSCO, Spring 1999, p. 31.

consequently the lower is the standard of living. The provision of high quality education becomes frail and children get pushed to labor, etc. This is particularly true for a country whose economic base is weak and whose resources are limited by political and other considerations.

3.1.2. Women and traditions

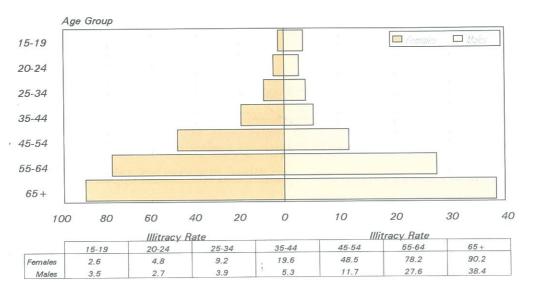
The status of women in Palestinian society is not dissimilar from that of women in the rest of the Arab world although major achievements have occurred recently with respect to women education and health within the Palestinian territories. Women are more involved in public life, literacy among women is exceptional, and educational opportunities are more flexible than before.

According to the PCBS, the literacy rate in the Palestinian territories is high: 91.5% for males and 77% for females. 86 As figure 3.6 below shows, the illiteracy rate is higher among older age groups, and very low among younger ones.

⁸⁶ Source: Palestinian Central Bureau of Statistics, http://pcbs2.org/english/gender/gen_f1.htm

Figure 3.6

Illiteracy Rate in the West Bank According to Gender and Age Groups 1995



By 1997, the percentage of female enrollment in schools reached 49.11%⁸⁷ and women became active and influential members in all works of life. According to PCBS, women constitute 21.9% of dentists in the West Bank and the Gaza Strip, 11.7% of medical doctors, 8.5% of lawyers, and 7.4% of engineers. In the Gaza Strip alone, women pharmacists constitute 26% of all pharmacists in the Gaza Strip. As for the teaching profession, females constitute 33% of the teachers in the secondary level education, 40% of the basic and secondary levels, and 50% of the basic education level.⁸⁸ There are also 5 women in the 88 strong Palestinian Legislative Council and, until recently, 2 women assumed ministerial positions. Palestinian women also occupied 7.52% of the seats of the

Source: Palestinian Central Bureau of Statistics and the Ministry of Education, 1998. Education Statistical Yearbook, 1997/1998, No. 4. http://pcbs2.org/english/gender/gen_t1.htm

⁸⁸PCBS: http://www.pcbs.org/english/gender/gen_t3.htm

Palestinian National Council. According to PCBS, this is consistent with that for women parliamentarians in the Arab World.

Despite recent progress in the status of women in the Palestinian society, numerous traditional and cultural restrictions still remain, in addition to the economic ones. Statistics show, for example, that around 50% of all marriages in the West Bank and the Gaza Strip were between cousins and relatives⁸⁹ and women participation in the labor force remains limited and does not reflect neither their capabilities nor their academic background. According to Reema Hammami:

"The development profile of women in Palestine is full of paradoxes. A relatively strong women's movement has ensured a respectable level of female political representation relative to that found throughout the Middle East, while social equity (especially in spheres of legislation and public policy) lag behind. Women's educational achievement is high and nearly symmetrical with males (both in terms of basic literacy and higher education), while simultaneously, persistent high rates of fertility continue to mark women's post-education life experience. The starkest contrast is in employment. Women's integration into the formal labor force is abysmally low (at roughly 10% of the labor force). It is marked by women working in a very limited number of labor sectors. As such, we have a contradictory picture of Palestinian women engaged publicly in politics, equally represented in enrollments in almost every level of education, and then almost completely absent from the workplace."

This view is also shared by the Palestinian Central Bureau of Statistics. In their publication on gender in Palestinian society, PCBS argues that:

"[The] Palestinian society is a society in a unique development category, similar in many ways to developing countries in certain areas such as fertility rates and the high percentage of the young, but resembling developed countries in other indicators, such as high school enrollment among girls and the higher life expectancy of women." "91"

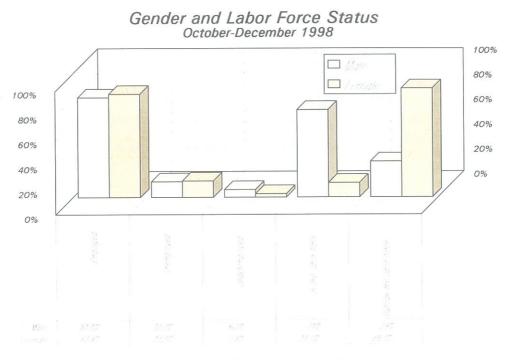
⁸⁹ PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 6.

⁹⁰ Hammami, Rema, "Integrating Women into Wage Work in Palestine: Obstacles, Strategies, and Benefits", paper presented at the International Conference on Employment in Palestine, (11 – 13 May 1998). http://www.pna.org/mol

⁹¹PCBS, Women and Men in Palestine: Trends and Statistics, 1998, p. 7.

The participation of women in the formal labor sector is definitely very low as indicated in figure 3.7 below. As stated earlier, only 11.7% of women are engaged in the formal labor sector as indicated below.

Figure 3.7



Data compiled from PCBS Labour Force Survey, # 11, March 1999.

The low participation of women in the labor market is primarily a consequence of the fact that women tend to marry at a young age and from their inability to work while caring for a large number of kids. This undoubtedly prevents them from accumulating a professional experience compatible with their capabilities and their educational training. In addition, to the economic restrictions imposed on the labor market, high birth rates further restrict women to stay at home to take care of children as explained by Khalifeh:

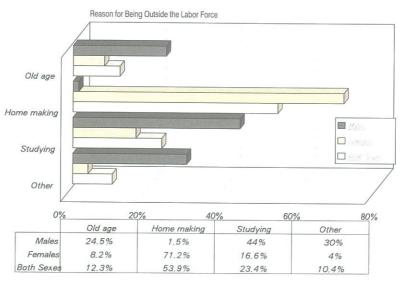
The low rate of female participation is due to the weakness of the Palestinian economy capability in general and consequently its weakness to absorb the females. Moreover, the

habits and traditions encourage men to work and earn living whereas they direct women to home making. This is the main reason which keeps women outside the labour force. 78.3% of females in Gaza Strip and 72.4% in the West Bank are outside the labour force due to home making. 92

The traditional role of women as homemakers in Palestinian society is clear when one compares the reasons by which women stay outside the labor force as indicated below in figure 3.8. By the time children are independent, women become old and thus their inclusion in the labor market becomes difficult, even if the will is there for women to join the labor market.

Figure 3.8





Data compiled from PCBS # 95

⁹²Khalifeh, ibid., p. 8. (http://www.pna/org/mol/ice/papers/khalifeh.htm)

Thus the ability of women to participate in the formal employment sector is severely hindered by her status as a mother. According to Hammami, women participation can not increase if women continue to have many children since that is a great responsibility mothers have to take care of. The solution to this is by reducing the fertility rate.

"... reduction in fertility is both a necessity for raising family income (and overall well-being) as well as an outcome of women's integration into wage work. The fact that the recent decline in per-capita income (post-Oslo) has seen a growth in child labor among poor households, attests to the fact that households with large numbers of children cannot mobilize adult women's labor to compensate for the decrease in family income. The data on child labor shows a clear correlation between greater household size and childrens labor force participation (UNSCO October 1996, 31). In simple terms the practical responsibility of raising children considerably lessens women's ability to enter wage work."

However, reduction in fertility may well require women to substitute having children for employment outside their homes. Data from the PCBS found strong correlation between women employment and fertility rate. Hammami even suggests that this phenomenon is not due to the fact that working women tend to be more educated as PCBS suggests. According to Hammami:

"... it is clear that women who are engaged in both formal wage work, as well as the informal sector have a lower overall fertility rate than women outside the labor force. That is to say, that being involved in wage work actually correlates with lowered fertility among women. Evidence of this can be found in the PCBS Demographic survey, rather than in their labor force studies. In the fertility survey, "ever married" women were asked to self report whether they were working or not --descriptive categories which are not as rigorous as the LFS framework -- but nevertheless useful for looking at the way work effects fertility. While the Total Fertility Rate (TFR) for all "housewives" was found to be 7.30, the total fertility rate for "working women" was dramatically lower at 2.85. The fact that many working women tend to be more highly educated cannot account for the difference -- the TFR of women with 13+ years of education (regardless of working or not) is 4.72 -- less than housewives but higher than working women. Additionally, Save the Children

⁹³ Hammami, ibid., p. 16.

found that women borrowers in their credit program (informal sector workers) had on average four children." ⁹⁴

The problem stemming from high birth rate is further exacerbated by the tendency of women to stay at home and not to join the employment ranks. In the following pages I will examine the status of women in the Palestinian society with respect to the labor market.

The 1994 International Population Conference alerted to the impact of population increase on women and their role in society. According to JMCC's survey of July 1999, 23.9% of women said that they prefer to work but they cannot because they have to take care for children. If women are allowed to work, the birth rate will definitely drop. Although such a step cannot be realized overnight, certain alternatives need to be emphasized to take the society along the path of this desired change. As noted by Joseph van Arendonk, Deputy Executive Director of UNFPA,

"... a woman's ability to earn income helps to create alternatives to early marriage and early and frequent child-bearing. They also heighten a woman's self-esteem and enhance her ability to make her own decisions, including those concerning child-bearing and contraception." ⁹⁵

When closely examining the background of females outside the labor force a clearer picture emerges as to the extent the Palestinian economy is losing from not utilizing such human resources, despite their role as mothers and as home makers. The fact that men, as stated earlier in this chapter are the main bread- winners is very damaging because they are burdened with feeding large households. According to Hammami, the best strategy for poverty reduction and raising the standards of living is to bring women into the labor force:

⁹⁴Hammami, ibid., p. 16.

⁹⁵ Address by Joseph van Arendonk. Deputy Executive Director, United Nations Population Fund, International Conference on Population and Development, Cairo, Egypt12 September 1994. Source:

gopher://gopher.undp.org/00/ungophers/popin/icpd/conference/una/940912184951%09%09%2B

"It is clear that reducing poverty as well as raising standards of living at the household level will ultimately depend on reducing the imbalance between income earners and income dependents. And the only way this can be achieved is through both reducing fertility and the provision of wage work or income generating activity to women."

3.1.3. Education, Training and Employment

One of the major solutions to the problems of employment is adequate and relevant education and training. Adequate with respect to the curriculum, teachers and trainers, educational material, and the presence of an environment suitable for a healthy educational process. Classes should not be overcrowded, buildings should be safe and convenient, and appropriate educational resources should be made available.

Educational policies should also be examined in light of high population growth rate. Education should be flexible and diverse to better utilize this wealth of human resources. Rigid curriculum prevents students from exploring the opportunities usually available in the labor market. Inadequate and strict educational system produces a labor force that lacks the appropriate skills, efficiency, and motivation required for a healthy production climate. Lack of skilled, diverse, and efficient human resources is an invitation to miss the everincreasing production opportunities.

Training is equally important in the strive towards better and effective employment policies. On job-training enables workers to be more efficient in their work. It improves production and reduces its cost, thus making it more competitive. Lack of training produces reverse effects.

The Palestinian educational system, like the employment sector, is severely affected by domestic and external limitations. High birth rate, bad economic conditions, and political

⁹⁶ Hammami, ibid., p.16

restrictions produce an environment that is not very conducive to a healthy educational system. As discussed earlier, large households generate poverty which in turn affects child education. Unjustified increase in the public sector limits the use of public funds for such vital services as health and education. According to Hashweh:

"The system of education and training in Palestine faces a number of challenges. The first is the inability to absorb the growing number of students within a budget which does not grow in such a way to keep up with this growth. The situation threatens the quality of education provided on one hand, and the ability of the system to offer equal teaching opportunities on the other."

The combination of overpopulation and the lack and/or inappropriate allocation of funds have severely retarded the educational sector in the West Bank and the Gaza Strip. Because of those shortcomings, the standard of education did not reach a level that one could describe as appropriate, at least not in the preparation of the younger generation for the labor market.

The Palestinian economy has enormous potential. The most important asset of any country is its people. It takes much more time to build a high quality work force than it does to build infrastructure and factories. The Palestinian economy is blessed with qualified people. In general, as indicated in table 3.1 below, development indicators – including life expectancy, literacy, and child mortality rates – are among the best in the Middle East and North Africa (MENA) region.

⁹⁷Hashweh, Mazen, Education and Training in Palestine. Palestinian Ministry of Labor, 1998, p.
75.

Table 3.1: General Development Indicators for the West Bank and the Gaza Strip

| | West Bank* | Gaza Strip | WBGS Total |
|---|------------|------------|------------|
| Male life expectancy | 70 | 70 | 70 |
| Female life expectancy | 73.5 | 73.5 | 73.5 |
| Average years of schooling for 15 years | 8.0 | 8.3 | 8.1 |
| Literacy rate for 15+ years (%) | 83.4 | 84.9 | 83.9 |
| Female literacy rate for 15+ years (%) | 75.3 | 78.7 | 76.4 |
| Male enrollment rate for 6-15 years (%) | 91 | 89 | 90 |
| Female enrollment rate for 6-15 years (%) | 92 | 90 | 91 |
| Infant mortality rate (per 1000) in 1995 | 25 | 32 | 28 |
| Infant mortality rate (per 1000) in 1980 | 50 | 59 | 54 |
| Child mortality rate (per 1000) in 1995 | 32 | 41 | 36 |
| Child mortality rate (per 1000) in 1980 | 67 | 81 | 73 |
| Total fertility rate (children per woman) | 5.61 | 7.44 | 6.24 |
| Family size | 6.7 | 7.81 | 7.06 |
| Refugees (% of total) | 27.0 | 64.0 | 40.0 |
| Female headed households (%) | 7.8 | 6.3 | 7.0 |

^{*} Figures do not include Jerusalem.

Quoted in:Diwan, Ishaq, and Sheban, Radwan, (eds.),Development under Adversity: The Palestinian Economy in Transition, (Washington: The World Bank), 1999, p. 8.

The average adult in the West Bank and the Gaza Strip has spent eight years in school. Given the average relation between schooling and per capita income, one would expect a per capita GNP level of a little more than US\$ 10,000, adjusting for purchasing power parity (PPP). The Palestinian economy though is operating at less than half of that level.⁹⁸

⁹⁸For further information on the relation between education and income, and whyWBGS income level is far below potential, see: Diwan and Shaban, Ibid., p. 11.

The infrastructure gap is for sure a major factor that is responsible for this situation. In table 3.2, this gap is clearly noticeable.

Table 3.2: Comparison between the Infrastructure Services in the WBGS and other countries and regions (1992-94)

| Country | Populatio n (million) | Per capita income (US\$) | Electric Supply (kW per 100 people) | Electric power system losses (%) | Household s with sanitation | Number of phones (per 100 people) | Meters of paved roads (per 100 people) |
|-----------|--------------------------|--------------------------------|---|---|-----------------------------------|---|---|
| Egypt | 55.0 | 650 | 21.0 | 14.0 | 50 | 4.3 | 59 |
| Jordan | 3.9 | 1120 | 25.0 | 19.0 | 100 | 7.0 | 170 |
| WBGS | 2.4 | 1450 | 13.0 | 30.0 | 25 | 3.1 | 80 |
| Lebanon · | 4.0 | 2500 | 32.0 | N.A. | N.A. | 9.3 | N.A. |
| Syria | 13.0 | 2800 | 30.0 | N.A. | 63 | 4.1 | 180 |
| Israel | 5.1 | 13500 | 82.0 | 4.0 | 100 | 37.1 | 266 |
| Mauritius | 1.1 | 2700 | 33.0 | 14.0 | 100 | 9.6 | 190 |
| LMICs* | 1152.6 | 1620 | 21.5 | 12.4 | N.A. | 7.9 | N.A. |
| OECD** | N.A. | 19710 | 82.6 | 7.3 | N.A. | 45.1 | N.A. |

^{*}Lower middle income countries

Quoted in: Diwan, Ishaq and Shaban, Radwan, (eds.), Development under Adversity: The Palestinian Economy in Transition, (Washington: The World Bank), 1999, p. 7.

However, one has to realize that years of schooling are not a guarantee to achieve a higher PPP per capita GNP. New research on the relation between education and economic growth indicates that more rapid expansion of education has not necessarily led to more rapid growth.⁹⁹

Education clearly has enormous payoffs at the individual level in providing benefits to the household directly and indirectly through better job prospects. However, as Pritchett concludes, it is clear that education has not been productive in the MENA context. The rapid expansion in education appears to have paid off in terms of improved economic growth.¹⁰⁰ The evidence Pritchett presented directs to two conclusions:

^{**}Organization for Economic Cooperation and Development.

⁹⁹See: Pritchett, Lant, (December 1999), "Has Education had a Growth Payoff in the MENA region?", Working Paper, Series No. 18, The World Bank, Summary.

¹⁰⁰Pritchett, Ibid., p. 13.

- 1. The distorted economies and labor markets, particularly government hiring practices, in the pre-reform period, led educated labor to be less productive than its potential.
- 2. In the post-reform period, education will take on greater importance. In particular, policy-makers should focus on increasing the quality of education, in order for the future labor force to have the skill to be productive in more technologically complex economies.

In the Palestinian case, the Palestinian Economic Council for Development and Reconstruction, PECDAR¹⁰¹ outlines eight major obstacles facing the educational sector:

- 1. Shortage of schools: 50% of Gaza schools and 25% of WB schools are running two shifts.(number of classrooms is 7988).
- 2. Overcrowding in classrooms. 30% of all classrooms have more than 40 students in each. The problem is more serious in villages and refugee camps where 54% of elementary and 41% of the preparatory and 46% of the secondary classrooms are over crowded.
- 3. Major shortage in the number of teachers and in educational equipment.
- 4. Inefficient administrative and educational systems resulting from the non-existence of developed educational policies.
- 5. Inefficient geographic distribution of schools. The majority of students are forced to walk long distances to reach their schools.
- Lack of training opportunities for teachers. According to PECDAR, 35% of all teachers never had any training on how to teach and educate. Teachers are not adequately qualified.
- 7. Lack of technical courses that are highly needed in the labor market.

¹⁰¹Ishtayyeh, ibid., p. 179.

8. Technical curriculum suffers from rigidity. It does not cope with the recent and modern developments.

While these obstacles are primarily characteristics of formal education, colleges and universities in the West Bank and the Gaza Strip have their share of problems. On the one hand they have problems pertaining to the unnecessary proliferation of the academic programs, extreme over-crowding (in certain classes there are more than 55 students), lack of educational facilities, and mediocre performance of the faculty. According to a study carried out by the Palestine Research and Studies Center (CPRS) in 1998, colleges and universities duplicate one another, their curriculum is concentrated mainly in subjects of literary nature, and applied scientific disciplines are insufficient. Graduates, according to this study are not adequately equipped to face the challenges of the job market. In sum, the report arrives at the conclusion that the capability of the university structure to cope with the demands of the labor market is not sufficient.

'If viewed in the broader context of a cost/benefit evaluation at the national level, universities are rated modestly in regard to their role in serving the Palestinian society. This is manifested in such subtle indicators as low productivity in agriculture, predominantly unskilled industrial labor force, inefficient trade and service sectors, and prevalence of major deficiencies in the health system." 102

Hashweh arrived at a similar conclusion. He argued that the Palestinian educational system is unable to cope with the requirements of a fast-developing world. According to Hashweh:

"The [Palestinian] education system... faces big challenges related to its ability to develop its human and financial resources, the curricula, methods and systems to conform with the new change and development in our modern world. Such a system

¹⁰²Center for Palestine Research and Studies, "The Compatibility of the Higher Education System With the Domestic Labor Market", Research Report Series, http://www.cprs-palestine.org/economy/98/education.html

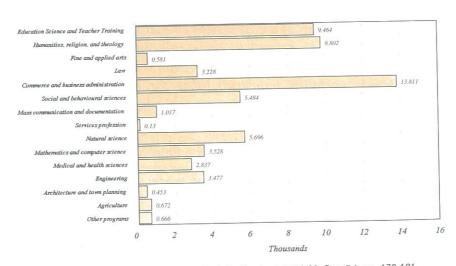
should guarantee the relation of the skill and knowledge which the graduates acquire with those they will need at work and their private life. 103

The CPRS study concludes that the Palestinian higher education system is extremely large and its contributions to Palestinian employment are not necessarily positive.

While major improvements in the quality of higher education is imperative, yet it is clear that the current size of the higher education system will continue to be much larger than is needed, even for the foreseeable future. It is therefore unavoidable that the size of the Palestinian higher education system should be tangibly scaled down, if it is indeed targeted primarily at serving domestic and not external employment needs. 104

A quick look at figure 3.9 below proves this point strongly. Figure 3.9

Number of Palestinian Students Enrolled in Palestinian Colleges and Universities According to Field of Study



Source: Data compiled from PCBS Education Statistics Year-book 1998/99, Ramallah. pp. 179-181

¹⁰³Hashweh, Mazen, ibid,. p. 75.

¹⁰⁴Center for Palestine Research and Studies, The Compatibility of the Higher Education System With the Domestic Labor Market, Research Report Series, http://www.cprs-palestine.org/economy/98/education.html

In the 1997/98 academic year, the number of students enrolled in Palestinian universities was 46,176. The number increased by 32% in 1998/1999 and reached 60,846 students. The As shown above, a large number is affiliated to specialized colleges and departments. The labor market demand for these graduates is not very large, with the exception of law and

While the number of students is extremely high in the eight universities and four colleges, the number of students in the 18 community and technical colleges is much smaller. The Palestinian Central Bureau of Statistics set the number at a mere 5436 of whom 2903 are females and the number of graduates in 1997/1998 reached 1175 (compared to 6323 graduates from universities during the same period).

The majority of students are majored in commerce and business administration (2235 students), 848 are in mathematics and computer science, 508 in engineering. Only 173 students are enrolled in craft and industrial programs, for example.

Urgently needed professions are scarce (example technicians, welders, mechanical engineers, etc.). No university has technical colleges. Existing technical colleges are not very efficient because of lack of resources, lack of highly skilled trainers, and the students are usually those who were either drop outs or whose grades are extremely low that prevents them from entering a university.¹⁰⁷

According to Hashweh, community colleges and vocational training centers do not have finances to update equipment nor to pay adequate salaries for qualified trainers. The curriculum is inflexible, theoretical, and is unsuitable for technological changes,

engineering.

¹⁰⁵ Hashweh, Mazen, ibid., p. 59.

¹⁰⁶PCBS Education Statistics Yearbook 1998/99, Ramallah, p. 184.

¹⁰⁷Hashweh, pp. 65-67

coordination with the labor market is lacking, and opportunities to develop trainers do not exist.

In general, the Palestinian educational system is not properly geared towards labor market needs. It is highly inflexible, theoretical and not adapted to new changes. Facilities and equipment are not sufficient. Students do not get counseling as to what fields to specialize in, and the number of graduates from universities is extremely large while the number of graduates from vocational centers is very low.

The private sector is not involved in the educational process and the non-governmental, particularly in higher education, lacks coordination with respect to programs and the number of admitted students. While there is an access of specialization in university programs, there is a great shortage in technical skills and professions.

3.2. The Economic Structure of the Palestinian Territories

The Palestinian economy is traditionally agrarian in nature. Industry has always been weak. The Jordanian rule of the West Bank and the Egyptian mandate over the Gaza Strip prior to the Israeli occupation did not assist in setting the bases for a strong economy. All sectors of the Palestinian economy both in the West Bank and in the Gaza Strip were underdeveloped. The Israeli occupation of the area in 1967 weakened it even further.

Although the impact of Israel's long occupation of the West Bank and the Gaza Strip has been devastating, the economy of the two areas suffer from a number of inherent structural limitations. The level of industrialization is low, overall public investment is poor, continued disparity between imports and exports, and private ventures go mainly to non-productive investment such as housing. According to the World Bank:

"... the economy of the West Bank and Gaza lacks flexibility and is prone to a variety of external shocks....Public investment grew only slowly, and productive private investment fell short of expectations. In 1993, public investment amounted to \$125 million, or 4.5% of GDP. In 1995, despite the priority accorded by the Palestinian

authorities to reconstruction in the West Bank and Gaza, public investment totaled only \$215 million (5.6%) of GDP – all financed by donors). This reflects the difficulties of setting up well functioning implementation mechanisms, as well as the complications donors have experienced in delivering their pledges. ... More worrying was the fall in private investment –from \$750 million (or 26 percent of GDP) in 1993, to \$435 million (13 percent of GDP) in 1995. Up to 90 percent of this investment continued to reflect the use of personal savings for housing construction. 108

Lack of industrialization, heavy dependence on external markets for employment, trade deficit and a weak economic infrastructure are inherent shortcomings of the Palestinian economy. Whilst the Israeli occupation has contributed to this deterioration, the structural imbalances are also internally caused.

3.3. The Political Impediments

In addition to the societal and cultural impediments to a proper employment environment in the Palestinian territories, there are also obstacles stemming from the performance of the Palestinian Authority. These obstacles may be divided into two types. The first type of obstacles stems from the restrictions imposed on the Palestinian Authority in the various agreements concluded with Israel. The second type arises from the mismanagement of the Palestinian economy by the Palestinian Authority.

As for the first type, the Palestinian Authority has miscalculated the economic risks associated with the peace talks. According to Munther Dajani:

"... the main proposition behind the peace process was to improve the living standards of the people in the region, particularly in the West Bank and the Gaza Strip. The basic concept was that peace would bring economic development and prosperity; economic development, in turn, meant increased support for the peace process. This unique situation where the economic and political are so tightly

¹⁰⁸ http://www.worldbank.org/html/extdr/offrep/mena/wb&g.htm

intertwined laid a heavy burden on the shoulders of the Palestinian decision makers as they attempted to meet the high, and sometimes unrealistic expectations of the public, especially in an environment where political issues impeded economic development." 109

Since it took control of certain parts of the West Bank and the Gaza Strip, the PA introduced various policies aimed at employment. Some policies were positive, others were negative.

The PA, with the help of the donor community and through the Palestinian Economic Council for Development and Reconstruction built a large number of schools, roads, and other projects that positively affected the labor market. Thousands of jobs were created and a number of businesses benefited because of contracts.

The impact of the PA was also evident in investment. Because banks and other companies were allowed to operate, many companies were established and consequently more people were employed. As stated earlier in Chapter one, unemployment in the West Bank and the Gaza Strip dropped dramatically since the PA took control. Whereas the unemployment rate in 1995 was 18.3% (13.9% in the West Bank and 29.4% in the Gaza Strip), latest reports from the PCBS set the unemployment rate at 12.8%.

There were, however, negative developments since the PA assumed control in the Palestinian Territories. On the one hand, the PA employed tens of thousands of people in the various public sectors who were either not needed or were inadequate for the responsibilities they assumed. According to a study conducted by the Palestinian Center for Human Rights:

¹⁰⁹Dajani, Munther. "Economic Challenges for the PNA". Palestine-Israel Journal of Politics, Economics, and Culture, Vol VI, number 3, 1999, p. 32.

"The Palestinian Authority has resorted to expenditure in the employment sector instead of spending on investment and infra-structural projects as a means to reduce the level of unemployment especially during the periods of closure. Because of this, the number of public employees increased from 22,000 to 75,000 between 1993 and 1996. While government expenditures allocated to salaries and equipment for the various security and government agencies increased by three folds from 258 million dollars to 779 million dollars, infra-structural investment did not exceed 70 million dollars annually. This represents less than 2% of the annual domestic product. The continuation of this condition will lead to the presence of a non-productive and low paid public sector." 110

The proliferation of the public sector was also addressed by the "Independent Task Force Report on Strengthening Palestinian Public Institutions". According to this report, the number of personnel in the public sector has increased and the payroll was inflated. According to this study, the size of the public sector exceeded 100,000 employees in 1998, and 25,000 were employed in local government and donor-related projects. 112

According to Ghania Malhis of the National Center for Economic Studies and the current director of the Center of Economic Policies Studies (MAS), the number of people employed in the public sector constitutes 13% of the Palestinian labor force in the West Bank and the Gaza Strip. 113

She suggests that the PA's recruitment policy is dictated by nepotism and favoritism.

The Palestinian Center for Human Rights. A Study on the Workers' Conditions in the Gaza
 Strip. Studies Series Number 20, December 1999, p. 103. (in Arabic).
 Sayigh, Yezid and Khalil Shikaki, (Principal authors), "Independent Task Force Report on

Strengthening Palestinian Public Institutions", Council on Foreign Relations, 1999. p. 12.

¹¹²Sayigh and Shikaki, Ibid., p. 49.

¹¹³ Malhis, Ghania "Palestinian Public Sector: Reality, Problems, Prospects and Requirements of Reform", Conference proceedings, International Conference on Employment in Palestine, Ramallah, 11-13 May 1995, pp. 83-89.

"...The government employment policy apart from education and health sectors is often not subject to occupational or professional considerations. Employment policy is still governed by political, factional, tribal and personal considerations. The appointment procedures also do not take place according to obvious regulatory standards and bases, and often without announcement or competition." 114

In addition, Malhis argues that the public sector payroll is unfair. The average salary in the public sector is 10% less than that in the private sector. Moreover, the discrepancy between the salaries within the public sector is high. According to her, the average salary of the police forces is one third less than that in the civilian sector.

The PA's management of the public sector employment is a major challenge facing it. According to Ali Khadr of the World Bank,

"The central fiscal management challenge facing the Palestinian Authority (PA) over the medium-term is the sustainability of its recurrent expenditure levels, in particular the growth of the public sector payroll. Recurrent expenditures have risen progressively since 1993 as the PA began to inherit public sector functions from the Israeli civil administration for Gaza/Jericho and then parts of the West Bank. Recurrent expenditures are also relatively high by developing country standards, about a quarter of GDP on an annualized basis. Wage expenditures, estimated at about 12-14 percent of GDP, which corresponds to about 29 employees per 1000 people, are particularly high. Further, it is not clear that recurrent expenditures have yet peaked, e.g. the PA may have to eventually take over services being provided by UNRWA." 116

The proliferation of the PA's public personnel had major and detrimental impact on the economy in general and the employment sector in particular. On the one hand, public funds

¹¹⁴Malhis, Ibid., p. 84.

¹¹⁵Malhis, Ibid., p. 84.

¹¹⁶Khadr, Ali, "Fiscal Issues, the Investment Program and International Aid"

are paid for a proliferated bureaucracy instead of being channeled to social and/or economic projects. The educational and health system could benefit from these funds.

In addition, low public salaries, especially for the security and police personnel, is an invitation to corruption, and consequently inefficient provision of services. Corruption breads lack of trust and investors may be deterred from investing. No where is this as evident as in the PA's insistence on monopolizing major sectors of the economy (cement, oil, etc.). According to Sara Roy, the role of the Palestinian Authority with respect to the Palestinian economy is damaging in the post-Oslo era. To Roy:

"Palestinian Authority practices such as "the establishment of monopolies (for as many as twenty-seven commodities), increasing corruption (particularly with regard to foreign assistance), mismanagement of the public sector, and the failure to establish an appropriate legal and regulatory environment capable of attracting essential foreign investment have unquestionably exacerbated current economic conditions." ¹¹⁷

However, Roy and others believe that the impact of Palestinian practices is not as severe as those of the Israeli measures. As Roy argues that the PA's role is "secondary to the one played by Israeli policy, which remains the primary determinant of Palestinian economic decline in the post-Oslo period." 118

The destructive role of the Israeli occupation is certain and clear. The challenge to the Palestinians however should be on how to develop the economy once the peace process is concluded. It is important to examine the ways and means to rectify the damages inflicted on the Palestinian society because of the Israeli occupation. This is a major challenge. However, what is perhaps more difficult is addressing the internal obstacles facing the

¹¹⁷ Roy, Sara. "De-development Revisited" in <u>Journal Of Palestine Studies</u>, Vol. XXVIII, Number 3, Spring 1999, pp. 64-82. (quote: p. 78)

¹¹⁸Roy, Ibid., p. 78.

Palestinian society, practically and efficiently. An honest examination of the challenges facing the Palestinian society, other than those emanating from occupation, is a prerequisite for Palestinian development and for Palestinian nation building. In the next pages, an assessment of the efforts employed for answering these challenges will be examined. In this respect, the role of the international and donor money will be outlined both with regard to their political implications and their economic consequences.

Chapter Four

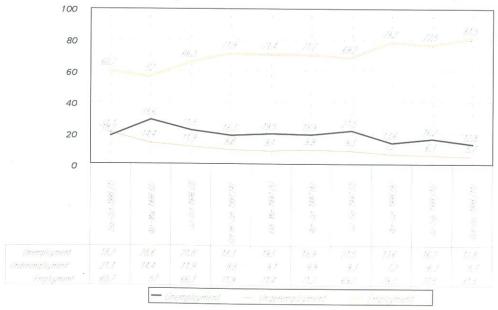
The Peace Process, Donor Assistance, and the Palestinian Economy

4.1. Recent Trends

Since the return of the Palestinian leadership to the West Bank and the Gaza Strip and after the establishment of the Palestinian Authority, major efforts were made targeting the size and structure of the Palestinian employment. First, the Palestinian Authority has absorbed a large number of people into its various agencies and apparatuses. Second, the efforts of economic reconstruction by the public and private sectors and by the international community assisted in generating few projects that provided employment to a number of Palestinians. As indicated in figure 4.1 below, the unemployment rate fell from 18.2% in September 1995 to 12.8% in October1998 in spite the fact that the changes were concentrated in very limited sectors.

Figure 4.1

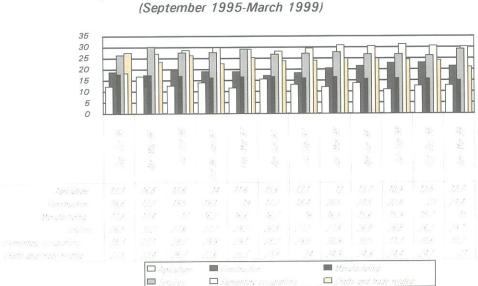
Change in Employment Rates in the West Bank and the Gaza
Strip Between September 1995 and December 1998



Data compiled from PCBS Labor Force Survey Reports, (1995-1999)

Although the efforts at combating the unemployment situation were significant, the main and most noticeable increase in employment has been in the elementary occupations (unskilled labor). The rate of employment for this sector increased from 18.3% in September-October 1995 to 30.2% in January-March 1999. As indicated below in figure 4.2, all other sectors remained relatively stable except employment in manufacturing and in crafts and trade related sectors, which witnessed negative trends. Employment in construction changed positively, albeit very marginally.

Figure 4.2



Change in Employment According to Sector

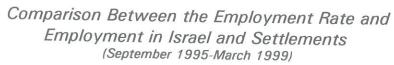
Data compiled from PCBS: http://www.pcbs.org/english/labor/lab_curr.html

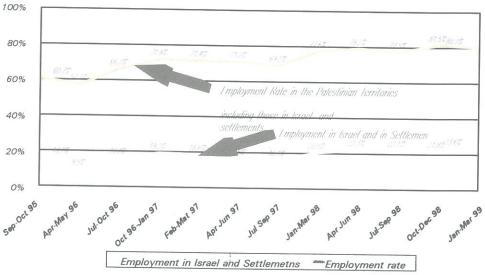
The increase in employment therefore, is primarily attributed to an increase in the employment of the unskilled labor force that found employment in Israel and in Israeli settlements rather than within the Palestinian territories. ¹¹⁹ As figure 4.3 below shows, the Palestinian labor market is highly dependent on and sensitive to employment in Israel. If the Israeli labor market is open to Palestinian workers, the employment situation for the

¹¹⁹UNSCO, Report on Economic and Social Conditions in the West Bank and the Gaza Strip. Office of the Special Coordinator in the Occupied Territories, Gaza, April 1999, P.22.

Palestinians improves. This dependency explains the fluctuating character of the Palestinian employment situation, frequently discussed by economists and international development organizations, and also indicates to the urgency of combating this problem whose solution is essential not only for economic necessities, but also for political considerations.

Figure 4.3





Data compiled from the PCBS: http://www.pcbs.org/english/labor/lab_curr.html

To what extent then the efforts of the international community in improving the economic conditions of the West Bank and the Gaza Strip were instrumental considering the fact that the economy has deteriorated since the peace process started and that employment has

assessment will be made as to the political and economic implications of the donor assistance in the West Bank and the Gaza Strip.

4.2. The Aim of Donor Assistance

4.2.1. The Political Agenda

The architects of the peace process recognized the need to develop the Palestinian economy. The success of the peace process was envisaged by them to be dependent on the improvement of the social and economic conditions of the Palestinians. Such improvements were believed to be necessary to enhance the capacity of the newly emerged Palestinian institutions to provide adequate public services to gain public support for the peace process. To the donors, the growth in the economy was thought to be translated to support for the peace process. According to Radwan Shaban, "the aim of the donor aid is to increase Palestinian support for the peace process through improving Palestinian economic conditions" This view is also shared by Rick Hooper, formerly with FAFO. According to Hooper:

"At the October 1993 State Department donors' conference, the international donor community assembled for the first time to provide comprehensive funding for the Palestinians. Donors made explicit the connection between economic aid and support for the continuation of the peace process. Promoting social and economic development was seen as a means of creating social stability and popular support for the Oslo path." 121

The political implications of donor assistance were also reflected by official statements. According to Richard Roth, the Director of the Office of Israel and Arab-Israeli Affairs at the State Department:

¹²⁰Shaban, Radwan, "Palestinian Economic Development: Recent Experience and Strategic Considerations", Paper presented at the International Conference on Employment "Towards Employment Strategy in Palestine", Ramallah 13 May 1998.

¹²¹Hooper, Rick, "Donor Financing: Pledges and Disbursements". A paper presented at the New Visions for the Economic and Social Development of the West Bank and Gaza. The international conference was sponsored by The Economic Development Institute of the World Bank and The French Institute for International Relations

"Our financial assistance program for the West Bank and Gaza supports the agreements which have been reached between Israel and the Palestinians... Our key objectives remain the same: First, by demonstrating clearly and visibly the benefits of peace, assistance helps Palestinians gain a stake in their future, and in so doing builds a constituency dedicated to peace and reconciliation... By improving economic conditions, we hope to counter the claims of the enemies of the peace process that peace has no benefits. Palestinian authorities and the donor community continue to work together to demonstrate that confrontation and economic hardship can be things of the past, if the necessary security conditions are restored." 122

4.2.2. Why the emphasis on economic assistance?

The primary objective of donor aid to the Palestinians was to maintain and strengthen the peace process. On the one hand the international community had a stake in supporting the Palestinian Authority, on the other hand the efforts had to improve the living conditions of the Palestinian people. Doing both at the same time proved to be complex and even contradictory.

The complexity of the situation stemmed from the stake the donor countries had with respect to resolving the Arab-Israeli conflict. The modus operandi employed in resolving the conflict was expensive and even painful. The most difficult was the inability or perhaps the unwillingness of the international community to use the relevant international legal instruments in settling this dispute.

From the beginning of the Middle East peace process, the architects realized these complexities. Israel's superior military power and the support Israel has, particularly in the United States, rendered this process difficult and hard. Differences in views between the conflicting parties were wide to an extent that the only way to bridge the gaps between the

¹²² Roth, Richard A. Statement before the Senate Foreign Relations Committee, Subcommittee on Near East and South Asian Affairs. Washington, D.C., 20 March 1996. Quoted from Zuhair Sabbagh, Prospects of Economic Development in the Occupied Palestinian Territories, Ramallah Center for Human Rights Studies, Ramallah, 1999, p. 54.

Israelis and the Palestinians was by using the carrot and stick approach against the weaker party, the Palestinians.

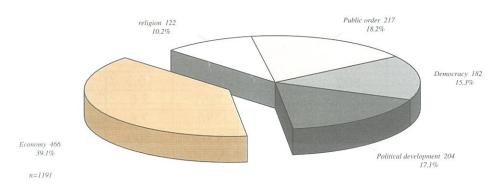
The sponsors of the peace process believed that the way to bypass the international law and the United Nations Resolutions pertaining to the Palestinian-Israeli conflict was by bringing in the parties to agree to resolve their differences bilaterally and outside the framework of an international conference. Bridging the gap between the Palestinians and the Israelis was a hard task. The Israelis had the military might and the Palestinian had the legal right. The Palestinian acceptance of bilateral agreements will no longer enable them to revert to the international legal system because such agreements, at least to some interpreters of international law, were internationally binding.

Accordingly, the Palestinians were confronted with two things. First, they were led to believe that they are alone and that the strategy of military struggle is no longer an option. Second, they were also led to believe that the economic dividends of peace are very high and rewarding. By making the peace process attractive to the Palestinian leadership, the godfathers of the Peace Process thought that the Palestinian leadership could compromise on many of their demands.

The emphasis on economic development is not surprising because the state of the economy is also the most important to the Palestinian public. A survey conducted in March 1997 by the Jerusalem Media and Communications Center shows that Palestinian public opinion considers the economy as the most important challenge facing them, more important than democracy or political order, as indicated in figure 4.4 below:

Figure 4.4





Because of the significance of the economy, the provision of funds to the Palestinians began immediately upon the signing of the Declaration of Principles (Oslo Agreement) in 1993. After the signing, the donor community pledged approximately three billion dollars to help build the Palestinian public infrastructure and institutions over the next five years. Further amounts were pledged following the signing of the Interim Agreement in Taba on September 28, 1995. By 1999, the total amount of pledges reached approximately four billion dollars. As demonstrated from table 4.1 below, the European Union and the European countries were the main donors with over 50% of the disbursed and committed funds during the period 1993 and 1997.

¹²³ http://news.bbc.co.uk/hi/english/world/newsid 225000/225295.stm

Table 4.1: International Assistance to the West Bank and Gaza Strip, 1993-1997

| | Pledges | | Commitments | | Disbursements | |
|--------------------------|----------------------|------|----------------------|------|----------------------|------|
| | Amount Million \$ | % | Amount Million \$ | % | Amount Million \$ | 0/0 |
| Arab Funds and countries | 455 | 12.5 | 444 | 14.7 | 208 | 11.3 |
| EIB | 300 | 8.2 | 90 | 3.0 | _ | - |
| European Union | 358 | 9.8 | 358 | 11.8 | 254 | 13.9 |
| European countries | 1257 | 34.6 | 1219 | 40.2 | 692 | 37.8 |
| Japan | 265 | 7.3 | 265 | 8.8 | 231 | 12.6 |
| United States | 500 | 13.7 | 312 | 10.3 | 270 | 14.8 |
| World Bank group | 273 | 7.5 | 261 | 8.6 | 99 | 5.4 |
| Various | 229 | 6.3 | 80 | 2.6 | 76 | 4.2 |
| Total | 3.639 | 100 | 3.030 | 100 | 1832 | 100 |

Source: http://www.euromed.net/MEDA/REPORTS/WBGS-Evaluation-Report/wbgs-evaluation-report.-103.htm

4.2.3. Did the Donor Aid Fulfill the intended objective?

4.2.3.1. The Palestinian Economy

Initially, international aid varied in terms of scope and focus. Some countries pledged money to support institutional building, others emphasized health, educational and other infra-structural development activities, while others opted to support the Palestinian Authority and its agencies. As indicated in table 4.2, the benefited sectors varied but the emphasis was largely on the public sector. These funds were used to strengthen specific institutions of the Palestinian Authority and from the declared statements stated earlier, one could deduce that the aim was to maintain public approval of the Palestinian Authority and consequently the peace process.

Table 4.2: Commitments According to Sector, 1993-1997

| | · Commitments | | Disbursements | |
|----------------------|----------------------|------|----------------------|------|
| | Amount Million \$ | % | Amount Million \$ | % |
| Job creation | 68 | .2.3 | 57 | 3.1 |
| Equipment | 170 | 5.6 | 109 | 6.0 |
| Private sector | 154 | 5.1 | 41 | 2.2 |
| Public investment | 1.245 | 41.1 | 614 | 33.5 |
| Technical Assistance | 486 | 16.1 | 333 | 18.2 |
| Transition & Budget | 544 | 18.0 | 496 | 27.1 |
| Others | 361 | 11.9 | 181 | 9.9 |
| Total | 3.030 | 100 | 1.832 | 100 |

Source: http://www.euromed.net/MEDA/REPORTS/WBGS-Evaluation-Report/wbgs-evaluation-report.-103.htm

Although the largest segment of donor money went into public sector development, allocations were also disbursed for the Palestinian economy at large. Due to the dire economic conditions in the aftermath of the peace process, however, most of the donor aid went into short term efforts. These efforts were intended to lessen the deterioration in the living standards of the Palestinians resulting mainly from extended periods of closure by the Israeli authorities of the Palestinian territories and by the inability of the Palestinian economic and political structures to generate an environment conducive to economic growth.

Despite all efforts, therefore, investment remained relatively stagnant. The political environment did not help in attracting investors nor did it provide the Palestinian side with the flexibility and independence necessary for such growth. On the contrary, the Israeli restrictions and the superiority of the Israeli economy and the continuous Israeli pressures on the Palestinian Authority to act in accordance with Israel's own agenda and requirements rendered any efforts to develop the Palestinian economy futile. This being the case, the Palestinian economy remained stagnant and what international funds accomplished was simply to offset the damage inflicted on the Palestinian economy as a result of the Israeli practices. As Shaban argues:

"... the cost of Israeli border permit and closure policies over the 1993-1996 period is roughly twice the disbursed aid over this period ... Thus, it is fair to conclude that the donor aid has reduced the substantial negative impact of recent economic shocks. The economic deterioration would have been sharper in the absence of the donor aid. But, then the impact of the donor aid should be perceived not to improve Palestinian economic conditions but to ameliorate the impact of harsh Israeli policies."

A similar view was also reiterated by the then Palestinian Minister of Labor Samir Gosheh. According to Gosheh:

"Foreign aid played an important political and social role in decreasing the destructive effects of the continued Israeli closure especially in 1996. This was revealed through the provision of human medical and food assistance, or the funding of programs for the generation of temporary employment, which became 60 percent during the tight closure and not less than 29 percent during "the regular circumstances." 124

Because of this, the emphases on poverty alleviation were at the expense of other programs envisaged to assist in the growth of the Palestinian economy. Despite that, the assistance in this regard was necessary and even urgent. Accordingly, the move towards the amelioration of the economic conditions of the Palestinians disrupted the objectives of supporting and strengthening the Palestinian economy.

Recent proposals by the World Bank to address this predicament focused on job creation and the expansion of and improvement in the job markets. The World Bank's recent attention seems to be directed at employment. In their latest "West Bank and Gaza Country Overview", the World Bank affirmed the need and importance of generating sustainable new employment through private sector development.

¹²⁴Quoted from Zuhair Sabbagh, <u>Prospects of Economic Development in the Occupied Palestinian</u> <u>Territories</u>, Ramallah Center for Human Rights Studies, Ramallah, 1999, p. 54.

The importance of addressing the employment situation, however, did not receive much practical attention. Although funds for job creation and employment generations were disbursed since the beginning, they were not sufficient. These programs were short term in nature and relatively modest. The amount of commitments by the donor countries to job creation in the West Bank and Gaza amounted to 6% (other figures as indicated above in table 4.2 put the figure much less). Even the jobs that were created through such programs, were primarily intended to compensate for the lost jobs in Israel as well as to create jobs in the public sector. According to the European Union's January 1999 "Evaluation of the European Community's Programme of Assistance to the West Bank and Gaza Strip", the number of jobs created as a result of the programs funded to various private sector projects did not exceed five thousand new jobs.

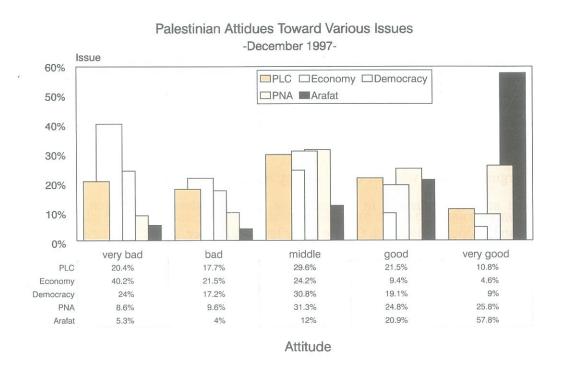
Thus, in arguing as to whether donor money has had an impact on Palestinian economic growth, the answer is clearly in the negative. All indicators attest to that, including the countries and agencies involved. On the other hand, however, donor assistance in the view of this author helped in sustaining, as intended, the Palestinian support to the peace process. In the following pages I will assess the significance of donor money in keeping the peace process live amidst the major obstacles and hurdles that befell it over the past five years.

While support for the peace process remained steady and relatively consistent, as will be discussed in the next section, the attitude towards the economy was different. Latest survey figures show that the Palestinian satisfaction with the economy since the peace process started is very negative. A survey conducted in February 1999 showed that 54.5% of the Palestinian respondents said that their personal economic situation became worse since the peace process started and 26.6% said their situation remained unchanged. Only 17.6% said that their economic situation improved since the peace process was launched in 1993.

http://www.arts.mcgill.ca/mepp/PDIN/pdoverview.html

In a different survey conducted in 1997, the Palestinians rated the economy more negatively than the Palestinian Legislative Council, the democratic situation, or the Palestinian National Authority. Figure 4.5 below indicates to the level of importance the public places on the economy something which indicates to the weight the economic conditions carry.

Figure 4.5



As indicated above, Palestinian satisfaction with the economic situation is negative. This attitude is substantiated by the deterioration in the economic situation in the West Bank and the Gaza Strip in recent years. Most studies and figures show that the Palestinian economy deteriorated to an unprecedented level. This deterioration was caused primarily by Israeli policies most noticeable of which was the closure of the borders for the Palestinian workers. Other policies have also been instrumental in this deterioration. The inability of the Palestinians to manage their economic policies freely due to the hegemonic nature of the Israeli policies and their control over natural resources, trade, transportation, etc. have further hampered the Palestinian economy. The weakness of the Palestinian trade

and industrial activities, the restrictions on the agricultural sector, and the closure of the area left the Palestinian economy hostage to the more superior Israeli economy. Accordingly, the closure of Israeli markets has added salt on injury because it deprived the Palestinian economy of one of its main resources of income. According to the World Bank:

"Trade... declined after the signing of the Declaration of Principles. Repeated border closures and stringent inspection routines added to the costs of Palestinian exports and undermined delivery schedules; as a result, merchandise exports fell by almost a half from 11 to 6 percent of GDP between 1992 and 1995. Imports also suffered, slipping from 46 percent of GDP in 1992 to 38 percent of GDP in 1995. Public investment grew only slowly, and productive private investment fell short of expectations. In 1993 public investment amounted to about \$125 million, or 4.5 percent of GDP. In 1995, despite the priority accorded by the Palestinian authorities to reconstruction in the West Bank and Gaza, public investment totaled only \$215 million (5.6 percent of GDP—all financed by donors). This reflects the difficulties of setting up well functioning implementation mechanisms, as well as the complications donors have experienced in delivering on their pledges.

Ultimately more worrying was the fall in private investment—from \$750 million (or 26 percent of GDP) in 1993, to \$435 million (13 percent of GDP) in 1995. Up to 90 percent of this investment continued to reflect the use of personal savings for housing construction. "126"

4.2.3.2. The Political Environment: The Impact of Donor Aid on the Support for the Peace Process

Why then the economic conditions remained marginalized? What are the reasons behind the low allocation of resources for employment generation? Why is the private sector not properly and seriously addressed? How come support for the peace process remained relatively strong amongst the Palestinians in spite of these shortcomings?

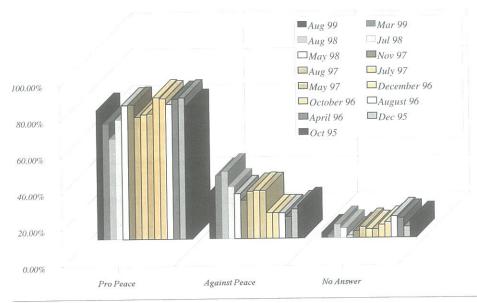
Despite the lack of progress in the peace process and the decline in the economic conditions of the Palestinian territories since the Oslo process was launched, support for the peace process among the Palestinian population remained steady in spite of some

The World Bank, "The West Bank and Gaza: Country Overview", http://www.worldbank.org/html/extdr/offrep/mena/wb&g.htm

negative trends in recent years. As shown in figure 4.6 below, the level of support for the peace process has been relatively high.

Figure 4.6





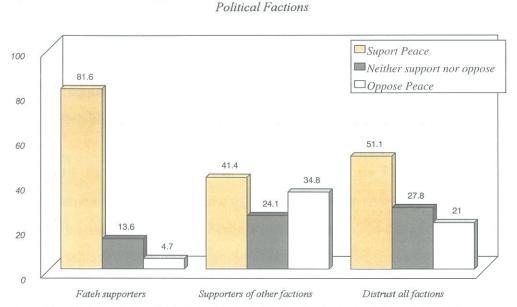
Source: JMCC, Jerusalem, November 1999

Although support for the peace process is high, a closer examination of the constituency supporting the peace process sheds insight at the reasons behind this phenomenon perceived by many experts as unreasonable considering the lack of progress on the political level and the deterioration on the economic level.

Recent polls show that support for the peace process was mainly among Fateh supporters. According to JMCC s November 1999 Survey, 81.6% of those supporting Fateh said that they also support the peace process compared to a mere 4.7% who oppose it (figure 4.7). Only 41.4% of supporters of other factions stated that they support the peace process. According to Daneels,

Without the massive support of Fateh supporters, the majority of Palestinians are not very much in favor of the peace process the Palestinian leadership is heavily dependent upon this segment of society for approval of both its internal affairs and its strategies in the Israeli-Palestinian peace process 127

Figure 4.7



Level of Support for the Peace Process According to Trust of

Source: Daneels, Isabelle, Palestinian Opinion Pulse, Occasional publication, Jerusalem Media and Communications Center, Jerusalem, November 1999, p. 6.

The fact that Fateh supporters were more likely than others in benefiting from public jobs and positions could provide another explanation for the strong support they grant the peace process. In this respect, one could argue that indeed donor aid has been successful providing the Palestinian Authority with the means to maintain public support. Foreign aid enabled the Palestinian Authority to establish a large public sector who is loyal to it. The absence of such aid may cause a diminishing support among Fateh to the peace process because a lowering of privileges and entitlements to Fateh and its supporters would undoubtedly alienate them, especially when the political and national gains resulting from

¹²⁷Daneels, Isabelle, Palestinian Opinion Pulse, Occasional publication, Jerusalem Media and Communications Center, Jerusalem, November 1999. P.7.

this process are negligible. In summary, the level of support to the peace process correlates significantly with the political affiliation of the supporters of the peace process who are believed to be the main beneficiaries of foreign aid. Targeting funds to the public sector has been instrumental in achieving the primary desired objective of the donor countries. Without this aid, it would have been unlikely that the main Palestinian political faction would have so enthusiastically embraced the peace process. The deterioration in the living conditions of the Palestinians and the increase in benefits to the Palestinian Authority as a result of the donor assistance could arguably be the reason for the continued support for the Palestinian Authority despite the claims maintained by the donor countries for transparency. The primary objective of these donor countries is the support of the peace process irrespective of the economic conditions of the general public as will be discussed in the following pages.

As such, following questions need answers: To what extent were international funds helpful in the improvement of the employment situation of the Palestinian territories? How did the public sector benefit from these funds and programs? What were the ramifications of such assistance? Were the efforts targeting the private sector sufficient?

4.3. The impact of donor aid on the structure of public sector employment

The allocations targeting public employment had a positive impact, but a negative one as well. The positive impact is represented by the employment of tens of thousands of Palestinians in the public sector. These employees provide the backbone of the Palestinian Authority. The large majority is composed either of Palestinian returnees or from Fatch officials and Fatch rank and file. The inclusion of the returnees in the public sector was necessary and inevitable. Being part of the Palestinian resistance movement, many of them returned back to the homeland without any professional experience or funds essential for

their relocation. Most of them needed a base to carry on with their lifes. The only base available to them was within the Palestinian Authority. The already burdened Palestinian economy could not absorb them. Employment within the PA was therefore their only salvation.

In addition to the returnees, the Palestinian Authority had to find a solution to tens of thousands of young Palestinians who lacked any professional or academic training suitable for employment in the private sector. The years of the Palestinian uprising created a generation of politically active individuals whose only experience was resisting the Israeli occupation. The majority of those individuals were members of the largest Palestinian political movement, Fateh.

The enrollment of these activists was only feasible in the Palestinian Authority whose leaders belong to the same political organization which they themselves are members. Joining the Palestinian Authority was the only natural thing for them to do. The cause, which they have devoted their lives for, obliged them to take a different course after their political movement changed its course from resistance to diplomacy. Their only choice was either to join their leaders with peace making or move elsewhere. Some joined the various ministries and agencies and others left the organization and moved to the private sector. 129

Thus, as was the case with the returnees, employment in the Palestinian Authority was the only choice for most Fateh activists. Their very own political movement largely represents

¹²⁸Between 1993 and 1997, 12.87% (US \$ 196.51 million were disbursed to prisoners and returnees. Quoted from Zuhair Sabbagh, "Prospects of Economic Development in the Occupied Palestinian Territories, Ramallah Center for Human Rights Research, 1999, p. 57.

¹²⁹While no figures are available as to the current number of Fateh members, support for the organization has dwindled gradually since the peace process despite the fact that it remained the organization with the highest popular support. Jerusalem Media and Communications Center polls show that support for Fateh in June 1995 was 46.6%. By October 1999, public support declined to 33.8%. (Jerusalem Media and Communications Center Polls Number 7 and Number 33. http://www.jmcc.org)

the PA and their professional and academic training was not sufficient to enable them seek a living elsewhere.

To the Palestinian Authority, these young Palestinians provided it with a certain level of legitimacy and popular base. Their absorption into the various institutions of the PA brought a level of political stability which otherwise would have been weak. A large segment of these individuals were politically active against the Israeli occupation and their involvement in the five year old Palestinian *Intifada* enabled them to gain popular backing.

However, their absorption into the public sector was not without any cost. The absorption of the Palestinian returnees, on the one hand, and the young Palestinian activists, on the other, overburdened the Palestinian economy. The Palestinian Authority became heavily bureaucratized and generally inefficient. Non-experienced and often unneeded officials overburdened the public sector and consequently hampered the efficient provision of public services. According to Sayigh et al., the Palestinian public sector is inefficient and its method of hiring employees is not determined by qualification:

"With the use of public sector hiring as a means of easing unemployment, the overall result is serious job inflation, institutional flabbiness, lower-quality public services, and reduced cost-effectiveness." 130

The employment of the young generation in the Palestinian security sectors also assisted in the deterioration of the situation. The lack of a legal structure among the various security agencies and the proliferation of the number of security personnel created an unhealthy environment that was non-conducive to investors. Albeit the number of incidents in which security apparatuses were involved was not significant, their very existence created a sense of political instability and legal confusion among investors. Accordingly, a significant number of investment opportunities were lost as a result of the lack of an adequate legal

¹³⁰Sayigh, Yezid and Khalil Shikaki, (Principal authors), "Independent Task Force Report on Strengthening Palestinian Public Institutions", Council on Foreign Relations, 1999.

framework which was partially caused by inefficient bureaucracy and lack of a sense of security.

4.4. Current Initiatives

In addition to the political impediments, the Palestinian economy, as stated in chapter three of this study, is confronted with serious challenges. Although these challenges are complex and addressing them requires major structural changes in the Palestinian society, encountering these challenges is conceivable, nonetheless.

The World Bank and other international organizations foresee some hope. This hope is based on employment generation schemes, particularly in the private sector. According to the World Bank, job creation is a prerequisite for economic development. Private sector development is the key and the answer to the employment crisis in the West Bank and the Gaza Strip. With better employment conditions and opportunities, the Palestinian economy may be able to sustain itself without having to fear the economic problems that may arise if the Palestinian economy is separated from the Israeli economy.

However, the World Bank's answer to this lies in the industrial estates program. According to the World Bank, one industrial estate, the Carni, could generate more than 17,000 jobs as well as 35,000 indirect jobs. This view, however, continues to revolve within the Israeli-Palestinian confines. In the view of this researcher, the Israeli dimension and the Israeli labor market is not the salvation for the Palestinian economy. The independence of the Palestinian economy is the answer despite the difficulties expected to surface once the Palestinian labor ceases to rely on employment in Israel.

Although the employment of large Fateh loyalists in the public sector is perceived negatively as earlier discussed, the Palestinian Authority embarked, with the cooperation of the international community, on positive steps with respect to employment generation.

The efforts of the Palestinian Authority and employment are characterized by two separate issues. First, the employment within the public sector. Second, the strategic planning aimed at alleviating the problem of large entrants into the labor force and finding replacement jobs for the Palestinian workers employed in Israel.

It is difficult to disassociate the efforts of the Palestinian Authority with regard to developmental efforts from that of the international bodies and agencies. Both were closely cooperating on almost all levels: planning and implementation.

Despite this cooperation, the Palestinian public and non-governmental institutions were instrumental in these efforts. Almost all programs and projects were initiated by Palestinians whose proposals were largely based on studies and data gathered primarily by the Palestinian Central Bureau of Statistics.

The potential for an independent Palestinian employment growth lies in the restructuring of the Palestinian society and the transformation of some of the Palestinian belief systems that have a negative impact on the social and economic conditions of the Palestinian society at large. These belief systems are evident in the neglect, dismissal, and distortion of pertinent issues like population growth, women employment, child labor, and the laxity with respect to the impact the educational system has on living conditions in the future.

Proper and adequate management of the Palestinian educational system is indispensable in the strive towards the achievement and solution of the problems facing the Palestinian society, particularly economic-related problems. Even though the Palestinian educational system is perceived as developed according to many standards, it remains deficient in many respects. Schools are overcrowded, the curriculum is outdated, and teachers are not highly qualified nor motivated.

These deficiencies are not only characteristics of the Palestinian formal education. Vocational education is suffering from even more serious problems. The number of vocational institutions is extremely low, the equipment is scarce, and the teachers are generally ill-experienced. National strategies for this sector have only been considered recently through the Ministry of Labor. To date, vocational training is still an issue that is not highly prioritized.

On the basis of such efforts the Palestinian Ministry of Education, the Ministry of Labor and the Ministry of Higher Education adopted in 1999 a Vocational and Technical Education and Training Strategy in Palestine. According to the Implementation Plan, the Palestinian Authority places great interest in the development of the vocational and technical education and training system in Palestine and it gave such training "precedence in the process of development and progress in Palestine." ¹³¹

The plan was a result of a recognition by the Palestinian Authority and the relevant ministries to the importance of such efforts in the Palestinian developmental process. It is also a recognition of the deficiencies of the present system and the urgency of addressing those deficiencies. For this reason, the implementation plan, has been forwarded to a number of funding agencies, international NGOs as well as international governments.

In addition to this, the Palestinian Ministry of Labor was particularly very active regarding employment generation. The International Conference on Employment held in Ramallah in May 1998 provided new ideas and explored various issues and challenges confronting the Palestinian labor market and the potential sources for employment generation.

The conference outlined a number of key topics that were regarded as pertinent for future plans and strategies focusing on employment. The main topics that were addressed revolved around women employment, child labor, employment in Israel, and the potential

employment for Palestinians in the Gulf areas. A common issue that seems to have been reiterated in almost all the papers presented in this conference was population growth and employment in Israel. The emphasis on these two points is indicative of the serious challenges both the political situation and the alarming population growth rate have on the economic conditions, specifically on employment.

In addition to the efforts of the Palestinian Ministry of Labor, the Ministry of Education and the Ministry of Higher Education were also very active in the sphere of education and in the preparation of children. As mentioned earlier, the Palestinian educational system suffers from a series of problems stemming from over-crowding, outdated curricula, and a lack of qualified teachers and educational administrators.

The development of the educational system is important and essential. The concentration on proper and adequate educational services may prove to be the answer to many of the problems facing the Palestinian society, whether they are social, economic, or political.

A well-developed educational system is expected to reform ideas and to change certain social behaviors. As discussed earlier, the more educated women are, the lower is the population growth rate. Reduction in the population growth rate has positive ramifications both on the political level and the economic level. Lower birth rate implies lower entrants to the labor market and also lower demand for public services. Poverty is certain to drop if the attitude towards child bearing changes. Better provision of educational services will undoubtedly lead to this condition. To change this attitude, two policy directions are necessary:

- 1. To make child bearing and caring costly. Thus, reduce the incentive to have an extra child.
- 2. To make job opportunities attractive for women in order for the opportunity cost to have an extra child to be higher.

¹³¹ Source: http://www.pna.org/mol/eindex.htm

Educational development will also assist in the provision of better public services and the reduction in the number of unneeded public employees. As Seymour Martin Lipset argued in his famous article "Some Social Requisites of Democracy: Economic Development and Political Legitimacy", better economic conditions produce civil servants that carry with them "universalistic" norms; whereas poverty produces deficient bureaucrats and nepotism.¹³²

The adoption of new and modern techniques in the Palestinian educational system will enable students to be better equipped in their strive for better jobs. Accordingly, the demand for superfluous public jobs will definitely drop in favor of other jobs who are more rewarding economically and socially. Reliance on public positions will remain as long as the educational system continues to be superficial and shallow. Examples in the Arab world like in Saudi Arabia are indicative of the size of the problem and the implications it has on the employment of Saudis in their own country. Without proper education, the youth will rely heavily on the public sector for employment. A condition, the continuation of which, will maintain and even strengthen the existing political institutions, including the ramifications associated with them. The present efforts of the Palestinian Authority seem to be directed towards such a change and to the initiation of new educational programs whose implementation will undoubtedly be the salvation of many of our problems. The donor involvement in such effort is highly welcome, and only in such efforts donor assistance can really sustain peace in the region. As Lipset also wrote,

"For the lower strata, economic development, which means increased income, greater economic security, and higher education, permit those in this status to develop longer time perspectives and more complex and gradualist views of politics...Increased wealth and education [of the lower class] also serve democracy by increasing the extent to which the lower strata are exposed to cross pressures which

Lipset, Seymour Martin, Some Social Requisites of Democracy: Economic Development and Political Legitimacy", ", American Political Science Review, (53), March 1959, pp. 69-105, p. 84.

will reduce the intensity of their commitment to given ideologies and make them less receptive to supporting extremists ones. "133

4.5. Conclusion

The conditions of the Palestinian economy necessitated prompt intervention by the international community immediately after the peace process started. It was perceived that this intervention was vital for the success of this process.

Instead of concentrating on the vital developmental issues, however, donor money was used to first offset the negative ramifications of Israel's closure policies on the Palestinian economy, and second to assist the Palestinian Authority sustain itself.

Concerning the donor assistance to alleviate the hardships on the Palestinian people, most analysts believe that funds helped only as far as normalizing and keeping the hardship to the level prior to the peace process. The living conditions of the Palestinians did not improve, but remained stable as a result of such funds.

Regarding the money disbursed to the Palestinian Authority, the reaction has been somewhat mixed. Whilst some argue that the funds were improperly used and its impact only led to more compromise on the part of the Palestinian leadership and an increase in the level of corruption within some Palestinian Authority institutions, others believe that funds were instrumental in helping Palestinian institutional building.

Regardless of the impact of this aid, no one refutes the conclusion that the Palestinian economy in the aftermath of the peace process regressed. This is apparent in the economic indicators produced by the Palestinian Central Bureau of Statistics and the reports of various organizations like the World Bank.

¹³³ Lipset, Ibid., p. 103.

The lack of progress on the economic level was no where as apparent as in the Palestinian labor market. Recent improvement in the unemployment levels is not attributable to the improvement in the economic conditions of the West Bank and the Gaza Strip. The improvement was merely a result of a relaxation of Israel's closure policies and due to the increase in the employment in the various Palestinian public institutions. Increase in private sector employment was negligible.

As for employment in Israel, the role of donor aid is insignificant, on the one hand, and is uncertain, on the other. First, the changes in Israel's closure policies renders the economic situation vulnerable to Israel and consequently disrupt all attempts to restructure the Palestinian labor force. Indeed, employment in Israel enhances the dependency on Israel and furthers the imbalance between Israel and the West Bank and Gaza at the detriment of the latter. Without a reduction of reliance on Israel for jobs, the employment problem will not be properly addressed.

The increase in public sector employment is equally detrimental to economic growth. The employment of thousands of pro-PA and pro-Fateh employees in the various institutions of the Palestinian Authority overburdened the budget of the PA. Instead of using such funds for economic development projects, most funds allocated by the donor countries were directly or indirectly used for budgetary support.

The employment of people in the public sector may have been helpful in easing the employment situation, it was nonetheless very harmful to the economy. In addition to the fact that funds were used for unneeded staff, a significant number of these public employees are not professionally competent. Their incompetence is reflected on the economy because their lack of experience often impedes the efforts of the private sector. On occasions the demands imposed on the private sector are inflexible and unbefitting. On other occasions, official positions are used to benefit relatives and friends. Thus support of the private sector and education are priorities.

Improper employment policies and the lack of progress on the political level have had their impact on local and foreign investment in the West Bank and Gaza. The financial support of the international community to the Palestinian Authority has been negative in many respects. The funds disbursed to the Palestinian Authority assisted it in strengthening its grip on the Palestinian society. Lack of democratic practices and the absence of transparency within the Palestinian Authority undermined economic growth. Without these funds, the Palestinian Authority would have been confronted with only two realities. Either to use the funds it collects from taxation to support and maintain the Palestinian infrastructure or to lose its public support, part of which is generated by the recruitment of large numbers of Fateh. In either case, the PA would undoubtedly fall under heavy pressure from the Palestinian public who will soon realize that the Oslo process brought nothing to their economy or to the political cause they are so strongly affiliated to.

Chapter Five: Investment in Education Conclusion and Recommendations

As discussed earlier, the problems of Palestinian employment are related to the general problems facing the Palestinian society. On the one hand, the Israeli occupation and the lack of progress in the peace process have been detrimental to the Palestinian economy in general, and the Palestinian labor market in particular. On the other hand, the internal impediments associated with high birth rate and low participation of women in the labor force have had their toll on the structure of the labor force and on the prospects for a stronger and more satisfactory labor market.

Whilst the end of occupation and the establishment of a strong and independent Palestinian state are a prerequisite for the development of the Palestinian economy and the proper and effective utilization of human resources, the future Palestinian state is expected to confront serious challenges whose origin is rooted in the Palestinian political and social traditions. In the view of this researcher, these challenges emanate primarily from the low participation rate in the production market compared to the overall population size. The under representation of women in the labor market, and the high rate of dependent children are alarming and their negative impact on the economy is not to be underestimated.

Obviously, there are many variables that may be discerned as other causes for the current state of affairs and for the prospects in the future. To some, the economic problems of the region as a whole stem for the lack of progress in the political systems and the weak institutional and organizational capacities of the legal structure of the respective countries. Others attribute the declining economic conditions to the hegemonic nature and the imbalance in the relations between developed and developing states, while other observers point their fingers to a combination of these factors.

Although one can not dispute the impact of political instability or deficient institutions or the role the international economic structure has on the economies of such developing societies, such as the Palestinian society, it is unwise to neglect and underestimate the social restrictions that may impede the path towards development. The UN sponsored international conferences and the efforts of various international and local non-governmental organizations attest to the impact of such conditions on the economies of societies.

As a result of high growth rate and due to the lack of significant independent contributions by women, poverty levels increase and the ability to provide public services for the nonproductive segments of society become more difficult. Poverty alleviation and the provision of adequate public services can only materialize in conditions where the state is in a position to levy sufficient taxes from its citizens in a manner appropriate with and relative to the income generated by those citizens. As long as the labor force is economically burdened by the dependence of a large segment of the population on them, as long as poverty will persist and the provision of public services will continue to be defective and meager so will the efforts targeting sustainable economic development.

Addressing these challenges and overcoming the social, political, and economic problems associated with them is a formidable task because of the difficulties in changing the beliefs and persuasions of both the people and the decision makers. Despite these difficulties and challenges, the attainment of these objectives is not impossible nor unrealistic. On the contrary, the current state of affairs can not remain. The Palestinian economy lacks the natural resources to enable it sustain itself to the present levels and the prospects of expanding labor market are not very encouraging despite the fact that unemployment figures have decreased in the past few years as a result of an increase in public sector employment and a relaxation in Israel's closure policy. With proper planning and vision, the Palestinian economy is likely to grow. Palestinians carry with them diverse experiences

and skills needed in many countries around the region both in terms of employment and in the provision of services.

The question then is how can the Palestinian economy use its human resources efficiently and effectively? Obviously, the foremost requirement is the attainment of the Palestinians to their legitimate political rights. Without this condition, the prospects for Palestinian economic development will continue to be bleak. The efforts by the international community, for example, and the aid injected into the Palestinian economy in the past few years was intended for sustaining the political process rather than for enhancing the Palestinian economy. The economy continued to decline despite some positive indicators because the impeding effects of the Israeli occupation on the Palestinian economy continued as always. Israel continues to exploit the Palestinian markets and remains to be the main economic partner with the Palestinians. The resources available in the West Bank and the Gaza Strip are largely dominated by Israel and used for its purposes. The Palestinian land and water are still controlled by Israel so are the roads connecting the Palestinian controlled areas. External trade is still monopolized by Israel through its control of ports. To-date, the Palestinian manufacturers are still dependent on the Israeli suppliers for raw material.

This situation renders the Palestinian economy highly dependent on and extremely linked with the Israeli economy. Because Israel is the stronger side of this economic equation, the Palestinian economy will be unlikely to be strong enough to compete with the influx of Israeli products that flood the Palestinian markets. This being the case, the primary requirement for the development of the Palestinian economy is political independence.

In the view of this researcher, the second requirement for the Palestinian economy is the ability of this economy to absorb the large number of entrants into the labor market each year. The limited natural resources of the West Bank and the Gaza Strip and their inability to compete with the products of other countries necessitate the concentration on combating

the causes that undermine and infringe on economic development. The increase in population and the under utilization of women in the labor market are two serious considerations the focus on which will prove to be beneficial and rewarding.

The Palestinian society has for long encouraged high birth rate. Although social behavior contributed to this, the political environment encouraged high birth rate. The Palestinian political speech often demanded the people to have children as a means to combat Israeli occupation.

The current situation is different. The Palestinian Authority through its social, educational, and health institutions started to emphasize the developmental impact of overpopulation. In addition, the Palestinian NGO community, particularly women organizations, started to focus on the impact of population growth on society at large.

Whilst the effort is encouraging, it is not enough. Recent figures show that population growth in the West Bank and Gaza continues to grow steadily. The messages sent to the regular Palestinian family via the media is insufficient and lack substance. Rarely do these efforts influence the behavior of the Palestinian families. Literature and studies show that these messages are rare and are not transmitted effectively by the private or the public media. The reasons behind this failure is attributed fundamentally to two main reasons. The first is the social restrictions that often limit the media from carrying messages perceived to be socially undesirable. Second, the lack of proper understanding and interest by the private and public Palestinian media whose interest is more targeted to political rather than social and economic issues.

The ability to reach people is best achieved via the educational system. It is important to change the behavior of the young because they are less susceptible to social restrictions and more sensitive to education. It is the view of this author that education is the single most important focus which the Palestinian leadership should consider in its developmental

strategies. The development of the educational system is the key to solving many of the obstacles facing the Palestinian society. Better education provides solutions to the low participation rate of women in the labor market, upgrades the skills of individuals, introduces new ideas and programs, helps in a better and more efficient allocation of resources, encourages tolerance and promotes innovative solutions to social, economic, and political problems. These developments can certainly lead to better and varied employment opportunities which will be accompanied by the new generation of businesses resulting from these developments.

The development of the educational system, however, is challenging and complex because of a number of factors. First, the adoption of new ideas involves the reformation of the entire educational system. Existing teachers and other educators have to be approached in a manner acceptable to them or flexible enough for them to contemplate and inspect. Revolutionary ideas may be fiercely resisted and attacked. Secondly, the required changes necessitate strong support from decision makers who are the ones to allocate the funds for such reformation. Without their support and backing, the restructuring of both the curriculum and the educational system in general is difficult to achieve. Thirdly, the participation of parents and the involvement of the family in these efforts are essential for their success.

To tackle these difficulties, it is important to first concentrate first on the teachers and second on the curricula. The Palestinian Ministry of Education has embarked on a very courageous plan to change the Palestinian educational curricula. However, this campaign was not paralleled with respect to teachers. Until now, teachers are among the lowest paid and training opportunities are seldom for them. This being the case, the Palestinian educational structure is dominated by teachers who lack motivation and interest. Motivated teachers are leaving the educational system or are involved, at the expense of their work, in other activities to help them earn more money. New recruits are discouraged and they seek more rewarding jobs elsewhere.

It is important that the emphasis has to be targeted at lifting the motivation of current teachers by upgrading their professional skills and by properly compensating them for their services. The educational system should also be injected with new recruits who are suitable and capable of transmitting the new curriculum in a manner consistent with the new Palestinian curricula and educational strategy that focuses on the participation of children. Without proper teachers and administrators, the new curricula will not achieve the desired objective. Motivated and competent teachers are the core of that effort.

Such caliber of teachers can also be instrumental in changing and in influencing the parents of children as to the qualities of the messages transmitted to their children. Teacher-parent interaction is vital for the success of such campaigns. The participation of parents will help them better understand the qualities of the new educational system and will act on reinforcing those messages onto their children.

Parents will be encouraged to participate when their kids are confronted with a new style of teaching and curricula whose emphasis is on the involvement of children. Old teaching methods rarely require the involvement of parents beyond their traditional role of reinforcing traditional teaching regiments such as dictation and recitation. New methods will certainly compel parents to interact with the child on different levels that concentrate on the mental, analytical, and application capabilities of the child and not only on his or her ability to recite a lesson.

A proper educational system is perhaps the most essential element in the developmental efforts of the Palestinian society. The solution to the problems confronting Palestinian economic development lies in a modern educational system. Education can help reduce population growth, thus reducing the pressure on the labor market. The adoption of modern teaching policies will assist in the empowerment of women and can help society better utilize the potential benefits of its other half. Instead of being dependent on male income, women can be more involved in income generation and can lessen the dependency on male

bread-winners. Changing the attitudes resulting from new educational inputs and practices can be instrumental in providing women with the opportunities to use their skills and contribute their experiences.

Improvement in the educational system will undoubtedly restructure the labor market by injecting it with better-equipped, diversified, and more universalistic human resources. A healthy and productive labor force requires these characteristics. As Mazen Hashweh argues:

"We are entering the society of knowledge in which the capital, natural resources, or work are not the basic economic resources, but knowledge. Those who will play a central role in this society are workers who have knowledge" 134

The recognition on the part of the decision making establishments as to the importance of education and the urgency of upgrading the educational system both in terms of the curricula and in terms of personnel is quintessential. Lobbying the decision makers is urgent. The media in this respect can play an important role so can the Palestinian NGO community. Current signs indicate that the Palestinian Authority is not in opposition to such restructuring of the educational system. Perhaps the main concern of the Palestinian Authority in this regard is whether it is capable of embarking on such steps taking into account the financial responsibilities such efforts entail. Undoubtedly, this is a major concern. However, the dividends from such efforts are rewarding in all respects. The financial considerations can certainly be resolved because the investment in education is ultimately the answer to most of the problems that the Palestinian society is currently confronted. Without that the path to development will continue to be hostage to the good will of donors whose generous assistance will undoubtedly diminish once a settlement is reached for the Arab Israeli conflict.

¹³⁴ Hashweh, Mazen, <u>Education and Training in Palestine</u>, Palestinian Ministry of Labor, Ramallah, 1998, p. i.

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