

Ahmed SALAMA

*Károly Ihrig Doctoral School of Management and Business, Faculty of Economics and Business
University of Debrecen, Debrecen, Hungary*

ANALYSIS OF UNEMPLOYMENT CHALLENGES IN PALESTINE BETWEEN 2000 AND 2015

Case
Study

Keywords

*Unemployment,
Palestine,
Lack of independence,
Labour market*

JEL Classification

E24, F66, J64

Abstract

This paper discusses the challenges of unemployment in Palestine between 2000 and 2015. The study aims to understand the trends and sources of unemployment in Palestine. Using the Palestinian Central Bureau of Statistics (PCBS) data, trend analysis was used to understand the trends of unemployment in both parts of Palestine (West Bank and Gaza Strip) between 2000 and 2015. The Results showed that there is a downward trend in the unemployment rate in West Bank and an upward trend appears on the unemployment rate in Gaza Strip. The constraints during the second Intifada and the Siege on Gaza Strip are the main factors that affected on unemployment between 2000 and 2015. The economic growth difference in both parts of Palestine (West Bank and Gaza Strip) can be one of the reasons that affecting on unemployment besides the other reasons. Some solutions are introduced for unemployment challenge in Palestine beside the solution of lack of independence issue.

INTRODUCTION

Unemployment is one of the problems that facing modern society all over the world (Oláh and Szabó, 2014). Unemployment in Palestine is one of the serious issues that facing the government of Palestine nowadays. The unemployment rate in Palestine is 25.9% in 2015 (Palestine in Figures, PCBS, 2016), which is a high percentage comparing to other countries. The population of people living in Palestine is 4.88 million, which included, West Bank and Gaza Strip, 2.97 million of them living in the West Bank and the rest 1.91 million in Gaza Strip (Palestinians at the End of 2016, PCBS, 2016). The participation rate in the labour force of people 15 years old and more is 45.8% in Palestine and 46.1% in the West Bank and 45.3% in Gaza Strip (Labour Force Survey, PCBS, 2016). Based on Palestinian Central Bureau of Statistics (PCBS)(2017) classification, 69.5% of employed people are wage employees, 65.6% of them in the West Bank and 78.7% in Gaza Strip. Employers covered only 6.4% of the employed people, represented in 7.7% of them in the West Bank and 3.5% in Gaza Strip. Unpaid family members weighted only 5.5% of employed people, 6.2% located in the West Bank and 3.8% in Gaza Strip. Self-employed covered 18.6% of employed people, divided to 20.5% in the West Bank, and 14.0% in Gaza Strip (Palestinian Central Bureau of Statistics (PCBS), 2017). The unemployment rate in Gaza Strip is more than West Bank in 2015 (41% and 17.3 %, respectively), but the rate of participants in Labour Force is close to each other in West Bank and Gaza Strip (Palestine in Figures 2015, PCBS, 2016). The highest percentage of employed individuals by economic activity in Palestine in 2015 was 36.4% in services and other branches and the lowest one is in transportation, communications and storage with 5.8%, construction is 15.5 %, commerce, restaurants and hotels is 20.6%, while hunting, agriculture, fishing and forestry are only 8.7% and mining, manufacturing and quarrying is 13% (Palestine in Figures 2015, PCBS, 2016). The rate of unemployment of participants in the labour force by age groups in Palestine in 2015 was 40.7 % between age 15 and 24, 30.2% among 25 to 34 and 14.3 % among 35 and 44, while 12.8% among 45 and 54 and 12.1% among +55 (Palestine in Figures 2015, PCBS, 2016). The percentage of employed people (15 years and more) in Palestine by work place was in 2015 is 59.5 % in West Bank, Gaza Strip is 28.8 %, while 11.7% was in Israel and Settlements (Palestine in Figures 2015, PCBS, 2016). In 2015, the private sector utilizing 66.3% of employment, public sector utilizing 22% and Israel and Settlements are 11.7 % (Labour Force Survey, PCBS, 2016). Fewer studies have been

carried on the topic according to the author search for past studies. According to Al-Kafri (2011), the residences of individuals and graduates specialty play a significant role in individual's unemployment. Farsakh (2002) found that Al-Aqsa Intifada in 2000 and its consequences have affected the unemployment in the Gaza Strip and the West Bank. In addition, Kock et al. (2012) indicated that unemployment is high due to the exporting and importing constraints and fewer investments. On another side, many studies were done in the case of unemployment challenges and Sources in the world. For example, Iqbal and Khaleek (2013) and Modiyani et al. (2015) mentioned that the shortage of resources and overpopulation leads to fewer opportunities of job. The shortage of education and experience are some of the reasons for high unemployment among youth (Qayyum, 2007). There is a negative relationship between Gross Domestic Product (GDP) and unemployment (Arslan and Zaman, 2014). According to Kingdon and Knight (2005), Salajeghe et al. (2015) and Adesina (2013), insufficient economic growth can be a cause for unemployment. The unemployment can increase as a result of employees' wages increase (Eita and Ashipala, 2010). Nayak (2014) stated that the mismatch between labour market needs and education skills is one of unemployment causes. According to Zeb et al., (2014), foreign direct investment (FDI) has an effect on lowering unemployment.

The study aims to understand the main sources of unemployment in Palestine which made unemployment is too high in the country. This paper will fill the gap by providing a clear picture of unemployment sources in Palestine and results will help to understand the factors that increase unemployment during the 16 years (2000-2015) and the general causes of unemployment in Palestine. Knowing the causes of unemployment can help to allocate the solutions and proper treatments for this challenge in the future. This paper will answer the following questions:

1. What are the trends of unemployment in West Bank and Gaza Strip?
2. What are the main factors that affected on unemployment in West Bank and Gaza Strip between 2000 and 2015?
3. What are the general sources of unemployment in the whole Palestine?

METHOD

Trend analysis will be used by using past data from the Palestinian Central Bureau of Statistics (PCBS). We will look through 16 years (2000-2015) of unemployment rate trends by study West Bank case

separately and Gaza Strip separately as well and use it to understand the trends of unemployment, and through this period we will try to find the main factors that made unemployment rate become high, After that, we will discuss the main and general sources of the unemployment rate in whole Palestine and finally some suggestions for unemployment solutions will be made.

RESULTS

As it appears in Figure 1, in 2000, unemployment rate in West Bank was just 12.2% and suddenly jumped to 21.6% in 2001 during one year and reached the maximum in 2002 by 28.2 % and then started in decrease to reach 17.9 % in 2007 before increase 19.7% in 2008, then decrease to 17.2% in 2010 and then goes up again to 19% in 2012 and then finally decreased to 17.3% in 2015. On other side, the unemployment rate in Gaza Strip began with 18.9% in 2000 and within a year, it reached 34% in 2001 and went up to 37.9% in next year (2002) and decreased to 29.7% in 2007 before reached 40.6% in 2008 and decrease to 28.7 % (11.9% decrease) in 2011 and goes up again after 2012 and reached the highest rate in 2014 with 43.9 % and end by 41% in 2015. The difference between the first year (2000) and last year (2015) of unemployment rate in West Bank is (5.1%) increasing, while the difference between the first year (2000) and last year (2015) of unemployment rate in Gaza Strip is (22.1%), which indicates the huge difference between unemployment situation in West Bank and Gaza Strip (Figure 1). During 16 years (2000 to 2015), the percentage change between the maximum and minimum unemployment rate in West Bank is (16 %) increase, which only between 2000 and 2002 (Figure 1). On another hand, the percentage change between the maximum and minimum unemployment rate in Gaza Strip is (25%) increase, which is (9%) more than West Bank change of maximum and the minimum unemployment rate, but in the case of Gaza Strip change, it is located between 2000 and 2014 (Figure 1). In West Bank situation, the big difference in unemployment rate happened within the first three years (2000, 2001 and 2002) and after that, the unemployment rate is decreasing. In Gaza Strip, the situation is different and the unemployment rate has more changes almost in whole period between 2000 and 2014 (Figure 1).

Figure 1 shows that there is a downward trend in the unemployment rate in West Bank, which mainly began after 2002 and continued till 2015, but on the other side, an upward trend appears on the unemployment rate in Gaza Strip, which started from 2000 till 2015 (Figure 1).

The unemployment rate increased by 9.4% between 2000 and 2001 in West Bank and increased by 15.1% in Gaza Strip for the same period and during this period the second Intifada began, which affected on daily job opportunities. During 2007 and 2008, the siege on Gaza Strip started, which led to pushing unemployment rate from 29.7 % to 40.6%, while it was decreased to 28.7 % in 2011 and main reason for that was the partial opening of borders between Palestine (Gaza Strip) and Egypt, but after 2012 unemployment rate again started to goes up to reached 41% in 2015 because of the siege on Gaza Strip. Table 1 summarized the main factors that affected on unemployment rate between 2000 and 2015, which can be the main sources for increasing unemployment in this period besides the general sources which affecting the whole Palestine.

In West Bank, the unemployment rate decreasing trend cannot be guaranteed and can slowly go up during next years because of not only the second Intifada which mainly affected unemployment after 2001 (Figure 1), but there are other factors affect on unemployment which will be discussed in next paragraph. The situation on another part (Gaza Strip) can be more complicated, and the unemployment rate trend is increasing, and it can be continued during the next years as well (Figure 1).

DISCUSSIONS

The purpose of this research is to understand the main sources of unemployment in Palestine which made unemployment is too high in the country. The importance of this study lies in uncovering the main causes of unemployment in Palestine which will help for the future treatments of this challenge. The Results showed that there is a downward trend in the unemployment rate in West Bank and an upward trend in the unemployment rate in Gaza Strip. The increase of the GDP in both parts of Palestine (West Bank and Gaza Strip) can be one of the reasons that reducing unemployment which can be supported by Arslan and Zaman (2014). For example, in 2000, the GDP in West Bank was 3070.0 (USD Million) (Main Statistical Indicators in the West Bank, PCBS, n.d) compared to 1265.9 (USD Million) in Gaza Strip (Main Statistical Indicators in Gaza Strip, PCBS, n.d). In 2014, the GDP in West Bank was 5754.3 (USD Million) (Main Statistical Indicators in the West Bank, PCBS, n.d) compared to only 1709.1 (USD Million) in Gaza Strip (Main Statistical Indicators in Gaza Strip, PCBS, n.d).

The constraints during the second Intifada, the siege on Gaza Strip and the partial opening of borders between Palestine (Gaza Strip) and Egypt are the main factors that affected on unemployment

rate between 2000 and 2015, which can be the primary sources that affected on unemployment in this period besides the general sources which affecting the whole Palestine. The general sources of high unemployment rate in whole Palestine can be, the lack of independence, government budget shortage, siege, less investment, uncertainty, no free movement from Palestine to the world and opposite, education strategy, less control of natural resources, not fair projects distribution, limited labour market. First, the lack of independence plays as the main challenge of unemployment, where the lack of independence made the areas of Palestine as three parts Jerusalem, West Bank and Gaza Strip. This division makes a tough local movement between cities in Palestine; for example, some engineers and other qualify people cannot move to the cities because of lack of independence. Movement is significant in Palestinian towns which lead to making a balance between labour forces in the different cities of Palestine, where some cities have a shortage of trained people, and others have more of these educated people because of lack of movement between cities. Second, government budget shortage as another challenge that leads to increasing the unemployment rate. This lack of government budget creates a challenge for the government to introduce new projects and positions to help to decrease the level of unemployment. Third, the siege on Gaza Strip. Siege makes unemployment rate goes up sharply in Gaza Strip especially after 2007, where Palestinian people cannot move to other places in Palestine and no export, no import except which accepted by Israel in some cases. Fourth, less investment, Investment creates money and money creates jobs, less investment in Palestine is another challenge which affects the availability of employment in Palestine, but no investment can come to a country without stability. Fifth, political and economic uncertainty in Palestine leads to less investment and less investment leads to fewer job opportunities. Sixth, no free movement from Palestine to the world and the world to Palestine put a new challenge for Palestinian people to move to another country in the world or to come to Palestine from outside. The first type who moves from Palestine to the world can find new opportunities out of Palestine, but because of no free movement to the world from Palestine, these people stay in the country and become jobless even though they are highly educated. The second type who move from the world to Palestine and this type have individuals who are motivated to do business in their country Palestine and help people of Palestine for creating jobs by investing in Palestine, but because of no free movement, some of them, unfortunately, cannot enter the Palestine. Seventh, education strategy in Palestine which does not go with harmony with existing market, where the

government needs to make a real effort to manage this issue by planning the education outputs depend on market and by not doing this, the unemployment rate among graduated people will continually increase, so lack of education system strategy which leads to high unemployment rate especially in young aged people. Eighth, the less control of the natural resources. Palestine has natural resources (i.e., gas) and depend on the Palestinian Ministry of National Economy in cooperation with the Applied Research Institute- Jerusalem (ARIJ) (2011), the Palestine Investment Fund (PIF) stated that 3.5 billion cubic meters of gas can be found in Border Field, but the lack of controlling these resources make them as none exist for Palestinian people. Natural resources can push the Palestine economy forward very strongly especially the gas resources and create many job opportunities for Palestinian people and by not controlling these resources, Palestine economy losing more and more every day. Ninth, no fair projects distribution. In Palestine, there are many projects done by United Nations, European Union and the government of Palestine, but there are no fair distributions of these projects. Some people are having benefits of these projects, but it is distributed for temporary reasons not for a long term one except some of them, so it cannot play a major role in decreasing unemployment rate. Some of these projects cover food issues, some for temporary employment and others. Tenth, the limited labour market in Palestine. In Palestine, there is a limited labour market which cannot absorb new people. Palestinians have limited numbers to work in Israel, and one day it may not find any Palestinian who can work in Israel.

SUGGESTIONS FOR SOME SOLUTIONS

Some solutions can be done for Palestine unemployment challenge besides the solution of lack of independence problem, but still, we can do something regarding this issue, and the main thing to start with is the education system. The education system output in Palestine is not in harmony with the labour market. The education system needs to work more in technical fields, which are the base of our market not only the academic one. Mountains of university graduates who are jobless and unemployed at this time and if the education system takes care of technical training and not only the academic education, then the unemployment rate will decrease among academic graduates and will not be a shortage in technical fields as well. Another thing which can be a solution is the small business, which can be supported by (Dilanchiev, 2014) who claimed that the development of entrepreneurship could be a pivotal to fix the unemployment. The graduates instead of waiting to

get a job after education for more time, they can try to start a small business. Starting a small business will be much better for them not to be jobless and this small business also can be supported by the government as a strategic plan to minimize the unemployment rate. The graduates relying on government jobs will increase unemployment as it needs more time to wait for these jobs offers, and it may not guarantee. For this reason, the government of Palestine can start this small business strategic plan as soon as possible to help unemployed persons to start their small business and become employed in their own business. Long term projects can be introduced by United Nations, the European Union or the government of Palestine will help much in decreasing unemployment rate. By applying these long-term projects, the employment in these projects will be not a temporary one for several months and then finished. In the long projects, the employment will not be only for a long term but also will cover more unemployed people in the country, and it may be less expensive for a long term period than the short term one. On another side, the government of Palestine can use its relations with other Arab countries to help for including the graduates' people of Palestine in these countries for different fields which will affect by a higher percentage on decreasing unemployment rate. Free movement from Palestine to the world is the key to decreasing unemployment rate, for this reasons the government of Palestine should focus on this case to try to find some solutions that let the Palestinian people travel and move from Palestine to the world and the opposite easily. More investment motivations can be done by the government of Palestine in particular for Foreign Investment. On another side, a limited labour market can be treated by trying to negotiate with Gulf countries to absorb the graduates and skilled workers of Palestine in these countries which in needs for that and have enough capacity for that as well.

CONCLUSIONS

In this paper, we discussed the challenges of unemployment in Palestine between 2000 and 2015. Trend analysis used by using data from Palestinian Central Bureau of Statistics (PCBS). We analyzed 16 years (2000-2015) of unemployment rate trends in West Bank and Gaza Strip, and during this period we tried to find the main factors that made unemployment rate become high. The Results showed that there is a downward trend in the unemployment rate in West Bank and an upward trend in the unemployment rate in Gaza Strip. The constraints during the second Intifada and the Siege on Gaza Strip are the main factors that affected on unemployment rate between 2000

and 2015. The GDP in both parts of Palestine (West Bank and Gaza Strip) can be one of the reasons that affecting on unemployment besides the other reasons such as lack of independence, government budget shortage, siege, less investment, uncertainty, no free movement from Palestine to the world and the opposite, education strategy, and less control of natural resources. We suggested some solutions such as improving education strategy, long term project distribution, and the small business government supports. By understanding these sources and the solutions of unemployment, hard work can be done from government of Palestine side and Palestinian people side as well to reduce the unemployment rate and as the lack of independence is the primary source of unemployment which affecting every moment of Palestinian daily life, the government of Palestine has to do more work that may lead to apply the United Nations decision of recognizing Palestine as independent state on land. The direction for the next research can be conducted to understand the weight of the effect of these sources on unemployment and examine whether the economic growth has effect on unemployment or not in West Bank and Gaza Strip.

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ANNEXES

Tables

Table No.1
Main factors that made unemployment rate high between 2000 and 2015

Year	Unemployment rate (%)	Factors
2000 – 2001	12.2% jumped to 21.6 % in West Bank and from 18.9 % to 34 %in Gaza Strip	The constraints during the second Intifada
2007 - 2008	From 29.7 % to 40.6% in Gaza Strip	The Siege
2010 - 2011	From 37.8% decreased to 28.7 % in Gaza Strip	The partial opening of borders between Palestine (Gaza Strip) and Egypt
2012 - 2015	Reached 41 % in 2015 in Gaza Strip	The Siege

Source: Author elaboration and analysis based on data from (Palestinian Central Bureau of Statistics, 2016; Labour Force Survey: Annual Report: 2015.)

Figures

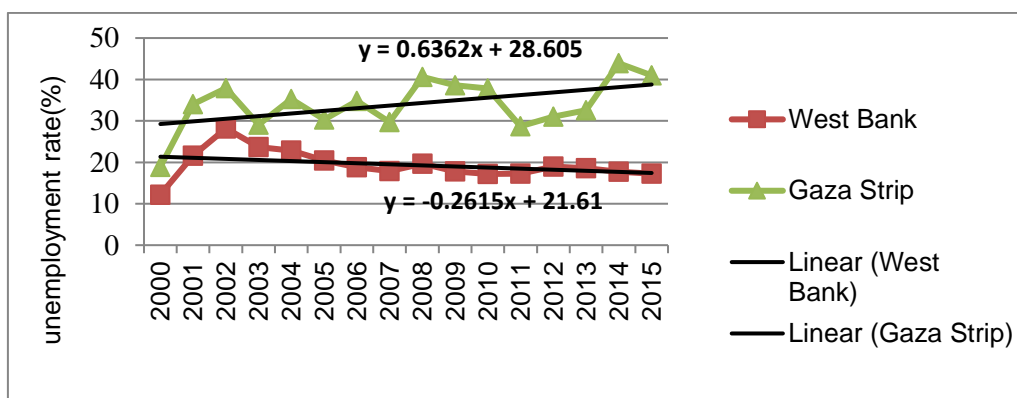


Figure No.1: Linear trend of Unemployment rate (%) in West Bank and Gaza Strip during 16 years (2000-2015)

Source: Author elaboration using data from (Palestinian Central Bureau of Statistics, 2016; Labour Force Survey: Annual Report: 2015)