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Strategic Goals to Reduce Unemployment in Palestine

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The Declaration

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Walaa Ghaleb AbuSaif

Dedication

To my mother

the brave, patient, kind, thoughtful, considerate and so full of love, whom I

owe to her what I have become today

my world “my Dunia”

Acknowledgments

Many people have walked alongside with me, encouraging and supporting me during my two years of studying to get my masters' degree. They have guided me and showed me the right path to take.

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To my family for always being around me, showing love and support

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Abstract

This research about the Strategic Goals to Reduce Unemployment in Palestine adopts the qualitative analytical approach to analyze the unemployment phenomenon in Palestine through the period 1996 – 2016, and its effect on the economy and development of the country. After studying the unemployment factors and determinants in Palestine, the research revealed the magnitude of the unemployment problem in the State of Palestine compared to other countries of the same gross domestic product rate and population size.

Although many factors affecting unemployment are shared by most countries, unemployment in Palestine is affected largely by the occupation factor. In addition to the occupation, other significant factors were discussed in the research such as the problems in the education system, the underdeveloped agriculture sector and the internal political conflicts. The data resources for this paper will be collected from the Palestinian Labor Force Survey taken from the Palestinian Central Bureau of Statistics, the World Bank, the Ministry of Labor, the Ministry of Social Affairs, the Palestinian Economic Council for Development and Reconstruction and the Ministry of Agriculture.

Unemployment is a world-wide phenomenon that is impossible to be eradicated completely. So, in order to try to reduce the rate of unemployment, this research developed strategic goals, objectives and strategies that might be implemented within a strategic plan to reduce unemployment in Palestine. The goals are achievable and can make a progress in the country's economic situation. The research presents that the proposed goals that might involve general reforming, educating and developing of policies to reduce unemployment and reach a sustainable growth. Unemployment in

Palestine can be reduced if firm and decisive actions concerning the mentioned achievable goals were taken in consideration.

Chapter 1

1.1 Introduction

The United Nations defined development as the processes of directing the efforts of individuals, institutions, organizations, and governments in order to progress the social, economic and cultural situations to help in improving the country in the best possible way (United Nations, 1956). Development is a social concept that makes quantitative and qualitative improvements in an integrated way to enhance the quality of life and services provided. According to the World Bank, and based on an article by Shaohua Chen and Martin Ravallion (2008), the concept of development has caused both problems and progress at the same time. Development was the reason that people started acknowledging the inequality between rich and poor countries. Populations in poor countries started to realize and adopt new ways to become wealthier and more prosperous, which helped them to start developing their countries. (Chen and Ravallion, 2008). However, in recent years, the world has experienced tremendous socioeconomic transformation that resulted to decreased revenues and high rates of unemployment, leading to mass migration of the productive force from one country to another (Gannon, 1993).

In 1945, the International Labor Organization (ILO) set a guideline to categorize individuals in the labor market. ILO defined unemployment as an economic phenomenon that describes every person who is currently not working (not in paid employment or self-employment), currently available for work and seeking a job with no success. (The

Thirteenth International Conference on Labor Statisticians, 1982). Unemployment is a multi-dimensional phenomenon, which focuses on the economic situation. It is also one of the economic development determinants that is directly connected to different factors such as Gross Domestic Product (GDP) and inflation. (Arab Trade Union Confederation, 2012).

Unemployment is a global situation and it is not specific to one country or another. As a matter of fact, most countries are facing a slower than projected economic recovery, after the 2008 global financial crisis that directly increased the rate of unemployment around the world. In 2012, the International Labor Organization (ILO) estimated that nearly 75 million young people are unemployed in the world. (Manpower group, 2012). According to Global Employment Trends 2014, prepared 2014 by the International Labor Organization (ILO), in 2013, there were over 202 million unemployed people after the crisis. However, dealing with unemployment differs from one country to the other, according to each country's situation and available resources. (Global Employment Trends, 2014)

In Palestine, unemployment is one of the factors that affect the economic, political and social development. The continued high unemployment rate in Palestine has given rise to a discussion of the reasons behind it. (Heles, 2013). Unemployment in Palestine is different from any other country. The country has been under occupation since 1948, and the Israeli occupation has been in control over the Palestinian natural resources, lands, borders, exports and imports.

According to Al-Meezan center for human rights (2002), before 1994 (the year when the Palestinian Authority entered the Palestinian lands) unemployment in Palestine

was no more than 5%. However, and after 1994, Israel started the closure policy and many of those who used to work in the lands of 1948 lost their jobs, and unemployment sometimes reached 50%. (Al-Meezan, 2002)

And even after Oslo accord and Paris agreement “Protocol on Economic Relations”, Israel had more power to control the borders and started to bring in cheaper foreign labor instead of the Palestinians on one hand, and forbidding many Palestinians to go outside the country to find a job chance on the other hand. Furthermore, according to a research by Al-Astal (2014), the capacity of the Palestinian economy under its current structure is only 85% in the West Bank and 52% in Gaza, which implies that between the 100 person who are searching for job opportunities, only 85 find jobs in the West Bank, and 15 joins the unemployment group. (Al-Astal, 2014)

This research, in order to develop the strategic goals to reduce unemployment, will analyze unemployment by focusing on the reasons and factors behind unemployment in Palestine and the determinants of unemployment, which will be analyzed by concentrating on three main variables, which are Gross Domestic Product (GDP), inflation and the Palestinian population; based on data collected from the Palestinian Central Bureau of Statistics and the World Bank.

1.2 Problem Formulation

In order to understand the unemployment phenomenon, one needs to understand the concept of unemployment first. Generally, people think of unemployment as simple as “people who do not have a job”, however, the concept is much more complex. According to a resolution of International Labor Organization, one can only be called

“unemployed”, if he/she is currently not working (not in paid employment or self-employment), currently available for work and has been seeking a job with no success. Some other definitions of unemployment are related to people who are working with less than minimum wages. In many nations, there are some cases of people who are currently not in the labor market seeking jobs because opportunities are limited or because they face restricted labor mobility, discrimination, social and cultural barriers. This is known as hidden unemployment. (Al-Shamri, 2005)

In recent years, the Palestinian economy has been characterized by high levels of unemployment and weak gross domestic product (GDP), especially when considering Gaza strip, as its unemployment rate has significantly affected GDP rate in Palestine. Palestine, like all other countries, seek to achieve sustainable development by raising its social and economic development levels. And one way to reach this sustainability is by focusing on reducing unemployment rate.

After analyzing the unemployment rate and its determinants in Palestine, this research will work on developing some strategic goals to reduce unemployment. It is important to determine the variables that affect unemployment in Palestine and, this leads to the main question of this paper, which is; **what are the key strategic goals that may lead to a long-term reduction in unemployment rate in Palestine?**

1.3 Purpose of the Study

By reviewing unemployment rate and analyzing unemployment determinants in the Palestinian economy, it is understandable that unemployment is a great concern in Palestine compared to other developing countries, especially when taking the Israeli

occupation factor into consideration, Gross Domestic Product (GDP) rate, inflation, population and the Palestinian labor market capacity. This area of study lacks adequate research information, and it is of high importance to identify the determinants and factors of unemployment in order to find solutions and to draw strategic goals towards reducing unemployment.

The main purpose of the study is to develop key strategic goals with the intent to alleviating the high unemployment rate in Palestine on the long run. This can be achieved by analyzing the factors of unemployment in Palestine through time, and by concentrating on four different periods as the following: from (1996 – 2000), from (2001 – 2004), from (2005 – 2007), and finally from (2008 –2016). This specific division of periods will be analyzed deeply in this research in chapter three. It is also important to determine the variables that affected each period, in order to understand the reasons behind this economic phenomenon and to find convenient solutions. The ultimate purpose of this study is to reach justified strategic goals, designed to reduce unemployment rate in Palestine, in order to improve the Palestinian economy and, also, to provide a scientific approach for decision makers to deal with the phenomenon. In order to reach the ultimate goal, there is a need to go through the following process of the main purpose of this study:

1. Understanding unemployment factors and determinants and their effect throughout the period (1996 – 2016)
2. Analyzing the effect of the gross domestic product and inflation on unemployment and the general economy.
3. Measuring the effect of population on unemployment during the mentioned period.

4. Developing strategic goals to decrease unemployment in Palestine and develop standards of living in the country.

1.4 Research Questions

- 1- What are the key strategic goals that may lead to a long-term reduction in unemployment rate in Palestine?
- 2- What are the factors and determinants that affect unemployment in Palestine?
- 3- How can gross domestic product, population and inflation affect unemployment rate in Palestine?

1.5 Limitation of the Study

There are several limitations to this study. This study covers a limited timeline from 1996 – 2016, however, there are no previous data concerning unemployment in Palestine, hence, we worked with a limited data source. Also, there is a geographical limitation, since it is hard to reach all regions of the country due to geopolitical concerns, and because we can only have solutions to implement in the West Bank and partially in Gaza.

1.6 Significance of the Study

This study is the first to propose strategic goals to reduce unemployment in Palestine and uncover some critical areas in the education system and the agriculture sector, especially under the ongoing economic challenges that are threatening the Palestinian society. The findings of this study will be for the benefit of the society as

reducing unemployment rate in Palestine will play an important role in reaching sustainable development.

1.7 Research Methodology

This research paper adopts the qualitative analytical approach as it describes the collected data. The data resources for this paper will be collected from the Palestinian Labor Force Survey taken from the Palestinian Central Bureau of Statistics, the World Bank, the Ministry of Labor, the Ministry of Social Affairs, the Palestinian Economic Council for Development and Reconstruction and the Ministry of Agriculture.

Chapter 2

Theoretical Framework and Analysis

2.1 Literature Review

There are different forms of unemployment around the world, which can be subdivided into three main categories: unemployment according to the employment system, unemployment according to the economic activity in the country and unemployment according to the nature of the jobs. (Institute of Banking Studies 2013). Each category is subdivided into three types as the following: unemployment according to the employment system has (open unemployment, underemployment and disguised unemployment), whereas unemployment according to the economic activity in the country is subdivided into (Frictional Unemployment, cyclical unemployment and structural unemployment) and finally unemployment according to the nature of the jobs is subdivided into (seasonal unemployment, voluntary unemployment and involuntary unemployment). (Institute of Banking Studies 2013).

The Palestinian economy is currently recording 26.9% of unemployment rate, and according to a research by Alfalet K. (2007), in the Palestinian state (the West Bank and Gaza) there are seven identified categories of unemployment among the three main types, the seven types are as described in this diagram:

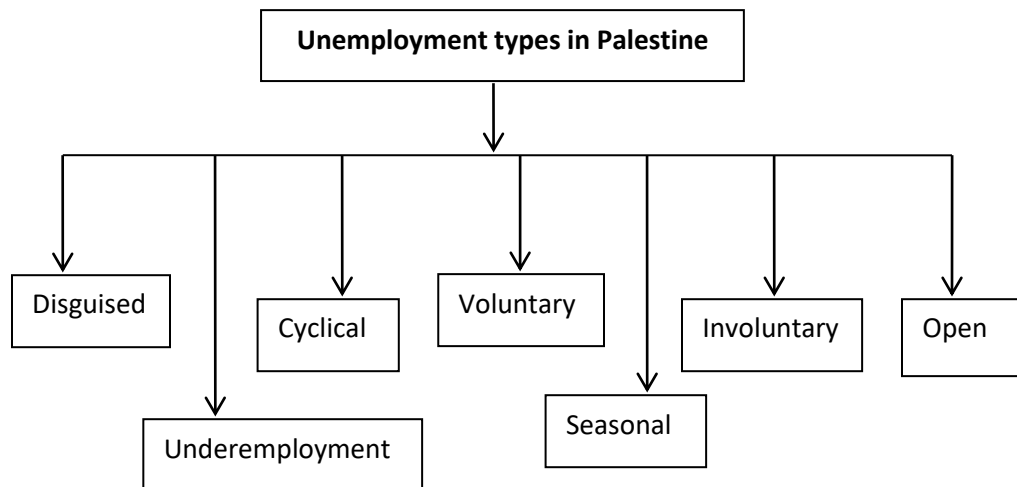


Figure 1: Unemployment types in Palestine

The above types are described as follows:

- Disguised Unemployment happens when a group of people work in the same place more than the actual needed capacity of the work place. Those people are seemingly employed, but they do not do much work and so their productivity is low. (Hashad, 1996). This type of unemployment is considered to be one of the worst that has negative effect on people and the economic development of the country because they only consume but do not produce. People under this category are considered physically employed but not economically. (Al-Shamari, 2005, P.5)
- Underemployment is when people are working in jobs less than the regular working hours or with no stable contracts. (Al-Romani, 1999)

- Cyclical Unemployment can be seen when the demand for goods and services is low, then the production cycle will be low in accordance, (Al-Bayan, 1996) as such people who are working in a specific job that was affected by the low production cycle will be out of their jobs in accordance to the low demand and low product consumption.
- Voluntary Unemployment happens when a person rejects a position because he/she is looking for a better pay or benefits in another position. (Abdul-Aal, 1994). It is a situation where a person chooses not to accept a job at a specific wage rate or because of the surrounded society and culture. (Alfalet, 2007)
- Seasonal Unemployment happens when people are considered unemployed at certain times of the year and not all year long. (Al-Romani, 1999, P.12). They mainly work in industries such as industries related to the agriculture sector and fishing, where they are not needed to work all year round.
- Involuntary Unemployment is when the person is forced to leave his/ her job or quit it with no choice of another job. (Al-Romani, 1999)
- Open Unemployment is about people who are capable of working, wanting to work and looking for jobs but could not find one. (Alfalet, 2007)

In order to understand unemployment and reach strategic goals to reduce it, it is important to analyze the different unemployment factors and the determinants as they affect the Palestinian economy. This study concentrates on three main variables which are Gross Domestic Product (GDP), inflation and the Palestinian population.

2.2 Conceptual Framework

2.2.1 The concept of Unemployment

Unemployment is defined as the phenomenon describing a person who is currently not working (in paid employment or self-employment), currently available for work and seeking to find a job with no success. (International Labor Organization 1982).

2.2.2 The concept of Gross Domestic product

Callen T. (2008) in his study “What is Gross Domestic Product”, defined the gross domestic product (GDP) as an indicator that measures the financial value of the final goods and services as bought by customers. (Callen 2008). Leamer E. (2009), also defined GDP as the market value of goods and services that are available at a certain geographic area in a specific period.

2.2.3 The concept of Inflation

Inflation in a country as defined by Oner C. (2007), is how much more expensive the relevant set of goods and/or services has become over a certain period, most commonly a year. It is the rate of increase in prices over a certain period of time. Inflation is the rise in the level of prices that can be measured against the baseline of purchasing power. The United Nations stated in 2007 that the main purpose of measuring inflation is to be an indicator that measures the modification in prices of consumer's goods and services used by households. (United Nations, 2007).

2.2.4 The concept of Population

According to the World Population Policies (2013), population is a group of organisms that belong to the same species living together, and can be measured by counting the number of individuals per unit area.

2.2.5 The concept of Planning and Strategic Planning

The National Planning Policy Framework, sets out the government's planning policies for the country and how these policies are expected to be applied. It provides a framework for people working in governmental councils to guide them in organizing their own distinctive local plans, which reflect the needs of their communities. The concept of planning (for a country, a company or individuals) can be explained by focusing primarily on the following three questions: Where are we now? Where do we want to be? How will we get there? And once the plan is approved, implementation can start. (National Planning Policy Framework, 2012). Planning has been defined in many ways, ranging from thinking about a specific action to be done in the future, to an advance specifications of who is to do what and when it will be done. Planning is “the activity of preparing a plan” and a plan is a set of intended outcomes accompanied with the actions to achieve those outcomes.

Strategic planning provides a map to pave the way to where the organization is planning to reach and to monitor the steps to reach the aimed goal. It allows organizations to be proactive and, to foresee the future and prepare accordingly with the sense of the

best direction to take. Strategic planning could be achieved by setting the goals and establishing realistic objectives and activities in line with the set goals, in order to increase the efficiency of the plan. Based on the fact that strategic planning is the basic step in the formulation and shaping of the strategy, it is necessary to shed light on its definitions, and its areas. Maher Ahmad (1999) in his book “Management Guide Step by step in Strategic Management”, identified Strategic Planning and Management as a way to unblock the future and start diving deep into the organization, its management, goals and objectives. (Ahmad, 1999), Davis & Elison, (1999), defined strategic planning as the "qualitative procedural action of the organization to reach operations development, which is embraced by the organization". (Davis & Elison, 1999).

2.3 Theoretical Framework

2.3.1 Unemployment in the Classical Theory

The Classical approach of unemployment assumes that markets behave as defined by the supply-demand model. Classical theory of unemployment asserts that unemployment depends on the level of real wages. Employment in the Classical theory is a quantity of labor services that can be measured by the number of workers who work for full days over a given time period. Classical model can be applied when wages in the market are fixed for all workers. As for example, in a specific market, every unit of labor services is the same, and every worker in this market will get exactly the same wage. (Global Development and Environment Inst., 2006)

2.3.2 Unemployment in the Keynesian Theory

The Keynesian theory was first discussed and issued in the publication “*The General Theory of Unemployment, Interest and Money*” of John Maynard Keynes (Keynes, 1936) which afterwards became a milestone in modern economy and started the new “Keynesianism” economic school of thought. The Keynesian argument recommends that the labor supply function is a function of the money wages, rather than real wages. In other word, the Keynesian theory explains that “employment is what determines the real wage, not the other way around like classical model predicts”. Keynes (1936) considers unemployment as an involuntary phenomenon and Davidson (1998) explained this involuntary unemployment later as the insufficiency of effective demand, instability of exchange rates, and international mobility of finances.

2.3.2 Unemployment in the Islamic Perspective

Islamic laws define unemployment as the inability to find a job because of personal reasons out of his/ her control like a disability or sickness or madness, or reasons a person is forced to deal with. In Islam, people do not work only for wages and salaries, but also for the moral values that Allah guaranteed for them when they work. Islam did not ordered people to work in paid work only, but also encouraged all kinds of work that enable people to help each other. Furthermore, Islam considered unemployment as a violation for the Islamic orders, and encouraged them to work and praised them for working.

2.3.3 Unemployment in the Marxist Theory

Karl Marx’s theory of unemployment indicates that the dynamics of the economy does not only affect the existence of unemployment, but also affect its level. As to clarify

more, Marx's theory explains that unemployment is always there in all societies, it rises when the economy is in depression and falls during the times of prosperity. According to this theory, there is a possible way to permanently eliminate unemployment by eradicating capitalism that lead people to a forced competition for wages, and then change the society into a communist economic system society. The existence of long-term unemployment is an obvious evidence of the inability of capitalism to ensure full employment.

2.3.4 Previous Studies on the Determinants of Unemployment

Kabaklari, E. & Hazil R. (2011) in their study "Economic Determinants of Turkish Youth Unemployment Problem", analyzed unemployment problems among youth in turkey during the period of (2005 – 2010) using the combined integrated analysis. Their study concluded that there is a long-term relation between youth unemployment and gross domestic product, productivity and inflation. There is a positive relation between inflation and unemployment, and a negative relation between (economic development and investment) and unemployment.

According to Maqbool, Abdul Sattar and Bhalli (2013), in their study "Determinants of Unemployment" that focused on unemployment between the period of (1976 – 2012) in Pakistan using Autoregressive Distributed Lag theory, they clarified that economic growth, population, inflation and foreign investment are the determinants of unemployment in Pakistan on the short and long terms. There is a negative relation between (economic growth, inflation) and unemployment, and a positive relation between population and unemployment.

“Macroeconomic Determinants of Unemployment in Nigeria” by Oniore, Bernard and Gyang (2015), studied the unemployment determinants in Nigeria between the period of (1981 – 2014) using the time series data methodology, concluded that there is a great effect on unemployment from economic growth and inflation on unemployment rate. The relation between economic growth and unemployment is a negative relation.

Kitov, I. O. (2006), in his study “Inflation, Unemployment labor force change in USA”, discussed the relationship between inflation and unemployment in the United States of America through the period (1960 – 2004) and analyzed the data by using time series methodology. He concluded that the relation between the variables cannot be predicted as it could be a positive or a negative relation, and his conclusion was built on the fact that USA has been through some recent crises like “Stagflation stage”.

In their study “Modeling the relationship between gross domestic product and unemployment for Okun’s law specific to Pakistan during 1976-2010” (2013) Khan, Saboor and others, studied the relationship between the gross domestic product and unemployment in Pakistan through the period 1976 – 2010. The study used the time series methodology and concluded that there is an inverse relation between the gross domestic product and unemployment.

A study by Sheikh AlEid and Baheddi (2012) “Measuring the Economic Growth effect on Unemployment Rates in Palestine”, aimed to measure the relationship between economic growth and unemployment rates in Palestine. The study used the descriptive analytical approach and studied the relation between gross domestic product rate and unemployment in the West Bank and Gaza. The study concluded that the rates differ between the west bank and Gaza and that there was an inverse relationship between gross

domestic product and unemployment. The study also proved that there is a strong positive relationship and, that the cause of this economic situation is the occupation rather than the Palestinian economic policies.

Another study by Eita J. and Ashipala J. (Oct. 2010) “Determinants of Unemployment in Namibia”, concentrated on unemployment determinants in Namibia between the period (1971 – 2007), using the combined integrated analysis. The study concluded that there is a negative relationship between inflation and unemployment and a negative relationship also, between (gross domestic product and investment) and unemployment.

2.4 Comparison between Palestine and other developing countries

The number of factors affecting the country’s employment situation being a good indicator for the labor market in most countries is the closely watched employment rate indicator. Judged by this standard, a comparison between Palestine and other developing countries will be done in order to build an understanding of the economic and labor market situation. The purpose is to secure some basic information for comparing the rate of unemployment between different countries. The following countries were selected based on population and gross domestic product rates. The closer the population and gross domestic product rates are to those of Palestine, the more useful the comparison is.

2.4.1 The Republic of Moldova

The first developing country that their economic situation will be analyzed is the Republic of Moldova. Moldova is located in Eastern Europe and is expected to join the European Union in 2019. It is a lower-middle income country, considered to be one of

the poorest countries in Europe. Compared to Palestine (population of 4,920,724 and gross domestic product of 2,943 US\$ per capita) and according to the World Bank, Moldova has a population of 4,051,212 and a Gross Domestic Product of 1,900 US\$ per capita (World Bank, 2017). Although Moldova is the poorest country in Europe, it has made a great progress and an inclusive economic growth since the early 2000's, which has resulted to poverty reduction in the country. The unemployment rate of Moldova is 4.3% according to the National Bureau of Statistics of the Republic of Moldova for 2017 (National Bureau of Statistics of Republic of Moldova, 2017), compared to the rate of 26.9% in Palestine (41.7% in Gaza and 18.2% in the West Bank) according to the Palestinian Central Bureau of Statistics (PCBS, 2017).

Unemployment rate in Moldova is low compared to Palestine, especially when taking into consideration, a close population and even a lower gross domestic product (GDP) per capita in Moldova. Even though the government of Moldova faces economic challenges because of the large-scale immigration and the decrease in fertility rates, Moldova has experienced rapid economic growth especially in the past decade, which was accompanied by poverty reduction and better performance in the labor market (The World Factbook, 2017). According to Alex Kremer, the World Bank Country Manager for Moldova “Enhancing the livelihoods of small farmers is paramount, because the agriculture sector still accounts for 30 percent of employment, with an additional 24 percent engaged in low-intensity agricultural work” (World Bank, 2016). However, the lower rate in unemployment in Moldova compared to Palestine can be clarified through the continuous stabilization in the economics of the country, advancement in economic reforms and setting rules for business environments (World Bank, 2017).

2.4.2 The Republic of Nicaragua

The second developing country's economic situation that will be compared to the Palestinian situation is Nicaragua, officially known as the Republic of Nicaragua. It is the largest country in Central America and is considered to be the second-poorest country in Latin America (The World Factbook, 2017). Compared to Palestine (population of 4,920,724 and GDP of 2,943 US\$ per capita) and according to the World Bank, Nicaragua has a population of 6,149,928 and a Gross Domestic Product of 2,151 US\$ per capita (World Bank, 2016). Despite being one of the poorest countries in Central America according to the Statistic Portal, Nicaragua has an unemployment rate of 6.48% (Statista, 2017), compared to the 26.9% unemployment rate in Palestine. (PCBS, 2017). Although unemployment rate stayed below 10% through the last decade, youth unemployment was significantly high. This high rate was because of the lack of change in the productive structure of the economy (The World Bank, 2012).

In early 2000's, Nicaragua adapted some policies to upgrade its economic level, such as macroeconomic policies that contributed 5.1% of the country's economic growth. The government started by privatizing control over water systems and signed the Central American Free Trade Agreement, which provided job vacancies, attracted foreign labor forces and caused steady economic development (Ulandssekretariatet Council, 2012).

2.5 Case Study from Developed Countries

2.5.1 Finland

Finland is amongst the largest countries in Europe, and the majority of its population is concentrated only in specific parts of the country. Compared to Palestine (population of 4,920,724 and GDP of 2,943 US\$ per capita) and according to the World Bank (2017), Finland has a population of 5,503,132 and GDP per capita of 43,090 US\$ which is among the highest 15 countries around the world. Unemployment rate in Finland is relatively high as it reached 7.8% in 2017. Looking at these figures makes one wonders, what Finland does to reduce this rate of unemployment? Are there any strategic policies that might help to reduce unemployment? What steps have Finland taken to resolve this problem?

In 2008, the Ministry of Employment and the Economy of Finland was assigned to develop a strategic program for innovation. With over 300 experts, an open consultation was available on the internet and the opinions of over 500 citizens were taken in consideration. Then the steering group submitted a proposal for national innovation to the ministry which contains strategic goals that target economic growth and sustainability in employment. These strategic goals focused on pioneering activities, geared towards long-term targeting of public resources and development of productivity (Ministry of Employment and the Economy, 2008).

On May 2015, and under the supervision of Prime Minister Juha Sipilä's Government, Finland developed a strategic program for the country under the name "Finland, a land of solutions". This program studied the strengths and weaknesses of the country in order to understand the country's situation and develop the best strategy to be adopted to overcome the weaknesses. The study revealed that despite the countless strengths, Finland is in a spiral decline. First of all unemployment is high and the

economic growth has slightly decreased. Entrepreneurship and the industrial structures are not improving the economy of the country, and innovations are not commercialized.

This program aimed to bring Finland to a sustainable growth that will promote employment, considering the fact that the weaknesses in the Finnish economy are structural and need structural reforms. And so, to achieve the sustainable growth in employment, Finland focused on tax policy that aims to support employment, while strengthening entrepreneurship and ownership, concentrated on investment growth to provide more job in the market place as well as long-term reforms to secure public finance and employment-boosting reforms (Prime Minister Office, 2015).

Fred Nicolas (2016) stated that strategic planning is an important aspect that helps in approaching a defined and clearly focused direction, and provides a framework to use the best of available human and financial resources. Strategic planning is the tool that Finland used to develop its strategic goals with the intention to increase the chances of employment and development and to decrease its economic growth problems. Thus, the importance of strategic planning lies in the importance of thinking ahead and not acting blindly, and that leads to success in implementing the proposed plan and suggesting strategic goals. (Nickols, 2016)

Chapter 3

Unemployment in Palestine

The employment rate among residents in the West Bank and Gaza has sharply fell between 2000 – 2001 with a little recovery in the year 2003, with only a 10% lower rate of employment in Gaza than the West Bank according to a report by the Palestine Economic Policy Research Institute (MAS) in 2006. (MAS, 2006). Unemployment in Palestine differs than other countries as it includes chronic unemployment that is consequential to the reliance on the labor market in Israel. (Mansour, 2016). And so, to try to reduce unemployment in Palestine, it is important to start working to achieve a sustainable growth in the Palestinian economy until the process of exporting workers to Israel gradually stops. (MAS, 2006). Unemployment is a deep-seated problem in Palestine due to many reasons, but not limited to the structural malformation in the educational and economic systems. The Israeli occupation is one of the main factors affecting this phenomenon, mainly because the Israeli policies force the Palestinian economy to be dependent on the Israeli economy.

3.1 Factors of Unemployment in Palestine

There are many reasons that the unemployment rate (26% in the West Bank and Gaza) is a high rate compared to other countries of the same population around the world, (World Bank, 2017). Among such factors:

A- Palestinian Work Force in Israel

The high rate of unemployment in the occupied Palestinian State and the wage differences between the Palestinian and Israelis markets caused many Palestinian workers to seek employment in Israel. Over 140 thousand Palestinians work in businesses and enterprises in Israel, in areas such as construction, agriculture, industry, and services. Between 30,000 - 40,000 of those workers work for almost 42 hours/ week illegally without permits (Kav LaOved, 2012). Knowing the fact that Israel has the power to suddenly prevent them from entering Israel will cause an unexpected increase in the unemployment rate in Palestine. But the reason why people choose to work in these circumstances is that the salaries and wages are much higher in Israel than in Palestine, (PCBS, 2017). However, Israeli employers started employing workers from Eastern Europe and South Asia and other regions as a permanent substitute for the Palestinian labor. This substitution led to fluctuating unemployment rate in Palestine. (Leinwand, 2001).

The unpredictability in the working conditions in Israel is high, for instance, the Israeli government determines limited number of employees in each quota for each sector, and this quota restriction limits the number of allowed Palestinians to get permits to work in Israel. This restriction does not affect unemployment rate in Palestine, but it

makes it hard to be predicted for each month or year. Such conditions are not stable and can be changed regularly upon situations and according to Israeli laws and regulations. (Kav LaOved, 2012)

B- External Conflict – Political Agreements

Israel is in control over the Palestinian natural resources, lands, borders, exports, and imports. Even after Oslo accords 1993 and Paris agreement “Protocol on Economic Relations”¹ 1994, between the Israeli government and the Palestinian Authority, the Israeli occupation had more power to control the borders. Paris agreement stated some principles related to the free exchange of goods between both parties and sharing revenues in customs clearance. (The Palestinian Economics Performance, 2011)

Paris Protocol paved the way for Israel to implement their policy and ensure that Palestine stays under economic dependency on the Israeli economy. On one hand, Israel dominated the Palestinian economy by plundering all its natural resources, destroying its production base and infrastructure and monitoring its economic relations with other countries, and on the other hand, it forbade many Palestinians to find better job chances outside the country by controlling the borders and the movement of Palestinians in and

¹The Paris Agreement “Protocol on Economic Relations” is Protocol on Economic Relations between the Government of the State of Israel and the P.L.O. representing the Palestinian people. The two parties viewed the economic domain as one of the cornerstone in their mutual relations with a view to enhance their interest in the achievement of a just, lasting and comprehensive peace.

out. This made Palestine a consumer country that relies mainly on Israeli products, (Othman, 2004, P.20).

Furthermore, the economic growth related to exports in Palestine never developed due to the repeated border closures and the constant uncertainty and instability about when closures would be lifted or imposed again. The Palestinian economy faced problems in exporting goods, services, and labor.

C- Internal Political Conflict

In June 2007, the political party of (Hamas) took over Gaza causing a Palestinian-Palestinian conflict. The Palestinian Authority announced that all employees in Gaza should stay at home and must not go to their work under any condition, except for ministries that might affect people's lives like education and health. As a result, the authority in the West Bank started to pay the salaries of employees who followed the orders and stayed home.

According to The Palestinian Economic Council for Development and Reconstruction (PICDAR), Gaza employees are about 78 thousand of which 31350 military and 45650 civilian and only 17750 (22.7% of the total number) stayed on their jobs during the period of upheaval in 2007. Since then, the Palestinian authority is paying 86% of salaries (386 million dollars) for people who are not working, (The Palestinian Strategic Report for the year 2008, 2009, P.27). In addition to this inner conflict, many institutions in the West Bank were closed because of their political orientation, and many other institutions were closed in Gaza as well, which resulted in reducing the job availability in the market.

This political inner conflict also caused the foreign aids to be cut off to Palestine and this made the situation worse. Gaza was sieged from land and sea and people were not allowed to enter or to leave. It became a huge prison with little to mention resources, more particularly that the lands in Gaza are not rich lands and cannot be used for agricultural means. The situation in Gaza increased the number of people seeking for jobs in the city which in turn increased unemployment rate in Palestine. The political separation between the West Bank and Gaza was a reason for a further long-term damage to the Palestinian economy.

D- The Underdeveloped Agricultural Sector

The agricultural sector in Palestine was considered to be the main production sector in the West Bank. Before 1948, agriculture used to contribute 27% to the gross domestic product and 37% in the labor force. The sector status changed through the years and according to a report in the year 2014, by the undersecretary of the economic sector in the Ministry of Agriculture, Eng. Ali Ghayaza, that Agriculture contributes 5.6% to the gross domestic product, 21% to the exports and 11.5% to the labor force. The reduction in the percentages through the years can be attributed to many factors. Many Palestinians left their lands and stopped working in agriculture because the profit from agriculture was not sufficient anymore for them and this increased the numbers of unused lands. Leaving their lands was not an easy choice but the agricultural policies that were forced on them by the occupation, the environment, and the government were more than they can tolerate. (Rantisi, 2014)

To start with, agricultural lands faces continuous vandalizing from the Israeli occupation, as the occupation vandalized some agricultural Palestinian lands in Jenin and

Nablus cities. Trees were burnt down, lands were shoveled and confiscated and the separation wall was built and it took over huge parts of the Palestinians lands. The separation wall took over 33 Palestinian artesian wells, and almost 47.5% of the total separated land areas are agricultural lands. (Daibes-Murad, 2004). Palestinian farmers faced difficulties in reaching their lands due to the road closures and the separation wall. They could not find stable and permanent water resources for their plants, or new helpful technology to use. Materials for their farms were overly-priced with no experts to help them using the technology if it was available. The competition with the Israeli products is a major issue as the market is flooded with Israeli products around the year with the same prices and a better quality.

Moreover, over 81% of the lands are rain-fed lands that depend mainly on rainwater after the water resources were plundered from Israel. However, due to climate change through the last years, the average rainfall is hard to be calculated in the different areas and this issue is causing difficulties in agriculture. Finally, the government is not encouraging the agricultural sector. Investors, on one hand, stay away from agriculture because it is adventurous to invest in, and on the other hand, youth are looking for more stable job chances to work in, neglecting the agricultural sector.

E- Weaknesses in the Educational System

The role of education in any country is to prepare the graduates to meet the needs of the market. To be able to do that, the educational system must reflect the market needs. The Palestinian educational system fails to do so for several reasons. Firstly, the educational system contributes to increasing unemployment when it focuses on certain specializations that the market is overloaded with. As a result, some unions like Bar

Association and Dentistry Association alerted students not to enter such specializations in universities because finding a job will not be an easy task for them. Secondly, students finish their academic education in fields with a high number of unemployment, despite the fact that other vocational studies are neglected. This increases the number of graduates in certain academic studies who might not be able to find a job in their fields of study. Whereas many vocational positions are available in the labor market but with no labor forces to fill. And finally, there is a gap between the academic preparation for courses in the academic institutions and the market need. Graduates are not updated with the latest technology and information of the labor market needs.

F- Palestinian Investments Environment

The Palestinian State witnessed a slow growth in the private sector and this caused the public sector to thrive. This slow growth is because of the insecurity that Palestinian investors feel when planning to invest in the industrial sector or any other sector in Palestine. As firstly, Israel controls all imports, exports, lands and industrial regulations. Secondly, the Palestinian businessmen do not believe in the capability of the Palestinian economy to stand against the possible risks of sudden closures or profit loss. This uncertainty in the Palestinian market's status creates hesitation between investors. Thirdly, the strong competition against the Israeli, Chinese and Turkish products makes it harder to open businesses when people can get the same product cheaper and with higher quality. Finally, experts' shortage is a great concern. And so, when even investors do not direct their investments to be inside this country, the unemployment rate will be increasing.

G- Centralized Business Development

The instability in the unemployment rate in Palestine during the years is attributed largely to the increase in the labor forces every year with no additional jobs available, and the fail of the Palestinian economy to fulfill the needs of the Palestinian people. The developmental plans failed to achieve its goals, as the majority of jobs are available in one city that faces all the economic changes and developments. And so, people started looking for available chances either in Israel (exhausting procedures to commit to), or outside Palestine, or in Ramallah governorate which is the center of businesses and all ministries and governmental institutions are located. In a way, this situation increases the number of people moving out of their lands, hence this increased unemployment in agricultural sector.

H- Cultural Factors

It is important to understand the role of culture in shaping the economic outcomes and to what extent it affects unemployment in Palestine. Some chooses to voluntary stay unemployed because they refuse to work in any job chances that are not socially accepted to them. Additionally, and according to a report by the United Nations, women in the Middle East in general, and Palestine is not excluded, have higher rate of unemployment than men. (United Nations, 2016) Reasons behind this rate are many, as married women for instance find it hard sometimes to balance between their housework responsibilities, child care and their full-time jobs. Also the gender pay gap is another main reason that frustrate women in the labor market as they find themselves working the same working hours, and putting the same effort but with less wages than expected. Finally, in some

cases, religious beliefs, traditions and norms can highly affect women's choice to join the labor market.

3.2 Determinants of Unemployment in Palestine

❖ Population Structure

The first determinant is the population growth rate in Palestine and its effect on the economic situation on unemployment. According to the World Population Review website (2018), in February 2018 the Palestinian population reached 5,011,838 with a growth rate of 2.68%. (World Population Review, 2018). A report by the United Nations projected that if the Palestinian population growth continue at the same rate with no international or local attention, this will lead to a serious unemployment crisis. Thus, it will be difficult to create and provide new job vacancies for the increasing number of population. (United Nations, 2016) The following table shows the population growth rate in percentage through the years 1996 – 2016 (the World Bank, 2017)

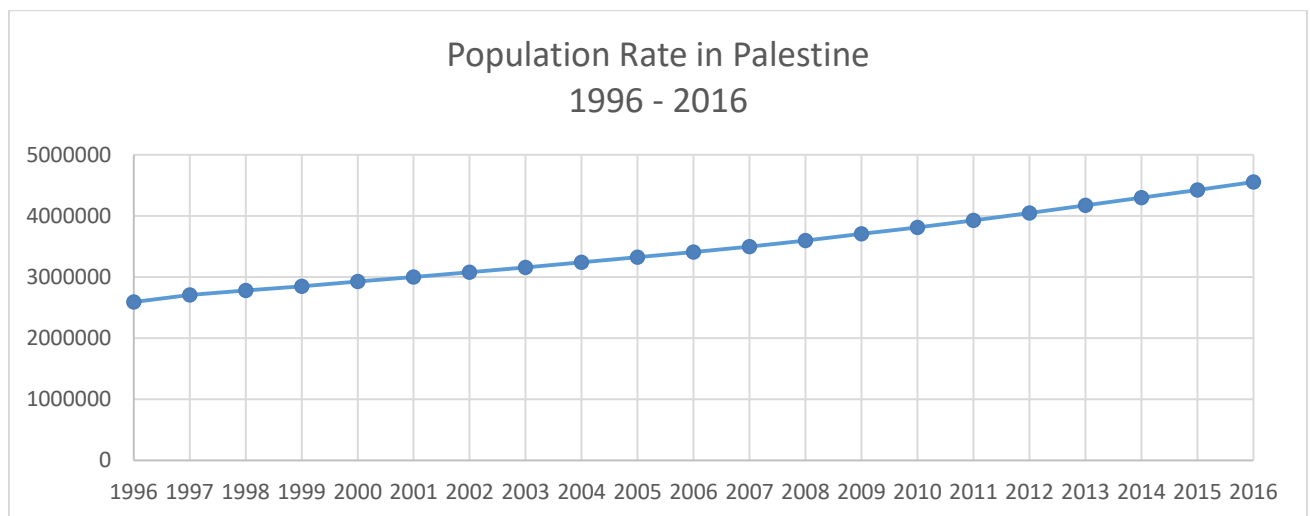


Figure 2: Population Rate in Palestine

❖ Inflation Effect on the Economic System in Palestine

Inflation rate in Palestine is affected by different variables such as individual income, inflation in Israel and currency exchange rates, (Monetary Authority, the 12th annual report, 2006, p.20). The figures of consumer prices in Palestine indicated a stability in prices as annual inflation rate stayed less than 10% from the date of establishment of the Palestinian Authority until the year 2016. The following table shows the annual inflation rate through the years 1996 – 2016 (the World Bank, 2017)

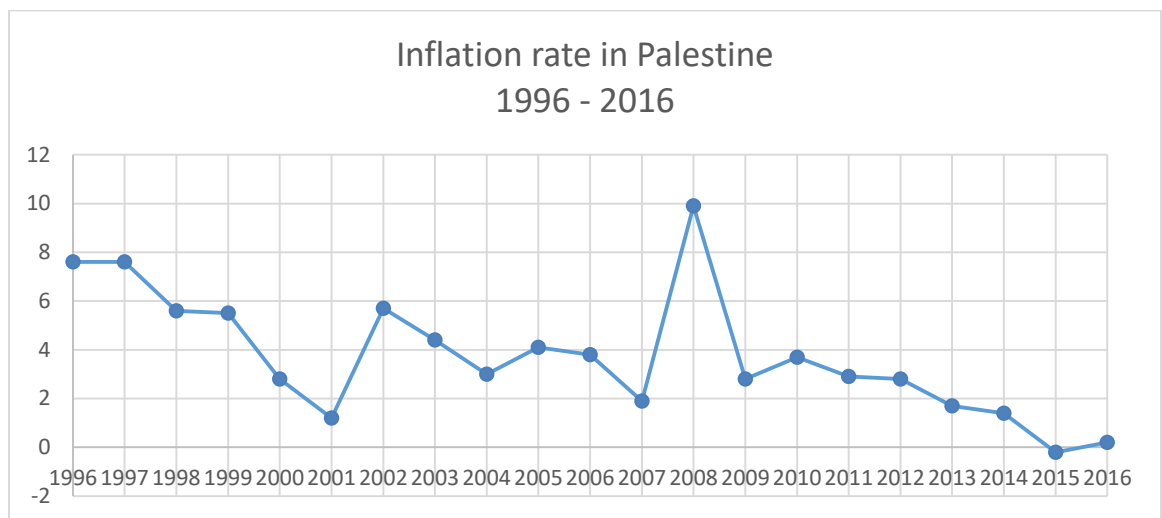


Figure 3: Inflation Rate in Palestine

The fluctuation in the inflation rate can be explained by the ongoing changes in the economic variables in Palestine, in addition to the main reason that the Palestinian inflation is an imported inflation, meaning that it is under economic dependency to the Israeli economy. So what affects the Israeli inflation will in turn affect the Palestinian.

❖ Gross Domestic Product in Palestine

The growth in gross domestic product (GDP) in Palestine is considered to be a slow growth compared to other economies around the world. However, in 2016 it increased to 4.1% (3.02% in the West Bank and 7.66% in Gaza) a value of 8,037 million US dollars. This increase came as a result of the increase in the private financed consumption through the increase in bank loans and the financial aids to rebuild Gaza. (The Palestinian Economic, 2017, P.17)

The related data about GDP in Palestine indicates that this level will not help in reducing unemployment rate, and at the same time, this growth is under huge risks from different Israeli practices such as restrictions and barriers that are enforced over the economic activities.

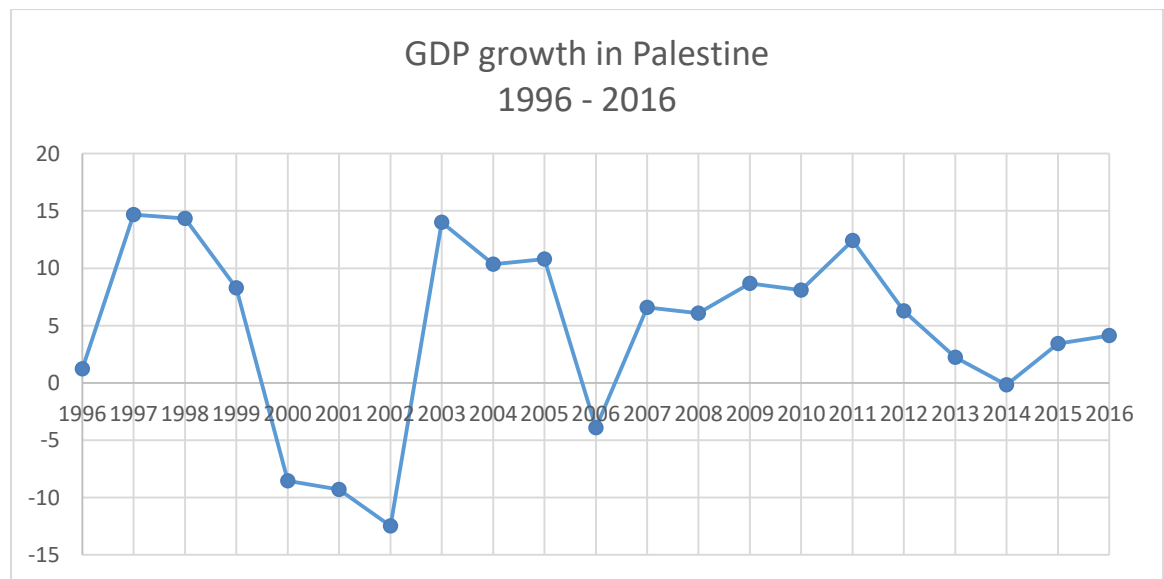


Figure 4: GDP Growth in Palestine

3.3 National Vision

Since its establishment, the Palestinian Authority has given special attention to planning as being the key to its development and independence. Therefore, the first National Spatial Plan for Palestine was prepared in 2015 under the supervision of the Ministerial Committee with wide participation to create a future planning vision “Palestine 2025 and Palestine 2050”. The plan focused on different aspects including Economic Development, Resource Management, Demography and Society and Services Sector.

The economic development in the national plan concentrated _amongst other parts_ on planning a sustainable agricultural sector by preserving the limited agricultural land and managing it using advanced technology to counter the limited water supplies for agriculture. This will help in food security and more productions capabilities. On one hand, this will contribute to providing jobs for people to work on lands and agriculture, and on the other hand, will revive lands and the economy. In the part of economic development, the plan aimed to include as many sectors as possible. The future plan concentrated on the industrial sector, services sector and on providing qualified labor forces that will enrich the Palestinian market with highly qualified and productive labor force and needed experts. A practical step to reach this vision is to show more interest and focus on the vocational education and promote entrepreneurship among young people and women.

The national plan also studied the demography and society, this included social justice that attempts to create a sound societal atmosphere where human rights, equality, and justice are distributed equally to all people in the society. It focuses on prioritizing the rights of women and children and to empower young people. This part studied also

the population growth and keened to create jobs that matches the population growth. In fact, this is one of the solutions that could help in reducing unemployment rates.

3.4 Unemployment vs. Demography

Through the period of 1996 – 2016, it was noticed that the year 1999 has witnessed the lowest unemployment rate in Palestine for people of 25-34 years old, as it reached 11.4%. According to the Palestinian Center Bureau of Statistics, the unemployment rate is calculated starting from the youth as young as 15 years old.

For males and females rate, statistics show that the highest unemployment rate among males aged 25-34 years old reached 33.3% in 2002 and the lowest was 10.5% in 1999, whereas the highest unemployment rate among females aged 25-34 years old reached 43.3% in 2016 and the lowest was 16.1% in 1999. The highest rate of unemployment according to age was found to be for male youth aged (15 - 24 years old) and the reason behind this is that many youths entered the labor market early at a young age to help their families particularly that many of the families face hard situations if the father is arrested or disabled or had passed away. In comparison, for females it was the age between (15 – 24 years old) that witnessed the highest unemployment rate and that could be explained as females seek to complete their education first then enter the labor market, and some get married and this lessens their chances to get a job afterward. (PCBS, 2017)

The table that clarifies the above-mentioned numbers is taken from the annual report/ 2016 prepared by the Palestinian Central Bureau of Statistics: Appendix 1

3.5 Unemployment vs. Geography

Palestine (the West Bank and Gaza) has witnessed different unemployment rates in each governorate since 1996 till date. The difference between one place and the other can be on account of the geographic characteristics or specifics between governorates. In 2002 Jenin governorates in the West Bank has witnessed the highest rate of unemployment compared to other cities as its unemployment rate for males reached 44.6%, whereas unemployment rate in Ramallah and Al-Bireh governorates was the lowest in 1999 with a percentage of only 5.9%. On the other hand, Qalqilya governorate had the highest rate of unemployment for females when in 2009 it reached 37.2% and Jericho witnessed in 2000 the lowest rate of 3.9% between females.

In comparison, Gaza's unemployment rate is higher due to worst circumstances related to the siege, separation from the West Bank and wars between them and the Israeli occupation forces through almost the last 10 years. In Gaza, in 1999 for instance, unemployment between males reached its lowest rate of 16.6% wherein 2008 and after the conflict between the political parties of Hamas and Fatah, unemployment rate reached 47.9% in Khan Younes. While concerning unemployment rates between females, in 2010 it reached 64% in Khan Younes while the lowest rate was in 2000 when it reached 12.4%. (PCBS, 2017)

The reasons behind the high unemployment rate in Palestine (the West Bank and Gaza) can be clarified as some people in Qalqilya for example used to depend largely on agriculture _where they stopped working_ because of the separation wall which took over large areas of their lands. Most of the educated people, businessmen and workers find it hard to find job chances in this competitive labor market with its little chances. In

addition, the reasons behind the high unemployment rate in Gaza can be explained mainly that Gaza went under three wars with the Israeli occupation forces, this sometimes caused life to stop in Gaza for days and sometimes weeks. Also, Gaza is until now under siege from the Egyptians from one side, from the Israelis, and from the government of Hamas who are in control over the resources of the governorate. Finally, Gaza's population is higher compared to any other city of the same size, and the local market is not able to absorb the huge number of new graduates and others who are looking for job chances. All this caused increased unemployment rate in Gaza in particular and the West Bank, in general, to be considered as one of the highest unemployment rate around the world.

Table 1: Percentage Distribution of Individuals Aged 15 Years and Above in Palestine by Region, Governorate, Labor Force Status and Sex, 2016

Region and Governorate	Total			Unemployment			Time Related Underemployment			Full Employment		
	T	F	M	T	F	M	T	F	M	T	F	M
West Bank												
Jenin	100	100	100	19.3	34.0	15.7	0.5	1.6	0.2	80.2	64.4	84.1
Tubas	100	100	100	18.7	31.3	15.5	4.4	2.3	4.9	76.9	66.4	79.6
Tulkarm	100	100	100	17.0	31.9	12.8	0.6	1.6	0.3	82.4	66.5	86.9
Nablus	100	100	100	16.0	31.5	12.0	2.3	1.4	2.5	81.7	67.1	85.5
Qalqiliya	100	100	100	13.1	24.2	10.3	3.2	3.5	3.2	83.7	72.3	86.5
Salfit	100	100	100	15.4	23.1	14.0	0.8	0.6	0.8	83.8	76.3	85.2

Ramallah & Al-Bireh	100	100	100	16.2	21.1	14.8	0.1	0.0	0.2	83.7	78.9	85.0
Jericho & AL Aghwar	100	100	100	10.9	16.9	9.6	0.3	0.0	0.3	88.8	83.1	90.1
Jerusalem	100	100	100	15.4	13.1	15.7	0.2	0.0	0.3	84.4	86.9	84.0
Bethlehem	100	100	100	21.3	32.9	18.0	9.0	4.1	10.4	69.7	63.0	71.6
Hebron	100	100	100	21.1	34.0	18.4	1.9	0.9	2.1	77.0	65.1	79.5
Total	100	100	100	18.2	29.8	15.5	2.0	1.4	2.2	79.8	68.8	82.3
Gaza Strip												
North Gaza	100	100	100	43.6	64.6	37.8	2.6	1.3	3.0	53.8	34.1	59.2
Gaza	100	100	100	34.6	61.1	28.0	1.2	0.7	1.3	64.2	38.2	70.7
Dier Al-Balah	100	100	100	44.3	61.0	38.0	1.2	0.7	1.4	54.5	38.3	60.6
Khan Yunis	100	100	100	48.2	72.0	39.5	2.1	2.2	2.0	49.7	25.8	58.5
Rafah	100	100	100	43.6	69.0	34.3	3.8	2.6	4.3	52.6	28.4	61.4
Total	100	100	100	41.7	65.2	34.3	2.0	1.4	2.2	56.3	33.4	63.4
Palestine	100	100	100	26.9	44.7	22.2	2.0	1.4	2.2	71.1	53.9	75.6

3.6 Unemployment vs. Time distribution

When analyzing unemployment in Palestine through the period of 1996 - 2016, we noticed that this period can be divided into four specific historical periods as follows (from 1996 - 2000, from 2001 – 2004, from 2005 – 2007, from 2008 – 2016). Unemployment rate in Palestine varied through this period basically as a consequence of the political situation. The following chart from Trading Economics website shows the

unemployment rate in percentage through the mentioned period (Trading Economics, 2017)

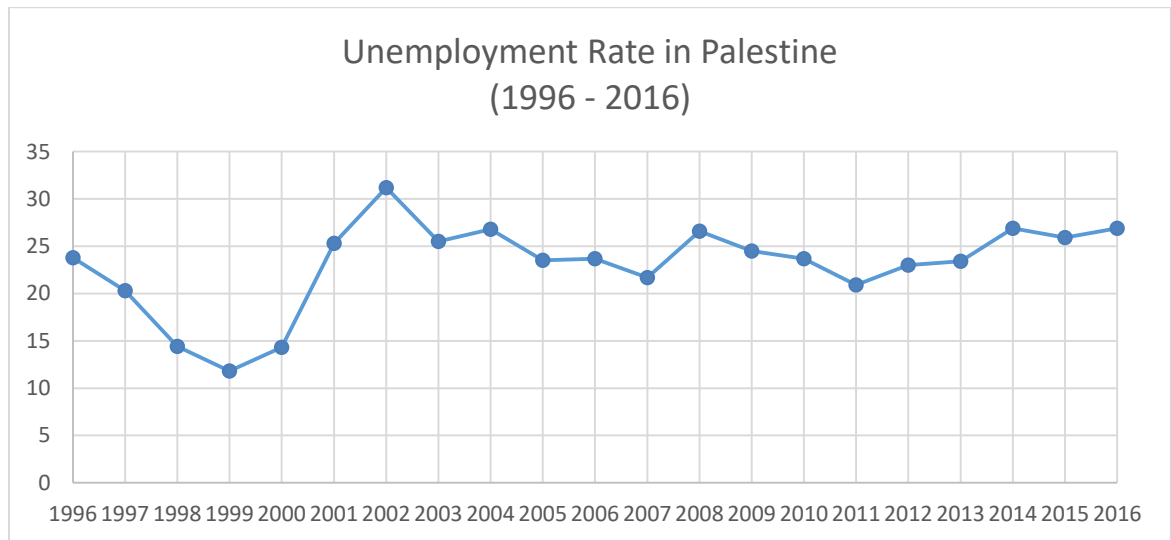


Figure 5: Unemployment Rate in Palestine through the period 1996 – 2016

According to this chart, and depending on the information taken from the Palestinian Central Bureau of Statistics, the period division will be explained as the following:

- ❖ From 1996 – 2000: It was a period of calmness and composure. There was a mutual recognition between the newly formed Palestinian Authority and the Israelis. The Palestinian Liberation Organization entered the West Bank and Gaza, and first elections were arranged. (The Editors of Encyclopedia Britannica, 2017) Ministries and institutions started to appear and was built, the Palestinian economy was in its maximum revival as the chart shows. And so, people started to find job chances and vacancies and started to move out of their cities to work in Ramallah, the economic capital of Palestine.
- ❖ From 2001 – 2004: Ariel Sharon, the leader of Israel's Likud party, visited al-Aqsa Mosque in Jerusalem and the second Intifada began. People were unable to

go to their workplaces easily and life in the West Bank was paralyzed. Unemployment rates reached its maximum as shown in the chart as it reached 31.2% (PCBS, 2017)

- ❖ From 2005 – 2007: Unemployment rate started to go down again after almost four years of difficult times. A lot of people went back to their jobs and a period of revival started. People who worked in settlements tried to get permits again and unemployment rates went to 21.7% in 2007. (PCBS, 2017)
- ❖ From 2008 – 2016: After the elections of 2006, and after the political party of (Hamas) won the elections, a coup d'etat, and an upheaval started against the winning party that was based in Gaza. Foreign and financial aids stopped and the West Bank and Gaza were separated. A war between Israeli forces and Gaza started. Gaza was under siege and again life was paralyzed in Gaza and the overall unemployment rate was high as it reached 26.6% in 2008 (19.7% in the West Bank and 40.6% in Gaza) which is among the highest rate since 1996. (PCBS, 2017) In 2011, Palestine witnessed the lowest unemployment rate since 2000 as it reached 20.9% and this low rate is due to decrease in unemployment rate in Gaza as it was 37.8% in 2010 and became 28.7% in 2011. (The Palestinian Economics Performance, 2011, 2012, P.19)

The following table from the Palestinian Center Bureau of Statistics clarifies unemployment rate in the West Bank and Gaza and the overall rate through the period 1996 – 2016:

Table 2: Unemployment Rate in Palestine for people over 15 years old according to the area (1996 – 2016)

	Place

Year	West Bank %	Gaza %	Palestine %
1996	19.6	32.5	23.8
1997	17.3	26.8	20.3
1998	11.5	20.9	14.4
1999	9.5	16.9	11.8
2000	12.2	18.9	14.3
2001	21.6	34.0	25.3
2002	28.2	37.9	31.2
2003	23.7	29.1	25.5
2004	22.8	35.3	26.8
2005	20.4	30.3	23.5
2006	18.8	34.8	23.7
2007	17.9	29.7	21.7
2008	19.7	40.6	26.6
2009	17.8	38.6	24.5
2010	17.2	37.8	23.7
2011	17.3	28.7	20.9
2012	19.0	31.0	23.0
2013	18.6	32.6	23.4
2014	17.7	43.9	26.9
2015	17.3	41.0	25.9
2016	18.2	41.7	26.9

3.7 Consequences and Effects of Unemployment on the Economic

The costs of unemployment are many, it can effect either individuals, as if a person loses his/her job this can lead to skepticism and pessimism about the value of their lives. It also has a great impact on the society and on the country. (Saleh, 1992. P. 78). Unemployment means leaving some of the resources of the country without being used properly, and this directly and negatively affects the productivity of the country. Unemployment also has a negative impact on the consumption, the imports and exports of the country. (Saleh, 1992. P. 78). Sometimes unemployment can lead to an outrages actions as robbery, and violence rates can increase in the societies with high rate of unemployment. According to a research prepared by Stephan Simpson (2017) on the effects of unemployment, he stated that the times of elevated unemployment in a society are often correlated with higher crime rates. Simpson also noted that unemployment has a negative impact on businesses and on the economic health of the country. (Simpson, 2017)

Chapter 4

Strategic Goals

Unemployment is a serious issue in most countries not only in Palestine. Throughout the chapters of this research, the focus was mainly on unemployment in Palestine, its problems, determinants and factors. In chapter two a comparison between the rates of unemployment in Palestine and some other countries was developed. It was concluded that comparing to other countries of the same population and a close rate of gross domestic products, Palestine had a higher unemployment rate. In Palestine, the rate of unemployment in 2016 reached 26.9%, whereas the unemployment rate in Moldova reached 4.3% and in Nicaragua 6.48%. It was indicated in this chapter that there are some other factors affecting unemployment rate specifically in Palestine and this is what chapter three covered in detail.

The objective of chapter three is to determine the most significant factors affecting unemployment in Palestine. The chapter discussed that one of the main factors of unemployment in Palestine is the Israeli occupation, especially in light of the Israeli economy and trading policies that control exports and imports. The separation wall and the checkpoints that are established all over the West Bank caused limitation of movements of the Palestinians and also limited their access to their lands and workplaces. Nonetheless, the Israeli occupational factor is out of the control of the Palestinians.

However, there are some other factors affecting unemployment that was discussed in chapter three, some of which have areas of improvement that would have an impact on the development of the economy. To start with, the agriculture sector which used to be considered as one of the main employment sectors in the West Bank is now facing many problems from land management, to water and crop management and the usage of technology. So, many Palestinians stopped working in the agricultural sector because the income generated was not sufficient anymore. As mentioned in chapter three of this research, the separation wall took over almost 47.5% of the agricultural lands, underneath those lands were over 33 artesian wells which were used in irrigation. (Rantisi, 2014). Additionally, the market was flooded with Israeli products around the year, which the Palestinian products could not compete with.

In order to improve agricultural sector, the concentration firstly must be on utilizing the different sources of water and water rights. To do so, farmers should be educated on how to collect rain water to reuse it in irrigation. The government should also invest in desalination plants in Gaza, and water treatment units in the West Bank in order to provide as much valuable water resources as possible. Secondly, enhancing agricultural management can improve the agricultural sector. For instance, land owners must be provided seasonally with information about what to plant, the best timing for this planting and the best area to use. By managing their lands, farmers will guarantee maximizing their products' diversity through the year. Also, the governmental laws in Palestine that support the agriculture sector must be upgraded. Investing in using modern technological methods in agriculture will improve this sector. For example, farmers need to be encouraged to implement different techniques of plant reproduction, which will

develop new types of crops that will enable farmers to compete locally and regionally. Land owners should be encouraged to improve irrigation practices and adopt modern techniques to protect soil from increasing salinity, in addition to adopting environmental-friendly protection ways to protect their plants from insects.

The educational system in Palestine is a great concern as it needs restructuring and improvement in order to meet the changes in the current century. Firstly, educational institutions focus on certain academic specializations which in turn makes it difficult for graduates to find jobs in fields that already have high rate of unemployment. Moreover, the gap between the academic preparation by the academic institutions and the needs of the current market is a serious problem with long-term effect on graduates. As it produces new graduates with knowledge and education that does not match the needs of the developing market.

According to a 2001 - 2005 statistics provided from the Palestinian Center Bureau of Statistics, some of the reasons for unemployment between educated youth in Palestine from university graduates' point of view are: 29% said that unemployed graduates could not find jobs because they lack the appropriate experience, 85% said that it is because graduates majors are not required in the labor market, on the other hand, 17% expected that it is because of the graduates weak English language abilities. (PCBS, 2005). The following table clarifies those statistics of the year 2005:

Table 3: Unemployment Reasons in Palestine from the Point of View of Graduates from Palestinian Universities and Colleges (2001 – 2005)

Unemployment Reasons	Palestine (West Bank and Gaza) %
Lack of experience	29%

Specialization is not required in the market	85.1%
Limited personal relations	52.8%
GPA / Grades	7.1%
English Language	17.4%
Lack of any good Computer skills	10.3%
Lack of capital / money	65%

Palestinian Center Bureau of Statistics (December, 2005)

To develop the educational system in Palestine, firstly, the system of education must be comprehensive and it should concentrate on promoting vocational training equally as the academic education. In order to do so, public opinion must be changed concerning the vocational training through sessions, and orientations should be arranged to provide a better image to the vocational studies. Public interest must be raised on the current market of vocational demands by providing financial support to outstanding students to enter such colleges. Enhancing partnerships with the industry to ensure practical training to graduates might encourage students to pursue such studies. For graduates to compete locally, regionally and internationally, the educational sector must introduce new fields of knowledge in their academic programs. Additionally, academic institutions should enhance linking their professors and students with other related international institutions to benefit from their experiences.

Investment in Palestine is also a factor that affects unemployment because of the uncertainty of the political and economic situation. Investors hesitate to invest in Palestine and believe that the Palestinian economy is not able to stand against the potential risks of the occupational practices. To encourage investors, they must feel that

this investment is secure and there are legal protections for their investments. The Palestinian market should be expanded for Palestinian products by building partnerships with other industries in the Arab world in order to export products to those countries. Developing new joint investment relations and agreements with companies from abroad could help reduce unemployment.

Outsourcing could be contributed to reducing unemployment. The example of Indians must be studied as it became the main source of employees for several companies in the United States and Europe. Palestine must be a targeted client to many abroad companies especially under the occupation's conditions, as outsourcing becomes a major solution to some economic problems. So, a study of the regional and international market must be conducted to understand their needs and promote the services with competing costs.

As per the previously discussed factors of the high rate of unemployment in Palestine, a strategic plan should be implemented to try to reduce this rate. The research addressed in this chapter the available options, and references were made to some strategic goals and objectives in which the severity of unemployment problem can be reduced. A strategic plan to reduce unemployment might be prepared by focusing on strategic goals in areas such as the educational system, the agricultural sector, investments in Palestine and finally outsourcing.

Goal 1:

Education System is to be Reformed: It is worth noting that the educational sector in Palestine achieved many of its objectives in spite of the occupation. However, the

educational system needs restructuring and reforms to be able to meet the changes of the new century. The curriculum, for instance, need to be continuously updated and linked to the market demands in order to empower graduates to compete locally and internationally. Decision makers need to concentrate on implementing changes in the educational system to meet the rapidly changing demands of the market. Even within the educational sector, the vocational education needs more attention. The educational system is non-responsive to the market needs which creates graduates who do not fit in the market in most cases.

Objective 1.1: Promote the Vocational Education

Strategy 1.1.1: Raise public awareness on the importance of vocational education through orientation sessions to high school students and parents. Students should understand the market demands and recognize the importance of being qualified to secure jobs.

Strategy 1.1.2: Invest in the vocational schools and colleges to ensure that they are well equipped with the newest equipment, technologies, and programs in order to provide students with high quality and in demand training.

Strategy 1.1.3: Provide financial support to outstanding students to encourage them to enter such institutions and implement effective reward and recognition system.

Strategy 1.1.4: Enhance partnership with the industry to ensure students have practical training to secure jobs for the graduates.

Strategy 1.1.5: Form external advisory boards for such institutions consisting of industrial experts from relevant industries and academia to ensure relevant curriculum and to provide an evaluation of graduates on their jobs.

Objective 1.2: Focus on Needed Academic Specializations

Strategy 1.2.1: Encourage academic institutions to offer programs as reflected by the market needs. Such policy will reduce the number of graduates in fields that are not needed in the market.

Strategy 1.2.2: Offer new academic programs that are compatible with the market needs and the demands locally, regionally and internationally.

Strategy 1.2.3: Link the academic institutions, professors and students with international institutions to enrich students' experiences and provide opportunities for mutual programs and ventures.

Objective 1.3: Improve the Academic Programs Continuously

Strategy 1.3.1: Review, improve and upgrade the content and quality of the curriculums taught in schools and universities to meet the needs of students, employers, and society.

Strategy 1.3.2: Conduct market surveys regularly to study the labor market needs and determine the needed programs in order to reduce the gap between the knowledge and skills of the graduates and the needs of the market.

Strategy 1.3.3: Adopt internship programs that prepare students to manage the work environment.

Goal 2:

Agricultural Sector is to be Developed: The agricultural sector's contribution to employment in Palestine is significant, but it needs improvements in several areas. The up-to-date agricultural technologies and a better land and water management are important to achieving sustainable agricultural lands. Especially when climate changes pose a serious threat to agriculture that rely mainly on rain.

Objective 2.1: Utilize all Sources of Water and Water Rights

Strategy 2.1.1: Educate landowners to depend as much as possible on rain-fed lands, and develop water harvesting techniques to reuse the collected rainwater to improve irrigation practices and help to conserve water as much as possible.

Strategy 2.1.2: Invest in desalination plants in Gaza to use sea water in agriculture.

Strategy 2.1.3: Build wastewater treatment units and use the resulting water for irrigation.

Strategy 2.1.4: Monitor annually the results of how much water the irrigated lands use in order to distribute available underground water resources to the needed lands.

Strategy 2.1.5: Develop integrated water resource management.

Objective 2.2: Enhance Agricultural Management

Strategy 2.2.1: Provide periodical information to farmers how to better manage their lands in terms of what to plant, when to plant and where to plant.

Strategy 2.2.2: Educate farmers on how to manage their lands in order to maximize the area used for agriculture and produce that are cultivated.

Strategy 2.2.3: Develop water management and usage practices to monitor water resources and maximize its efficient beneficial use.

Strategy 2.2.4: Manage the product diversity through the year, taking advantage of the moderate temperature in Palestine.

Strategy 2.2.5: Improve the governmental laws concerning the agricultural sector.

Objective 2.3: Deploy a Variety of Technological Methods in Agriculture

Strategy 2.3.1: Develop modern irrigation techniques to reduce soil salinity.

Strategy 2.3.2: Implement plant breeding techniques to develop new crops that are suitable for the environment.

Strategy 2.3.3: Adopt new environmental-friendly protection ways to immune plants and crops from insects and pests, and to increase water productivity.

Goal 3:

Local and Foreigner Investments are to be Lifted up and Encouraged: The Palestinian economy must focus on using resources to increase the growth of investment

in the private sector and public sector in both large-scale projects and small business projects. Local and foreign investments in Palestine are important for economic recovery. The market in Palestine is small and the risks of investing in trade or industry are high. To encourage investors from outside Palestine, Palestinian or others, assurance and incentives must be offered to investors.

Objective 3.1: Encourage Investors from Areas other than West Bank and Gaza

Strategy 3.1.1: Develop a system by which all industries contribute to a fund that compensates firms when they are affected by a force majeure condition.

Strategy 3.1.2: Encourage Palestinian from 1948 areas to invest in Palestine which will help them reach the Arab countries' markets.

Strategy 3.1.3: Organize public awareness sessions on the resistant economy strategy to encourage the national products and avoid the Israeli products.

Objective 3.2: Expand the Market for Palestinian Products

Strategy 3.2.1: Build partnerships with other industries in the Arab world to manufacture products in Palestine and export to those countries.

Strategy 3.2.2: Use the services of the Palestinian embassies to sign agreements to import Palestinian products.

Strategy 3.2.3: Develop private-public partnership (PPP) and investment relations and agreements and involve some key stakeholders in the decision-making process.

Goal 4:

Great Attention is to be made to Outsourcing: Outsourcing has become a major trend in human resources, especially in the last years. It concentrates basically on using manpower in other countries to perform some tasks needed in the country. In Palestine and under the occupation's conditions, outsourcing is the answer to many economic problems since it enable companies and individuals to work from their homes with abroad companies. Palestine must be a targeted client to many companies abroad who are looking to outsource their services.

Objective 4.1: Establish Strong Relations with Companies in other Countries

Strategy 4.1.1: Focus on outsourcing agreements with many of the information technology, designing, translation and trading companies in other countries.

Strategy 4.1.2: Enhance public knowledge about outsourcing and promote it in Palestine.

Strategy 4.1.3: Study the regional and international labor markets carefully to promote services upon the need of other markets with lower costs.

Strategy 4.1.4: Utilize the Palestinian expats to use and promote the Palestinian manpower as good outsourcing power.

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الملخص

ركزت هذه الدراسة عن الأهداف الاستراتيجية لتقليل البطالة في فلسطين والتي اعتمدت المنهج النوعي التحليلي على مشكلة البطالة في فلسطين في الفترة ما بين 1996 – 2016 وتأثيرها على الاقتصاد والتنمية في فلسطين. حيث هدف البحث إلى دراسة العوامل والمحددات المؤثرة على البطالة في فلسطين. وكشفت الدراسة أن مشكلة البطالة تعتبر مشكلة خطيرة في الأراضي الفلسطينية وخاصة بالمقارنة مع بعض البلدان الأخرى والتي تمتلك كثافة سكانية وناتج محلي إجمالي قريب من المعدل الموجود في الأراضي الفلسطينية.

وعلى الرغم من أن العديد من البلدان في العالم يتشاركون بنفس العوامل العامة والمؤثرة على معدل البطالة، إلا أن نسبة البطالة في فلسطين يؤثر عليها عامل الاحتلال الإسرائيلي بشكل أساسي. وبالإضافة إلى الاحتلال، فهناك عدة عوامل أخرى تم مناقشتها في الرسالة بما في ذلك مشاكل النظام التعليمي، والقطاع الزراعي والصراعات السياسية الداخلية وغيرها. وقد اعتمد البحث على المعلومات والبيانات التي تم جمعها من الدراسات والإحصاءات من مركز الإحصاء الفلسطيني والبنك الدولي ووزارة العمل ووزارة الشؤون الاجتماعية ومؤسسة بكار ووزارة الزراعة.

وتعتبر البطالة ظاهرة اقتصادية من الصعب التخلص منها أو القضاء عليها نهائياً. وحتى يتم إيجاد بعض الحلول لتقليل معدل البطالة في فلسطين، فقد قامت هذه الدراسة على وضع أهداف استراتيجية وغايات واستراتيجيات من شأنها أن تعمل على تقليل نسبة البطالة في حال تم وضعها ضمن خطة استراتيجية هادفة. هذه الأهداف قابلة للتحقيق وستعمل على تحسين الوضع الاقتصادي للبلد، فهي تعمل على إيجاد بعض الإصلاحات والتحسين والتعليم والتطوير من أجل تقليل نسبة البطالة في فلسطين والوصول إلى تنمية مستدامة في حال تم اتخاذ قرارات صارمة وحازمة تجاه الأهداف الموضوعية.