

Youth Exclusion in the West Bank and Gaza Strip:

The Impact of Social, Economic and Political Forces

EDWARD SAYRE
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THE MIDDLE EAST YOUTH INITIATIVE
WORKING PAPER



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WOLFENSOHN CENTER FOR DEVELOPMENT

DUBAI SCHOOL OF GOVERNMENT

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CONTENTS

Executive Summary 5

I. Growing Up in the West Bank and Gaza Strip..... 7

II. The West Bank and Gaza Strip Are Still Growing Fast 9

 Population of the West Bank and Gaza Strip 9

 Fertility Rates..... 11

 Population Growth Rates 11

III. Education in the West Bank and Gaza Strip..... 14

 School Enrollment..... 14

 Educational Quality 15

 Higher Education 17

 Rise in Women’s Schooling 19

IV. Youth in the Labor Market..... 20

 Labor Market Entry..... 20

 Choices after Completing Schooling 21

 Youth Unemployment 22

 Primary Job Search 23

 Match between Skills and Available Jobs..... 28

 On-the-Job Training..... 29

 Secondary Job Search and Unemployment Duration..... 30

 Labor Market Regulations..... 32

 Labor Demand for Palestinians: Migration, Work in Israel, and the Public Sector..... 33

V. Family Formation..... 39

 Endogamy 40

 Imbalances in the Marriage Market 41

 Household Formation..... 41

VI. Civic Participation..... 44

VII. Conclusion and Policy Recommendations 46

Annex 1 49

References 50

Endnotes 53

About the Middle East Youth Initiative 54

About the Wolfensohn Center for Development..... 55

About the Dubai School of Government..... 55

LIST OF FIGURES

Figure 1: Percent of Population Aged 15-29 by Year and Region	10
Figure 2: Population Pyramids for the West Bank and Gaza Strip, 2008 and 2018	12
Figure 3: Average Schooling for Palestinians, 1996-2006.....	15
Figure 4: Number of Palestinian University Students, 1995-2002.....	18
Figure 5: Labor Force Participation Rates, 15-29-Year-Old Males.....	20
Figure 6: Labor Force Participation Rates, 15-29-Year-Old Females.....	21
Figure 7: Relative Male Youth Unemployment Rate Compared to Non-Youth Unemployment.....	24
Figure 8: Relative Female Youth Unemployment Rate Compared to Non-Youth Unemployment....	24
Figure 9: Kaplan-Meier Survival Estimate of Time Spent Looking for a Job	26
Figure 10: Kaplan-Meier Survival Estimates of Job Search by Sex	27
Figure 11: Kaplan-Meier Estimates of Job Search by Education Type	27
Figure 12: Self-Reported Match between Skills and Job	30
Figure 13: Percentage of Workers with Formal Job Training	31
Figure 14: Unemployment Duration for Men by Age Group	33
Figure 15: Proportion of Male Youth and Older Men Working in Israel	35
Figure 16: Proportion of Female Youth and Older Women Working in Israel	36
Figure 17: Predicted Wages for Artificial Cohorts, 1981-2003	37

LIST OF TABLES

Table 1: Palestinian Population in the West Bank and Gaza Strip.....	9
Table 2: Palestinian Enrollment Rates by Region, Sex and Year	16
Table 3: Student-to-Teacher Ratios in the West Bank and Gaza Strip, 1995-2007	17
Table 4: Post-Graduation Activities by Type of School	22
Table 5: Post-Graduation Activities by Sex	23
Table 6: Unemployment Rates by Age, Gender and Education in the West Bank and Gaza Strip, 2006	25
Table 7: Reasons for not Immediately Finding a Job	28
Table 8: Median Age at First Marriage	39
Table 9: Distribution of Household by Type and Education of Household Head.....	42

YOUTH EXCLUSION IN THE WEST BANK AND GAZA STRIP: THE IMPACT OF SOCIAL, ECONOMIC AND POLITICAL FORCES

The conflict between Palestinians and the State of Israel has influenced every aspect of growing up in the West Bank and Gaza Strip. It defines how, when and where young people go to school. It affects their ability to find work and to secure jobs that match their skills and expectations. It also influences the level and form of youth political participation.

EXECUTIVE SUMMARY

Youth in the West Bank and Gaza Strip grow up in the shadow of a political conflict that dominates their economic lives. Since the 1967 Arab-Israeli War, the economy of the West Bank and Gaza Strip has nearly collapsed under the burden of occupation and conflict. The Israeli occupation brought a partial integration of the Palestinian labor force with the Israeli labor market, leading to increased job opportunities for some workers while at the same time fundamentally changing the structure of the Palestinian economy. The characteristics of the Palestinian economy under occupation have included a dearth of investment, weak job creation in the private sector, and limited opportunities for skilled workers. While the limited autonomy yielded to the Palestinian Authority (PA) since 1994 has revived some sectors of the economy, restrictions on trade and mobility continue to hobble Palestinian economic opportunities.

Given this precarious environment, the economy of the West Bank and Gaza Strip has been exceedingly volatile. In some years, growth has been robust, investment has flooded in, and opportunities

for workers have been abundant. In other years, the unemployment rate has exceeded 25 percent, infrastructure has been destroyed, and workers have been unable to reach their jobs and merchants their markets. The additional challenge of a rapidly growing population has become increasingly important in the West Bank and Gaza. Population growth rates and fertility rates in the Gaza Strip were among the highest in the world in the late 1980s and early 1990s. In Gaza, natural population growth exceeded a rate of 4 percent per year throughout the 1990s. The generation from this baby boom has required more educational resources and has entered the job market in record numbers. While the transition to low fertility has been more rapid in the West Bank, both regions will face many years with record levels of new job market entrants.

This paper will examine three dimensions of the transition to adulthood by Palestinian youth: acquiring skills through schooling and training, finding employment, and forming a family. The discussion of youth inclusion in Palestinian society will

also look at civic participation by young people and the broader role that the new generation of Palestinians will play in Palestinian society.

The growth in the young population has an important impact on the average level of schooling in the West Bank and Gaza Strip. While Palestinians have long been recognized as one of the more educated communities in the Arab world, average schooling levels are still increasing rapidly, especially at the tertiary level. Enrollment rates in tertiary education have reached nearly 50 percent of eligible youth, despite significant obstacles resulting from the political conflict. More students stay in school longer, and three times as many attend college and university than just a decade ago.

When these young people finish their schooling, they face an uncertain job market. Although most recent graduates report eventually finding a job that matches their skills, the median waiting time is almost two years and nearly a quarter do not have jobs five years after finishing school. Finding a job depends heavily upon personal connections, and since nearly 40 percent of new graduates end up working for the public sector, political affiliation can also play a role in finding a job.

The economic landscape young Palestinians face today is very different than a generation or two ago. The possibility of working in Israel has been nearly eliminated while the importance of working for the public sector has increased. Getting a job in the public sector is desirable for its benefits and job security, but the fiscal pressures of a bloated public

sector may soon cause the PA to slow its expansion. More young people will have to depend on private employers for jobs or go into business for themselves.

Despite growing up in an environment where the political conditions affect one's life in an immediate way, youth in the West Bank and Gaza Strip are fairly uninterested in civic participation. This apathy comes as a paradox: during the first Intifada (1987 to 1991), youth were the vanguard of the political confrontations. However, the current generation of youth seems dispirited by the failures of the economic and political situation in the West Bank and Gaza Strip and has little interest in getting involved in political activity.

The rapid increase in the number of new job seekers will continue to strain the economic and social fabric of the West Bank and Gaza Strip. It is possible that this burgeoning population will become an important asset rather than a liability for the Palestinian economy. Before that is possible, however, many of the current restrictions on the Palestinian economy, especially concerning the freedom for manufacturers to reach their customers abroad, must be loosened. Additionally, reforms of the educational system, the financial system and employment regulations can help increase demand for young Palestinian workers and help them contribute to the growth and development of the economy. Without untying some of the fetters around the Palestinian economy, no amount of foreign aid will accomplish these goals.

I. GROWING UP IN THE WEST BANK AND GAZA STRIP

Youth in the West Bank and Gaza Strip face many of the same challenges that other youth face throughout the region but, from their earliest years, they are also confronted by a unique political situation. The conflict between Palestinians and the State of Israel has influenced every aspect of growing up in the West Bank and Gaza Strip. It defines how, when and where young people go to school. It affects their ability to find work and to secure jobs that match their skills and expectations. It also influences the level and form of youth political participation. Finally, the political situation has even affected fertility rates, implying that the conflict intervenes in the lives of youth even before they are conceived (Khawaja 2000).

The patterns of demography that are seen throughout the Middle East take on some unique features in the Palestinian Territories. The most important distinction is that the population of Gaza still continues to grow at a very rapid rate compared to other countries in the Middle East. While the West Bank experienced lower fertility rates and slowing population growth in the 1980s, Gaza's fertility rates have remained the highest in the region. Rapid population growth will lead to unique challenges, given the relative poverty of Gaza and the continuing pressures of conflict.

Rapid population growth has placed immense stress on educational institutions to accommodate larger cohorts of Palestinian children. Despite the strain on educational resources, the proportion of young men and women who are staying in school continues to grow each year. More students stay in school for longer at each level of schooling, and four times as many Palestinians attend college and university than did just a decade ago.

The political situation creates a number of social problems for youth. Normal daily activities are regularly interrupted and schooling can be disrupted for weeks on end by Israeli-imposed mobility restrictions and political conflict. In the spring of 2006 for example, after Israeli closures were lifted, a teachers' strike in protest of the PA's failure to pay wages halted classes for months (Myre 2006). Beyond the interruptions in schooling, families are often wary of allowing children outside due to safe-

ty concerns. With open battles in the streets of Palestinian cities, young people have little opportunity for outdoor exercise and socializing. Not surprisingly, the most common leisure time activity for Palestinian youth is watching television (PCBS 2004). When asked what restricts their ability to do the activities that they most desire, 27 percent of Palestinian youth (34 percent in the West Bank and 16 percent in the Gaza Strip) cite the political conditions. Young Gazans also cite the lack of money for their activities (27 percent), which can also be related to the political conditions, given the effect of conflict on Gaza's economy.

Another aspect of growing up in the Palestinian Territories is the threat of physical violence that Palestinian youth face. While most youth suffer violence at the hands of a relative, especially a sibling or parent, there is another source of violence for young Palestinians. A survey of the Palestinian Central Bureau of Statistics (PCBS) showed that 13 percent of young males and 11 percent of young females experienced some type of violence against them in the previous month (PCBS 2004). More than 9 percent of those young men and women were subjected to violence by Israeli forces. For young men aged 20 to 24 years old, more than a third of those reporting violence against them suffered it at the hands of Israeli forces.

The transition from school to work for Palestinian youth is certainly not seamless. When youth are ready to leave school and enter the labor market, they face many barriers. Most Palestinian graduates of vocational schools, two-year colleges, and four-year universities have to wait at least one year before acquiring a paid job. Many of them engage in unpaid work for a family member while they are waiting for a job. The transition from school to work is made more difficult by the significant gap between the skills accumulated through higher education and those demanded by employers. Unfortunately, even when graduates claim to have the requisite skills, they often do not have the personal or political connections necessary to get the kind of job they want. Once they find jobs, their wages are lower and their opportunities for advancement are more limited than those of previous generations of youth.

Once Palestinian youth have entered the job market, they find that it is intensely constrained by the political climate and the conflict. Whereas one-third of all Palestinian jobs used to be in Israel, the Israeli labor market has now been closed to most Palestinian youth. A generation ago, the Israeli labor market employed 130,000 Palestinians. Today, despite a doubling of the Palestinian labor force, fewer than 50,000 Palestinians work in Israel. Two generations ago, many young Palestinians would have left the West Bank and Gaza to work in the Persian Gulf. Changes in hiring practices eliminated most of those opportunities by the mid-1980s (Amjad 1989). At the same time, industrial zones in Gaza have been closed. Land seizures for the expansion of Israeli settlements in the West Bank have limited economic activity. Political violence has stymied efforts to expand the tourism industry that could produce new jobs. Instead, the only sector in the West Bank and Gaza Strip that continues to grow is the public sector. Funded by outside aid, the Palestinian Authority (PA) has created a rentier state that does not depend upon local production to fund the machinery of government. This has led to a situation where the government is seen as a key provider of employment for youth. The higher salaries earned in the public sector also put upward pressure on reservation wages for recent graduates, leading to longer periods spent waiting for that first job after graduating.

The family is an integral part of a Palestinian's identity, and this appears to be no less true for youth

today than for their parents' and grandparents' generations. The important role of kinship ties and the place of the *bamula* (clan) in Palestinian society are represented by the tendency of family formation and marriage to occur within families. Even though attending post-secondary education has been found to increase the likelihood of youth choosing their own marriage partner, many social forces push toward marriage within the extended family. Another trend that observers can begin to note in the Palestinian Territories is delayed marriage. With the increase in education, men and women seem to be marrying later in life in recent years. Among the most frequently cited reasons for postponing marriage among young people surveyed are the costs associated with marriage and the poor labor market conditions. Although Palestinians do not seem to be delaying marriage as much as in some other Arab countries, if the trend continues it will likely put downward pressure on fertility rates by decreasing the number of child-bearing years.

Finally, though young Palestinians played a critical role during the first Intifada (1987 to 1991), there is little desire for political participation today. Palestinian youth are not interested in getting involved with political parties, especially in comparison with other civic and religious institutions. While there is concern about the political conditions in which they live, Palestinian youth in the West Bank and Gaza Strip are equally concerned with their looks, their health, and their possibility of marriage (PCBS 2004).

II. THE WEST BANK AND GAZA STRIP ARE STILL GROWING FAST

The Palestinian population is defined by several demographic trends. Most dramatically, the Gaza Strip (and to a lesser extent the West Bank) has experienced rapid population growth, especially compared with neighboring Arab countries. While fertility rates in Syria, Egypt and Jordan have slowed substantially since the mid 1980s, Palestinian fertility rates have remained high. In the 1990s, high fertility rates interacted with high levels of return migration, thus the overall population growth rate for the West Bank and Gaza exceeded those of other Arab countries. Today, the most recent estimated overall fertility rate for the Palestinian Territories remains high compared to other countries in the region.

POPULATION OF THE WEST BANK AND GAZA STRIP

Recent figures for total population in the West Bank and Gaza Strip come from the 1997 and 2007 Household and Establishments Census by the Palestinian Central Bureau of Statistics (PCBS).¹ Table 1 provides data on the overall population for East Jerusalem, the Gaza Strip and the West Bank (including East Jerusalem) in 1997 and 2007 along

with the average household size in each region. These figures show a dramatic 30 percent increase in the Palestinian population during the last ten years, from approximately 2.9 million to 3.8 million.

While a 30 percent increase in population seems dramatic, one needs to go back a little further to realize the full impact of these figures. Although no reliable censuses were taken between 1967 and 1997, studies that estimated the population in the West Bank and Gaza Strip were routinely carried out prior to the establishment of the PA. The United Nations Conference on Trade and Development estimated that the total population of the West Bank and Gaza was 1.7 million people in 1990 (UNCTAD 1994). Thus, the current figure of 3.8 million represents more than a doubling of the population in merely 17 years. While some of this growth was due to earlier measurement error, high fertility in the 1980s and 1990s along with return migration added significantly to the size of the Palestinian population.

While each of the Palestinian Territories experienced a population increase, the percentage change

Table 1: Palestinian Population in the West Bank and Gaza Strip

Region	Total Population		Average Household Size	
	1997	2007	1997	2007
Palestinian Territories	2,895,683	3,761,646	6.3	5.8
West Bank (including East Jerusalem)	1,873,476	2,345,107	6.0	5.5
Gaza Strip	1,022,207	1,416,539	6.9	6.5
East Jerusalem	328,601	362,521	5.4	5.2

Source: PCBS 2008

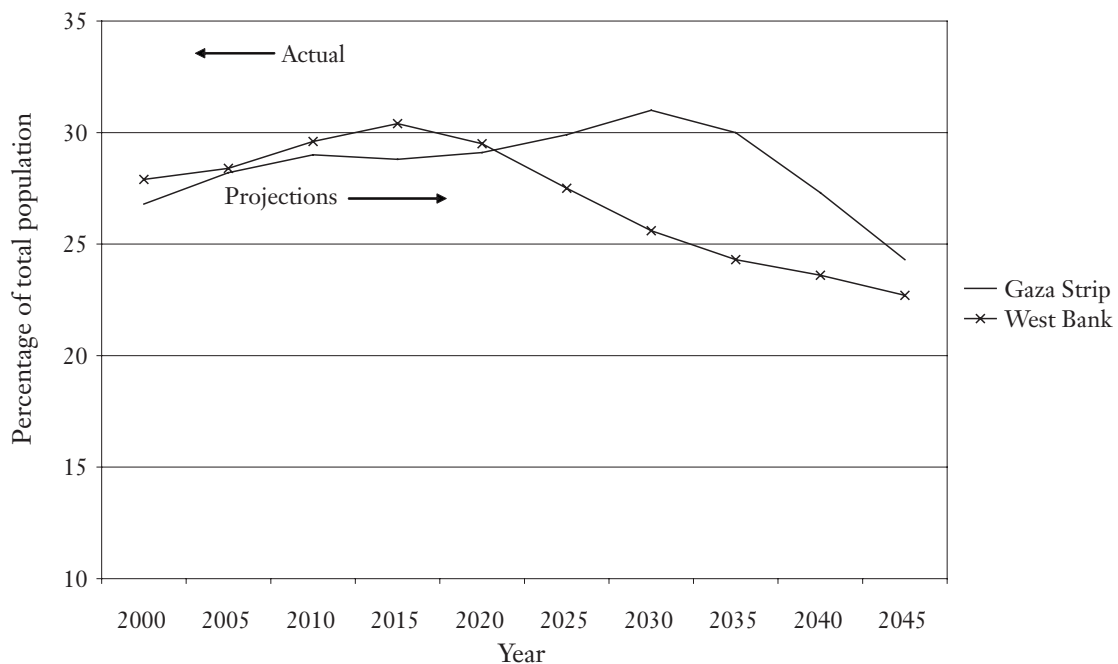
in population in the Gaza Strip was even greater. The population in 2007 was 1.4 million, an increase of nearly 40 percent over the 1997 population of 1 million. Growth in the West Bank was slower and also uneven, with some areas growing much more rapidly than others. For example, the governorate of Ramallah saw an increase in population from 209,000 to 278,000 during these ten years, representing a population increase of nearly 35 percent compared to a less than 30 percent increase for most of the West Bank.

Youth are an important and growing part of the overall Palestinian population. In the West Bank, more than seven in 10 residents are under the age of 29. In Gaza, the number is even greater, with three quarters of the Gazan population under the age of 29 and nearly 45 percent of all Gazans under the age of 15. In the West Bank, the number is smaller as population pressures have begun to ease, but still

nearly 40 percent of all West Bank Palestinians are under the age of 15.

As seen in Figure 1, the proportion of youth in the Palestinian Territories will continue to grow for another generation. In Gaza, the share of the population that is 15 to 29 years old will remain fairly steady at its current level of 28 to 30 percent of the total population until the year 2035. Only then will the proportion of youth decrease to 27 percent before it falls even further to 25 percent of the population by 2045. In the West Bank, this ratio begins falling somewhat sooner. The proportion of the population between 15 and 29 years old will remain between 28 and 30 percent until 2020. Beginning in 2020, the decreasing fertility rates in the West Bank will begin to yield smaller and smaller cohorts, until youth are less than 25 percent of the total West Bank population in 2035.

Figure 1: Percent of Population Aged 15-29 by Year and Region



Source: U.S. Census Bureau International Data Base 2008

FERTILITY RATES

As previously mentioned, the most striking aspect of fertility rates among Palestinian women is that they remain so high, even relative to neighboring Arab countries. According to the PCBS Demographic Survey of 1995, the average fertility rate from 1990 to 1994 for women in the West Bank was 5.8 children per woman. In the Gaza Strip, the fertility rate was much higher at 7.8 children per woman. In rural Gaza, the fertility rate was 8.9 children per woman, compared to 7.7 for urban Gazans (so little of Gaza is rural that the average largely reflects the situation in urban areas). In the West Bank, fertility was somewhat higher in rural areas where the average woman had 6.3 children, while the average urban West Bank woman had 5.1 children (Pedersen et al. 2001). In comparison, the total fertility rate was under 4 children per woman in Egypt around this time (Salehi-Isfahani and Egel 2007). In both the West Bank and the Gaza Strip, residents of refugee camps had fertility rates that were very close to the average for the Palestinian Territories.

The most recent estimated overall fertility rate of 5.6 children per woman in the Palestinian Territories is still unusually high. In Syria, for example, the fertility rate was 4.8 in 1995 and by 2005 it was estimated to have fallen to 3.5 children per woman (UNDP 2008). The United Nations places the current fertility rate at 3.2 children per woman in Egypt, 3.5 children per woman in Jordan, and only 2.3 children per woman in Lebanon. Yemen is the only country in the region that has fertility levels as high as the Palestinian Territories, and a rate higher than the West Bank. In 1995, Yemen had a fertility rate of 7.4 children per woman (Pedersen et al. 2001). Recent estimates place the Yemeni fertility rate at 6.0 children per woman (UNDP 2008).

POPULATION GROWTH RATES

The implied growth rates, driven by trends in fertility, indicate a rapidly rising Palestinian population. Based upon annual estimates from the PCBS Demographic Surveys, the estimated growth rates of the Gazan population fell from 4.0 percent in 2000 to 3.8 percent in 2006. The West Bank's population growth rate fell from 3.4 percent in 2000 to 3.0 percent in 2006. This implies a much slower rate of

growth for the overall population than had been experienced in the 1980s and 1990s.

As shown in figure 2, the fertility differential between the West Bank and the Gaza Strip results in population pyramids for 2008 and 2018 that look very different for the two regions. In the West Bank, there is already evidence of a “youth bulge” in the 2008 data in which the very youngest cohorts (aged 0 to 4 and 5 to 9) are approximately the same size as the 10 to 14 year-old cohort. However, in the Gaza Strip, there is still a rapidly expanding population of children and the very youngest group (0 to 4) has 40,000 more children than the 5 to 9 year-old population cohort. With fertility rates over twice the replacement rate, the size of the younger cohorts is expected to continue to increase for several more years.²

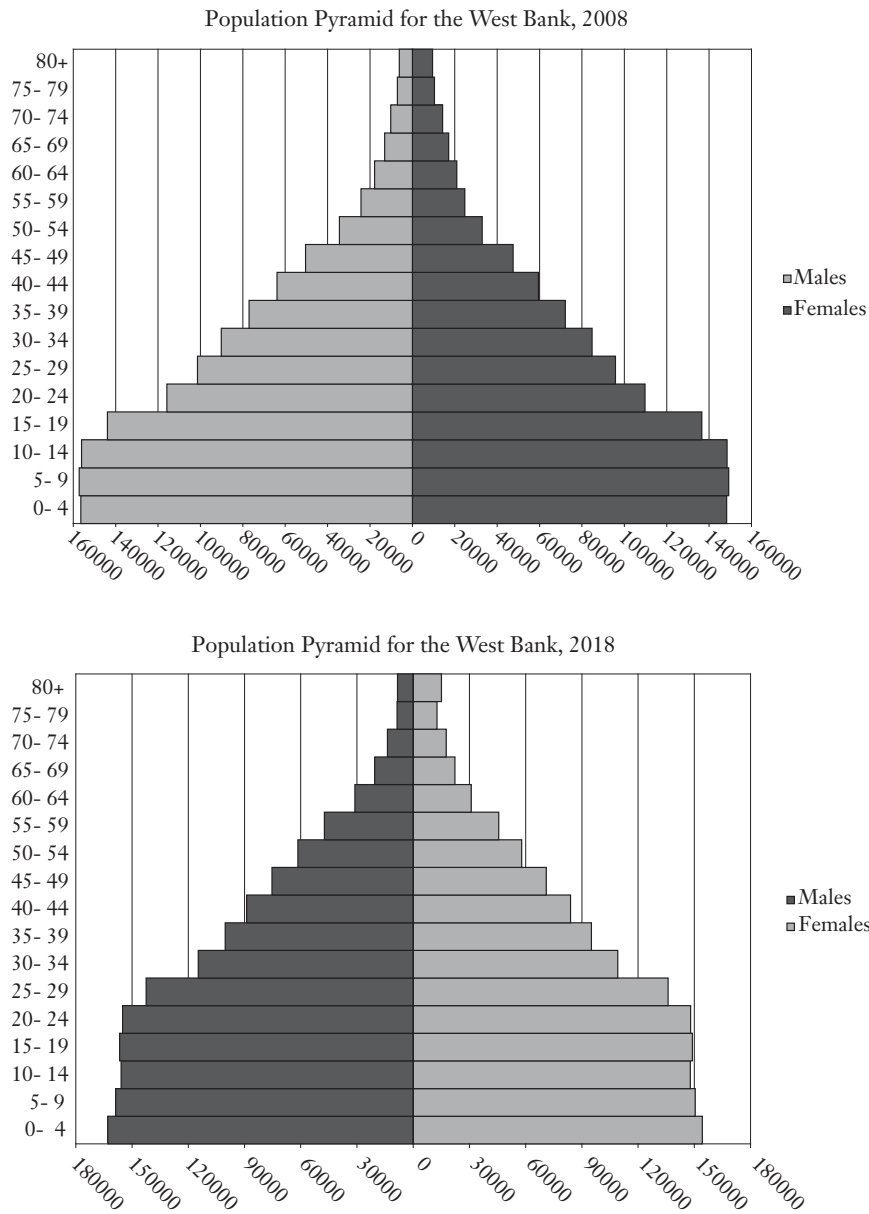
The projected population pyramids for 2018 show the clear appearance of a youth bulge in the West Bank, resulting from its relatively sharper decline in fertility rates. However, according to these projections, the leveling off of the size of new cohorts in the Gaza Strip is expected to take an additional ten years. Since these are only projections, it is worth noting a couple of caveats here. It is unlikely that the West Bank and Gaza Strip will continue to be the primary outliers in not conforming to patterns of fertility and demography associated with the rise of female education (to be discussed more in the next section). Given the recent evidence that declines have clearly started, it would be hard to imagine that a reversal of the trend would now occur. However, changes in social norms, political climate and labor market opportunities could continue to work against decreases in female fertility well into the future.³

The ongoing growth of the Palestinian population will continue to put pressure upon the educational system and the labor market for several decades. Currently, each new cohort of Palestinian children entering school for the first year is of record size. This pressures the PA to find enough resources, including classrooms and teachers, to accommodate these new students. In light of the continued fiscal pressure that the PA faces in its weakened economic state, the budget for education will need to continue to grow to accommodate the nearly 40,000 additional students each year that enter the Palestinian educational system.

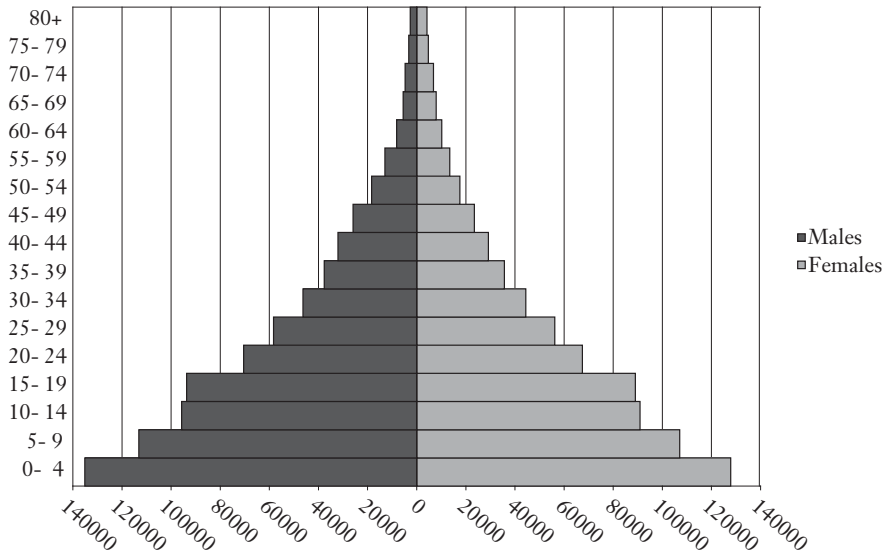
Additionally, the Palestinian labor market will continue to experience a record number of new entrants each year. The labor force is currently growing at a rate of 4 percent per year, and this growth rate will continue to increase before it begins to slow. Opportunities to migrate are scarce and the increased level of schooling for women will eventually lead to increased female labor force participation, as it has in

most other countries in the region. For example, between 1980 and 2005 labor force participation rates of young women in Syria have doubled. In the West Bank and Gaza, while no such upward trend is apparent yet, it is likely that growing participation by young, educated Palestinian women will place pressure on the Palestinian labor market in the future.

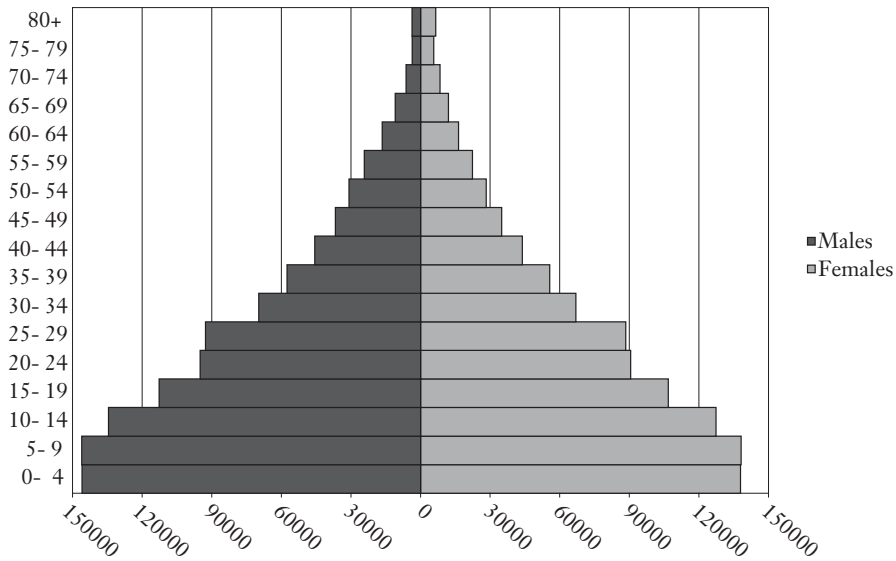
Figure 2: Population Pyramids for the West Bank and Gaza Strip, 2008 and 2018



Population Pyramid for the Gaza Strip, 2008



Population Pyramid for the Gaza Strip, 2018



Source: U.S. Census Bureau International Data Base 2008

III. EDUCATION IN THE WEST BANK AND GAZA STRIP

The status of education in the West Bank and Gaza is mixed. The rapidly growing population is becoming increasingly educated. This is particularly the case for girls and young women, whose enrollment rates now exceed those for boys at all levels of schooling in both the West Bank and Gaza Strip. However, serious concerns remain about the overall quality of education for Palestinians. While quantifiable measures of educational quality (including class size, student-to-teacher ratio, and total educational resources expended) continue to improve, there are widespread complaints by students about the quality of textbooks and the relevance of instruction. Furthermore, the political situation negatively affects young Palestinians' educational experiences by decreasing the ability of teachers and students to reach schools.

SCHOOL ENROLLMENT

The Palestinian education system at the primary and secondary levels is similar in many ways to those of its neighboring Arab countries. However, it also has some distinct features that have arisen from the political environment and the unique history of occupation and foreign intervention. In the West Bank and Gaza Strip, primary education is mostly attained in Palestinian public schools. The private school system is a collection of independent schools, each usually associated with a specific Christian church. These private schools have enrollments that are roughly one-tenth the size of government school enrollment. For example, during the 1994-1995 school year, total enrollment in public schools amounted to 378,000 students while only 34,000 students attended private schools. While enrollment in private schools grew in the late 1990s to over 50,000 in the 1999-2000 academic year, this rate of growth was matched in public schools which recorded a total enrollment of over 500,000 in the same year.

Unique to the Palestinian situation is a third school system, run by the United Nations Relief Works Agency (UNRWA). This school system operates solely for the benefit of registered refugee families in the West Bank, Gaza, Syria, Jordan and Lebanon. In the Gaza Strip alone it maintains 180 schools, and it runs a total of 644 schools in all of its service areas.⁴ Education at UNRWA schools is

provided free of charge for all elementary school children and for the early stages of secondary school. Since its establishment in 1948, the mission of the UNRWA school system has been to provide refugees with basic education. In fact, it has achieved much more than that. The creation and expansion of UNRWA schools have provided rapidly expanded educational opportunities for Palestinians and have led to an increasingly educated middle class of Palestinians. These schools are credited for being one of the main reasons why Palestinians have become one of the best educated societies in the Arab world. Due largely to this system, Palestinians have often been viewed in the region as the best skilled workers for jobs ranging from school teaching to engineering, especially in the Gulf states where there often has been a shortage of such skilled workers (Amjad 1989).

With increased enrollment rates at both the primary and secondary level, the average level of schooling of young Palestinians has increased. Figure 3 plots the average number of years of schooling for young men and women aged 15 to 29 between 1996 and 2006. The average years of schooling for young men and women in the West Bank and Gaza Strip were fairly similar in 1996, when both men and women had approximately 9.5 years of schooling.⁵ Notably, both young men and women in Gaza showed higher levels of schooling than young Palestinians in the West Bank. Average years of schooling for all groups of youth in the West Bank and Gaza increased to over 10 years by 2002 and to 10.7 years in 2006. The lowest levels of schooling occur among young men in the West Bank, who had less than 10.5 years of schooling on average in 2006. Importantly, this figure shows that women in the Palestinian Territories have now surpassed men in educational attainment.

When looking at enrollment rates by education level and gender, the tremendous gains in education as well as the areas for further improvement become apparent (Table 2). At the primary level of education, male enrollment increased from 88 percent to 93 percent between 1995 and 2000 in the West Bank and from 99 percent to 100 percent in Gaza. During the same time period, female primary enrollment increased from 87 percent to 95 percent in

the West Bank and from 98 percent to 101 percent in Gaza. At the secondary level of education, male enrollment increased from 46 percent to 48 percent in the West Bank and from 55 percent to 65 percent in Gaza. During the same time period, female secondary enrollment increased from 41 percent to 56 percent in the West Bank and from 47 percent to 66 percent in Gaza.

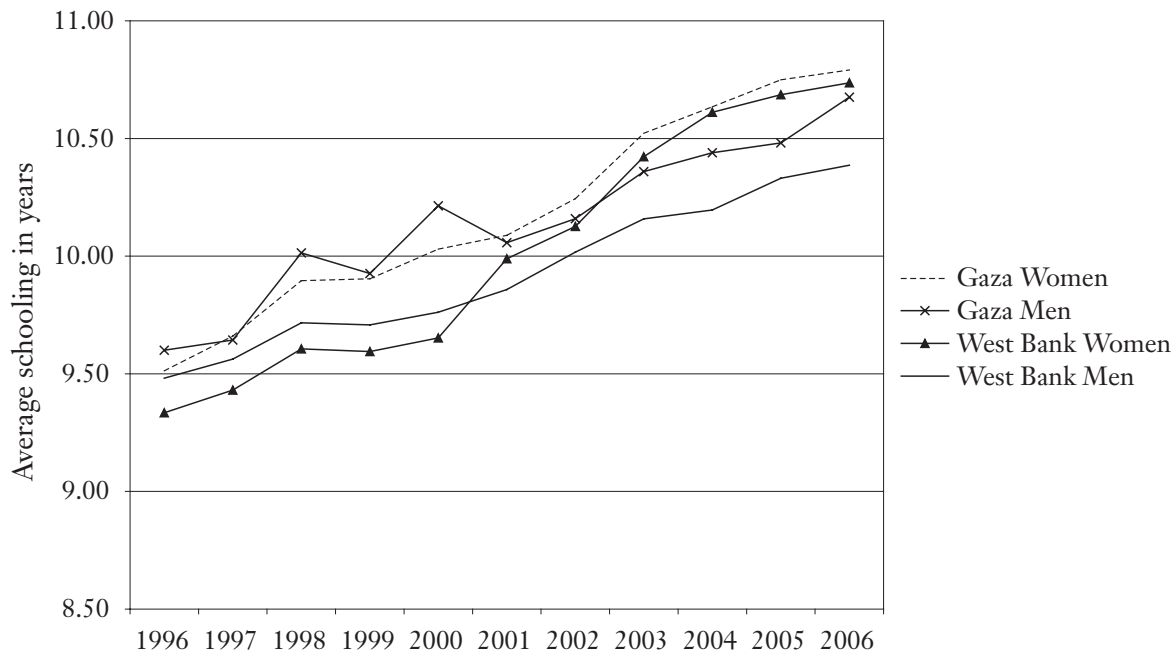
EDUCATIONAL QUALITY

Educational quality can be analyzed in two ways. First, research examining educational factors in cross-country studies tends to use standard measures of quality that focus on school resources and the intensity of instruction (e.g. Lee and Barro 1997). For example, measures of school quality often include student-to-teacher ratios, real public expenditure per student, real salaries of teachers, and the length of the school year. The second way

to analyze educational quality is much more anecdotal in nature and telling of the appropriateness of the curriculum.

Despite the difficulties facing students because of the political conflict, progress has been achieved in the Palestinian educational system over the past 15 years according to standard measures of educational quality. These standard measures show clear improvements in Palestinian education since the advent of the PA. Student-to-teacher ratios, educational expenditures at schools, and dropout rates all show that educational inputs and outputs from the system continue to improve despite the considerable challenges that the system faces due to increasing numbers of youth that continue to enter the system. Table 3 shows that student-to-teacher ratios have actually fallen from 1995 to 2007 in public, private and UNRWA schools despite the large increase in the number of children entering these

Figure 3: Average Schooling for Palestinians, 1996-2006



Source: Authors' calculations using PCBS Labor Force Surveys

schools. Additionally, the primary school dropout rate was 2.6 percent for young men in the West Bank and Gaza Strip in 1994-1995. This decreased to 1.8 percent in the 1998-1999 academic year and even further to 0.9 percent in the 2005-2006 academic year. The decrease in female dropout rates was even more impressive. In 1994-1995 the female dropout rate was 2.4 percent, but fell to 1.4 percent in 1999 and further down to a miniscule 0.1 percent by 2005-2006.

There are two main criticisms concerning the quality of education in the Palestinian Territories. The first criticism is that students are not learning what is appropriate for them to get jobs, to become productive citizens, or to succeed in college and university. In the 2003 Youth Survey, nearly a quarter of students claimed that schools were not appropriately equipped and nearly a fifth claimed that teachers were not sufficiently qualified (PCBS 2004). Additionally, over half of the unsuccessful job seekers surveyed in the Conditions of Graduates Survey claimed that there was not sufficient demand for their academic specialty (PCBS 2006). (The mismatch between education and the job market is dis-

cussed in more detail in Section 4 below).

The second main criticism is that Palestinian school curricula and teaching methods favor rote learning over critical thinking and problem solving (Brown 2003). This issue was partially addressed in a recent series of educational reforms undertaken by the Ministry of Education, which sought to unify the school systems of the West Bank and the Gaza Strip since the two areas had previously used Jordanian and Egyptian curricula, respectively. Additionally, a 1996 report by a committee headed by the President and Professor at Birzeit University, Ibrahim Abu-Lughod, sharply criticized the outdated textbooks and teaching methods found in Palestinian schools (Abu-Lughod 1996). Initially, the reforms called for in the 600 page report were seen as too radical and infeasible to implement. However, a new curriculum unveiled in 2000 included substantial changes, such as support for active pedagogy over rote instruction. These changes indicate that progressives like Abu-Lughod have prevailed (Brown 2003). Other changes included introducing English and Civics in grades 1 through 4, elective subjects including a third language in grades 5 through 8,

Table 2: Palestinian Enrollment Rates by Region, Sex and Year

			94/95 Academic year	99/00 Academic Year
Basic Stage	West Bank	Males	88.2	93.1
		Females	87.4	95.1
	Gaza Strip	Males	99.3	100.6
		Females	98.0	101.4
Secondary	West Bank	Males	45.6	48.3
		Females	40.9	55.6
	Gaza Strip	Males	54.6	64.9
		Females	46.9	66.4

Source: Palestinian Ministry of Education and Higher Education 2005

and additional technical subjects in grade 10. The new curriculum has been criticized by some students and teachers as being too advanced and requiring too much effort on the part of both students and teachers (Nicolai 2007).

Some criticism has also been levied with regards to the political nature of the educational system, especially higher education. In a study undertaken by the Ma'an Development Center (2007), many students cited the problem of *wasta* – or the provision of benefits to people based on political connections rather than on merit – when asked about their most pressing concerns about education. One young person from Bethlehem, for example, stated: “Many students get good scholarships although they have neither financial needs nor good marks.” While the survey is too anecdotal to form broader conclusions, many of those interviewed saw the system of college admissions as being unfair.

HIGHER EDUCATION

Once students complete the 10th grade, they may enroll in one of three tracks depending on their grades: sciences, literature and humanities, or vocational

education. The highest grades are required for the sciences track, followed by the literary track and then the vocational track. Students with high grades are automatically enrolled in the sciences track, but may choose to switch to the literary or vocational tracks. A student may also switch from the literary track to the vocational track. However, students enrolled in vocational education may not switch to the literary or sciences tracks, since these students usually have the lowest grades. This tracking system has negative repercussions for vocational education, which is viewed as the most inferior sort of education where the least capable students are enrolled.

Upon graduation from secondary school, graduates of the sciences track who have done well are usually accepted and allowed to pursue any concentration at university or college. However, graduates of the literary track, even the highest performing ones, are restricted from a number of subjects at the post-secondary level, including natural sciences, mathematics, engineering, and medicine. Vocational education graduates normally end up in vocational colleges and are restricted from pursuing a large group of subjects.

Table 3: Student-to-Teacher Ratios in the West Bank and Gaza Strip, 1995-2007

	1994-1995	1999-2000	2006-2007
Public	30.9	28.7	25.2
UNRWA	36.9	39.5	31.3
Private	19.5	18.0	17.5

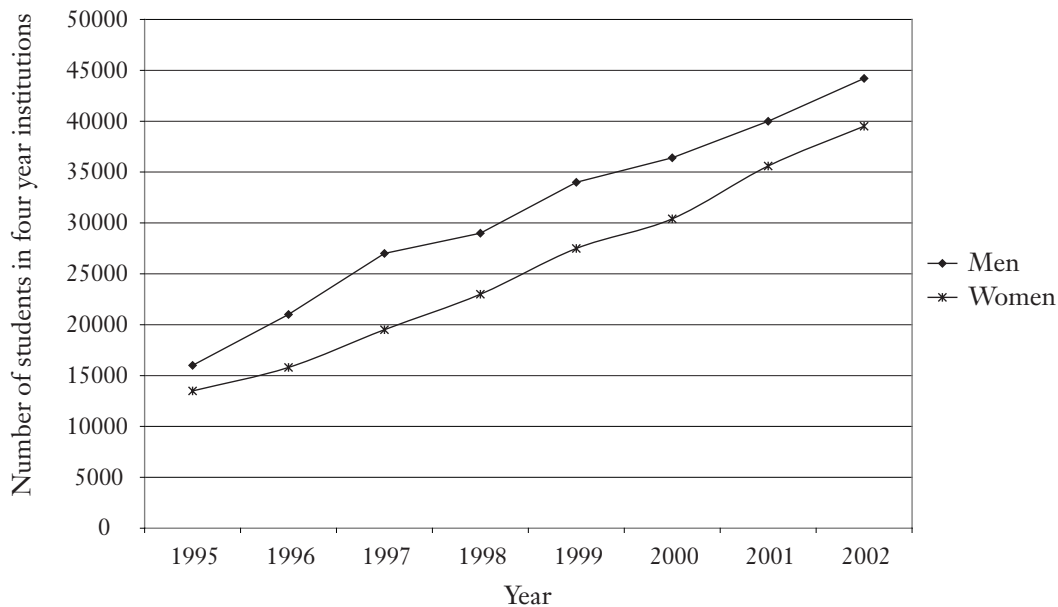
Source: Palestinian Ministry of Education and Higher Education 2005

Figure 4 shows the total number of Palestinians enrolled in higher education from 1995 to 2002. This figure shows that enrollment rates have grown significantly at the tertiary level. According to statistics from the Palestinian Ministry of Education and Higher Education (2005), the number of Palestinian university students rose from approximately 30,000 in 1995 to over 83,000 in 2002. This increase in university attendance has occurred for both men and women. By 2004, there were 120,280 total students enrolled in four-year institutions, with women outnumbering men in higher education, accounting for 63,431 students in 2004 compared to 56,749 men. When one includes students enrolled in certificate, graduate and diploma programs, the numbers change only a little with a total of 138,000 total students enrolled in all two-year and four-year tertiary programs in 2004. These figures translate into a 48 percent gross tertiary enroll-

ment rate (53 percent for women and 44 percent for men). In 1999, the combined male and female gross enrollment was only 25 percent. This growth thus represents nearly a doubling of the enrollment rate over an eight-year period.

This continued dramatic rise in the total number of university students and graduates is a trend that began when the first four-year institutions were established in the 1970s. As Angrist (1995) shows, the number of university graduates in the Palestinian Territories increased from nominal figures in the mid-1970s to over 2000 a year in 1986 and 1987, before the beginning of the first Intifada. Birzeit University and Hebron University became the first universities in 1971 and 1972, followed by the establishment of An-Najah University, Bethlehem University, and the Islamic University in Gaza later in the 1970s (Ministry of Education 2005). Recently, Palestinian higher education has expanded even

Figure 4: Number of Palestinian University Students, 1995-2002



Source: Palestinian Ministry of Education and Higher Education 2005

further with the development of several schools that focus on nursing and technical skills in addition to the creation of the Arab American University in Jenin in 1997. Al-Quds Open University opened its doors in 1991. The Open University is a distance learning institution with 24 education and study centers spread throughout the Palestinian Territories. It is now the largest higher education institution in all of the West Bank and Gaza with over 46,000 students (Ministry of Education 2005).

RISE IN WOMEN'S SCHOOLING

The rise in female enrollment rates, especially at the upper secondary and tertiary levels, is linked to the crucial role that higher levels of education play for women in bolstering their access to the formal labor market. Post-secondary education is the most critical factor in raising a woman's chances of gain-

ing formal employment. For some households, higher education provides daughters with a life guarantee—a resource to fall back on in case of future marital breakdown or male joblessness. For others, it is a practical investment for the near future—an extra subsidiary income for her family. Higher education is also perceived as a benefit in marriage that improves a young woman's chances of finding a suitable spouse and equips her to contribute to a better standard of living for her future family. Furthermore, since the beginning of the second Intifada, the closure of the labor market in Israel and the destruction of much of the private sector within the West Bank and Gaza Strip has increased the vulnerability of employment for young men. As a result, girls are staying longer in school in order to improve their chances of finding employment and make up for men's lack of job security.

IV. YOUTH IN THE LABOR MARKET

LABOR MARKET ENTRY

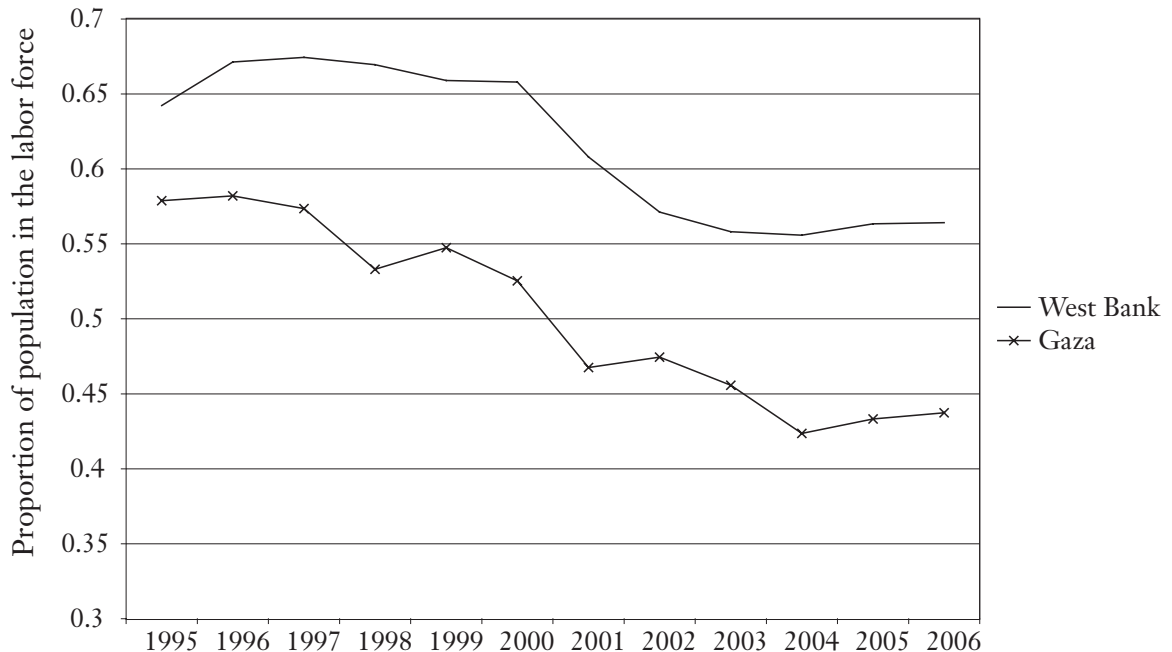
Given the demographic pressures created by high fertility rates, the labor force is expanding rapidly in the Palestinian Territories. According to Farsakh (2005), the labor force in the West Bank and Gaza grew at a rate of 1.9 percent a year from 1970 to 1980. The labor force growth rate then increased to 3.2 percent from 1988 to 1993 and further accelerated reaching 4.1 percent a year from 1995 to 2000. Recent PCBS Labor Force Survey data show that the labor force has continued to grow at a rate of 3.9 percent a year from 2001 to 2006.⁶ This is due to the large birth cohorts from the 1980s in the Gaza Strip that began to enter the labor force in 2001.

In general, young people have lower labor force participation rates than older potential workers because they are more likely to still be in school. This is the case for young Palestinians. Figure 5 shows the proportion of young Palestinian men that are in

the labor force, meaning that they are either working or actively seeking a job and are not full time students. According to this figure, there is a clear trend of decreasing labor force participation for young men over time. Labor force participation rates for young men exceeded 65 percent in the West Bank during the period between 1995 and 1999. Since 2000, just over 55 percent of West Bank young men have been active in the labor force. For the Gaza Strip, a similar pattern emerges. During the 1990s, between 54 percent and 58 percent of young Gazan men were in the labor force. Since 2000, however, the labor force participation rate of these men has fallen to less than 45 percent.

Women in the West Bank and Gaza Strip have much lower labor force participation rates than Palestinian men. In the West Bank, only 14.5 percent of women are in the labor force. In the Gaza Strip, only 8.2 percent of women are in the labor force.

Figure 5: Labor Force Participation Rates, 15-29-Year-Old Males



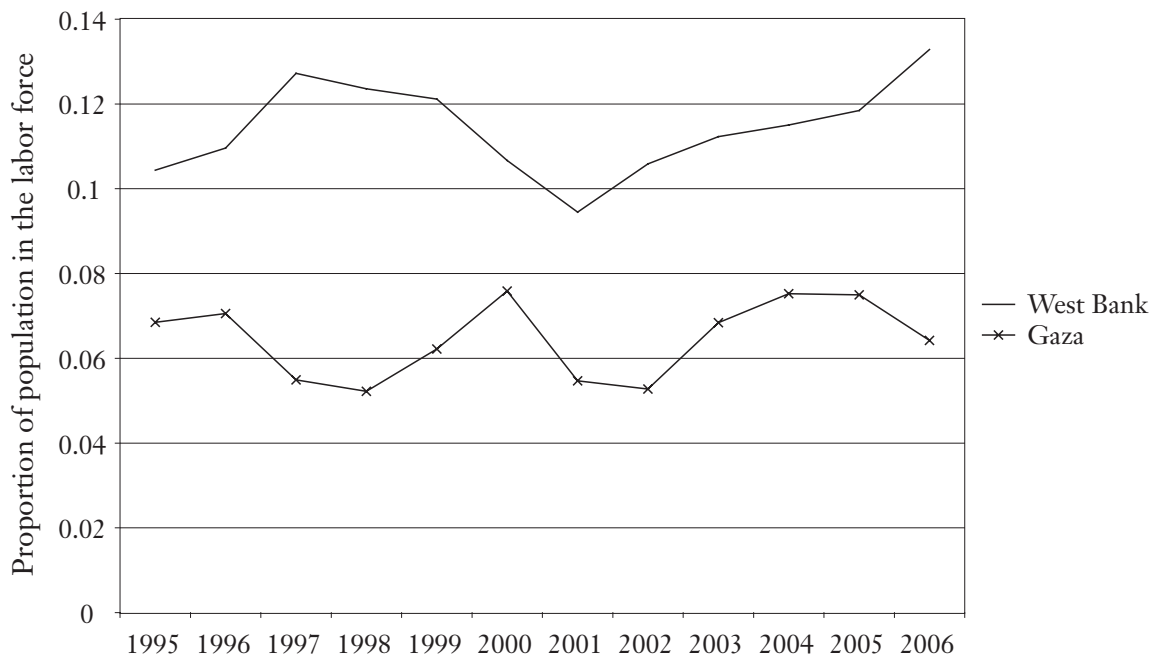
Source: Authors' calculations using PCBS Labor Force Surveys

For young women, the rates are even lower than for women 30 years and older. Figure 6 shows the labor force participation rates of young women from 1995 to 2006 for the West Bank and Gaza. As can be seen from this figure, labor force participation rates of young women did not decline during this period as did those of young men. This may be because the rate for women did not have very far to fall. In the West Bank, young women's labor force participation rates averaged 11 percent during this 11 year period. In the Gaza Strip, only 6 percent of all women aged 15 to 29 were labor market participants. These levels are so low partially because these young women are still in school or already starting families. Most female college graduates that do not seek jobs do so in order to focus on their role in the household.

CHOICES AFTER COMPLETING SCHOOLING

While schooling takes potential workers out of the labor force, the choices made after completing school also determine labor force participation. This section examines the activities of recent graduates immediately following school. The PCBS Conditions of Graduates Survey focuses precisely on the issues of this transition from school to work among Palestinian youth (PCBS 2006). This data set contains a variety of questions that deal with the extent of resources available to graduates for making the transition from school to work. This survey is only of graduates of higher education, whether of vocational schools, colleges or universities. Thus, it does not capture the transition from secondary school to work.

Figure 6: Labor Force Participation Rates, 15-29-Year-Old Females



Source: Authors' calculations using PCBS Labor Force Surveys

Table 4 shows the main activities of graduates directly after leaving school. Fifty-two percent of graduates seek work immediately following school and do not get a job within six months. Another 31 percent of graduates line up work while they are in school and start immediately following graduation, or find a job within 6 months. These different activities after school vary based upon the type of schooling obtained. Graduates with Bachelor's degrees are most successful in getting jobs quickly; a full third of them are employed within six months. On the other hand, 22 percent of vocational school graduates do not even look for a job after graduation. Over three-quarters of the graduates (of all types of schooling) that do not seek jobs are women who claim that household responsibilities prevent them from working.

Table 5 highlights the differences in post-graduation activities by gender. Twenty percent of women do not work or look for a job after graduating, compared to only three percent of men. Nearly three-quarters of the women that do not seek work and are not employed instead decide to get married and/or specialize in home production (provision of

services in the household such as cooking, cleaning, and raising children). Men are more likely to stay in the same job they had during school or to find work almost immediately after graduating.

YOUTH UNEMPLOYMENT

Similar to other parts of the region, Palestinian youth face substantially higher rates of unemployment than older workers. Figure 7 shows the youth unemployment rate for young men in the West Bank and Gaza Strip relative to the rate for men 30 and older. The value on the Y axis is the ratio of the male youth unemployment rate to the male non-youth unemployment rate. There are interesting patterns to note in this data. Young men from the West Bank have unemployment rates that are generally 1.5 to 1.75 times higher than older men.⁷ In the Gaza Strip, the male youth unemployment rate is generally 1.25 to 2 times higher than the rate of older men, but this ratio has varied substantially over time.

However, there are a few caveats to these numbers. First, the labor force participation rate of young men in Gaza is more than 15 percentage points

Table 4: Post-Graduation Activities by Type of School

	Vocational	Associate's	Bachelor's	All Grads
Engaged in a job search for 6 months or more	41.9%	54.8%	53.2%	51.7%
Secured a job within 6 months	27.4%	27.7%	33.5%	30.9%
Stayed in the same job as before graduation	8.8%	5.9%	6.7%	6.9%
Not working or looking for a job	21.9%	11.5%	6.6%	10.6%

Source: Authors' calculations using PCBS Conditions of Graduates Survey

lower than the average participation rate. Thus, many youth may not be unemployed simply because they are not in the labor force at all. Second, unemployment rates fluctuate greatly due to political shocks, so during some periods the unemployment rate for young men in Gaza can reach levels exceeding 50 percent.

Young women are at an even greater disadvantage in the labor market than young men. Figure 8 plots the female youth unemployment rate as a ratio of the older female unemployment rate from 1995 to 2006. Young women in the West Bank were two to three times more likely to be unemployed compared to older women in the West Bank. Young women in the Gaza Strip were generally two to five times more likely to be unemployed compared to older women in the Gaza Strip.

Table 6 lists the average unemployment rates in 2006 by age, education, gender and region. In the West Bank, men aged 20 to 24 with a university education have an unemployment rate of 36.4 percent, the highest rate among men in the West Bank. This group has nearly three times the unemployment rate as men aged 25 to 29 who have completed

university. In Gaza, men aged 20 to 24 with a university education have an unemployment rate of 63.7 percent, while men with the same education but aged 30 or over have an unemployment rate of 8.9 percent. The same pattern appears when examining the unemployment rates of women. Young women with an Associate's level of education (13 to 15 years of education) or higher suffer from disproportionately high levels of unemployment. Young women under the age of 25 with 13 to 15 years of schooling have nearly four times the unemployment rate of women aged 30 or older with the same schooling. While the unemployment rate is exceedingly high for educated women in Gaza, these rates are similar to those found in Egypt, where highly educated young women have unemployment rates over 50 percent (Assaad and Barsoum 2007).

PRIMARY JOB SEARCH

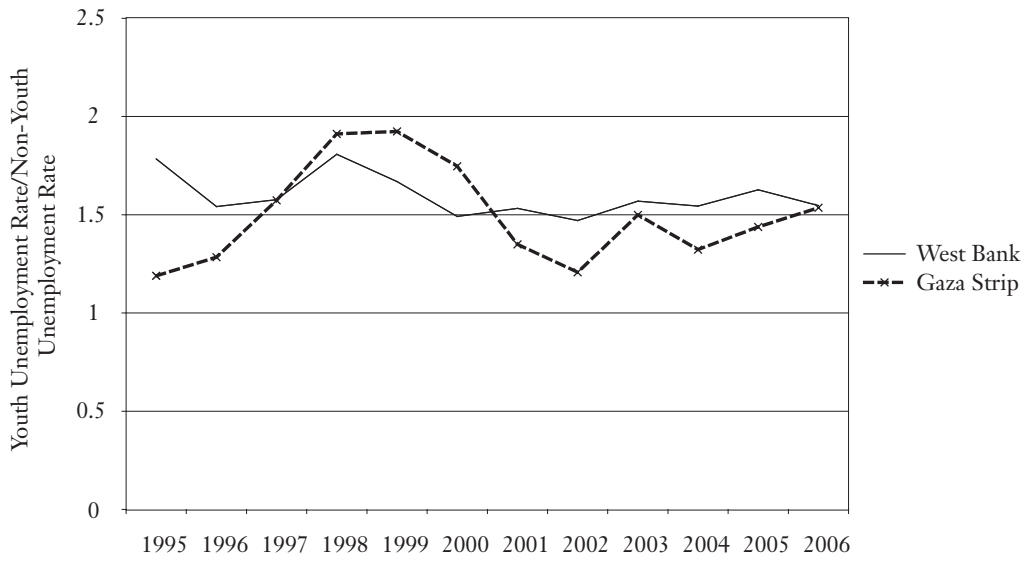
Job search can occur at two distinct points in one's career. The primary job search is the initial search for a job by a recent labor market entrant, just after completing schooling. This search is part of the school to work transition. We will use data from the Conditions of Graduates Survey described above to

Table 5: Post-Graduation Activities by Sex

	Men	Women	All
Engaged in a job search for 6 months or more	51.9%	51.4%	51.7%
Secured a job within 6 months	34.9%	26.0%	30.9%
Stayed in the same job as before graduation	10.5%	2.6%	6.9%
Not working or looking for a job	2.7%	20.0%	10.6%

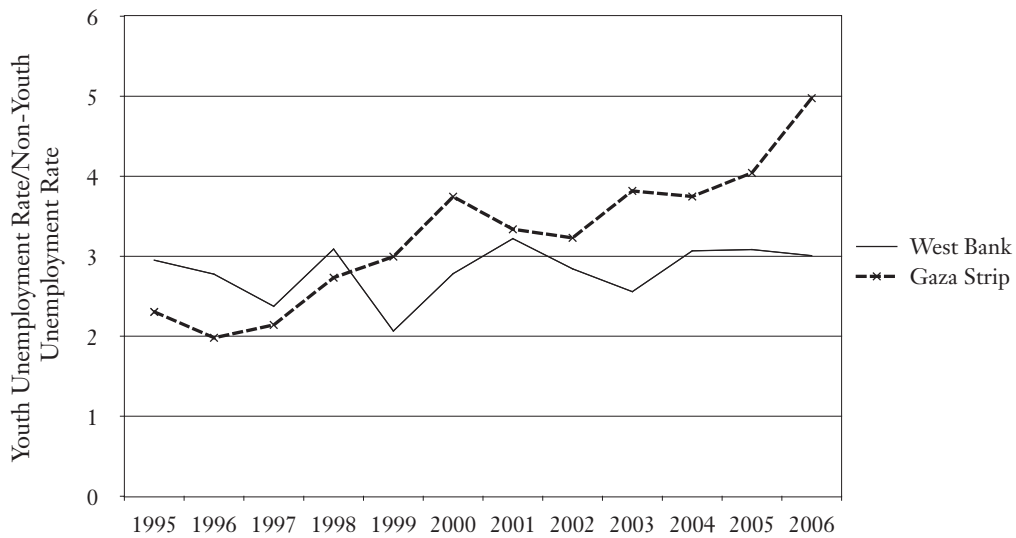
Source: Authors' calculations using PCBS Conditions of Graduates Survey

Figure 7: Relative Male Youth (15-29 years old) Unemployment Rate Compared to Non-Youth Unemployment



Source: Authors' calculations using PCBS Labor Force Surveys

Figure 8: Relative Female Youth (15-29 year old) Unemployment Rate Compared to Non-Youth Unemployment



Source: Authors' calculations using PCBS Labor Force Surveys

analyze various aspects of the primary job search. The secondary type of job search occurs after initial entry into the labor market. Youth can suffer delays while entering into adulthood because of problems with their primary job search, given the volatility of the Palestinian labor market due to political conditions. In addition, youth may be particularly susceptible to delays in finding a second or third job. We will analyze the PCBS Labor Force Survey data to discuss issues involved with secondary job searches.

The 2006 Conditions of Graduates Survey data only includes youth that are looking for a job immediately after completing higher education. As such, this data excludes many job market seekers,

including those entering the labor force directly after secondary school. The following discussion only includes those individuals who reported that their main activity after completing vocational school, college or university was to seek a job.

In order to graphically display the job search process, Figure 9 presents Kaplan-Meier survival estimates of the time spent looking for a job over several characteristics. These survival estimates show the probability that an individual has ‘survived’ in the same state for a given amount of time. In the graphs that follow, ‘surviving’ is coded as still looking for a job. Thus, these graphs give a sense of how quickly individuals were able to find a job. Figure 9 shows the overall survival pattern. Roughly 50 per-

Table 6: Unemployment Rates by Age, Gender and Education in the West Bank and Gaza Strip, 2006

		Years of schooling			
		0-8	9-12	13-15	16 or more
Men					
<i>West Bank</i>					
Age	15-19	31.0%	29.0%	29.7%	NA
	20-24	25.5%	26.6%	23.7%	36.4%
	25-29	24.8%	19.7%	16.4%	13.9%
	30 or older	19.4%	17.7%	11.3%	4.4%
<i>Gaza Strip</i>					
Age	15-19	57.7%	55.0%	25.0%	NA
	20-24	47.0%	48.2%	40.2%	63.7%
	25-29	40.2%	34.5%	27.3%	34.1%
	30 or older	44.1%	30.9%	19.7%	8.9%
Women					
<i>West Bank</i>					
Age	15-19	15.2%	5.7%	NA	NA
	20-24	14.9%	23.3%	50.0%	53.8%
	25-29	12.0%	15.2%	35.0%	37.1%
	30 or older	6.7%	10.0%	12.9%	17.2%
<i>Gaza Strip</i>					
Age	15-19	NA	20.0%	NA	NA
	20-24	40.0%	35.3%	74.5%	78.0%
	25-29	14.3%	0.0%	46.3%	47.5%
	30 or older	0.7%	4.1%	19.7%	15.3%

Source: Authors' calculations using PCBS Labor Force Survey 2006

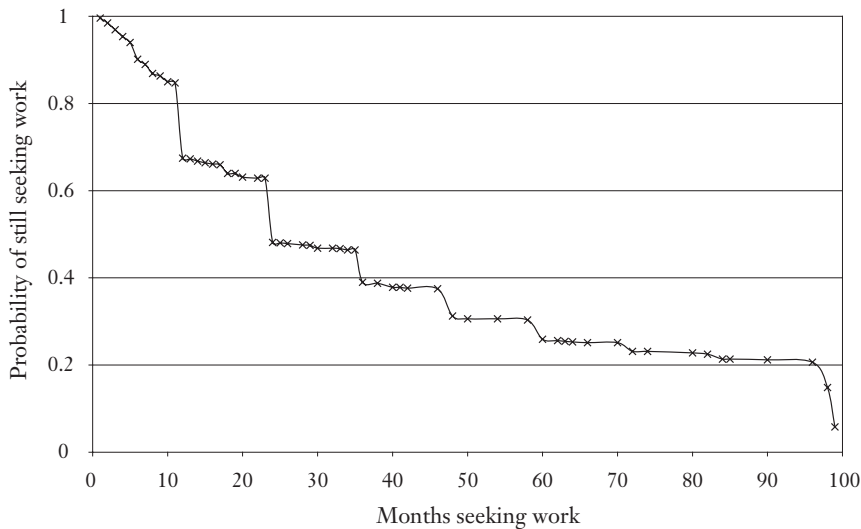
cent of all graduate job seekers find a job within the first 20 months. However, another 25 percent take over 60 months to find their first job.

These job search patterns vary substantially according to education and gender. Figure 10 shows the survival rates of men and women comparatively. Men are more successful in getting a job quickly after they begin their job search. Nearly 40 percent of all male job seekers are able to find a job within the first year and a half after graduation. For women, the percentage is much lower, with just over a quarter of women finding a job within the first 18 months after graduation. Within two years, 50 percent of the male job seekers have found employment. In comparison, it takes nearly three years for half of the female job seekers to get a job. Likewise, while there are plenty of young men and women that have still not found a job after 98 months of

searching, the proportion of unsuccessful female job seekers at that point is nearly 20 percentage points higher than the proportion of men.

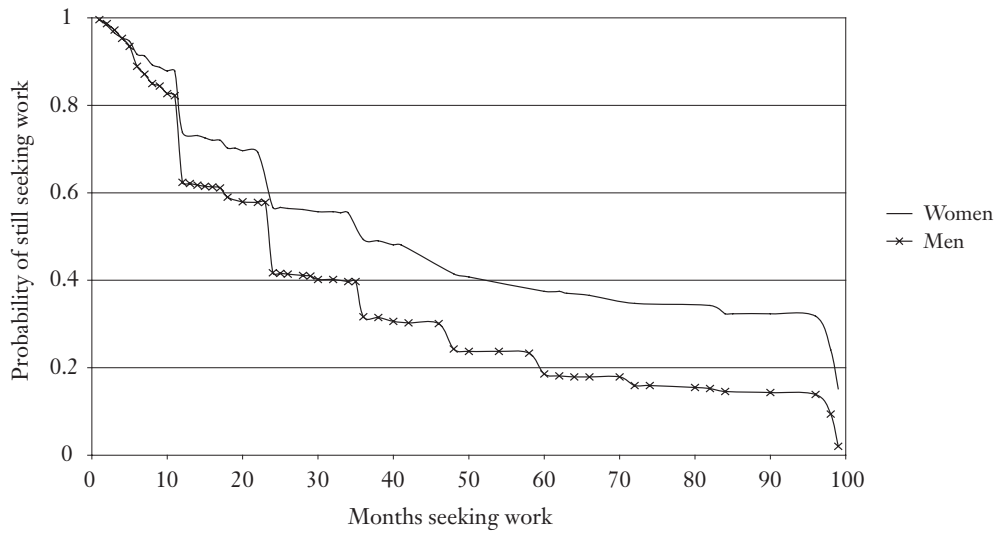
The job search success rate also varies by education type, but not as dramatically as the difference by gender. Figure 11 shows the survival rates for youth with vocational diplomas, Associate's degrees and Bachelor's degrees. These survival rates are calculated for graduates who are looking for work, and do not include those who found jobs right away, those that continued in their previous work, and those that did not seek work. Young people with vocational degrees have the shortest mean amount of time needed to find a job, taking on average just 22 months. Graduates with at least a Bachelor's degree find jobs within 24 months, but Associate's degree graduates take more than two and a half years, with a mean search time of 32 months. Figure 11 shows

Figure 9: Kaplan-Meier Survival Estimate of Time Spent Looking for a Job



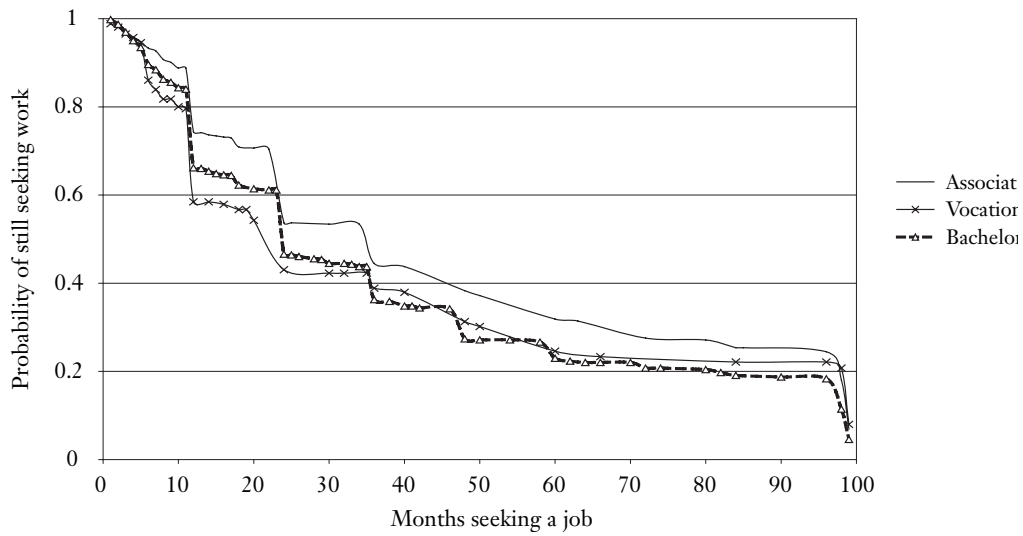
Source: Authors' calculations using PCBS Conditions of Graduates Survey

Figure 10: Kaplan-Meier Survival Estimates of Job Search by Sex



Source: Authors' calculations using PCBS Conditions of Graduates Survey

Figure 11: Kaplan-Meier Estimates of Job Search by Education Type



Source: Authors' calculations using PCBS Conditions of Graduates Survey

that a greater share of Associate’s degree graduates are still unemployed compared to Bachelor’s degree and vocational school graduates.

MATCH BETWEEN SKILLS AND AVAILABLE JOBS

The Conditions of Graduates Survey collected self-reported reasons why recent graduates have difficulty finding jobs. Table 7 lists nine possible reasons for delay in finding a job, with the top three reasons cited by over half of the graduates surveyed. The most important reason cited is a lack of capital to start one’s own enterprise, indicating that the possibility of being self-employed is at least considered by recent graduates. The second reason for not finding a job is a lack of job market opportunities for graduates with their particular specialty. This reason is not simply due to universities producing too many humanities and social science majors as has been claimed by Angrist (1995), as at least 55 percent of vocational and Associate’s degree graduates (as well as Bachelor’s degree graduates) cite the lack of demand for their particular specialty as a reason for their not finding a job. Finally, more than half cite a lack of connections as delaying their job

search success. Personal connections still seem to be a primary way of seeking and obtaining employment by recent graduates in the West Bank and Gaza Strip. Nearly half of all recent job seekers state that one of the ways that they sought work was through personal connections. This was approximately the same proportion that registered at the employment office. Nearly one of every three new graduates report doing both activities (seeking work through personal connections and registering at the employment office). While young people pursue multiple strategies in their job search, the job market in the West Bank and Gaza is still dominated by the informal connections made through personal or family relations.

Graduates also cite five specific gaps in their human capital which inhibit their job search. Top on this list is a lack of work experience, which is to be expected for new labor market entrants. In addition, 26 percent of respondents claim that they lack the specialty training needed for work. Some students also find that proficiency in English, computer skills and one’s geographical location can also play a role in job market success.

Table 7: Reasons for Not Immediately Finding a Job

Reason	Proportion of graduates reporting it as being a reason
No capital to start own enterprise	63.2%
No demand for graduate’s specialty	57.3%
Lack of personal connections	52.2%
Lack of experience	28.9%
Lack of specialty training	25.8%
Weak English language skills	16.5%
Spatial mismatch	14.0%
Lack of computer skills	13.4%
Grades were not adequate	7.8%

Source: Authors’ calculations using PCBS Conditions of Graduates Survey

Recent graduates were also asked to rate the impact of several factors in finding a job on a scale from “very important” to “important” to “not important.” Similar to the responses concerning why they were delayed in finding a job, 58 percent of respondents said that personal connections were very important in getting a paid job after graduation. Only 12 percent said that this factor was not important. Although not seen as a personal job market impediment, 44 percent of respondents said school performance was very important. Other specific skills that were highly rated by job applicants included the ability to interview well (50 percent said very important) and work experience during study (44 percent said very important). Specific skills such as computer and language skills were deemed important, but not as important as these other factors. Lower on the list, but interesting for policy reasons, is that 19 percent of respondents said that political affiliation was very important for getting a job, while another 22 percent said it was important. Thus, the job market in the Palestinian Territories is still dominated by the informal connections made through personal or family relations and, to a lesser degree, those based upon political affiliation. Given the overall expansion of the public sector, this latter finding is not surprising.

The match between human capital gained through schooling and the skills desired by employers is a key component of the job search process. For those graduates that do secure jobs, a high proportion claim that their jobs suit their educational training. Over three-quarters of holders of Bachelor’s degrees claimed that their skills suited their jobs, and nearly two-thirds of Associate’s degree holders said that there was a good match. The trend in the self-reported match between skills and job requirements is shown in Figure 12. This figure shows that the proportion of Bachelor’s degree holders who said that there was a good match between their jobs and their skills is higher than the proportion of Associate’s degree holders. In some years, this difference was rather small. However, only one-half of vocational graduates claimed that their skills matched their jobs. Thus, although vocational schools claim that they prepare workers for a specific career, it is likely that this training does not actually match well with the skills requested by the job market.

If workers eventually get jobs that match their skills, why do they not get these jobs sooner? Also, if they are not working and not going to school, what do they end up doing with their time? Unfortunately, none of the existing data sets allow full answers to these questions. However, a few points can be highlighted. First, self-employment is very high in the West Bank and Gaza Strip. In 2006, 42 percent of all employed individuals were either employers (four percent), self-employed with no other employees (26 percent), or unpaid family members (12 percent). While most of these workers have less education than the workers in the Conditions of Graduates Survey, the graduates have the same opportunities.⁸ Thus, if someone is unable to find a job immediately after graduation, he or she may end up carrying out various chores and casual work for extended family members that own businesses. In the Conditions of Graduates survey, this was likely not counted since graduates typically do not perceive this as “real” work. The high salaries earned by family members working in Israel and for the PA help to support these young people as they wait for jobs to materialize.

ON-THE-JOB TRAINING

Given the perception that there is a mismatch between the specific skills that are requested by employers and the skills that graduates develop in school, there may be an important role for on-the-job training. Using the Work Conditions Survey, we are able to measure the frequency of on-the-job training (PCBS 2005). Figure 13 shows the pattern of training by the year the worker was hired. While there are likely to be some sample selection issues, the figure shows that there was a decline in the percent of workers that received on-the-job training since 1995.⁹ Thus, some of the workers that are now entering the labor force may not be receiving adequate levels of training or any training at all.

Using the Conditions of Graduates survey data, we find that 43 percent of graduates surveyed had received some type of on-the-job training, but recent graduates were trained less. The main reasons for attending such training were split between employer’s desires (52 percent) and worker’s desires (42 percent). Graduates with Bachelor’s degrees or above were far more likely to receive training compared to

other graduates. Over 50 percent of university graduates took an on-the-job training course, while only 20 percent of vocational school graduates and 30 percent of college graduates took training courses. While on-the-job training has the potential to fill the skills gap between school and work, it is not clear that this training makes workers more satisfied with their jobs. While 16 percent of workers without training were dissatisfied with their jobs, nine percent of workers with training were dissatisfied.

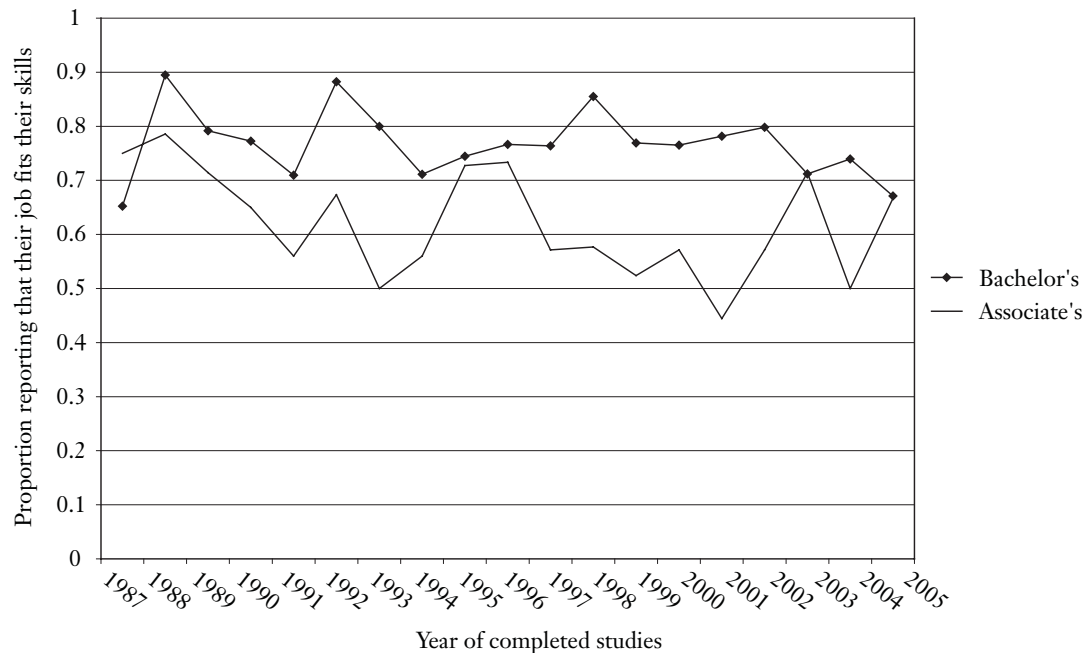
SECONDARY JOB SEARCH AND UNEMPLOYMENT DURATION

A secondary job search occurs when a worker with some work experience in the labor force must search for a new job. This secondary search is likely to occur due to involuntary job separation because voluntary separation is infrequent in the volatile Palestinian labor market. We can study the relative effect

of job separation on youth by examining unemployment duration during secondary job searches.

The primary data used to analyze unemployment duration is the PCBS Labor Force Survey, a quarterly measure of all labor market activity which contains roughly 10,000 households per quarter. While labor force data is available going back to 1995, the duration analysis covers the time period from 1999 to 2004.¹⁰ The shortened period of the study was necessary in order to link households and individuals between quarters. The survey uses a quarterly rotating structure where each household is in the survey for two quarters, out of the survey for two quarters and then back in the survey. As such, these short panels can be used to develop better measures of the length of unemployment spells and also follow individuals over the length of the unemployment spell. The individuals that are included in the following analysis are only those who

Figure 12: Self-Reported Match between Skills and Job



Source: Authors' calculations using PCBS Conditions of Graduates Survey

had been previously employed but are now unemployed. As such, this analysis is distinct from the above analysis on primary job search.

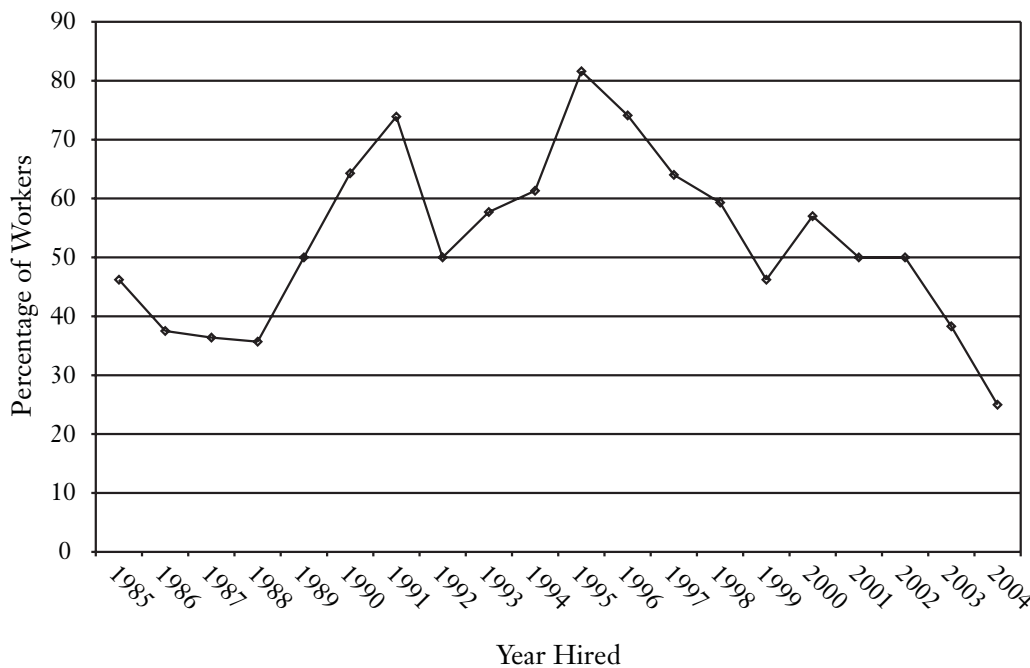
Table A1 in Annex 1 presents results from the Cox proportional hazard regression models of unemployment spells. These are maximum likelihood models that estimate the effect of covariates on the probability of leaving unemployment relative to some baseline hazard. While the baseline hazard is not actually estimated, one can get a sense of the effects of the covariates by comparing the hazard ratios to one. If the independent variable is categorical then being in that category increases the probability of leaving unemployment compared to the omitted category if the value is greater than one, and decreases the probability of leaving unemployment if the value is less than one. For example, an estimated coefficient of 0.9 implies that being in that category (say, aged 20 to 24) reduces the probability of leav-

ing unemployment by 10 percent compared to being in the omitted category (15 to 19 years old).

The findings from this table imply that economic and demographic factors (including age) affect hazard rates and that the effects of these factors differ between men and women. While hazard rates get smaller for older age groups for both men and women, the age at which they begin to decline differs by gender. For women, those in the youngest age group (15 to 19 year olds) are more likely to leave unemployment than are 20 to 24 year olds or any other group. In fact, the youngest women are twice as likely to leave unemployment as women who are 45 and older.

For men, workers aged 20 to 44 are more likely to leave unemployment than the very youngest workers. Within this older group, 20 to 24 year olds are more likely to have their unemployment spells end

Figure 13: Percentage of Workers with Formal Job Training



Source: Authors' calculations using PCBS Labor Force Surveys

than 25 to 29 year olds. Education has a similar effect on duration of unemployment for men and women. Specifically, each additional year of education decreases the probability of leaving unemployment until some minimal effect occurs. In results not reported here, we find that women with less than 9 years of schooling had the shortest duration and women with a university degree had the longest duration of unemployment. For men, those with 9 to 12 years of schooling had the longest unemployment spells while those with university degrees had the shortest spells.

Despite the relatively harsher economic conditions in the Gaza Strip, workers from Gaza were more likely to leave unemployment than workers in the West Bank. The effect of being a Gaza resident was similar for men and women. Finally, while women were less likely to leave unemployment compared to men, the effect of gender was fairly small.

Using the same PCBS data, Figure 14 shows that unemployment duration is longer for younger men compared to older men. This figure shows Kaplan-Meier survival estimates where time is defined as the length of a spell of unemployment. These estimates show the probability that a person in a particular category (male and within a specific age group) will continue in a given state (unemployment) after a given amount of time. According to these estimates, the youngest age group (15 to 24) has the highest probability of staying unemployed after a given amount of time, be that 12, 18 or 24 months. In general, this group is five to 10 percent more likely to remain unemployed compared to older workers (35 +) or recently young workers (25 to 34). Workers aged 35 and over have the second longest spells, while those aged 25 to 34 exit unemployment the quickest. In the Kaplan Meier survival estimates for women, the youngest women do not have the longest unemployment spells. Indeed, women aged 15 to 24 are generally 10 percentage points more likely to have already left unemployment compared to workers aged 25 to 34 and those 35 years old and older.

LABOR MARKET REGULATIONS

Labor market regulations generally consist of one of the following types of regulations: (1) job secu-

rity regulations, such as the prevention of firing ‘at will,’ with firms unable to sever the employment relationship without approval of either a judge or an administration official in the Department of Labor; (2) minimum wage requirements; (3) regulations on mandating certain workplace conditions, such as safety and health regulations; and (4) mandatory social insurance payments made by employers (Botero et al. 2003). Job security regulations in the Middle East were fairly rigid at the beginning of the 1990s. Laws usually allowed firms to contract for temporary work, but upon renewal the contract turned permanent (Posusney 2003).

The primary labor market regulations for the West Bank and Gaza Strip are found within the Palestinian Basic Labor Law of 2000. Although the economy was in a dire condition due to the Al-Aqsa Intifada and the corresponding macroeconomic slump, the PA fulfilled its promise to pass a law concerning labor market regulations. Some of the regulations contained within this law include: a mandated workweek of 45 hours (not stated as a maximum or a minimum) that would be reduced by one hour per day for jobs classified as hazardous (Articles 69-70); a maximum of 12 hours of overtime with an overtime premium of time and a half (Article 71); two weeks mandatory paid leave (Article 74); 14 days of sick leave at full pay, another 14 at half pay (Article 79); minimum wages by industry set by a wage committee composed of union representatives, employers and government members (Articles 86-87); and 10 weeks of paid maternity leave (Article 103).

Although these are codified as part of the basic labor law, coverage is not universal. This is particularly true in the private sector. In addition to informal work practices (casual selling, working off the books, etc.), many employers simply do not provide the mandated benefits. Even employers that try to stay within the law have difficulties during severe economic downturns, such as the downturn that occurred during the Intifada. Kelly (2005), for example, shows that there is often a distinct gap between the codified legal protections and the way the system actually works. For example, Palestinian private sector employers have complained regularly about the mandated maternity leave for women. Such employers consider 10 weeks leave to be too long, and

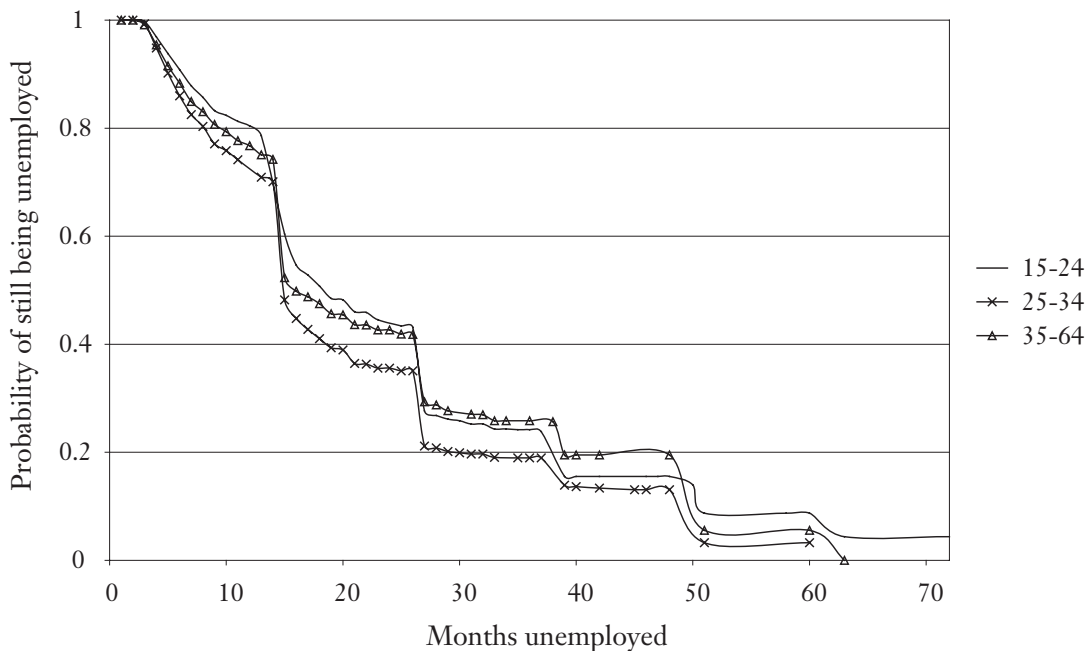
in the absence of support from the government, they claim that this requirement negatively affects their profits. As a result, such employers have either employed fewer young married women or have dismissed women once they get married (Al-Botneh and Sotnik 2007).

As for the minimum wage, although the labor law requires a wage committee to set such a wage, this has not been fixed yet. The government claims that the minimum wage has not been set because the Palestinian labor market is highly rigid as a result of the dire political situation and cannot be restricted further. This has repercussions for new entrants into the labor market, because entry wages are extremely low, particularly in areas badly hit by the loss of employment opportunities in Israel.

LABOR DEMAND FOR PALESTINIANS: MIGRATION, WORK IN ISRAEL, AND THE PUBLIC SECTOR

The three main components of demand for Palestinian workers are: migration to the Gulf, work in Israel, and work in the public sector. These areas have an important effect on the economic outcomes of youth today. Historically, there have been four waves of Palestinian migration. The first three waves (circa 1919, 1948 and 1967) consisted of Palestinians from the historical area of Mandatory Palestine fleeing their homeland. These migrants primarily moved to the surrounding Arab states, Europe or the United States. With the rise in oil production in the Gulf States during the 1960s, an economically motivated migration began (Sayigh 1979). These migrants tended to stay for long periods of time and worked in managerial, technical and professional occupations (Shaban 1993). In the

Figure 14: Unemployment Duration for Men by Age Group



Source: Authors' calculations using PCBS Labor Force Surveys

1980s, the demand for Palestinian workers in the Gulf began to slow as the Gulf States began to actively recruit Asian workers instead of Arab workers and as the overall pace of development in the Gulf slowed with the decrease in oil prices (Amjad 1989). The shift towards the recruitment of Asian workers was partially economic, due to the lower wages paid to non-Arabs, but also due to political issues associated with the presence of very large numbers of expatriate Arabs in nations with tiny domestic populations (Russell 1989). The trickle of return migration to the Palestinian Territories became a flood after 1990 as Palestinians working in Kuwait fled during the Iraqi invasion of Kuwait or were expelled by the Kuwaiti government after the Kuwaitis were returned to power. While most of these return migrants initially chose to relocate in Jordan, many of them eventually found their way back to the West Bank and Gaza Strip.

One of the most unique characteristics of the Palestinian labor market is the entry of Palestinian workers into the Israeli labor market. A controlled flow of Palestinian workers into Israel began in 1968 and was facilitated by the Israeli government through its Labor Bureaus (Arnon et al. 1997, Farsakh 2005). By 1973, the number of Israeli work permits given to Palestinians grew to over 60,000. After this time, there was little control over the flow of Palestinian workers and, for certain types of workers, the two labor markets were effectively integrated. However, Palestinians working in Israel were predominantly allowed to work in lower-skilled and semi-skilled jobs focused in the agricultural and construction sectors (Sayre 2001a, Sayre 2001b).

By the 1980s, three main shifts in labor market conditions for Palestinians began to change the dynamic of who would work in Israel. The first shift was the decreased demand for Palestinian workers in the Gulf. The second shift was the growing number of Palestinian workers who were becoming increasingly educated, just as employment opportunities for educated Palestinians began to disappear. The final shift was the growing Israeli economy, which began to recover from a period of slow growth during the 1970s. Stronger growth in the Israeli economy resulted in an increased demand for Palestinian workers, especially in the construction sector

(Roy 1995). Thus, by the mid-1980s, as many as 130,000 Palestinian workers were employed in Israel, representing a full one-third of all employed workers from the West Bank and Gaza Strip. These jobs generally paid well, but were still focused in relatively unskilled sectors. Despite the lower quality of these jobs, the percentage of Palestinians with a college degree that were working in unskilled agriculture or construction jobs in Israel rose from one percent in 1981 to 10 percent in 1987 (Sayre 2001a).

Since the beginning of the first Intifada in 1987, restrictions on Palestinian workers in Israel have increased. With closures and curfews, Israeli military officials banned Palestinians from working in Israel for lengthy periods of time. After 1991, these restrictions began to ease until the period following the Oslo Accords of 1993. After Gaza and Jericho began their experiment in autonomy in 1994, followed by other cities in the West Bank in late 1995, Israel began to enforce separation between the Palestinian Territories and Israel. This was brought about by several measures including enforcement of the work permit system, an increase in roadblocks and checkpoints, and restrictions on the ability of Palestinian vehicles to enter Israel. With the violence of suicide bombings, Israel enforced “closures” of the West Bank and Gaza depending upon the status of the political situation between Israel and the Palestinians.¹¹ For example, for three weeks in 1996, Palestinians were restricted not only in their ability to go to Israel, but also in their ability to move between Palestinian villages and towns as Israel began using recently constructed settler bypass roads to establish checkpoints and cut off one Palestinian area from another.

With the beginning of the Al-Aqsa Intifada in 2000, these restrictions on movement increased in intensity and frequency. Closures were extended for weeks and months, with the final culmination of this policy being the separation barrier built around the West Bank starting in 2003 and mostly completed by late 2006. Currently, there is no unlicensed work by Palestinians in Israel, and all movement in and out of the West Bank is strictly monitored. Since Israel disengaged from the Gaza Strip in August 2005, the separation between Gaza

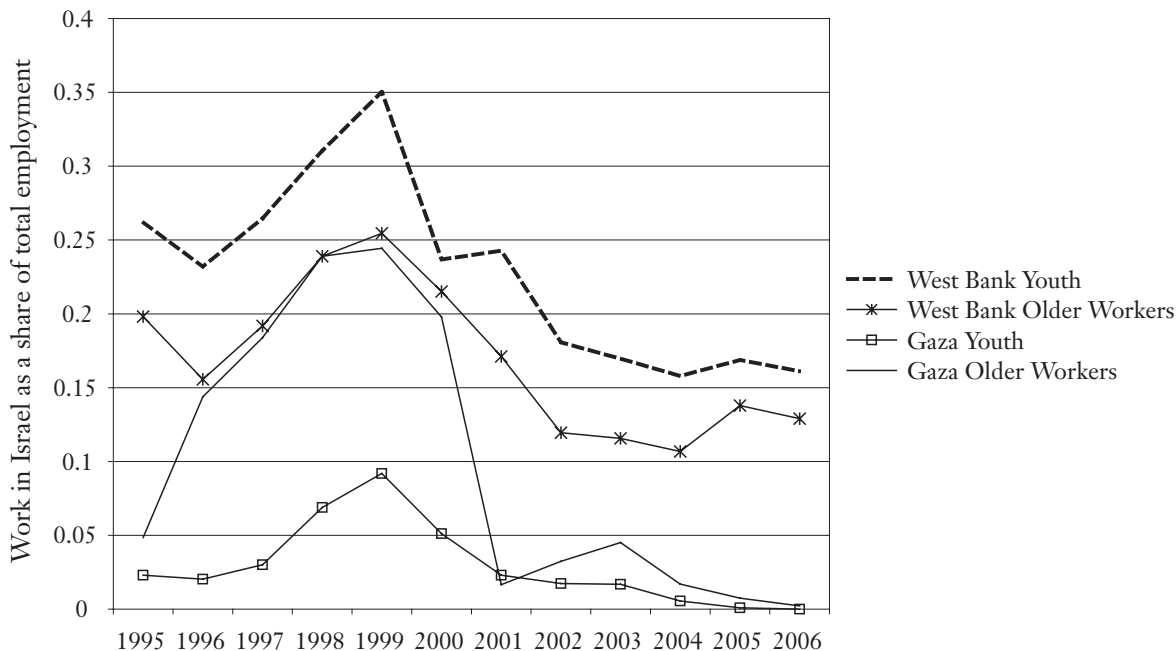
and Israel has been nearly complete, with very few Gazans being allowed to work in Israel. Israel also closed its industrial zones on the border with Gaza, which would allow Israeli employers to bring work to Palestinians.

Palestinian youth have followed the same general pattern as the overall population in regard to their propensity and ability to work in Israel, with a few notable differences. Figures 15 and 16 show the proportion of Palestinian men and women employed in Israel. Each of the two time series graphs shows the proportion of Palestinian workers employed in Israel between 1995 and 2006 by region and separately for youth and older workers. Figure 15 shows that young men from the West Bank were more likely than workers from Gaza and even more likely than older West Bank workers to be employed in Israel. Before the Al-Aqsa Intifada, as much as one third of the total employment of young West

Bank men took place in Israel, compared to 25 percent of older West Bank men. Before the Al-Aqsa Intifada, Gazan men were less likely to work in Israel than men from the West Bank. Older workers from Gaza had employment rates similar to those from the West Bank. However, young Gazan workers were almost completely excluded from working in Israel. At no point during this time period do more than 10 percent of employed young Gazan men work in Israel or the settlements. This may be due to the fact that much of the work by younger Palestinians in the West Bank was done in settlements, which are much more numerous in the West Bank. As pointed out by Farsakh (2005), much of the work in Israel during the Al-Aqsa Intifada was in the settlements surrounding Jerusalem.

Young women are much less likely to work than men, and those that work are unlikely to work in Israel, as seen in Figure 16. However, young women

Figure 15: Proportion of Male Youth and Older Men Working in Israel



Source: Authors' calculations using PCBS Labor Force Surveys

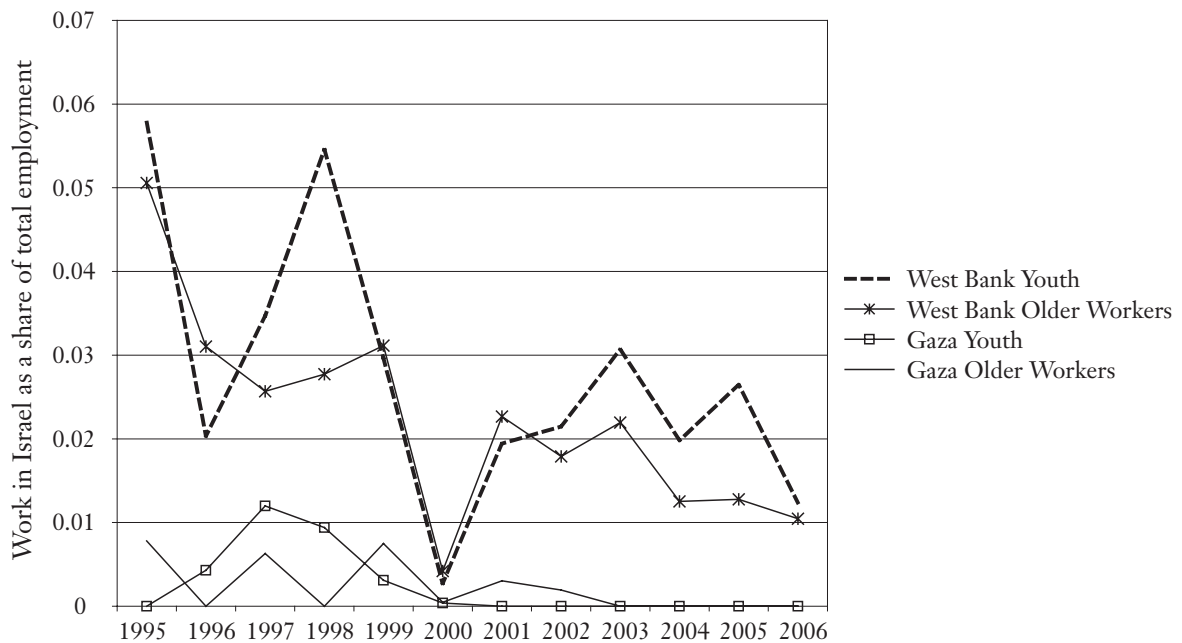
from the West Bank are more likely to work in Israel than older women, similar to the pattern of work of young West Bank men in Israel. Nonetheless, young women's employment in Israel never exceeded 10 percent of employed women in any of the four groups of workers shown in Figure 16. For women from Gaza, the pattern of work is similar to the pattern of work of Gazan men in Israel. Specifically, women from Gaza work less in Israel than West Bank women. By the end of the time period, Gazan women ceased working in Israel entirely. However, one interesting feature that is not seen in the data for men is that Gazan women's work in Israel disappeared long before the Israeli disengagement. In fact, starting with the Al-Aqsa Intifada less than one percent of all employed Gazan women worked in Israel during any quarter.

Another key feature of the Palestinian labor market is the recent rise in public sector employment. Be-

ginning in 1994, the PA began to take control over government functions in the areas of the West Bank and Gaza Strip that had been granted autonomy. With the return of Yasser Arafat and much of the PLO government in exile, as many as 50,000 Palestinians who had been living abroad returned to the West Bank and Gaza. These 'returnees' generally consisted of two types: those who were part of the PLO government machinery and those who repatriated in order to reestablish their households in their homeland. With the creation of the PA, the size of the public sector continued to expand, new government ministries were established, and an extensive security apparatus was built.

As a result of the establishment of this bureaucracy, by the end of 2004 nearly 40 percent of Palestinians employed in Gaza were working in the public sector. By the end of 2006, the dominance of the public sector in the overall Palestinian economy became

Figure 16: Proportion of Female Youth and Older Women Working in Israel



Source: Authors' calculations using PCBS Labor Force Surveys

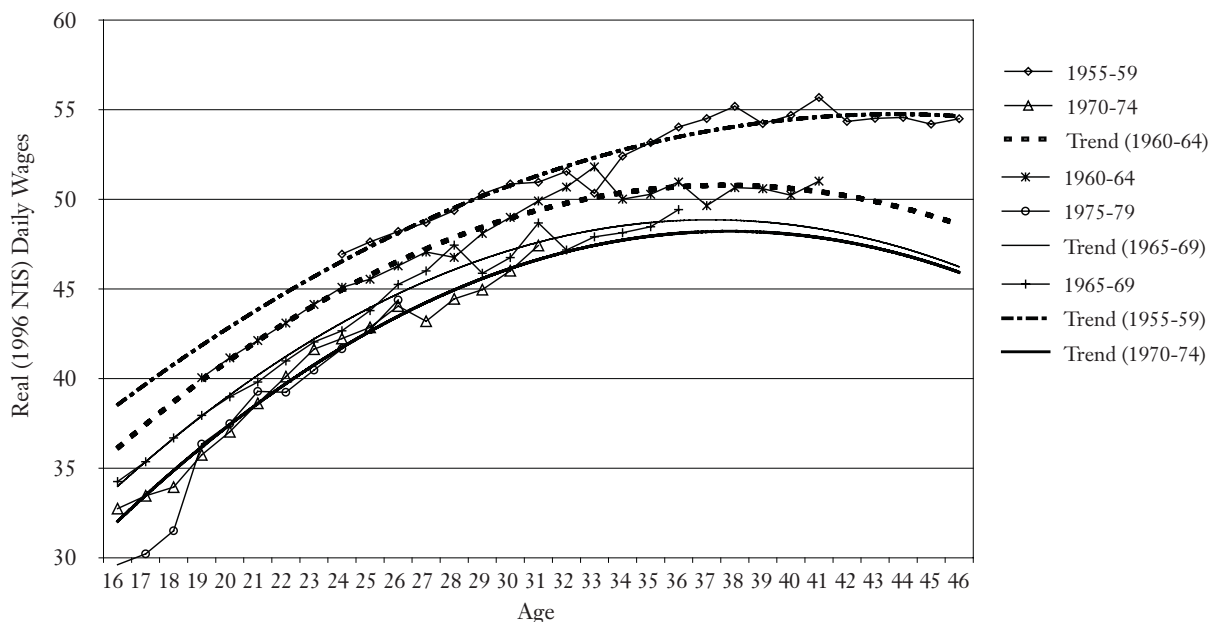
even more apparent. In 2006, 56 percent of men and 80 percent of women in Gaza worked for the public sector (either the PA or UNRWA). In the West Bank, the figures are not nearly as dramatic, but are still noteworthy. Specifically, one-quarter of employed men in the West Bank who were not self employed or unpaid family members worked for the public sector. Like women in Gaza, women in the West Bank were more likely than men to work in the public sector; nearly half of all female wage workers were employed in the public sector.

Given the relative size of the young population in the West Bank and Gaza Strip, it is important to ask how well different cohorts fare over the course of their working lives. Given that young workers are more prone to longer spells of unemployment spells and lower wages, do these experiences in the initial years of one's career have an impact over a person's entire lifetime? Two different views in the literature focus on the issue. The first view is that of Easterlin

(1987), who showed that large cohorts have relatively lower wages and more social problems (divorce, suicide, etc.) throughout their lifetimes when compared to smaller cohorts. With the continuing rapid expansion of the Gazan population, this would imply that economic outcomes for these younger cohorts will be worse than those of older generations. The second view is that macroeconomic conditions at the outset of one's career can continue to affect earnings over one's lifetime (Oreopoulos, von Wachter, and Heisz 2006). Those workers that enter the labor market when the economy is doing particularly poorly (for example, during the Al-Aqsa Intifada) are likely to suffer from lower wages throughout their lifetimes.

Figure 17 shows the predicted wages from age 16 to 46 for five artificial cohorts. To create this figure, we combined micro data from the PCBS Labor Force Surveys from 1995 to 2003 and the Territories Labor Force Survey from the Israeli Central

Figure 17: Predicted Wages for Artificial Cohorts, 1981-2003



Source: Authors' calculations using ICBS and PCBS Labor Force Surveys

Bureau of Statistics (ICBS) for 1981 to 1994. Since there are slight differences in the methodology of the two surveys, these estimates should only be seen as suggestive. To create the predicted wages, we ran a series of linear regressions of wages on variables that controlled for occupation, industry and region. According to Figure 17, the predicted wages for the Palestinian cohort born between 1970 and 1974 (who would have been 14 to 18 years old at the beginning of the first Intifada) have a lower wage profile than cohorts born earlier. While there is not a sufficient number of years to completely chart their progress, the 1975 to 1979 cohort also appears to have a lower wage profile than those cohorts born

before 1970. This data also suggests that those cohorts that began their careers during and after the Intifada received less training than those cohorts who had already begun their careers by this time. Palestinians coming into the labor market during the relatively good years of 1996 to 2000 (the 1980 to 1984 cohort) may be better off than these two older cohorts, but it is likely that the young Palestinians that entered the labor market since 2000 will suffer from still lower wages. While the future economic outlook for these younger cohorts is truly a matter of conjecture at this point, the evidence presented here does not bode well for their economic future.

V. FAMILY FORMATION

Marriage and family formation play an important role in the story of youth exclusion in the West Bank and Gaza Strip. In the Palestinian Territories, as in the rest of the world, marriage is an important rite of passage to adulthood, and as such, becomes an important milestone in the lives of youth. Many youth continue to live with their parents and other extended family until they marry and form families of their own. Marriage involves high costs, and since youth continue to be financially dependent on their parents, often the burden of the costs of marriage is carried by entire families. Singerman (2007) suggests that one reason for the high demand for public sector employment, in addition to the stability of these jobs, is that having such a job signals marriage eligibility to potential brides. While the phenomenon of delayed marriage has not increased in the Palestinian Territories like it has in other countries in the Middle East, the pressure to find a good job in order to be able to marry is still a significant factor in lives of young Palestinians. Several factors that are unique to the economy and society of the West Bank and Gaza help explain why the age of marriage has not risen significantly there as it has in other Middle Eastern countries.

Table 8 shows the median age at first marriage for young men and women in the Palestinian Territories. The median age of marriage only includes those who do get married and helps to measure the degree to which any delay is taking place in the marriage market.¹² If men have to wait longer to marry due to financial and social pressures, this represents another form of exclusion among youth. However, as a society modernizes and becomes more educated, a natural increase in the median age at marriage can occur due to other markers of adulthood (especially education) taking precedence. The marriage age for both men and women in the West Bank and Gaza appears to have risen recently. Median age of first marriage for young men was 24.1 in 2000 and increased to 24.7 in 2005. For young women, the age of marriage increased at approximately the same rate, from 18.9 in 2000 to 19.4 in 2005. These figures also highlight another important attribute of the marriage arrangement in the Palestinian Territories: men generally marry women five years their junior. This rise in the age at first marriage is approximately one year per decade, which is almost identical to the average increase in the level of schooling for men and women.

Table 8: Median Age at First Marriage

	2000	2001	2002	2003	2004	2005
Male	24.1	24.2	24.2	24.6	24.6	24.7
Female	18.9	19.0	19.0	19.4	19.3	19.4

Source: Palestinian Central Bureau of Statistics Demographic and Social Statistics 2007

In 2003, PCBS asked youth aged 10 to 24 years old about their perceptions of marriage and their preferred age at marriage (PCBS 2004). Despite the relatively young age of many of the respondents, it is remarkable that the mean preferred age at marriage was very similar to the actual average age of marriage. These preferences were almost uniform across a variety of characteristics. For example, young women stated that their ideal age at marriage was 20 years old. This is just slightly higher than the actual median age of first marriage observed at this time (19.4). Younger boys (aged 10 to 14) stated that they would prefer to marry by 23 or 24, while the older group of young men (aged 20 to 24) stated that their ideal age at marriage is 25.

The same survey also asked youth for their opinions on why marriages are increasingly delayed. The most frequently cited reason was the high costs of marriage, which was cited as a primary reason by at least 90 percent of both young men and young women. A second and related reason was the generally poor work conditions. In other words, youth perceived the relative scarcity of job opportunities as a direct barrier to starting and supporting a family. Interestingly, this reason is cited by more young Palestinians in the West Bank (90 percent) than in the Gaza Strip (82 percent). The political situation is also seen as having an effect on delaying marriage more in the West Bank (75 percent) than in the Gaza Strip (64 percent). Educational pursuits (71 percent) were also cited as a reason for delaying marriage. Thus, in the eyes of youth, completing school is necessary before getting married, but without the right work conditions and political environment, it is difficult to afford the high costs of marriage.

ENDOGRAMY

One of the primary characteristics of marriage and family formation in many Arab countries is the tendency to marry within a clan or family. This tendency, known as endogamy, is more prevalent in certain countries and is generally more common in rural areas. In the West Bank and Gaza Strip, several factors influence endogamy. According to Pedersen et al. (2001), there is a clear preference for certain types of unions in the Palestinian Territories, and marriage between first cousins is most common.

According to the 1995 PCBS Demographic Survey, the relative frequency of endogamy has been slowly declining. For the cohort of women born between 1940 and 1949, 16 percent married their father's brother's son. Another 11 percent married other first cousins. Beyond first cousins, approximately 22 percent of these women married a relative within the same *hamula*, or clan, and 17 percent married relatives outside of the *hamula*. Only 33 percent of the women in this cohort married men that were not related to them.

For younger cohorts, the practice of endogamy occurs slightly less frequently. The cohort of women born between 1960 and 1969 had a slightly greater tendency to marry outside of the family: 36 percent of women in this cohort married men that were not related to them (Pedersen et al. 2001). Marriage between relatives is still relatively common, though. According to the 1995 Demographic Survey, only 35 percent of the cohort of women born between 1970 and 1979 married non-relatives.¹³

The tendency toward endogamy can be explained by a number of factors. One possibility is that families tend to have fewer complications with regards to the redistribution of inheritance, particularly land, if marriages take place within the family. Additionally, since most marriages are still arranged to some degree, there may be several other reasons why it is easier or more preferable to arrange marriages within the family. First, since the cost of information about a prospective partner for one's child is lower within the family, it is a more convenient match to make. Additionally, given the unique history of Palestinians as a displaced people, the ability to connect with family and place through marriage makes marriage within the family a way to preserve kinship ties for a dispersed community (Pedersen et al. 2001).

Other forms of assortative marriage are also important in understanding Palestinian youth and the likely changes brought about by social and political forces. In line with the tendency to use marriage as a tool to preserve identity, refugees often married other refugees as a way to maintain stronger ties to the displaced areas. Finally, there is a clear hierarchy of marriage preferences based upon educational

achievement. In general, men prefer to marry women with less education than them. However, it is also relatively common for men and women of the same educational level to marry. For example, 26 percent of men with a secondary education (no college) married women with the same level of education. However, only 9.5 percent of men with a secondary education married women with more education than them. Likewise, 17.8 percent of men with an Associate's or Bachelor's degree married women with the same level of schooling, while nearly 80 percent married women with less schooling.

The 2003 Youth Survey also attempted to measure the primary factors influencing the choice of a spouse (PCBS 2004). It is interesting to consider the types of questions and possible responses that were given in this survey, given the influence of many mothers in the decision as to whom their sons marry (Olmsted 2005). For example, the only question that had the potential to address the issue of arranged marriages was a question which asked whether or not a particular factor – in this case “family reputation” – was of “first degree” (primary), “second degree,” or “third degree” importance, or was not a factor at all, in choosing a partner. Only 3.3 percent of young men and 3.6 percent of young women responded that “family reputation” was a primary factor in choosing a partner. However, there is evidence that the family still plays a role: 25 percent of young men and 21 percent of young women cited “family reputation” as a secondary or tertiary concern. With regard to the notion of assortative selection based upon education, 22 percent of males and 28 percent of females responded that education was a primary factor in choosing a marriage partner. Another 45 percent of males and 45 percent of females thought education was a secondary or tertiary factor, implying that over 70 percent of females and 67 percent of males considered education to be among the most important factors in choosing a marriage partner.¹⁴

IMBALANCES IN THE MARRIAGE MARKET

The preference of Palestinian men to marry women with less education is partially responsible for another unique feature of Palestinian family formation. There are fewer potentially eligible women for men, because women have become increasingly

educated and fewer men have education levels that exceed these women. It has been noted for some time that approximately 25 percent of women in the West Bank with at least a secondary degree never marry (Pedersen et al. 2001). However, in the past, the number of Palestinian women with this level of education was fairly small, so this phenomenon had a minimal impact on the overall pattern of family formation and fertility. However, with women becoming increasingly educated, the impact of non-marriage of many of these highly educated women is likely to have a greater impact on Palestinian society.

One other factor which contributes to this phenomenon is that Palestinian men emigrate in much greater numbers than Palestinian women. Thus, in the Gaza Strip there are virtually no unmarried men between the ages of 35 and 60, and there are also very few in the West Bank. On the other hand, between 8 and 17 percent of women, depending upon region, aged 35 to 39 have never married (Pedersen et al. 2001). The women at the greatest risk of never marrying are those with at least a secondary level of schooling and who work outside the home. Concerning the reasons for not marrying, it is unclear from the available data if working women are less attractive partners or if working women have fewer incentives to marry. It is also possible that fathers are less inclined to marry their daughters off if they are contributing income to the family.

HOUSEHOLD FORMATION

The size of households in the Palestinian Territories reflects the fact that many extended families continue to live together. That being said, most of the households in the West Bank and Gaza Strip consist of traditional, nuclear families. About 70 percent of households in the West Bank and 63 percent of households in Gaza consist of nuclear families. The greater number of households with extended families in Gaza is also reflected in the average household size. The average household size in the Gaza Strip is 7.8 persons, compared to 6.6 persons in the West Bank. This tends to be the case in both refugee camps and towns in Gaza, where there are simply more extended family arrangements.

It is useful to understand the structure and composition of Palestinian families and households in order to understand the situation of Palestinian youth as they transition to adulthood. For the purposes of this discussion, households are defined as those individuals who typically live together in the same physical structure. Households can contain multiple families, but in the Palestinian case, most household residents are either the head of the household (14 percent), the spouse of the head (13 percent), the child of the head of the household (60 percent), or the parent, sibling or grandchild of the head (9 percent). Sons and daughters in-law make up another 2.4 percent of household members, while other

relatives make up 1.4 percent (Pedersen et al. 2001). Only one-tenth of one percent of household members are not related to the household head.

Table 9 shows how schooling influences household formation. This table lists the type of household by education level of the household head and is divided between the West Bank and Gaza Strip. Highly educated family heads are more likely to live in nuclear family arrangements (i.e., a married couple with children) rather than with an extended family. In the West Bank, fewer than 47 percent of families with a household head with less than an elementary school education are nuclear families, consisting of

Table 9: Distribution of Household by Type and Education of Household Head

Household Type	Less than elementary	Elementary	Preparatory	Secondary and Above
West Bank				
<i>Simple</i>				
Single	7.0	0.8	1.1	1.4
Married couple only	6.6	4.1	6.6	5.6
One spouse with children	8.3	3.0	2.1	1.5
Married couple with children	46.7	70.3	68.6	72.0
<i>Complex</i>				
Married couple with others, no children	0.9	1.1	1.0	1.8
One spouse with children and others	3.9	1.0	1.0	0.6
Married couple with children and others	25.1	18.3	16.8	14.2
Head with others	1.5	1.5	2.8	2.8
Gaza Strip				
<i>Simple</i>				
Single	5.1	0.5	0.4	0.6
Married couple only	6.3	3.6	3.4	4.8
One spouse with children	5.9	2.6	3.0	1.1
Married couple with children	39.6	58.7	60.2	63.8
<i>Complex</i>				
Married couple with others, no children	1.4	1.3	2.4	1.5
One spouse with children and others	5.3	0.9	0.8	0.0
Married couple with children and others	35.1	31.8	28.3	25.7

Source: Pedersen et al. (2001), using data from the 1995 PCBS Demographic Survey. Due to rounding, not all columns total 100 percent.

a married couple with children. In the Gaza Strip, nuclear families make up 40 percent of families with less educated household heads. When the household heads have at least an elementary school education, nearly 70 percent of West Bank families and 60 percent of Gaza Strip families consist of a married couple with children.

Patterns of household formation can also be better understood by examining the age of the household members. Specifically, the distribution of children aged 0 to 14 can indicate when new households are formed. In both the West Bank and Gaza Strip, children aged 0 to 14 live predominantly in nuclear families. Approximately 71 percent of children aged 0 to 14 in the West Bank and 59 percent of children in Gaza live in households that consist of a married couple with children only. Most of the remaining children (about 26 percent in the West Bank and 37 percent in the Gaza Strip) live in households that consist of a married couple, children and others. However, children under the age of five are more likely to live in households with extended families. In the West Bank, 29 percent of children less than

five years old live in households with extended families, compared to just under 23 percent of children aged 5 to 14. In the Gaza Strip, 42 percent of children under five live in households with extended families, compared to 33 percent of children five and older. This implies that young couples may decide to continue living in the husband's family home until their children are at least school aged.

Olmsted (2005) notes that the traditional dynamics of Palestinian families are under stress due to economic and social changes. Specifically, due to the increase in education levels, more young people are choosing their own spouses, rather than, for example, a mother choosing a wife for her son. This decreases the power of the mother-in-law in the traditional family and leads to the establishment of more independent households. The rise in education and labor force participation of women also gives greater independence to young women in households. This is likely to influence fertility patterns and further weaken the traditional patriarchal structure of the Palestinian household.

VI. CIVIC PARTICIPATION

Palestinian youth are often characterized as being highly politicized due to their role in popular uprisings. Specifically, Palestinian youth created the vanguard of the first Intifada, with children as young as seven playing a vital role in the protests. Youth aged 15 to 19 were seen as the veteran stone throwers, who inflicted most of the physical damage, while those older than 19 held high-level regional leadership positions (Peretz 1990). By the time of the second Intifada (2000-2004), the role of young people had been reduced significantly. While youth often continued to be the visible face of the conflict, the role of established political structures was much greater than in the first uprising.

Thus, the politicization of today's Palestinian youth is only a penumbra of the previous generation's activity. While it is still true that simply by growing up in the West Bank and Gaza, Palestinian youth experience a greater degree of politicization than most young people, Palestinian youth do not see themselves as active participants in the political events surrounding them. The Palestinian Youth Survey asked young people questions about their participation in decision making (PCBS 2004). In decisions that will affect their lives, youth responded that they are at least "somewhat" allowed to participate in the decision-making process. Concerning decisions within the family, more than 75 percent of young men and women reported that they are often or sometimes involved in these decisions. It is worth noting, however, that the tendency to be involved in these decisions varies substantially by age: 55 percent of 20 to 24 year olds are "often" involved in these decisions, compared to only 36 percent of 15 to 19 year olds. Even in schools, 75 percent of youth feel that they are sometimes involved in the decisions that affect their lives. In this case, however, there is no data available for the frequency of their participation. However, when it comes to participation in their communities, a plurality of youth feel that they are rarely involved in the decisions that affect their lives. While 32 percent of youth feel that they are sometimes involved in community-level decision making, more than 47 percent claim to be rarely involved.

While young people feel somewhat engaged in local and familial decision-making, there is fairly little

engagement in broader political activities among youth. When asked about the institutions, societies and clubs they belonged to or wished to belong to, political groups rank very low among youth's preferences. For example, approximately two-thirds of Palestinian youth claim that they are either a member of religious activities (20 percent) or not a member but willing to be (46 percent). However, the percentage of youth willing to engage in political parties is much lower. Only 7.6 percent of all Palestinian youth claimed that they are currently members of a political organization and another 19 percent stated that they are not members but want to be. Thus, just over one-quarter of young Palestinians claim some involvement or desire for involvement in political activity, while fully three-quarters want nothing to do with political parties and organizations. In comparison, at least 60 percent of youth claimed some interest in social and cooperative organizations, and 60 percent claimed interest or participation in scientific or artistic organizations. Even scouting activities were more popular than politics, with 55 percent of youth claiming at least some interest in this activity.

This lack of interest in political activities and organizations is fairly uniform across age, gender and education level, with a couple of exceptions. Specifically, residents of refugee camps stated a much higher rate of participation in political organizations (nearly 12 percent) and a higher rate of willingness to participate in the future (23 percent). Additionally, nearly 75 percent of youth with just an elementary or preparatory education stated that they are not willing to be involved in politics, while 63 percent of youth with a secondary education claimed a lack of interest in political activities. (The level of interest does not, however, continue to increase with education. Among youth with at least an Associate's degree, the highest category in the survey, only about 27 percent stated involvement or interest in political activities.)

Youth in the Palestinian Territories are remarkably optimistic about their futures, despite their heightened political awareness at an early age and the general economic and social conditions of the West Bank and Gaza Strip. When asked about their general impressions of the future, 91 percent stated

that they are optimistic. Perhaps most surprising is that Palestinians living in Gaza, those who likely are most affected by the political situation, are the most optimistic. Fully 95 percent of Gaza's youth said that they are optimistic about their futures. In general, young women are slightly more optimistic than young men (92 percent versus 89 percent). There are other differences worth noting. For example, older youth are significantly more pessimistic, even though 86 percent of 20 to 24 year olds are optimistic. Also, those with more education are generally less optimistic than those with less education. Over 93 percent of Palestinians with only an

elementary education were optimistic, compared to 86 percent of Palestinians with an Associate's degree.

When asked about their main concerns and priorities, only 18 percent of youth stated that the political conditions were a main concern. Almost the same percentage of youth claimed that leisure is their main priority, and almost the same percentage considered health to be a main concern. Slightly fewer (less than 17 percent) perceived marriage as a major concern or priority.

VII. CONCLUSION AND POLICY RECOMMENDATIONS

Because the political and economic environment is intertwined with the Israeli-Palestinian conflict, it is impossible to suggest changes to youth policies without addressing some of the broader political issues. One of the main sources of the distortions in the Palestinian economy is the degree to which it currently depends on external aid for its existence. Studies of bilateral and multilateral aid have found that smaller countries receive more aid, poorer countries receive more aid, and aid is often given for political reasons (Alesina and Dollar 2000). None of these findings is surprising, but each helps us to understand the relative size of the economic support that has been directed toward the PA in the West Bank. The West Bank is a geographically isolated (the borders with Israel and Jordan are subject to frequent disruption), small (only 2.3 million in population), and politically important region. The Gaza Strip is smaller (1.4 million) and even more prone to disruptions. Both Europe and the United States have claimed keen political interests in solving the Palestinian-Israeli conflict.

The history of the Palestinian labor market implies that, without additional changes in the economic and political environment, aid will not help the long-term health of the Palestinian economy. For example, the World Bank states that the Palestinian economy would benefit more from open borders with Israel than from additional aid (World Bank 2007). Specifically, the Palestinian labor market and Palestinian exporters need to be able to get through checkpoints into Israel quickly and efficiently. Israeli border agents have used the possibility of security threats to keep the main crossing points in Gaza for people (Erez in the north) and cargo (Karni in the center) closed since 2006. The result is that the unemployment rate in Gaza spiked to 45 percent by the end of 2008.¹⁵

Thus, there is a clear advantage to opening up access to Israeli markets. However, there is a disadvantage that the World Bank fails to address. Access to the Israeli labor market depressed returns to skill formation, not by decreasing the wages paid to skilled Palestinian workers compared to other economies in the region but by raising the wages of unskilled work, compared to Jordan and Egypt. High Israeli wages, large influxes of aid and remit-

tances have kept Palestinian workers well paid and have kept the Palestinian economy afloat for many years. Additionally, these artificially inflated reservation wages contributed to the long waits for jobs after graduation. With the shutting off of the Israeli labor market and a slowdown of tax payments remitted from Israel and aid from the West during the last few years, Palestinian wages have declined for the first time since the economic integration between the Palestinian Territories and Israel (Bulmer 2003). Average wages for Palestinians fell by more than 15 percent in nominal terms (equal to more than 25 percent in real terms) from 1999 to 2005 (PCBS 2007).

World Bank economists Claus Astrup and Sebastian Dessus (2005) have also attempted to determine whether the Palestinian economy would benefit from increased access to the Israeli labor market. If low wages in the West Bank and Gaza lead to an expanded manufacturing base, these lower wages could serve as a catalyst to launch export led growth. Astrup and Dessus found that exporting goods is better than exporting labor for the Palestinian economy in the long run, although the economy would first need to suffer low wages. Currently, Palestinians are beginning to suffer through a period of low wages, implying that a renewed emphasis on exports at this time, while perhaps politically unpalatable, could be effective in expanding the overall Palestinian economy. Furthermore, recent research has shown that trade reforms and labor market reforms made in conjunction can significantly enhance economic growth (Dennis 2006). It is important to note, however, that these future scenarios of the Palestinian economy are only viable provided there is free movement of goods across borders.

Beyond improvements in the macro economy, a number of specific areas of reform can increase the labor market performance of youth and help to fully integrate them into Palestinian society and the economy. The first specific area involves changes in the educational system. Two features of the transition from school to work can be improved through greater formalization of the relationship between educational facilities and employers. The primary way graduates are able to find jobs is through personal connections. When asked in the Conditions

of Graduates Survey how they found their current job, a full 50 percent said that using personal connections was the most important method for finding a job (PCBS 2006). Furthermore, graduates claim that work experience during school is very important (44 percent) or important (40 percent) in order to acquire a job. Thus, connections between students in college, vocational school and university and potential employers need to be established early during a student's education. A system of internships and externships and stronger relationships between educational institutions and employers could help by giving students access to the valuable work experience needed to get a stable job.

In addition to preparing students for a future as wage employees in the private sector, policy changes can help recent graduates make the transition to work through starting their own businesses. Currently, only eight percent of recent graduates went from school directly to self-employment and starting their own businesses (PCBS 2006). On the other hand, a full 35 percent of graduates went to work for the public sector and approximately the same amount (36 percent) went to work as wage employees in the private sector after graduation. Of those that chose to be self-employed or start their own businesses, the majority used either private savings (34 percent), loans from their families (24 percent), or other support from their households (20 percent) as start-up capital. Only four percent of new graduates received funding from banks. The weaknesses of the Palestinian financial sector have been written about extensively (e.g., Cobham and Kanafani 2004). The case of recent graduates seeking start-up capital for their own businesses demonstrates a specific way in which the banking sector could help drive growth in the Palestinian economy. Although government intervention in the financial sector should not be extensive, the creation of a subsidized loan program for recent graduates would help those that want to start up their own businesses.

A recent study by the Palestinian Economic Policy Research Institute concluded that the Palestinian Basic Labor Law of 2000 did not have a negative impact on the competitiveness of the private sector in the West Bank and Gaza Strip (Al-Botmeh and Sotnik 2007). Instead, the study showed that the

overall impact of the new labor law was minimal, especially since it unified two disparate labor laws that had been regulating the West Bank and Gaza Strip. Moreover, the study found that the law is not as intrusive or rigid as labor laws in other countries in the region. However, recent research by Sayre and Daoud (2008) has found that most Palestinian workers in the West Bank and Gaza Strip do not receive the mandatory benefits outlined in the labor law. Thus, the reason for the minimal impact of the labor law is weak enforcement, with many employers effectively ignoring it. According to this study, workers in the public sector are by far the most likely to receive the benefits outlined in the law.

Although the labor law may not have a negative impact due to weak enforcement, this does not mean that the law is best for the Palestinian economy. The Palestinian labor law should be reformed so that it is not a burden on employers who abide by it. If workers do not receive the full benefits of the law and are therefore somewhat informal, then reforms to create an effective pension scheme, national health insurance, or other policies that are administered through the work place will leave a significant number of workers without the mandatory benefits and economic responsibilities contained in the legislation. For example, female employment has become more expensive for employers since the implementation of the Labor Law in 2000. As is the case in other countries, these costs should be shared by society at large. Developing a cost-sharing mechanism between the government and employers for covering maternity leave expenses could encourage employers to take on more young women.

Relaxing some of the job security regulations in the Palestinian Labor Law may have a positive impact on employment for youth. For example, there is evidence that labor law reforms in Latin America led to an increase in employment of new job market entrants. Using Colombian National Household Surveys over eight years, Kugler (2000) found that the 1990 labor market reforms lowered firing costs and as a result increased the transition into and out of unemployment. Furthermore, the reforms increased overall compliance with labor laws by reducing the burden of compliance. As a result, the size of the informal sector decreased. However,

these types of reforms are not without costs, as they can lead to an increase in firings immediately after the loosening up of employment regulations. Thus, any reform of this kind needs to be done with due caution and forethought.

Further policy changes could bring about more youth participation in the political process. Although youth are politicized by their environment at a very early age in the West Bank and Gaza Strip, there appears to be little enthusiasm for civic engagement by young Palestinians. Political institutions and organizations are typically at the bottom of the list of types of institutions to which young people would like to belong. Specific improvements could come about through changing the age at which candidates can run for office. Currently, the minimum age for candidates in local elections is 25. Some advocates for youth participation argue that reducing the age to 21 could help inspire young leaders to get involved earlier and lead to younger voices being heard in representative government. Another suggestion is to establish explicit quotas for seats held by youth in legislative bodies. Currently, such quotas exist for both women and Christians in the Palestinian Legislative Council. How-

ever, some observers cite a “culture of apathy” that will be hard to break without fundamentally changing the efficacy of government (VNDP 2008). Still other policies could support civic volunteerism, especially for youth that are currently waiting for their first job after higher education. With a median wait of two years, these graduates should be encouraged to participate in the many volunteer programs offered by Palestinian civil society organizations, which would allow them to engage in their communities and develop job skills while they wait to begin their careers.

The next few generations of Palestinian youth face a number of formidable challenges. As their numbers swell, it will be increasingly difficult for them to successfully make the transition from school to work and to family formation without fundamental changes in the Palestinian economy. However, with the necessary improvements in these areas, a few policy changes could yield substantial benefits for Palestinian youth. More assistance with the transition from school to work and additional resources for young entrepreneurs will go a long way in a society that is as educated and resourceful as that of the West Bank and Gaza Strip.

ANNEX 1

Table A1: Cox Proportional Hazard Models of Unemployment Spells

	Full Sample (fail= spell end)	Men (fail= spell end)	Women (fail= spell end)
Age 20-24	1.333*** (0.056)	1.050*** (0.053)	0.972* (0.51)
Age 25-29	1.174*** (0.051)	0.901*** (0.052)	0.771* (0.41)
Age 30-34	1.175*** (0.055)	0.870*** (0.057)	0.715* (0.38)
Age 35-39	1.163*** (0.055)	0.831*** (0.055)	0.913* (0.49)
Age 40-44	1.023*** (0.051)	0.743*** (0.051)	0.817* (0.45)
Age 45+	0.976*** (0.056)	0.651*** (0.043)	0.499* (0.29)
Yrs of schooling	0.973*** (0.014)	0.964*** (0.015)	0.772*** (0.054)
Schooling ²	1.001*** (0.00079)	1.002*** (0.00084)	1.009*** (0.0032)
Married	0.993*** (0.033)	1.168*** (0.047)	0.631*** (0.082)
Semi-skilled occupation	0.327*** (0.015)	0.404*** (0.022)	0.453*** (0.098)
Basic occupation	0.157*** (0.0080)	0.228*** (0.013)	0.00983*** (0.0025)
Manufacturing	1.133*** (0.051)	1.178*** (0.054)	1.421*** (0.46)
Construction	1.335*** (0.048)	1.284*** (0.046)	1.325 (1.39)
Commerce	1.148*** (0.043)	1.178*** (0.044)	1.107** (0.52)
Services	0.0993*** (0.0048)	0.0764*** (0.0040)	1.140*** (0.34)
Gaza	1.285*** (0.037)	1.269*** (0.037)	1.046*** (0.15)
Female	0.993*** (0.061)		
Number of Observations	29,780	2,367	27,422

*, **, *** indicate significance at the 10, 5 and 1 percent level.
 Source: Authors' calculations using PCBS Labor Force Surveys

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ENDNOTES

1. At the time of writing, the 2007 data had not been fully processed for both the West Bank and Gaza Strip. Preliminary figures have been released for the Gaza Strip, but final calculations have not been completed due to the current political schism between the West Bank and Gaza and the blockade on the Gaza Strip by Israel.
2. U.S. Census Bureau International Data Base (2008), based upon World Bank and PCBS estimates. <http://www.census.gov/ipc/www/idb/>.
3. See Khawaja (2000) for a description of the various factors that caused Palestinian fertility rates to remain high throughout the 1980s and into the 1990s.
4. For more information, please refer to the UNRWA website: <http://www.un.org/unrwa/programmes/education/index.html>.
5. Note that there is a significant degree of seasonal variation in schooling rates. There is a higher level of schooling found during the third and fourth quarters of the year simply due to construction of the sample and the question from the survey. The survey asks for the total number of completed years (in whole years), thus more respondents will have completed their previous schooling years in quarters 3 and 4 since they are not still participating in the previous year. The sampling frame includes all residents 15 and over. Thus while quarters 1 and 2 will see the arrival of new 15 year olds, it will not see any new grade completions until quarter 3 when the school year has been completed.
6. The PCBS Labor Force Surveys are a quarterly measure of all labor market activity and contain roughly 10,000 households per quarter.
7. If we look at young men aged 15 to 24, the ratio is closer to 2. Fifteen to 19 year old men suffer from the highest rates of unemployment and the unemployment rate decreases as men get closer to the age of 30.
8. Authors' calculations based on the PCBS Labor Force Survey for 2006.
9. Note that the PCBS data come from the same sampling frame as the PCBS labor force survey, so it contains all workers and not the smaller sample found in the Conditions of Graduates survey.
10. For a full description of the issues with the PCBS labor force data that preclude using earlier years, see Aranki and Daoud (2006), which uses a very similar methodology as the one presented in this section.
11. See Diwan and Shaban (1999) for more details about the Palestinian economy during this time.
12. Since this is the median age for those men and women who do get married, it does not entirely capture the delay that may be occurring if there has been an increase in the number who never get married.
13. These data for the 1970 to 1979 cohort may be skewed. Since some members of this group were relatively young in 1995 when the data were collected, one might expect marriages that occurred at older ages (and thus after the time at which the data were collected) to be less likely to involve family members.
14. Young men and women have differing opinions about other factors for choosing a partner. About 47 percent of men considered beauty to be an important factor, compared to 13 percent of women. In addition, eight percent of men considered a potential partner's financial security as important, compared to 36 percent of women.
15. This unemployment rate represents the situation right before the conflict that began at the end of December 2008 in Gaza. See Palestinian Central Bureau of Statistics (2009).

ABOUT THE MIDDLE EAST YOUTH INITIATIVE

Our Mission

To develop and implement a regional action plan for promoting the economic and social inclusion of young people in the Middle East.

Creating Alliances for Maximum Progress

The Middle East Youth Initiative's objective is to accelerate the international community's ability to better understand and respond to the changing needs of young people in the Middle East. By creating an international alliance of academics, policymakers, youth leaders and leading thinkers from the private sector and civil society, we aim to develop and promote a progressive agenda of youth inclusion.

The Middle East Youth Initiative was launched in July 2006 by the Wolfensohn Center for Development at the Brookings Institution in partnership with the Dubai School of Government.

Connecting Ideas with Action

The initiative blends activities in an attempt to bridge the divide between thinkers and practitioners and utilizes robust research as a foundation for effective policy and programs. The initiative has three complementary pillars:

Research and Policy: Pathways to Inclusion

With this initiative, cutting-edge research advances the understanding of economic and social issues affecting young people. The main target group is youth 15 to 29 years old, with a special focus on young men and women who live in urban areas and have secondary or post-secondary education. In addition to addressing needs of older youth, the initiative will also focus on strategies for promoting development of youth 15 years and under in areas such as primary education, skills development and community participation.

The research framework focuses on youth making two major transitions to adulthood: i) the transition from education to employment; and ii) the transition to household formation (marriage and family). Research will concentrate on strategies to achieve inclusion in:

- Quality education
- Quality employment

- Marriage
- Housing
- Civic participation

Our goal is to examine the relationship between economic and social policies and generate new recommendations that promote inclusion.

Advocacy and Networking: Creating Vital Connections

The initiative aspires to be a hub for knowledge and ideas, open to all stakeholders who can make change happen. Strong partnerships with policymakers, government officials, representatives from the private sector and civil society organizations, donors and the media will pioneer forms of dialogue that bridge the divide between ideas and action. By bringing in the voice and new perspectives of young people, the initiative will revitalize debate on development in the Middle East.

Practical Action: Life-Changing Impact

Outcomes matter. With a focus on areas with the greatest potential for innovation and impact, the initiative will mobilize partners for practical action that can improve young people's lives. The initiative will help develop policies and program interventions which provide youth with skills, expand opportunities for employment and facilitate access to credit, housing and civic participation.

ABOUT THE WOLFENSOHN CENTER FOR DEVELOPMENT

The Wolfensohn Center for Development at the Brookings Institution was founded in July 2006 by James D. Wolfensohn, former president of the World Bank and member of the Brookings Board of Trustees.

The Wolfensohn Center for Development analyzes how resources, knowledge and implementation capabilities can be combined toward broad-based economic and social change in a four-tier world.

The following principles guide the center's work:

- A focus on **impact, scaling-up and sustainability** of development interventions
- Bridging the gap between **development theory and practice** to bring about action
- Giving **voice** to developing countries, with high-level policy engagement and
- broad networking
- A **rigorous, independent research** approach that draws from multiple disciplines
- Working in **partnership** with others

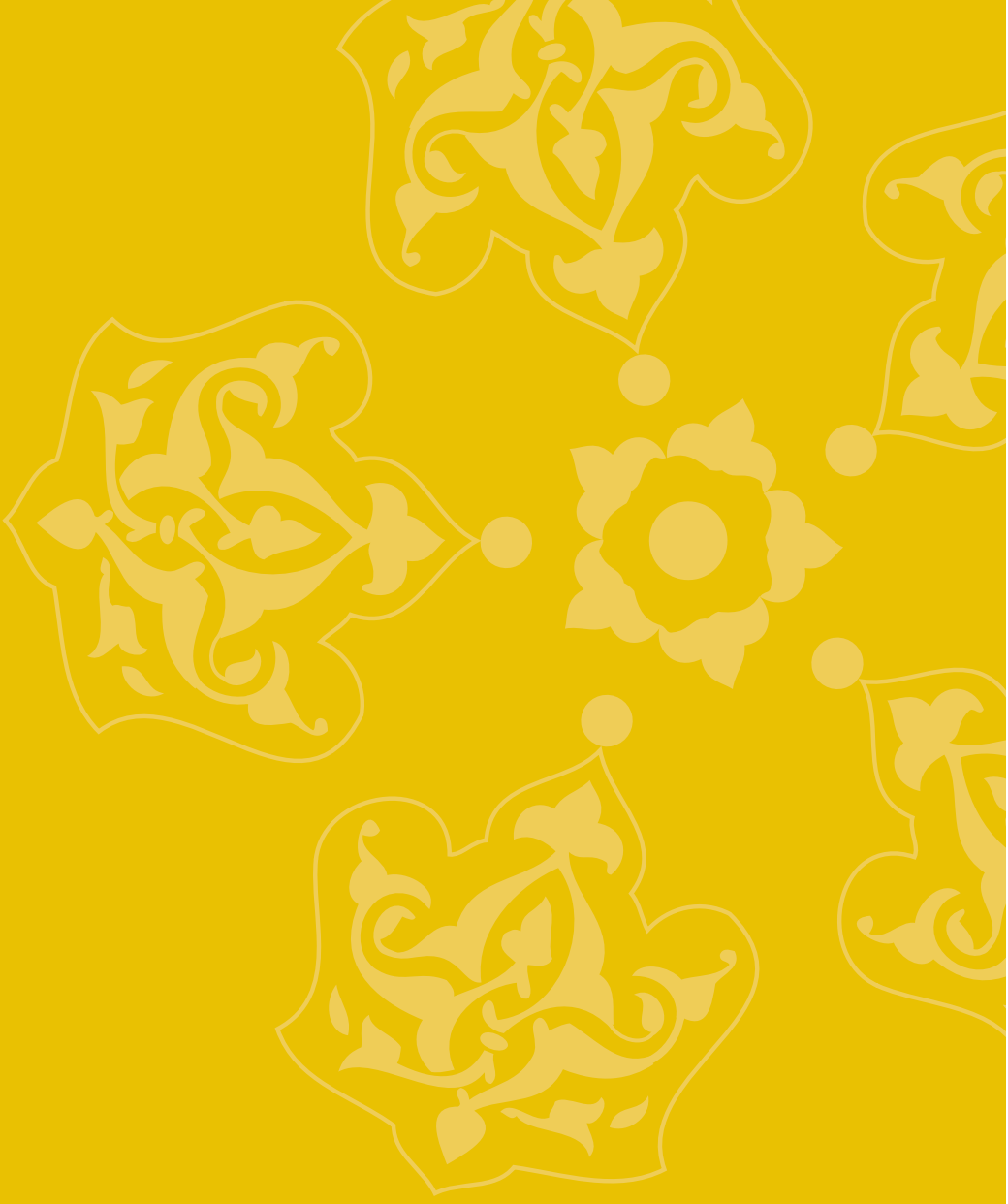
ABOUT THE DUBAI SCHOOL OF GOVERNMENT

The Dubai School of Government is a research and teaching institution focusing on public policy in the Arab world. Established in 2004 under the patronage of HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai, the school aims to promote good governance by enhancing the region's capacity for effective public policy.

Toward this goal, the Dubai School of Government collaborates with international institutions such as Harvard University's John F. Kennedy School of Government and the Lee Kuan Yew School of Public Policy in its research and training programs. In addition, the school organizes policy forums and international conferences to facilitate the exchange of ideas and promote critical debate on public policy in the Arab world.

The school is committed to the creation of knowledge, the dissemination of best practice and the training of policy makers in the Arab world. To achieve this mission, the school is developing strong capabilities to support research and teaching programs including:

- Applied research in public policy and management
- Masters degrees in public policy and public administration
- Executive education for senior officials and executives
- Knowledge forums for scholars and policy makers



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