

Foreword

The Center for Development Studies (CDS) is pleased to present the study *Measuring Slack In The Palestinian Labor Market*. By thoroughly reviewing ILO guidelines, international common practices and PCBS methodology, the study addresses critical issues related to the current measurement of the standard and relaxed unemployment rates and offers valuable insight and recommendations that suggest a need for change in the current way the rates are calculated. The study also potentially resolves the enigma of relatively low participation labor force rate in the WBGS, which, according to the study, is likely to be due to measurement issues and not behavioral differences.

Based on a nationwide survey recently conducted by CDS, the study also sheds light on the world of those who are currently considered to be outside the labor force. The study's findings show that many of them are not only able and ready to work, but are able and ready to work now. These findings underscore the severe environment the Israeli occupation inflicts on the general Palestinian population.

I would like to thank and congratulate the principal researcher, Garry Sotnik, and the others from the CDS research and survey teams who worked together to produce this study. I would also like to express gratitude to our partners Friedrich Ebert Stiftung and the Ford Foundation who funded the research effort.

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Abstract

The paper compares the ILO guidelines, international common practices and the PCBS methodology for deriving the standard and relaxed unemployment rates and concludes that the PCBS methodology is not in line with international common practices and does not reflect the Palestinian search patterns. As the result, it potentially understates the standard and relaxed unemployment rates. The paper also reviews and analyzes a new nationwide survey aimed at understanding the relationship between those out of the labor force and the labor market. The results show frequent interaction between a significant portion of those out of the labor force and the labor market, as well as their ability, willingness and readiness to work. Lastly, the paper suggests a preliminary framework for categorizing those out of the labor force that allows for in-depth analysis of supplementary indicators of labor underutilization

1. Introduction

The unemployment rate is one of the most closely-watched economic indicators. Although its insightfulness is increasingly questioned among labor economists, it is still used by policy makers as a gauge for slackness within the labor market and, more importantly, as a proxy for the slackness in the economy overall. The Palestinian Central Bureau of Statistics (PCBS), which conducts a nationwide Labor Force Survey (LFS) on a quarterly basis, defines the unemployed as those work-age individuals who were not employed or temporarily absent from work, but were able, ready and searching for work within the week prior to the survey (2006: 137). PCBS also includes in the unemployment category non-working individuals who provided one of a set of preselected reasons for not searching during the prior week.

With the aim to measure the unemployment rate, the PCBS (2006) employs the labor force framework and categorizes the Palestinian population into three mutually exclusive and exhaustive categories. Utilizing a set of priority rules, the framework first determines those who are currently active in the labor market, i.e. who are in the labor force, and then those who are currently inactive in the labor market, i.e. are out of the labor force. Those in the labor force are work-age individuals who are either employed, i.e. have worked for at least one hour during the prior week, or are unemployed, as defined above. The framework gives precedence to the employed over the unemployed category and to the 'in the labor force' over the 'out of the labor force' category.

As result of the unemployment definition described above, only 41.6% (870,402) of work-age Palestinians is categorized as participating in the labor force (PCBS 2008). This percentage is significantly lower than the average (56.4%) in developed European countries and is also below the average (53.7%) in the MENA region (Kapsos 2007). This phenomenon is counterintuitive, considering the relatively high level of education in the West Bank and Gaza Strip (WBGS). A number of studies (Hammami 1998; Daoud 1999; ILO 2006; Kuttab 2006; Botmeh & Sotnik 2007) since the late 1990s have in varying degrees addressed this conundrum with limited success.

This paper investigates the efficiency of the PCBS definition of unemployment and creates a framework for analyzing in greater depth

labor market slackness by developing a better understanding of the relationship between the labor market and those 58.4% of work-age Palestinians who are currently considered as being out of the labor force. In other words, the paper aims to shed light on the extent to which those categorized as out of the labor force are indeed out of the labor force.

The paper is separated into four sections. The first section reviews and where appropriate analyzes the International Labor organization (ILO) guidelines, international common practices and the PCBS methodology for calculating the standard unemployment rate. The second section does the same for the relaxed unemployment rate. The third section studies the relationship between those out of the labor force and the labor market by reviewing and analyzing results of a nationwide survey conducted particularly for this study. The fourth section provides a number of preliminary conclusions and recommendations.

2. Standard Unemployment Rate

The unemployment rate aims to measure labor market slackness, which is the labor market's inability to employ all available (able and ready) laborers. The standard unemployment rate in the WBS for Q2 2008 was 25.8% (PCBS 2008), which implies that the labor market was unable to employ roughly one fourth of the currently active labor force. This section reviews and analyzes the methodology utilized to calculate the above unemployment rate in the context of the International Labor Organization's (ILO) guidelines and international common practices.

According to the ILO (1982; Husmanns 2007: 13-16) guidelines, the unemployment category is defined by three criteria that must be met simultaneously. Unemployed are all those work-age individuals who are:

1. not employed,
2. are available (able and ready) for employment, and
3. are searching for employment.

The ILO clarifies that the above definition is based on an individual's "particular activities during a specified reference period ..." and therefore "may differ from statistics on registered unemployment ...", which reflect the number of individuals who registered as unemployed at a government labor office.

The 'not employed' criterion aims to distinguish between those who are categorized as employed and not employed. Therefore, an individual without work is one who "did not work at all during the reference period ...", with the reference period typically being the week prior to the survey.

The 'available for employment' criterion aims to exclude from the unemployment category those individuals who are searching for work for a later date, as well as those individuals who are not able to work, be it due to household responsibilities or illness. Therefore, ability and readiness "for work means that, given a work opportunity, a person should be able and ready to work."

The last criterion – searching for work – assures that the individual has "taken specific steps in a specified recent period to obtain work. The recent period specified for job search activities need not be the same as the basic survey reference period of one week or one day, but might be longer.

The 13th ICLS did not specify the length of the job search period. It left its determination open to countries. In practice, most countries define the job search period in terms of the last month or the past four weeks. The purpose of extending the job search period somewhat backwards in time is to take account of the prevailing time lags involved in the process of obtaining work after the initial step to find it was made. During these time lags persons may not take any other initiatives to find work.”

The four week reference period for the job search is used by countries such as the United States, Canada and those within the European Union (Sorrentino 2000). The United States, for example, has been applying the four week reference period since 1967: “A time period for jobseeking which extends beyond the survey week itself was selected, since, by its very nature, job hunting does not necessarily involve specific identifiable activity every week. The more typical pattern of behavior probably involves periods of activity (i.e., checking with employers) followed by periods of waiting. Some forms of looking are continuous, i.e., registration with public employment agencies, but others are not. ... The use of a 4-week period for the measurement of jobseeking activity is the shortest of the various alternatives suggested by the Gordon Committee. This was done to minimize the inclusion of persons with very loose attachment to the labor force and to keep the time reference for jobseeking from getting too far out of line with that of jobholders.” (Stein 1967: 4)

The four week job search reference period is also used by countries surrounding the WBS. Countries using the four week period include Israel (CBS 2000), Jordan (DOS 2002), Lebanon (CAS 2006) and Syria (Øvensen & Sletten 2007). The only two governments that use a one week job search reference period instead of the four are that of Egypt and the WBS.

One explanation for why the PCBS uses the one week reference period is that unemployment figures prior to the establishment of the PCBS in 1997 were calculated by Israel’s Central Bureau of Statistics (CBS), which used the one week reference period prior to changing to the four week reference period in 2000. The CBS (2000: 1) used to count as unemployed only those who did not have work “during the determinant week and who had actively sought work during that week by registering at the Labor Exchange of the Employment Service or any other employment office ...”. In other words, instead of using the standard unemployment methodology, Israel previously used the registered unemployment methodology.

For the sake of continuity and comparability, PCBS continued applying the registered unemployment methodology when it took over. However, results from the nationwide survey conducted for this study show that the most common method used to search for work, for both interviewed women (33.0%) and men (49.1%), was inquiring with family, friends and neighbors. While more of the interviewed women checked for employment opportunities with the labor office than men, their number was still relatively low (12.7%). Such a lack of labor office registration in the WBGS strongly undermines any support for using a methodology that is based on a one week reference period.

It is reasonable to expect that inquiry about work with family, friends and neighbors does not occur on a weekly basis. According to the nationwide survey conducted for this study, 44.1% of the surveyed available (able and ready) individuals searched between four weeks and three months prior to the survey, and 68.0% of the able, willing and ready searched between four weeks and one year prior to the survey. What does this mean in relation to the unemployment figures? To answer this question, let us consider a simple exercise.

Let us assume that the dates an individual starts looking for work and the reference week during which the LFS is conducted are random. These assumptions are quite reasonable and are within the set of assumptions made by the PCBS when conducting the LFS. Let us also assume that all unemployed individuals search at least once every four weeks. This will allow us to estimate the proportion of the unemployed a one week method potentially misses in comparison to a four week method. Let then the proportion of individuals who search every n th day during the 30 days of the month be P_n , where $n = 1 \dots 30$. In other words, the average job search duration is: $P_1 * 1 + P_2 * 2 + \dots + P_{30} * 30$.

The methodology based on a one week reference period makes the assumption that the search frequency duration for all unemployed individuals is one week or less: $P_1 + P_2 + \dots + P_7 = 100$ percent. However, if this is not the case, and in the WBGS it is most likely not, then the one week methodology misses $P_8 * \left(\frac{1}{8}\right) + P_9 * \left(\frac{2}{9}\right) + \dots + P_{30} * \left(\frac{23}{30}\right)$ percent of the unemployed.

In the case that the search frequency duration is uniform, i.e. $P_n = \frac{1}{30}$ the one week method on average misses $\frac{1}{30} * \left[\left(\frac{1}{8} \right) + \left(\frac{2}{9} \right) + \dots + \left(\frac{23}{30} \right) \right] = 44.0$

percent of the unemployed population that is captured by the four week method, which would adjust the current unemployment rate (25.8%, 224,236) to 38.3% (400,421). However, since the average job search frequency is much more likely to be skewed toward four weeks, if not longer, the one week method is likely to be missing a much larger percentage of the unemployed and therefore the unemployment rate is likely to be even higher.

Without knowing the distribution of the search frequency duration, but assuming that it is every four weeks or less, it can be said that the use of a one week reference period understates unemployment anywhere from $\left(\frac{1}{8} \right)$ to $\left(\frac{23}{30} \right)$, or 12.5% to 76.7%. In the numbers of the current

unemployment rate (25.8%; 224,236), this puts the adjusted four-week based unemployment rate anywhere between 28.4% (256,270) and 59.8% (962,386); with the West Bank and Gaza Strip adjusted unemployment rates anywhere between 18.2% (109,383) and 45.5% (410,773) for the West Bank and 48.8% (146,887) and 78.1% (551,614) for the Gaza Strip.

It is important to keep in mind, however, that the adjusted unemployment-rate ranges provided above are based on the assumption that unemployed individuals in the WBGS search for work every four weeks or less. This may very well not be the case, with job search frequency extending beyond the four week reference period. Calculations based on a different job search frequency durations would change the ranges. With that being the case, no conclusions should be made without a better understanding of local job search patterns. For the time being, it may be only safe to say that, when taking local most commonly utilized job search methods into account, the use of the one week job search reference period significantly understates the level of unemployment in the WBGS.

The use of a one week job search reference period would not be an issue if the PCBS conducted the LFS on a weekly basis. The entire unemployed population would be captured, regardless of local job search patterns. However, the LFS is conducted once a quarter, which leaves the unemployed unobserved forty eight weeks out of the year, at approximately eleven week intervals. This surveying structure leaves little room for flexibility and is only applicable if the local job search frequency is one week or less.

Another issue is with the inclusion in the unemployed category non-working individuals who provided one of a set of preselected reasons for not searching during the prior week. The LFS survey (2006) asks in its first employment-related question (PW01) if the individual in question had done any kind of work, even casual activities, for a wage, even if it was for an hour in the prior week. If the reply to question PW01 is a *No* (and not due to being disabled, abroad or detained), the questionnaire asks whether the individual assisted someone else in any kind of work, even casual activities (PW02), or was s/he simply absent from work (PW03). If the answers to these follow-up questions are also *No*, the questionnaire asks if the individual was available (able and ready) for work (PW11). If the answer to question PW11 is *Yes*, PW14 asks whether the individual searched for a job in the prior week. If the answer to question PW14 is *Yes*, PW15 inquires about the steps taken to find work. If the answer to question PW14 is *No*, the following nine reasons are offered in question PW16 as acceptable answers to why s/he did not search for a job in the prior week.

4. Had found a job/enterprise that starts later
5. Was waiting for results from previous job applications
6. Had a permit, but closures prevented from searching for work
7. Was not able to obtain a permit to search for work in Israel or the Settlements
8. Had searched for work but with no success
9. Had found a job, but declined due to a mismatch in qualifications
10. Did not search for work due to the current wage/salary being too low
11. Was not looking for work due to another income source
12. Had other reasons

There are a number of issues with the structure of the above question, as well as with considering individuals who provide some of the answers as unemployed. The above set of reasons can be separated into five categories. The first category consists of reason 4. Individuals who provide this reason have successfully completed their job search, but are not employed yet. This transitional state complicates their categorization, since, according to the ILO criteria, they are neither employed nor unemployed. Extending the job search reference period is likely to resolve this issue, unless those who provide this reason are seasonal workers and therefore should be considered out of the labor force as discouraged workers during off-season.

The second category consists of reason 5. Individuals who provide this reason are in their 'waiting' stage of the job search cycle and should be included within the unemployed category.

The third category consists of reasons 6, 7, 8, 9 and 10. The PCBS started counting the individuals who provide these reasons as unemployed during the sharp increases in job loss that started in the 1990s as result of closures to the Israeli labor market, culminating into the joblessness of about 140,000-150,000 Palestinians who previously worked in Israel and the Settlements. Their inclusion in the unemployment category was reasonable at the time, since the closures with Israel seemed temporary; with the individual more likely watching the news for border openings than searching for work locally, especially since local wages are significantly lower than wages in Israel.

The validity of still categorizing these individuals as unemployed is questionable, however, since reasonable expectations on the closures status have shifted from temporary to permanent. Furthermore, the duration of their inactivity is unspecified, which means that their inclusion may capture those who have not searched in years. Therefore, since none of the individuals who provided these answers have searched during the reference period, they should not be included within the standard unemployment category. Instead, they should be included within the relaxed unemployment category, which is discussed in the next section.

The fourth category consists of reason 11. Individuals who provide this reason should not be counted as unemployed. They are not even available for work, which is the second ILO criterion for being categorized as unemployed within the standard definition.

The fifth category consists of answer 12. The majority of individuals who provide reasons that fall within this category are unlikely to qualify for the standard unemployed category.

It is unclear to what extent the use of a one week job search reference period is offset by the above-described miss-categorization. If, at the end, the unemployment category remains understated, this may very well resolve the low labor force participation rate conundrum in the WBGS. The understatement could very well put the adjusted labor force participation rate in line with or even higher than the average participation rates in developed European countries (56.4%) and the MENA region (53.7%).

3. Relaxed Unemployment Rate

While the standard unemployment rate is meant to be clear-cut and objective for the purpose of international comparison, the ILO (Husmanns 2007: 16-17) acknowledges that it “might not fully capture the prevailing employment situation in many countries ... ” and therefore a provision was made that ‘allows for the relaxation of the seeking work criterion in certain situations ... [where] the conventional means of seeking work are of limited relevance, where the labor market is largely unorganized or of limited scope, where labor absorption is at the time inadequate, or where the labor force is largely self-employed.’”

The provision allows for the inclusion within the relaxed unemployment rate of the so-called ‘discouraged workers’, who “are currently available for work but are not [working or] seeking work for particular reasons.” In other words, discouraged workers are available work-age individuals who are not searching and are therefore considered out of the labor force by the standard unemployment definition, but if “given a work opportunity” are “able and ready to work.” It is important to not exclude this group from labor market slack analysis since, as with the unemployed, their existence is a sign of the labor market’s inability to employ available laborers. The ILO does not specify the extent to which the searching for employment criterion should be relaxed and notes that it may be only partial.

OECD (2007: 210) members adhere to a loose definition that generally describes discouraged workers as those able and willing work-age individuals who are not searching for “work because they believe there are no suitable available jobs.” On a country-specific level, however, definitions of discouraged workers differ greatly and are considered incomparable (OECD 1995). Differences result from country-specific perception of questions, the variation in questions asked, their order, extent of relaxation of the job search criterion, whether the availability criterion is relaxed and whether job search history is added as a criterion (OECD 1995).

For example, the United States Bureau of Labor Statistics (Bradbury 2006: 3) defines discouraged workers as “those [available work-age individuals] who have given a job market-related reason for not currently looking for a job, including people who think that no work is available, who could not find work, who lack schooling or training, who say potential employers think they are too young or old, or who believe they have been subject to

other types of discrimination.” In terms of the job search reference period, the BLS uses 12 months, which implies that all not employed but available work-age individuals who have not searched in the prior four weeks due to job market-related reasons but have searched within the prior 12 months are considered as discouraged workers.

The environment within the Palestinian labor market fits the above description of “certain situations” that permit the relaxation of the unemployment measurement. In the WBGS, search practices are generally through informal channels, labor market is fairly unorganized with often limited distinction between formal and informal sectors and there is a clear presence of significant deficiency in labor demand. Furthermore, Israeli imposed checkpoints segment the Palestinian labor market for short and long durations, thereby increasing uncertainty, making previously available work unavailable and hindering the job search.

PCBS identifies discouraged workers in the WBGS through its quarterly Labor Force Survey (LFS). In the survey’s (2006) first employment-related question, PW01, PCBS asks if the individual in question had done any kind of work, even casual activities, for a wage, even if it was for an hour in the prior week. If the reply to question PW01 is a *No* (and not due to being disabled, abroad or detained), the questionnaire asks whether the individual assisted someone else in any kind of work, even casual activities (PW02), or was s/he simply absent from work (PW03). If the answers to these follow-up questions are also *No*, the survey asks if the individual was available (able and ready) for work in the prior week (PW11).

If the answer to PW11 is *No*, and not due to old age, illness, studies or home duties, the individual is included within the relaxed definition of unemployment. If the answer to PW11 is *Yes*, i.e. s/he was available for work in the prior week, but there was a reason that prevented her/him from accepting an offered job opportunity and not due to old age, illness, studies or home duties (PW12), then the individual was also included within the relaxed definition of unemployment.

When added to those captured within the standard definition of unemployment, PCBS’s relaxed unemployment rate includes all work-age individuals who did not work in the prior week (but not due to old age, illness, studies or home duties). In other words, the methodology partially relaxes the availability criterion and fully relaxes the search criterion, capturing those work-age non-working individuals who have either

searched in the prior week, are unavailable to work (but not due to old age, illness, studies or home duties) or are available to work but had a reason that prevented them from working (with the reason not being due to old age, illness, studies or home duties). Who does this formulation capture and is there any group that is missed?

If we accept the assumption that all work-age individuals who haven't searched within the prior week are either unavailable for work (but not due to old age, illness, studies or home duties) or are available but had a reason that prevented them from working (with the reason not being due to old age, illness, studies or home duties), then the above formulation captures all non-working work-age individuals who are not too old or ill, or busy studying or with home-duties. However, there are two issues with that assumption.

Firstly, the discussion in relation to the standard unemployment rate in the previous section showed that a significant portion of those who have not searched in the prior week are available and had no reason that prevented them from working. They simply did not search for work in the prior week because their job search method did not require them to or because they were discouraged due to job market-related reasons. The above formulation misses these individuals. In fact, if we view discouraged workers in line with the BLS definition, then the formulation misses all unemployed and discouraged workers who did not search in the prior week.

Secondly, the formulation offers little insight into the world of discouraged workers. According to the nationwide survey conducted for this study, main reasons for discouragement in the WBGS were inability to find work opportunities (61.9%), loss of permit into Israel (7.9%), and rejection by employers due to a lack of necessary qualifications (6.2%). Understanding the reasons for discouragement and tracking and analyzing changes in them is critical for understanding labor force dynamics.

4. Out of The Labor Force: A Nationwide Study

Research summarized by Summers and Clark (1990) into activity within the United States labor market has shown that unemployment is a dynamic phenomenon with in- and out- flows into the unemployed category coming from both the pool of employed as well as the pool of those out of the labor force. Moreover, they show that in the United States, movement within the labor force, i.e. from being employed to being unemployed and vice versa, accounts for a small portion of the change in unemployment and that much of the movement in and out of the unemployed category comes from out of the labor force. Furthermore, the majority of those who change jobs do not even enter unemployment, while the majority of unemployment spells end by the individual exiting the labor force, only to return again.

This may explain why the extent to which the unemployment rate provides useful insight was being questioned by labor economists long ago (Cullison 1975). For example, a weak job market can discourage workers from participating in the labor force and therefore, *ceteris paribus*, decrease the unemployment rate, while a strong job market can encourage out of the labor force workers to participate and, *ceteris paribus*, increase the unemployment rate.

In summary, the unemployed category is much more closely intertwined with the out of the labor force category than with the employed category, with those captured within the unemployed category representing only the tip of the iceberg of those able and ready to work. If the Palestinian labor market at all displays similar dynamics to the United States labor market, excluding all inactive individuals from labor market analysis ignores the extent of slack in the labor force. With this in mind, the central aim of this study is to gauge the level of attachment of those out of the labor force to the labor market.

The Birzeit University Center for Development Studies conducted a nationwide survey focused primarily on those out of the labor force. The survey's methodology and results are described in the next two sections. The results are accompanied by preliminary analysis.

4.1 Methodology

According to the PCBS 2007 Census, there were 3,767,126 Palestinians living in the occupied Palestinian territory (oPt), with 2,350,583 in the West Bank and 1,416,543 in the Gaza Strip. 55.6% (2,094,384) of them were 15 years of age or older, with 64.5% (1,350,900) in the West Bank and 35.5% (743,484) in the Gaza Strip. 69.1% (1,448,218) of those 15 years of age and above were not working. There were 646,755 households in the WBGS, 427,533 in the West Bank and 219,222 in the Gaza Strip.

4.1.1 Sample

From the above population, a sample of 2,130 households was randomly selected, with 1,458 households in the West Bank and 672 in the Gaza Strip. Each population location was divided into sampling cells, with each cell comprised of approximately 200 households. Households were randomly selected according to a specified sampling interval. The ratio of male to female participants was set at 50:50. This sample size allows for dissemination on four levels, three in the West Bank and one in the Gaza Strip, with margin of error at approximately 2.5% at the aggregate West Bank level and approximately 4.0% on each level of dissemination. The margin of error was adjusted for the design effect.

Participants had to meet the following criteria. They had to be:

1. within the age group of 15 to 60,
2. not employed,
3. have not searched for work in the prior four weeks, and
4. have not been in school or training in the prior four weeks.

Criteria 1 and 4 allow for the exclusion of more obvious cases in order to focus on the ones we know less about. For example, work-age individuals older than 60 years old were excluded because their reason for not working is likely to be related to their old age. In Criterion 2, employed was defined as participating (for pay or free) in a short- or long- term income-generating activity. Four weeks was used as the reference period in Criterion 3 in adherence with international common practices. For the above mentioned reasons, the sample is not representative of those out of the labor force as defined by the PCBS and instead represents a segment of that population that met the above-provided criteria.

Five regions were constructed of the following governorates:

1. North of the West Bank: Jenin, Kalkilya, Nablus, Salfit, Tubas and Tulkarm;
2. Center of the West Bank: Jericho, Jerusalem and Ramallah;
3. South of the West Bank: Bethlehem and Hebron;
4. North of the Gaza Strip: Gaza and North Gaza; and
5. Center and South of the Gaza Strip: Deir Al Balah, Khan Younis and Rafah.

The regions were constructed in order to capture economic, geographic, political and at times even cultural differences. A weakness in such segmentation, however, is that differences in locality types within each region are significant and are likely to be lost with the combination. An example is the combination of Jericho and Ramallah in the Center of the West Bank region.

In order to account for these differences, three locality types were identified:

1. Urban area;
2. Rural area; and
3. Refugee Camps.

However, this combination also has its flaws. For example, Ramallah and Nablus are both considered urban areas, while the economic, political and even cultural differences between the two are significant.

4.1.2 Questionnaire

The questionnaire consisted of 67 multiple-choice questions organized in eight modules. The modules' themes were as follows:

- a. The *Last Search Experience* module inquired about the individual's prior search experience.
- b. The *Last Employment Experience* module inquired about the individual's prior work experience. Informal work is defined by no written contract and irregular payment and work hours.
- c. The *Why Not Searching for Work* module inquired about the individual's reasons for not searching for work.
- d. The *Experience of Not Working* module inquired about how the individual was affected by joblessness.

- e. The *Value of Work* module inquired about the individual's value of work.
- f. The *Employment Readiness* module inquired about the individual's readiness to start work.
- g. The *Household Roster* module collected information about the individual's household.
- h. The *Individual Roster* module collected information about the individual's demographics.

It took 80 field researchers and three days (August 29-31, 2008) to conduct the questionnaire.

4.2 Results & Analysis

This section reviews and analyzes the results of the nationwide survey conducted for this study and described above.

4.2.1 Previous Activity

27.6% of interviewed women searched at some point in the past, with 10.9% of them having searched in the prior 3 months, 14.7% in the prior 6 months and 19.6% in the prior year. The area where the highest percentage of women searched in the past was the Center of the West Bank (35.4%), while the area where the lowest percentage has searched was in Urban Gaza Strip (20.9%). Finding the highest search rate in the Center of the West Bank is not surprising, since that is also where the highest number of jobs is.

In the case of men, 84.7% of them have searched in the past, with 41.9% in the prior 3 months, 44.4% in the prior 6 months and 56.1% during the prior year. These numbers suggest that both the standard and the relaxed unemployment rates would increase significantly if a three month and a twelve month job search reference periods were used instead of the current one week reference period.

Before ending their search, 33.4% searched for less than 3 months while 46.9% searched for more than 6 months and 32.5% searched for longer than one year. These are significant durations. However, only 21.5% of women and 16.0% of men who searched found work during their last search. Rural Gaza Strip offered the highest chance of finding work (30.0%), while urban Gaza Strip offered the lowest, with 15.6% for women and 6.4% for men.

The most common method used to search for work, for both women (33.0%) and men (49.1%), was inquiring about work with family, friends and neighbors. For women, this method was particularly common in rural Gaza Strip (53.8%) and in the South of the West Bank (55.1%). It was the least common in the North of the West Bank (18.8%). Women also inquired with new potential employers (13.0%) and checked with the labor office (12.7%). Checking with the labor office was especially popular in the Gaza Strip, both with women (24.9%) and men (13.4%). This is in comparison to 4.6% of women and 4.7% of men checking with the labor office in the West Bank.

24.6% of West Bank and 13.9% of Gaza Strip women have been employed. The highest number of women that were employed is in the Center of the West Bank (35.2%), while the lowest is in the urban areas of the Gaza Strip (11.9%). 82.2% of men have been employed, with the highest percentage being from the Center of the West Bank (91.1%) and the lowest being in the North of the West Bank (71.9%).

The time of last employment differed greatly. In the urban areas of the Gaza Strip, 78.8% of women had worked in the past three months, while in the rural areas of the West Bank, 57.0% of women who worked did so more than five years ago. With men, the time since last employment was spread out more evenly, with 53.9% of interviewed men in the North of the Gaza Strip having worked anywhere from one to five years ago, while in the West Bank refugee camps 29.2% worked more than five years ago.

21.3% of women and 28.5% of men worked for less than three months at their most recent job, while 42.2% of women and 43.6% of men worked for more than one year. In the South of the West Bank and in the Center and South of the Gaza Strip, or, in the case of the Gaza Strip, in Gaza rural areas, between 35-43% of both women and men worked for less than three months at their most recent job.

69.3% of West Bank and 49.6% of Gaza Strip interviewed women did not have a written contract with their employer, while 85.6% of men in general did not have a contract. The highest chance of having a written contract with an employer was in the Center of the West Bank (26.5%) and the lowest was in the refugee camps of Gaza Strip (7.6%). This suggests that the use of written contracts is predominantly limited to office jobs, which are heavily concentrated in the Center of the West Bank. Payment frequency varied greatly. Among women, 28.7% received payment weekly or more frequently. Among men, 55.3% in the West Bank and 66.1% in

the Gaza Strip received their payment weekly or more frequently. The combination of a lack of contracts and relatively frequent payment schedules suggest a high degree of informal employment practices.

In the West Bank, the most common previous-employment types for interviewed women were as employees for the private sector (43.5%), public sector (15.6%) or self-employment (11.2%). In the Gaza Strip, the most common employment types for interviewed women were as employees in the private sector (31.1%), with UNRWA (10.9%) or at Local NGOs (9.9%). It is worth noting that UNRWA has a much larger presence in the Gaza Strip than in the West Bank.

In the West Bank, the most common previous-employment types for interviewed men were as employees for the private sector (35.7%) or self-employment (15.0%). In the Gaza Strip, the most common employment types for interviewed men were as employees for the private sector (27.7%), self-employment (16.4%) or as employers (11.8%). Not finding significant numbers of employees from the public sector among those interviewed suggests the sector's resilience to the economic shocks that occurred and reoccurred with the Second Intifada.

The most common previous-employment work for both women and men was in small manufacturing, with construction being the second most popular for men. 80.9% of interviewed women who worked in the past did so in the oPt¹ while 10.0% of them worked from home. With men, 67.6% of those interviewed who previously worked did so in the occupied Palestinian territory, while 26.4% worked in Israel.

In summary, significant numbers of those interviewed, and particularly men, explore for extended periods of time job opportunities, with the majority ending their search without finding work. Out of those who worked, a significant portion has work experience.

4.2.2 Why Currently Inactive?

A number of theories have been developed to explain what determines an individual's labor force participation decision. In labor economics, the reservation wage is most commonly used. The choice between working and leisure is thought to be based on the individual's perception of the favorability of the market wage and her/his unique preferences that are

¹ Excluding Settlements.

subject to a number of constraints, such as time, non-wage income and market prices of goods and services. The market wage and the individual's preferences and constraints guide her/his choice between work and leisure, and, in turn, determine the level of her/his labor force participation.

Since earnings forgone by not working are the opportunity cost of consuming leisure, the individual is thought to choose to participate in the labor force only if the market wage is greater than the marginal rate of substitution between the consumption of leisure and goods and services. The wage which equals the marginal rate of substitution of consumption of goods and services and leisure is referred to as the reservation wage. If the market wage falls below an individual's reservation wage, s/he is expected not to participate in the labor market. The differences in market wage faced by each individual are thought to depend primarily on her/his marginal productivity. Those individuals perceived by employers as more productive are paid a higher market wage.

73.9% of Palestinians who were interviewed said that their lack of search is not a consequence of their lack of desire to work. For women, this number is 60.5% and for men it is 88.1%. This number was the highest among Gaza Strip men (91.9%), and among men in West Bank refugee camps (92.6%). Among the Gaza Strip men, the highest was also in the refugee camps (93.6%). It was the lowest among women living in the North of the Gaza Strip (53.8%). These results strongly undermine the PCBS (2006: 141) assumption that inactive individuals “don't have any desire to work”.

For the interviewed women, the most common reason for not searching is full-time household responsibilities, with household chores and looking after the children being the primary tasks that keep them busy. However, 66.3% of them in the West Bank and 53.8% of them in the Gaza Strip said that they would look for work if they did not have household responsibilities. The second two most common reasons for why they are not searching are either discouragement about work prospects or getting married or becoming pregnant, and the third is because there is at least one member of the household who does not allow them to work, with nearly three times out of four it being the spouse. More than one third of the women who said they are not working because at least one member of the household does not allow them said that they would work if they were allowed. For men, the most common reason for not searching is discouragement about work prospects. With the second two being disability or waiting for results from previous job applications.

34.1% of women in the West Bank were discouraged because employers told them that their skills were too low. 33.3% were discouraged because there is no work available and 10.9% were discouraged because employers told them they were too old. In the Gaza Strip, 56.2% of women were discouraged because there is no work available, 19.1% were discouraged because employers told them their qualifications were too low, while 9.1% were told that they are too old.

The geographic location where the highest number of people blamed lack of work availability as their main reason was the Center and South of the Gaza Strip (60.7%) or, from a different perspective, in the Gaza Strip refugee camps (60.3%). The location where it was claimed the least was in the Center of the West Bank (23.0%). The Center of the West Bank was also the region where low wages were noted as a cause of discouragement, but only for 8.7% of the women living there. Interestingly, wage in most cases plays an insignificant role. The situation where it does play a role, at least for women, is where there seems to be the highest labor demand. Low qualification was a high reason in the South of the West Bank for 39.7% of women there. The Center and South of Gaza Strip (10.7%) or the rural areas of the Gaza Strip (6.5%) is where low qualification was the lowest cited reason for discouragement out of all the locations.

42.8% of West Bank discouraged blamed their discouragement on no work availability. 11.9% said they were discouraged because they lost their permit into Israel. 9.6% said they were discouraged because they were told by employers that they are too old. In the Gaza Strip, 72.4% said they were discouraged due to lack of work and 10.7% blamed their discouragement on the loss of permit to get into Israel, which means that, overall, 83.1% were discouraged due to lack of work.

Those living in the rural areas of the Gaza Strip cited a lack of work as the main reason for their discouragement (76.5%), while only 40.5% of those from the Center of the West Bank cited it. In terms of permits into Israel, 14.1% cited it in the South of the West Bank. The place where the highest percentage of people cited low wages was the Center of the West Bank (7.4%). This may be a result of high prices in the Center of the West Bank, where Ramallah is situated.

4.2.3 Employment Readiness

When asked if they are willing and able to work now, 63.3% of those interviewed answered *Yes* and 55.7% said they are not doing anything

important that would prevent them from working now. In the Gaza Strip, 69.9% of men and women said they are willing to work now. The number is higher for men in general, with 84.7% of men saying that they are willing to work now. This number was even higher for Gaza Strip men, at 91.3%, with it being as high as 95.7% in Gaza Strip refugee camps. For women, the number was much lower, at 43.3%. It was the lowest (30.6%) among women living in the South of the West Bank. This further suggests that a significant portion of those currently out of the labor force are willing to work and now.

When asked how many hours they would be willing to work, 91.3% said they would be willing to work 30 or more hours per week, while 67.6% said they would be willing to work more than 40 hours per week. The largest portion (34.9%) of interviewed women would like to work between 31 and 40 hours per week, with as much as 61.5% of women ready to work more than 30 hours per week. This number increases significantly among interviewed men, with 51.3% willing to work between 41 and 50 hours per week and 90.9% willing to work more than 30 hours per week. The number is particularly high among interviewed Gaza Strip men, with 60.2% willing to work between 41 and 50 hours per week, and 95.6% willing to work more than 30 hours per week.

Employment type varied significantly. West Bank women preferred to be employees in the public (32.3%) and private (27.8%) sectors, while women in the Gaza Strip preferred to work mainly at UNRWA (38.8%) or the public sector (23.1%). Interviewed West Bank men preferred to work in the private sector (24.1%) or be self-employed (20.9%), but also were interested in working in the public sector (16.2%) and being employers (14.0%). Interviewed Gaza Strip men were willing to work in the public sector (19.6%) or at UNRWA (18.9%), but also were interested in being self-employed (17.7%), employees in the private sector (14.1%) or employers (12.5%).

The sectors of choice also varied greatly. Women in general preferred to work in small manufacturing (15.0%), with this being more the case among Gaza Strip women (19.0%) and particularly among women in the Gaza Strip rural area (26.9%). Some women in the West Bank (8.4%) also preferred working in retail. Men in general preferred to work in construction (23.1%) as well as small manufacturing (15.0%). The willingness among men to work in construction was particularly high in the rural areas of the Gaza Strip (37.0%) and the West Bank (29.0%), and in the South of the West Bank (29.8%).

Preference of where to work also differed. 77.7% of interviewed women were willing to work in the oPt², while 16.0% were willing to work at home. Willingness to work at home was particularly high among women in the South of the West Bank (28.6%) or the West Bank rural area (23.5%). For men, the preferred place of work was also oPt (63.7%), but also Israel (24.8%). Preference to work in Israel was particularly high among interviewed men in the North of the Gaza Strip (29.7%).

25% of women said that they would be willing to relocate for work while 56% of men expressed willingness. Women living in the Gaza Strip refugee camps were the highest among women to be willing to relocate for work (32.8%), while women living in the Center of the West Bank were the lowest (16.8%). Men living in rural Gaza Strip were the most willing among men to relocate (76.9%), where as men living in Center of the West Bank were the least willing (50.3%).

In summary, the majority of those interviewed rejected the notion that their search status defines their willingness to work. Furthermore, the majority stated their willingness to not only work, but to work now.

Only 23.5% of women believe that they would be more satisfied with their lives if they had a job, while 5.7% of men believe the same. 23.1% of West Bank and 15.9% of Gaza Strip women are concerned with their financial situation. The highest concern (31.8%) from women was in the Center of the West Bank. 9.8% of West Bank and 8.4% of Gaza Strip men are concerned with their financial situation.

50.5% of West Bank and 54.7% of Gaza Strip women, if they could, would work because they enjoy working. 68.8% of West Bank and 89.3% of Gaza Strip men, if they could, would work because they enjoy working. 57.5% of West Bank and 63.0% of Gaza Strip women if could, would work because working would develop their skills. 70.5% of West Bank and 85.5% of Gaza Strip men if could, would work because working would develop their skills. 64.2% of West Bank and 61.9% of Gaza Strip women if could, would work because working allows them to interact with other people. 77.8% of West Bank and 89.7% of Gaza Strip men if could, would work because working allows them to interact with other people.

67.2% of West Bank and 61.0% of Gaza Strip women if could, would work because working would increase their self-esteem. 75.3% of West Bank and 89.5% of Gaza Strip men if could, would work because working would increase their self-esteem. 67.5% of West Bank and 70.6% of Gaza Strip women if could, would work because they need money. 90.1% of

² Excluding Settlements.

West Bank and 96.6% of Gaza Strip men if could, would work because they need money. 24.8% of West Bank and 32.3% of Gaza Strip women if could, would work because they feel ashamed about not working. 66.1% of West Bank and 84.7% of Gaza Strip men if could, would work because they feel ashamed about not working. 34.4% of West Bank and 48.5% of Gaza Strip women if could, would work so that other people will respect them. 61.8% of West Bank and 88.5% of Gaza Strip men if could, would work so that other people will respect them.

4.3 Categorization

As mentioned earlier, usefulness of the unemployment rate as a gauge for labor market or economic slack is increasingly questioned. Supplementary indicators are necessary to paint a fuller picture.

The survey results described in the previous section provide the information needed to develop a preliminary categorization of work-age individuals in relation to the labor market. As previously mentioned, such a categorization allows for the development and analysis of supplementary indicators of labor underutilization and in general helps labor analysts and policy makers to better understand labor market dynamics.

The aim is to create a flexible and useful framework for categorizing the work-age population that allows for easy formulation of various indicators. This implies that basing the framework on rigid and potentially debatable categories should be avoided. For example, the framework should not be grounded within predefined concepts such as in or out of the labor force, since, as Sorrentino(1993) showed, which groups comprise the labor force is still debatable and a matter of preference. It should also not be grounded within concepts such as the marginally attached, since the subcategory (which includes discouraged workers) suggests exclusion from the labor force. At the same time, the framework should allow for easy derivation of as many useful categories and subcategories as possible, including the ones just mentioned above.

With this in mind, a useful way to categorize individuals is based on the status of their activity, ability, willingness and readiness to work. The four characteristics and various groupings of them allow for the categorization of the entire work-age population and provide enough flexibility for the derivation of the most useful indicators. The below table provides the preliminary categorization going seven levels deep.³

³ An attempt was made to integrate the study's findings with those of the most recent LFS and Census data. The attempt turned out fruitless due to various inconsistencies between the three data sources.

Table 1: Suggested framework for categorizing those out of the labor force

Category	WBGs	Territory		Gender		Age		
		WB	GS	F	M	15 - 29	30 - 44	45 - 60
A: Work-age population								
A.1: 15< years old								
A.2: 60> years old								
A.3: Work-age population								
A.3.1: Active								
A.3.1.1: Employed								
A.3.1.2: Unemployed								
A.3.2: Inactive								
A.3.2.1: Able and willing	65.8%	63.1%	71.6%	44.4%	91.5%	74.6%	59.2%	55.4%
A.3.2.1.1: Ready	72.4%	72.7%	71.7%	64.5%	77.0%	73.8%	69.8%	72.7%
A.3.2.1.1.1a: Discouraged	69.7%	64.8%	78.9%	57.3%	75.7%	66.3%	73.9%	77.1%
A.3.2.1.1.2a: Other	30.3%	35.2%	21.1%	42.7%	24.3	33.7%	26.1%	22.9%
A.3.2.1.1.1b: Discouraged	74.2%	71.0%	81.2%	65.9%	76.7%	74.2%	78.9%	83.1%
A.3.2.1.1.1b.1: No jobs available	61.9%	50.6%	83.9%	64.3%	61.2%	61.9%	55.1%	50.0%
A.3.2.1.1.1b.2: Lost permit into Israel	7.9%	9.4%	4.9%	0%	9.9%	7.9%	11.7%	18.6%
A.3.2.1.1.1b.3: Qual'ns are too low	6.2%	7.6%	3.5%	8.0%	5.7%	6.2%	7.2%	1.9%
A.3.2.1.1.1b.4: Other	24.0%	32.4%	7.7%	72.3%	23.2%	24.0%	26.0%	29.5%
A.3.2.1.1.2b: Other	25.8%	29.0%	18.8%	34.1%	23.3%	25.8%	21.1%	16.9%
A.3.2.1.2: Unready	27.6%	27.3%	28.3%	35.5%	23.0%	26.2%	30.2%	27.3%
A.3.2.1.2.1: Studying or training								
A.3.2.1.2.2: Full-time household resp.								
A.3.2.1.2.3: Other								
A.3.3: Able								
A.3.3.1: Other sources of income								
A.3.3.2: Other								
A.3.4: Unable								
A.3.4.1: Ill or disabled ⁴								
A.3.4.1.1: Temporarily ill or disabled								
A.3.4.1.2: Permanently ill or disabled								
A.3.4.2: Other								

⁴ Percentages in this column are based on the interviewee's response to the statement: *I am not searching for work because I became permanently ill or disabled*. The answer *True* included the interviewee in the percentage.

The proposed categorization conveniently allows for insightful in-depth analysis. Using the above table, a researcher can derive the international unemployment rate by dividing A.3.1.2 by A.3.1. The relaxed unemployment rate may be derived by dividing the sum of A.3.1.2 and A.3.2.1.1 by the sum of A.3.1 and A.3.2.1.1. A researcher can also easily calculate, for example, the percentage of discouraged who blame their discouragement on their under qualification. Tracking this percentage over time may be a good indicator for the effectiveness of various pro-education policies.

The categorization on the sixth and seventh levels is based on the nationwide survey conducted for this study and reviewed in the previous section of this paper. SPSS 16.0 was used to identify the most relevant categories and calculate the respective percentages. Question WNS13e: *I am not searching for work because I became temporarily ill or injured* and WNS13f: *I am not searching for work because I became permanently ill or disabled* were used as proxies for the individual's ability to work; question ER28: *I would like to work now* was used as a proxy for the individual's willingness to work, and question ER27: *I am not doing anything important that would prevent me from working now* was used as a proxy for the individual's readiness to work.

A.3.2.1: Based on the above-described methodology, 65.8% of the inactive population from age 15 to 60 was able and willing to work. The percentage of those able and willing was higher in the Gaza Strip (71.6%) than in the West Bank (63.1%). It was especially high among men (91.5%) and among younger individuals (74.6%).

A.3.2.1.1: Among those able and willing, 72.4% was also ready to work. This percentage was higher among men (77.0%) than women (64.5%).

A.3.2.1.1.1a: From those who are able, willing and ready, 69.7% blamed discouragement as the main reason for not searching.

A.3.2.1.1.1b: From those who are able, willing, and ready and have searched within the past year, 74.2% blamed discouragement as the main reason for not searching. The difference between this subcategory (b) and the previous one (a) is that the previous one is based on the entire population of work-age able, willing and ready individuals while this subcategory is based on the population of work-age able, willing and ready individuals who searched in the prior year. As expected, a greater percentage of those who have searched within the prior year is discouraged

due to a lack of job prospects since it is unlikely that an individual who hasn't searched in the prior year even knows the labor market situation. This number is particularly high in the Gaza Strip (81.2%) and among those aged from 45 to 60 (83.1%).

A.3.2.1.1.1b.1-3: The primary reason for discouragement is no jobs being available (61.9%). This cause for discouragement is much higher in the Gaza Strip (83.9%) than it is in the West Bank (50.6%). The second most cited cause for discouragement was the loss of a permit into Israel. It was only cited by men (9.9%), especially those aged from 45 to 60 (18.6%). Employers claiming that the individual's qualifications are too low was the third most common cause of discouragement (6.2%). This cause was particularly high among women (8.0%) and particularly low among those aged from 45 to 60 (1.9%).

Deeper levels beyond the six may be created as well as additional intermediate levels may be added. For example, a category for those incarcerated or in the security forces may be added within category A.3.3. More data may also be collected on those within the labor force, helping to shed light on the nature of unemployment in the WBGS, as well as compare it to that in other countries.

For example, since 1976, the BLS has been publishing alternative unemployment indicators, such as the long-duration unemployment rate, which is the number of individuals who have been unemployed for longer than 13 weeks as a percentage of the labor force.⁵ The rate excludes short-term unemployment and aims to capture the long-term, more severe unemployment. Or the job loser rate, which is the number of those who lost their job within a certain reference period as a percentage of the labor force. This rate excludes those who are reentering the labor force, entering for the first time or becoming unemployed voluntarily, and tries to identify those who's income may have suffered. Or the adult unemployment rate, which is the number of adult (≥ 25 years) unemployed individuals as a percentage of the adult labor force. Or the full-time unemployment rate, which is the number of individuals searching for full-time work as a percentage of the full-time labor force. In the WBGS, a revealing indicator could be the percentage of the unemployed who are household heads.

⁵ This paragraph relies extensively on Sorrentino, 1993.

5. Conclusions & Recommendations

This section draws a number of conclusions and recommendations based on the above results and analysis. It should be noted, however, that the conclusions are preliminary and more research is needed into the subject in order to broaden and deepen our understanding of labor market dynamics in general and behavior of those inactive in the labor market in particular.

CONCLUSION 1: The labor force framework and its categories of employed, unemployed and out of the labor force workers may not be the best framework for the Palestinian labor market. The labor force framework was designed for labor markets characterized by regular full-time employment “where the dominant pattern of employment is year round, with little or no seasonal variations and relatively few movements into and out of the labor force or its main components ...” (Hussmanns 2007: 7). In contrast, the Palestinian labor market may be characterized by temporary employment, significant seasonal variation and regular movement into and out of the labor force.

RECOMMENDATION 1: In such situations, the ILO admits that attempts to capture a snap shot in time through the use of short reference periods are inadequate. Instead, “measurement should be made over a longer period of time, either by repeating or staggering the current activity measurement over time so as to cover the desired longer period, or by using the longer period itself as the reference period for measurement. This can be facilitated by measuring the usually active population, instead of the currently active one. The usually active population may be “assessed on the basis of a ‘main activity’ criterion over a long reference period, as opposed to assessment of activity status on the basis of the priority criterion used for measurement of the currently active population through the labor force framework. ... In the usual activity framework, individuals are first classified as usually active or not usually active, and then the usually active may be further subdivided as employed persons or unemployed persons according to the main activity during the active period.”

CONCLUSION 2: The frequency with which the LFS is conducted is incompatible with the job search reference period used by it. In the United States, for example, the equivalent Current Population Survey (CPS) is conducted on a monthly basis, while the job search reference period is four weeks.

RECOMMENDATION 2: If the LFS cannot be conducted more frequently, the reference period should be extended to fill the gap.

CONCLUSION 3.A: The most common method used to search for work, for both interviewed women (33.0%) and men (49.1%), was inquiring about work with family, friends and neighbors. It is reasonable to expect that inquiry about work with family, friends and neighbors does not occur on a weekly basis. The one week job search reference period utilized by the PCBS to calculate the standard unemployment rate is incompatible with the most common job search method in the WBGS, as result leading to an understatement of the unemployment rate.

CONCLUSION 3.B: 41.9% of interviewed men have searched for a job in the prior 3 months, 44.4% in the prior 6 months and 56.1% during the prior year. These numbers suggest that both the standard and the relaxed unemployment rates would increase significantly if a three month and a twelve month job search reference period was used instead of the current one week reference period.

RECOMMENDATION 3.A: Extend the job search reference period for both the standard and the relaxed unemployment rates.

RECOMMENDATION 3.B: Steps need to be taken to improve other search methods.

CONCLUSION 4: Individuals providing reasons 4, 6, 7, 8, 9, 10, 11, and 12 in question PW 16 should not be included in the standard unemployment category.

RECOMMENDATION 4.A: Stop including them.

RECOMMENDATION 4.B: Include the following question as one of the reasons why the individual did not search in the prior week: *Was waiting to hear back about potential job opportunities from family, friends and neighbors*. This question is in line with the most common local job search method in the WBGS. Individuals providing this reason should be considered as unemployed within the standard definition.

RECOMMENDATION 4.C: Consider relaxing the employment criterion in order to capture the underemployed within the relaxed unemployment rate.

CONCLUSION 5: Incompatible job search reference period may be the reason why labor force participation rates in the WBGS appeared below average.

CONCLUSION 6: The combination of a lack of contracts and relatively frequent payment schedules suggest a high degree of informal employment practices.

CONCLUSION 7: Reservation wages of individuals are below their market wages, perhaps as result of the dire economic situation in most parts of the WBGS. However, considering their 'out of the labor force' status, the reservation wages may only be affecting their willingness to work, while the market conditions influence their willingness to participate.

CONCLUSION 8: 73.9% of Palestinians who were interviewed said that their lack of search is not a consequence of their lack of desire to work. This strongly undermines the PCBS (2006: 141) assumption that inactive individuals "don't have any desire to work".

RECOMMENDATION 8: Adjust the PCBS definition of those out of the labor force accordingly.

CONCLUSION 9: For the interviewed women, the most common reason for not searching is full-time household responsibilities, with household chores and looking after the children being the primary tasks that keep them busy. However, 66.3% of them in the West Bank and 53.8% of them in the Gaza Strip said that they would look for work if they did not have household responsibilities. More than one third of the women who said they are not working because at least one member of the household does not allow them said that they would work if they were allowed.

CONCLUSION 10: 34.1% of women in the West Bank were discouraged because employers told them that their skills were too low.

CONCLUSION 11: The location where lack of work as the reason for discouragement was claimed the least was in the Center of the West Bank (23.0%). The Center of the West Bank was also the region where low wages were noted as a cause of discouragement, but only for 8.7% of the women living there. Interestingly, wage in most cases plays an insignificant role. The situation where it does play a role, at least for women, is where there seems to be the highest labor demand.

RECOMMENDATION 12: Include in the LFS more questions about those out of the labor force to allow for development of new indicators and in turn in-depth analysis of labor underutilization in the WBGS.

RECOMMENDATION 13: Consider analysis focused on the employment rate or utilization rate, instead of the unemployment rate. Employment rate, which is the number of the employed in relation to a segment of the population, has been argued for many years to be a better indicator of labor market pressure. For example, the former U.S. Commissioner of Labor Statistics, Geoffrey Moore, acknowledged as early as 1975 the superiority of employment data over unemployment data (Cullison 1975). He argued that having a job is much more of an observable experience than not having one and the fact that the employed category is usually larger than the unemployed category decreases relative sampling error.

The European Parliament (2000), for example, has redirected the European Union's goal from lowering unemployment to increasing employment. Focusing on the labor market's ability to employ the work-age population avoids the methodological issues related to setting reference periods discussed in previous sections. The number of employed can be compared to the entire work-age population or just to those work-age individuals who are able, willing and ready to work. However, the employment rate still needs to be sensitive to problems such as underemployment. And its dynamics still need to be interpreted carefully. For example, the decline in the employment rate for the youths, which at first may sound negative, may be a result of higher enrollment rates in education, which is likely to be viewed as positive (OECD 1995).

6. Glossary

able – to work are those who have the physical and mental capacity to work.

available – for work are those who are able and ready to work.

discouraged workers – are available work-age individuals who are neither working nor searching for work because they are discouraged about the job prospects, i.e. there are no jobs available or none for which they would qualify.

employed – are those work-age individuals involved for a reference number of hours or more during the reference week in any money generating activity, be it paid or unpaid.

in the labor force – or the labor force, are those individuals who are categorized as either employed or unemployed.

out of the labor force – are those individuals who are neither employed nor unemployed.

ready – to work are those who are willing to work and are not doing anything that would prevent them from accepting employment.

relaxed unemployed rate – includes in addition to the unemployed those who are discouraged.

searching – for (or seeking) work are those who have taken specific steps in the reference period to find employment.

standard unemployment rate – captures those individuals who were not employed in the prior week, but were available and searching for work during the reference period.

willing – to work are those who have the desire to work.

work-age – individuals are all those 15 years of age or older.

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