

## Palestinian class formation under settler colonialism

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The focus of this paper is on the processes that have shaped and conditioned class formation in the Palestinian territories that were occupied in 1967, with special focus on the formation of the new middle class. Reference to middle class<sup>1</sup> has gained popularity in Arab writing in recent years not as an alternative mode of analysis to identity approaches, but to reveal two main concerns: First, a presumed importance of the middle class to “development” and democracy in the region; and second, using the situation of the middle class to diagnose presumed perils facing society and economy in general.

Most views consider the existence of a large middle class as a necessary condition for stability, democracy and economic development<sup>2</sup>. A known Egyptian economist<sup>3</sup> wrote a book at the end of the nineties titled “Farewell to the Middle Class”. It warned of dire consequences resulting from the contraction of the Egyptian middle class as a consequence of neo-liberalism. Fears of societal disasters following imagined or presumed contraction of the middle classes are expressed in poor Arab countries like Egypt and Jordan, as well as in rich countries like Saudi Arabia<sup>4</sup>. Many views consider the recent

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<sup>1</sup> For a review of some of the recent sociological literature on the theoretical, social and political implications of the new middle class see; Jamil Hilal, *al-tabeqa al-wosta al-filistinia* (the Palestinian middle class), The Palestinian Institute for the Study of Democracy (Muwatin), Ramallah & Institute of Palestine Studies, Beirut, 2006 (chapter 2); and Val Buris, “the Discovery of the New Middle Class”, *Theory and Society*, Vol. 15, Issue 3 (May, 1986), 317-349.

<sup>2</sup> See for example; Ahmed Moussa Badawi, *tahewoulat al-tabeqa al-wosta fi alwatan al-arabi* (Middle Class Transformations in the Arab World), Arab Centre for Arab Unity Studies, Beirut, 2013; Mahmud al-Mahfodh, *wada'n lil-tabeqa al-wosta* (goodbye to the middle class), in *al-Bilad* Jordanian daily, 30 September 2010, and; 'Awad al-Rojoub, “al-tabeqa al-wosta fi aldifa wa qita' tadhoub fi al-tabeqa alfaqeera” (the Palestinian middle class is dissolving in the poor class), *Aljazeera Net*, 31/1/2008.

(<http://www.aljazeera.net/news/pages/486b6143-1a9c-416c-9607-2cee7aa77ea5>).

See also; Aziz Abu Sara, “ma hia a-ltahadiyat al-leti yuwagihoha al-iqtisad al-filistini?” (What are the challenges that face the Palestinian economy), *al-Quds* daily, 29/9/2010; Wali Nasr, “su'ood qua' al-terwa; dewuor al-tabeqa al-wosta al-jadida fi nahdet al'alem al'islami” (the rise of the impact of wealth; the role of the new middle class in the renaissance of the Islamic world), Beirut, Dar al-Kitab al- Arabi, 2011.

<sup>3</sup> Ramzi Zaki, *wada'an lil-tabeqa al-wosta* (Goodbye to the Middle Class), Al'usra Bookshop Cairo, 1998. Some saw in the Egyptian popular uprising a return of the middle class to Egyptian political life after it has been marginalized by neo-liberal policies. See; *al-Shurouq* daily, 14<sup>th</sup> February 2011 (<http://www.shorouknews.com/columns/view.aspx?id=a6c6bcf5-4ca2-40ed-b30c-d426b11827a9>). See also; Issam al-Haiyari, “al-tabeqa al-wosta fi al-urdon tabeqa wahmiya” (the middle class in Jordan is an imaginary class”, *Watan* daily, 17/12/2013.

<sup>4</sup> Abd al-Aziz al-Faiz, “a-ltabeqa al-wosta fi al-suodia, goodbye” (the middle class in Saudi Arabia, Goobye), *Al'asr* journal. 21 September, 2005.

Arab popular uprisings to have been led by the new middle class<sup>5</sup>, and see in this class a force for justice and freedom<sup>6</sup>.

Yet there are very few recent serious studies that have examined class formation in the Arab regions. This paper is an attempt to examine, in brief, class formation in the West Bank (WB i.e., central area of Palestine) and Gaza Strip (GS i.e. the southern tip of Palestine) and the socio-economic and political implications of such emergence.

### **1. Defining the new middle class**

The operational definition of the new middle class adopted in this paper is guided by two basic criteria: First, features related to the work situation and conditions which distinguish the new middle class from the petty bourgeoisie (the old middle class) and the working class in terms of mode of payments, degree of job security, opportunities for job mobility, social security, occupational and health environment at work. Second, the possession of “cultural capital” as opposed to economic, financial, or material capital. Cultural capital denotes learning and specialized training that individuals acquire in order to attain a middle class occupation<sup>7</sup>. These two criteria mean that it is not income that distinguishes the new middle class from the working class, the petty bourgeoisie<sup>8</sup> (the old middle class) or the bourgeoisie (owners of property and/or capital)<sup>9</sup>. Defining the middle class as the strata with middle income does not indicate the type of relations that the occupants of this class have with the market (labor and commodity markets), to ownership of property or means of production, or to features of work situation and conditions<sup>10</sup>.

Some strata of the middle class (e.g., primary school teachers, nurses, clerks, etc), can have less income (averaged monthly or annually) than some manual workers, or artisans. This was the case during the seventies and eighties in the WB and GS when Palestinian

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<sup>5</sup>See for example; Imad al-Deen Adeeb, “al-tabeqa al-wosta al-arabia” (the Arab middle class), *Al-Sherq al-Awsat* newspaper, 7<sup>th</sup> January 2013.

<sup>6</sup> Michele Kilo, “hel ikhtefet hegen al-tabeqa al-wosta (has the middle class really disappeared?); *Al-Quds al-Arabi* newspaper, 14 July 2009.

<sup>7</sup> On the concept of “cultural capital”, see; Bourdieu, P. (1986) “The forms of capital”, in J. Richardson (Ed.) *Handbook of Theory and Research for the Sociology of Education* (New York, Greenwood), 241-258.

<sup>8</sup> The petty bourgeoisie refers to the owners of small property, like small farmers, shopkeepers and owners of very small workshops such as carpenters, blacksmiths, shoe menders, artisans, etc. Some uses the term “micro-entrepreneurs” to characterize this strata (see; Alejandro Portes, Kelly Hoffman, “Latin American Class Structures: Their Composition and Change during the Neoliberal Era”, *Latin American Research Review* Volume 38, Number 1, 2003 (pp. 41-82).

<sup>9</sup> In Israel and in Jordan the term “middle class” has been used to denote those income flows in the middle range of incomes in society: See the study translated into Arabic from Hebrew by Madar (the Palestinian Center for Israeli Studies) entitled “the state of the middle class in Israel”, *Israeli Papers* (61), September, 2013, and the Jordanian Economic and Social Council in 2008 put the size of the Jordanian middle class at 41.1% of the population in the country (see; [http://www.hpcpromise.org.jo/sites/default/files/researches/articles/mid-class-report\\_0.pdf](http://www.hpcpromise.org.jo/sites/default/files/researches/articles/mid-class-report_0.pdf)).

<sup>10</sup> Such a muddle in definitions is found in the most recent publication on the Arab middle class where varied groups (in terms of relation to property, work situation groups, and power relations) are lumped together. Such definition turns the concept analytically useless (See; Badawi, 2013, op. cit, pp 24-5).

workers employed in Israel (use here to mean both inside the Green Line and in Israeli settlements) had noticeably higher wages than many middle class Palestinians working in West Bank and Gaza Strip (WGS) such as school or university teachers, among others. The higher wages of Palestinian workers in Israel diminished differences in modes of consumption (food, clothes, etc) and possession of durable goods, but *not* differences in the work situation between the two classes or the benefits accruing from possession of cultural capital.

## **2. The making of the Palestinian middle class; a historical sketch**

A new Palestinian middle class emerged during the British Mandate in the major Palestinian coastal towns and in Jerusalem<sup>11</sup>. This was related to requirements of the colonial state, the changing economy of Palestine as a result of its deeper integration into world capitalism, Zionist colonization, the ongoing urbanization, the expansion of local education (including missionary education), and the investment of landowners-merchants' in the university education of their sons and daughters<sup>12</sup>. In the 1940s the new middle class formed between 10%-15% of the Palestinian employed labor force, the same percentage that will be found in WBG in the 1980s. The contradictory forces generated by settler-colonialism and Palestinian nationalism were reflected in the patterns of consumption of the emerging Palestinian middle class in the 1940s<sup>13</sup>.

### **Class formation in a national limbo (1948 and 1967)**

The dispossession and statelessness that Palestinians were subjected to in 1948 prompted an outlook that saw in education an asset to be sought. Access to education was made possible by the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) which provided Palestinian refugees with free basic education, by Jordan which granted

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<sup>11</sup> On the growth of coastal Palestinian cities during the British mandate See; B. Kimmerling and Joel S. Migdal, (1998), *Palestinians; The Making of a People*; Harvard University Press, Cambridge, Massachusetts (pp 36-63). One double agent jihadist working for al-qa'ida and a western intelligence agency explained in a long interview with al-Hayat newspaper that in Afghanistan the jihadist fighters had a problem of discipline because the fighters in camp where he was "are from the middle class and they are used to discussion and argument". This is because no fighters from the poor classes existed there because they are preoccupied with security their daily bread" (see interview with Ramzi the double agent" in al-Hayat, 8<sup>th</sup> March, 2014, p. 9.

<sup>12</sup> See Kimmerling and Migdal (1998), *ibid*, pp 26-35. In the 1940s the occupational structure of Palestinians was as follows: Agricultural wage workers (15.8%); poor and small peasants (31.2%); middle and large landowners (4.2%); employed in industry, handicraft, construction, and transport (15.8%); Employed in commerce, finance, hotels, restaurants, cafes and the like (9.6%); employed by the colonial government (civil and local administration) 17.2% (some were employed in manual jobs); others (4.2%), see: Jamil Hilal, (1992). "West Bank and Gaza Strip Social Formation under Jordanian and Egyptian Rule (1948-1967)" in G. Bowman (ed.) *Israel-Palestine: Fields for Identity*. Special Issue of the Review of Middle East Studies 5, London: Scorpion, (pp 33-73) p.56.

<sup>13</sup> While Palestinian nationalism promoted buying nationally produced goods, in reality consumption exceeded "such a national orientation and national boundaries" (See; Deborah Bernstein and Badi Hasisi, "Buy and promote the national cause": Consumption, class formation, and Nationalism in Mandate Palestinian society". *Nations and Nationalism*, 14(1), 2008 (pp 127-15).

citizenship to Palestinians in West Bank (including refugees), and by the pan-Arab regimes (Egypt, Syria, Iraq) which provided free university education to Palestinians.

One immediate consequence of the creation of Israel was the severing of all the connections of middle Palestine (WB) and its southern tip (GS) from the rest of Palestine and from each other. The WB was annexed by Jordan<sup>14</sup>, and was integrated into its economy and political field. The GS came under the administration of Egypt, but retained, unlike the WB, its Palestinian identity. Both areas became home to large numbers of Palestinian refugees; the WB added 58.5% to its native population and GS added 245% to its native population.

In Jordan, a discriminatory policy was adopted towards the WB<sup>15</sup> which entailed restrictions on its economic development, the shape of its social structure (including class formation), the ability of the working class to organize in the country and on the free activity of political parties which were banned in 1957 (except for the Moslem Brotherhood) and continued to be so till 1992 when political parties were allowed in Jordan.

In 1961, some 40% of the active labor force in the WB was employed in agriculture (compared to 35% in both Banks), 9% in manufacturing industry (compared to 19% in both Banks), 10% in construction, and 8% were enlisted in the Jordanian army and police force (compared to 15.5% in the East Bank)<sup>16</sup>. High unemployment rates (reaching 30%) were noticeably higher in the WB than the East Bank<sup>17</sup>, which explains the high rates of emigration from the former to the latter<sup>18</sup> and to the Gulf region and further abroad. Urban growth was a process limited to the East Bank, particularly to Amman, and Zarqa<sup>19</sup>. Palestinians were given leeway in the

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<sup>14</sup> On the political ramification of the annexation and subsequent relations between the Jordanian state and the PLO, see; Joseph A. Massa, *Colonial Effects: The Making of National Identity in Jordan*. New York, Columbia University Press, 2001.

<sup>15</sup> On this, see; Jamil Hilal (1975), *al-difa al-gharbiya: al-tarkeeb al-ijtima'i wa il-iqtisadi (West Bank: Social and Economic Structure) 1948-197*, PLO; Palestine Research Center, Beirut, (particularly pp 133-148). Also; J. Hilal, (1992). Op. cit. and M.K Budeiri, "Changes in the Economic Structure of the West Bank and Gaza Strip under Israeli Occupation", *Labour, Capital and Society*; 15:1 (April 1982); pp 46-63; B. Van Arkadie, *Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies since 1967* (New York: Carnegie Endowment for International Peace, 1977).

<sup>16</sup> Hilal (1992), op.cit, pp 50-53.

<sup>17</sup> FAO, *Mediterranean Development Project, Jordan Country Report* (Rome, 1967), p.5.

<sup>18</sup> In 1952, about 44% of the population of Jordan lived on the East Bank, by 1961, the percentage rose to 53% and is estimated to have reached 62% in June 1967. The estimated percentage of Palestinian living in the East Bank rose from 31% in 1952, to 43% in 1961, and to 45% in 1975 (see; J. Hilal (1992), op.cit, pp 42-43. For population estimates see; G. Kossaifi, "Demographic Characterization of the Arab Palestinian people", in Khalil Nakhleh and Eliah Zureik (eds.), *The Sociology of Palestinians*, (London: Croom Helm, 1980).

<sup>19</sup> In 1961 just over 16% of all families in the West Bank reported having emigrants outside Jordan. This is an under estimate since it does not include families with no members left behind. More than 20% of emigrants from Jordan abroad (80% was estimated to be of Palestinian origin; see Hilal (1992), op.cit. p.43) had, in 1961, white collar jobs compared to 9% of those working in Jordan. Emigration to the East Bank formed 66.5% of total emigration from the West Bank during the period 1950-1961, and 80% of the remaining 33.5% were in the Gulf region. High rates of emigration continued to the 1967 June War (see; J. Hilal (1975, op.cit, pp. 82-106).

economic field but were allowed limited but controlled access to high positions in the political, military and security apparatuses of the state.

In 1961 those with white collar occupations comprised about 8% of the employed labor force in the WB<sup>20</sup>. They were mainly civil servants, UNRWA employees, or worked in free professions<sup>21</sup>. The petty bourgeoisie comprised 28.6% (another 6.7% were registered as unpaid family workers--mostly women)<sup>22</sup>. In other words, the “petty bourgeoisie”, mostly employed in small commodity production, formed a third of the employed labor force.

Prior to its occupation by Israel the working class in the WB formed about 40% of the employed labor force, two-thirds (63%) of which were agricultural workers, a quarter (26%) construction workers and 10.5% was employed in manufacturing<sup>23</sup>. Most of the working class had no job security, nor minimum wage regulations, no written contracts, and no social security. The majority of workers were employed by very small enterprises. This situation, in addition to restrictive laws governing unionization, prevented the translation of the working class numerical strength into organizational power. While petty commodity production played an essential role in the economy of the WB during Jordanian period, it had limited importance in the economy of GS under Egyptian control<sup>24</sup>. Palestinian capital in the WB remained family based and local in character<sup>25</sup>, a fact that facilitated manipulation by the central Jordanian government in keeping it politically marginal.

The impact of the creation of Israel in 1948 on the GS was even more drastic than its impact on the WB; it deprived Gaza landowners from large tracks of their land and cut a significant percentage of the Gaza population from its sources of livelihood. The Strip’s population tripled as a result of influx of dispossessed refugees from the southern part of

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<sup>20</sup> The Jordanian population census of 1961 revealed that 22% of Jordanians abroad were employed in white collar jobs; those in unskilled manual work formed nearly 40%; (Hilal, 1975, pp 100-101 and Hilal, 1992, op.cit., p 60.).

<sup>21</sup> From a sociological study of professions (as part of the middle class) in a number of Arab countries (Syria, Egypt, Lebanon, Jordan) see; Elisabeth Longuenesse, *Professions et Societe au Proche-Orient*, Presses Universitaires de Rennes, 2007 ( published in Arabic by al-shirka al-’aleamia lil-kitab, under the titel “azemat al-tabaqat al-wsrta fi al-mushriq al-arabi”, Beirut, 2012).

<sup>22</sup> Hilal (1975), op.cit. p 173.

<sup>23</sup> In 1961 over half of those working in agriculture in the WB were self-employed (Hilal, 1992, op.cit, p 49). A survey carried out by the Jordanian Department of Statistics in first quarter of 1967 classified some 49,200 workers as temporary agricultural workers employed at the time in the West Bank (compared to 33,100 in the East Bank). This revealed the precarious nature of a sizeable portion of the Palestinian working class in WB at the time (quoted by Hilal (1992), p 43). The relative size of the working class in the WB during the Jordanian period was less than its size in Palestine during the 1940s (Hilal, (1992), p 63).

<sup>24</sup> Petty commodity producers formed, in 1961, not less than a quarter of the active labor forces in the WB (Hilal (1992), op.cit, p. 61 & p. 66). In 1963 over 90% of industrial enterprises in WB employed four or fewer persons (W. Shariha, *al-tenmia al-iqtisadia fi al-urdon (Economic Development in Jordan)*, Institute of Arab Researches and Studies, Cairo, 1968, table 4, p 182).

<sup>25</sup> It said that about 50 families dominated the economy of the WB during the period of Jordanian rule (Hilal, (1992), op.cit, p 61).

Palestine<sup>26</sup>. Unlike the WB, the Strip retained a degree of autonomy as a Palestinian territory densely populated which explains – together with the availability of free university education in Egypt - the striking role it played in the reemergence of Palestinian nationalism.

Unlike the WB, whose population was given Jordanian citizenship - which allowed easy mobility in the Arab world - the GS, which retained its Palestinian identity, was separated from Egypt by the largely uninhabited Sinai Peninsula. The travel documents that Gaza Palestinians obtained needed entry permits to all Arab countries which restricted their emigration.

Unemployment in GS remained very high during this period<sup>27</sup>, and the availability of a large reserve of unemployed labor with agricultural skills stimulated investment in land reclamation and in agriculture. Cultivated land in the Strip increased significantly between 1954 and 1966 and the land allocated to citrus growing increased ten folds in the mentioned period<sup>28</sup>. Moreover GS developed into a main supplier of luxury goods to the Egyptian market as it was made a tax-free port which turned it into an attractive shopping centre for the Egyptian middle classes.

Agriculture (and fishing) accounted for over a third (35%) of the employed labor force in GS in 1966 and provided about 90% of all exports of the Strip. Citrus was produced mostly for exports and nearly occupied 40% of the cultivated land in the GS on the eve of its occupation by Israel. Egyptian regulations permitted citrus exporters from Gaza to import commodities up to the value of their exports, which made wholesale trade a monopoly of the large landowners. This enhanced their standing with Egyptian administration resulting in the appointment of their relatives in municipal positions (a source of middle class positioning and status).

Both in GS and WB local family influence waned considerably during the seventies and eighties because of changes in the sources of employment and because of the rise in the influence of the PLO and its main factions in both areas.

Industry in GS was mostly based on small craft-like and family operated workshops (textile and carpet weaving), catering for the local market apart from some beverage bottling and citrus packing houses<sup>29</sup>. In total, industry employed in 1996 just over 3% of the labor force, contributing just over 4% of GNP compared to trade which employed 24% (and contributed 27% of GNP)<sup>30</sup>. The large land owners in GS were also the big

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<sup>26</sup> Kussaifi (1980), op.cit. p 18. There are 10 refugee camps in Gaza, 20 in the WB, 13 in Syria, 10 in Lebanon, and 10 in Jordan.

<sup>27</sup> Khalusi (1967), op. cit, pp 61-4.

<sup>28</sup> Husayn Abu al-Namil (1979), *Qita' ghazza, 1948-1967* (The Gaza Strip 1948-1967); Beirut, Palestinian PLO Research Center, p. 255.

<sup>29</sup> Husayn Abu al-Namil (1979, op.cit. pp 153-7.

<sup>30</sup> See; Hilal (1992), op. cit, pp. 53-4. Entrepot and smuggling trade with Egypt flourished as custom duties in Gaza were kept very low. This encouraged the influx of Egyptian tourists into Gaza looking for cheaper luxury goods.

merchants. The number of shops and trading centers rose from two thousands in 1961 to ten thousands in 1966<sup>31</sup> pointing to the presence of a relatively large petty bourgeoisie, active in small commodity distribution unlike the WB where they mostly engaged in small commodity production. In GS crafts declined sharply between 1948 and 1967 and agriculture became dominated by export-oriented capitalist citrus plantations which employed a sizeable section of the working class. Transfers from family members abroad<sup>32</sup> - which doubled between 1961 and 1966<sup>33</sup> - and the welfare assistance provided by UNRWA helped a large percentage of the population in the Strip to survive.

The main sources of employment and income of the new middle class in GS were UNRWA, the Egyptian administration and the Palestinian Liberation Army (after 1964 when the PLO was established). These three sources had limited growth potential, and emigration remained, as in the WB, and up to the establishment of the PA, the major gate to the new middle class.

The Israeli census of the population of the WBG in September 1967 records that a third of all the families in the WB and a quarter of those in GS had sons or daughters working or studying abroad<sup>34</sup>. This is most likely an underestimated for reasons mentioned earlier. What is clear is that the period of 1948-1967 was marked, among other things, by a sizeable flow of labor emigrants to other countries, particularly to the Arab Gulf<sup>35</sup>.

### **Class formation under settler-colonial rule (1967-1993)**

The Israeli occupation of the WBG coincided with the emergence of a new Palestinian national movement (represented by the PLO) with headquarters outside Mandate Palestine. The new movement was able to build quickly a mass base outside Palestine (mostly in refugee camps) and later in WBG and other communities.

The Israeli occupation found in the WB a society with a disjointed and weak economy, lacking an autonomous civil society, with a very small docile middle class, a fragmented working class and a largely conservative petty bourgeoisie, and a tattered family based bourgeoisie<sup>36</sup>. The WB lost in 1967 sizeable amounts of its financial capital<sup>37</sup>, and about a quarter of its population which left between June and November 1967 for fear being cut off from their sources of income<sup>38</sup>. GS was deprived of its trade and tourism with Egypt. Israel immediately proceeded to annex Jerusalem, to tighten its control on all aspects of

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<sup>31</sup> Hilal (1992). Ibid. p. 55 (quoting Khalusi, 1967 op.cit pp 336-7).

<sup>32</sup> Buderei, op. cit, p.49 (quoting Awartani, op.cit).

<sup>33</sup> Abu al-Namil (1979), op.cit, p. 255.

<sup>34</sup> Israel Defence Forces, Census of Population 1967, The Administered Territories, Jerusalem, 1968. Publication No. 3 & No. 5 (for Jerusalem).

<sup>35</sup> Israeli 1967 census of population of the WBG, *ibid*, show (in September 1967) the following distribution of emigrants from the WB (No 3 and 5); 39.9% to the East Bank; 32.1% to Kuwait; 5.8% to Saudi Arabia; 7.5% other Arab states; 4.3% to Europe; 7.3% to USA and Australia (cited by Hilal (1975), op.cit. p. 184).

<sup>36</sup> Hilal (1975), *ibid*, pp. 171-6.

<sup>37</sup> Budeiri, op. cit; p. 49 (quoting; A. Samara, *The Economics of Hunger in the West Bank and the Gaza Strip*. (Jerusalem: 1979). p. 158. See also; Muhammad Ali Khelusi, *al-tanmiya al-iqtisadia fi qita' ghazza* (Economic Development in Gaza Strip) 1948-1967, (Cairo, 1967).

<sup>38</sup> Hilal (1975), op.cit, p 181, quoting a report by the director of UNRWA affairs in Jordan.

life (economic, financial, political, cultural, security and administrative) retaining local administration councils in an attempt to ensure the co-operation of local influential families and to guard against the emergence of a national leadership<sup>39</sup>. It adopted an “open bridges” policy with Jordan, and opened its labor market to Palestinian unskilled and semi-skilled labor.

By September 1973 over a third (34.7%) of the active labor force in WBG was employed (“legally” or “illegally”) in Israel<sup>40</sup>, and this continued in the eighties where a third of the active labor force of the WB and a half of that in the GS was employed in manual work in Israel<sup>41</sup>. Palestinian workers were placed at lowest strata of unskilled and semi-skilled labor<sup>42</sup>. Emigration from the WBG continued unabated<sup>43</sup>. It is estimated that more than 300,000 persons emigrated from the WBG between September 1967 and 1990, (that is 16% of the total population in 1990). Between 1970 and 1985, which represented the peak of Palestinian emigration to Arab countries, the net annual growth of the population was between 1.5% and 3.0% while the natural increase was between 3.5% and 4% per annum<sup>44</sup>.

### **West Bank and Gaza; reservoir of cheap labor for the colonial economy and emigration the main mechanism for middle class formation**

Between 1970 and 1993 WBG employment in Israel grew by an annual average of 6.3% compared to 1.8% in the domestic labor market<sup>45</sup>. With the spread of wage labor, extensive land confiscation, and the increase of university education, two processes became noticeable; a process of “proletarianization” (working class creation)<sup>46</sup>, and a process of middle class formation<sup>47</sup>. In addition to those who commuted across the Green

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<sup>39</sup> The victory of pro-PLO candidates (mostly from the new middle class and with “social capital” anchored in family connections) in the WB municipal elections in 1976, showed the failure of this strategy, and drove Israeli authorities to create the Village Leagues in 1978, hoping to create conflict between towns and villages.

<sup>40</sup> Figures for employment of Palestinians from WBG in Israel rely on data presented in the *Statistical Abstract of Israel* and the *Israeli Administered Territories Statistical Quarterly*. These however counted Palestinians employed legally and excluded those employed from East Jerusalem which was formally annexed by Israel in 1967. A substantive percentage worked illegally.

<sup>41</sup> Meron Benvenisti, *1986 Report; Demographic, economic, legal, social, and political developments in the West Bank*. American Enterprise Institute-The West Bank Data Base Project, Jerusalem, 1986, p.11.

<sup>42</sup> An Israeli report in 1977 calculated that 44% of workers from the WBG employed in Israel were employed in unskilled jobs (Budeiri, op.cit, and p. 50).

<sup>43</sup> See; G. Harb, "Labour and Manpower," in *A Palestinian Agenda for the West Bank and Gaza*, ed. E. Nakhleh (Washington: American Enterprise Institute, 1980) p 92.

<sup>44</sup> Leila Farsakh, *Palestinian Employment in Israel; 1967-1997; A Review*, MAS, August 1998 (p. 12).

<sup>45</sup> Farsakh, (1998), *ibid*, (pp 11-19).

<sup>46</sup> See, for example; Salim Tamari. (1980), “The Palestinians in the West Bank and Gaza Strip”, in Khalil Nakhleh and Elia Zureik (eds) op. cit. p.92-3 and Ass’ed Abd al-Hadi, “al-tabeqa al-‘amila al-filistinia” (“the Palestinian working class”) in *Shu’oun Falistinia*, January 1980, pp 127-8. Palestinian workers in Israel in the seventies and eighties tended to be predominantly male, less educated in comparison to those employed in the domestic market. (see Farsakh, 1998, op. cit, pp 17-20 & table 12, p 62).

<sup>47</sup> Glen E. Robinson, “the role of the professional middle class in mobilization of Palestinian society: The medical and agricultural committees”, *International Journal of Middle East Studies*, 25 (1993) pp 301-326.



Line for work, others were employed in the WBG in stone quarries, brickworks, textiles<sup>48</sup>-producing for the Israeli market through sub-contracting. During this period the relative size of the new middle class remained more or less unchanged (i.e., 12% of the total employed force<sup>49</sup>).

A survey (conducted in 1999) of nineteen communities in WBG revealed that 49% of the households surveyed reported one or more emigrant member of the immediate family. This is probably an under estimate as it does not take in consideration families that have left no members behind. The survey also discovered a clear correlation between the class situation of the family and its having one or more emigrants. Both very poor and well off households had higher rates of emigrants, compared to households which were classified as poor or of medium situation. The very poor seek emigration to escape poverty and the well off and wealthy seek emigration to maintain or reproduce their class position and to better their life chances<sup>50</sup>.

In Israel “unskilled jobs came to be considered the preserve of workers from the administered areas”<sup>51</sup> and received significantly less than the average Israeli wage. Those employed legally had to surrender between 30% and 40% of their wages as deductions to labor contractors, to the Israeli labor exchanges, to income tax, to social security payments and pension contributions. With the exception of workers from Jerusalem, they did not receive in return the welfare services as enjoyed by Israeli workers. In addition, they had to incur transport costs commuting to and from work (making their working day often more than 12 hours long<sup>52</sup>), as they were not allowed to spend the night across the Green Line. In short they had very little protection<sup>53</sup>.

Unemployment was kept somewhat down because of the relatively high demand for cheap Palestinian labor and because of the steady stream of emigration - estimated to have reached 10

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<sup>48</sup> Estimated in the late seventies to round 20 thousands (Budeiri, op. cit, p 51).

<sup>49</sup> Israel, Central Bureau of Statistics, *Statistical Abstract of Israel 1983*, No. 34 (Jerusalem 1984; tables xxv11/22, pp 782-3).

<sup>50</sup> See; Jamil Hilal, “Emigration, Conservatism, and Class formation” (table 4.2, p. 203), in Lisa Taraki (ed.), *Living Palestine; Family Survival, Resistance and Mobility under Occupation*, Syracuse University Press, 2006. The survey found the size of new “middle class occupations” varied by the country of emigration; the Gulf states had the highest percentage employed in such occupations (73%), while the US and Canada had the lowest (44%). Jordan had a more varied spread of occupations of emigrants from WBG, but still a relatively high percentage in “new” middle class occupation (51%). There was a rise in the share of emigration to North America and a decline in emigration to Jordan, although it remained significant, given the relative ease of moving from the WB to Jordan and the extensive Palestinian family network that has been established after 1948 (ibid, pp 204-7).

<sup>51</sup> Bank of Israel, *Report, 1973*, p. 44 (quoted by Budeiri, op. cit., p 62).

<sup>52</sup> Budeiri, op.cit p.57 (quoting, ILO report, op. cit, p 153; Awartani, op.cit; p27; Van Arkadi, op. cit, p 66).

<sup>53</sup> Benvenisti enlists the various ways in which Palestinians workers were discriminated against in wages and benefits (Benvenisti (1986), op. cit, p 11-3).

thousand and 15 thousand individuals annually in WB and 4 thousands to 5 thousand in GS until 1982 then subsided as the demand for labor in Gulf States and Jordan lowered<sup>54</sup>.

### **Continuing the “de-development”<sup>55</sup> of WBG**

Prior to their occupation agriculture formed about one third of domestic product and employment of WBG. Israel imposed strict restrictions on Palestinian use of water for irrigation and as it subsidized many branches of its agriculture. Palestinian agriculture could not compete with wages offered in Israel and the wages offered in Jordan (during the 1970s) and the Gulf region. Thus while the number of employed in agriculture in the WB dropped significantly in the seventies, Palestinian workers employed in Israeli agriculture rose significantly during the same period<sup>56</sup>.

Israel established itself as the dominant trading partner for WBG since their occupation<sup>57</sup>, a pattern that was formalized by the Paris Protocol of 1994 which has been acting as “a one-sided customs union”<sup>58</sup>.

Industry in the WBG remained largely family based and dominated by small establishments. The relative size employed in industry increased very little in the seventies,<sup>59</sup> and the trend continued to the present day (2013). In the seventies the total employed in industry in the WBGs did not exceed 15% of the employed labor force in the WBG, providing no more than 8% of GDP and the map has not altered much since<sup>60</sup>.

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<sup>54</sup> Israeli data indicate that nearly 130 thousand Palestinians (95 thousands from WB and 34 thousand from GS) left the WBG during the period 1974-81. Demand for Palestinian labor in Arab markets decreased during the period 1981-87, and the period 1988-1992 which was marked by the intifada, the immigration of more than a third of a million Russian immigrants, the Gulf War and the start of PLO-Israel negotiations, and Israel implementing restrictions on entry to its labor market by Palestinians (Farsakh, 1998, op.cit, pp15-6).

<sup>55</sup> De-development is use here to mean “the deliberate, systematic deconstruction of an indigenous economy by a dominant power” (Sara Roy, *The political Economy of De-development* , Institute of Palestine Studies, Washington, DC, 1995 (p.4).

<sup>56</sup> Leila Farsakh (2010), *Al'emala al-filestinia fi isra'il wa mashru' al-dewleh al-filiastinia 1967-2007* (Palestinian Employment in Israel, and the Palestinian State Project, Institute for the Study of Democracy (Muwatin), Ramallah, and Institute of Palestine Studies, Beirut (table 2-1, p 61).

<sup>57</sup> Various issues of; *Economic & Social Monitor* (MAS). In the first Quarter of 2013 imports from Israel formed 69.2% of all its imports and its exports 89.6% (UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q1/2103).

<sup>58</sup> UNCTAD, *Rebuilding the Palestinian Tradable Goods Sector: Towards Economic Recovery and State Formation*. United Nations; New York and Geneva, 2011 (p.iii).

<sup>59</sup> R. Musleh, "Industry in the West Bank 1967-79: Establishments, Wages and Workers," *Sho'uoun Falastiniya* (Beirut), no. 99 (February, 1980, p 7.

<sup>60</sup> Various issues of the *Economic and Social Monitor*, Volume 9, July 2007; Palestine Economic Policy Research Institute (MAS).

No significant urbanization took place between 1967 and 1993 in the WBG. The urbanization that took place in WBG took the form of Israeli colonial settlements in the WB.

### **The 1987 intifada; confronting the settler colonial condition**

Profound changes in the class structure of the WBG between 1967 and 1993, as a consequence of Israeli settler-colonization. They were not the consequences of urbanization, or industrialization or agricultural development or emigration from villages to towns. In fact Palestinian towns were turned into satellites to Israeli cities. Yet the politics of the WBG was radically transformed as the two areas became integrated into Palestinian political field as represented by the PLO. This transformation included the involvement of the Palestinian middle class in the Palestinian national movement and its components in WBG; this was clear from the middle class role in universities, in political organizations, in trade unions and in mass organizations. It was also clear in the first intifada and in its role in Madrid Peace Conference and issuing negotiations with Israel all under the direction of the PLO.

The Palestinian political field sanctioned competition between factions for the mobilization of Palestinians by sector (workers, women, students...) and by profession (teachers, journalists, doctors, etc) with the clear political aim of resisting the colonial occupation as the PLO and factions were banned by the Israeli occupation. Such mobilization involved and relied on the role of new middle class. The associations and bodies that were established by the political organizations (parties) that formed the PLO differed in structure and function from the traditional charitable organizations that aimed at providing welfare to needy families, (e.g., Palestinian Red Cross, the Association for Family Revival). The new associations and movements formed by the political factions aimed at organizing people by sector and profession primarily for the purpose of confronting the colonial power. Israel used various repressive means to thwart these associations and movements but failed to do so as the eruption of the 1987 intifada demonstrated<sup>61</sup>.

### **3. Class formation in the West Bank and Gaza Strip under the PA (1994-2013)**

The Gulf war in 1991 and the establishment of the Palestinian Authority (PA), in 1994, marked a reversal in the direction of population movement in relation to the WBG. Forced repatriation to the WBG that followed the Gulf War in 1991 formed nearly a quarter of total returnees during the first half of 1990s (mostly from Kuwait), while those returned in accordance with the Oslo agreement in 1994 and 1995 accounted for nearly half (48.5%) of all returnees. The middle class constituted a sizeable percentage of returnees as 37.5% of

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<sup>61</sup> The period 1967-1993 saw a substantive rise in the relative size of the working class in the WBG. The number of unionized workers rose, in the WB, from four thousand in mid seventies to twenty thousand in 1980 to nearly fifty thousands in December of 1987. Four women movements were sponsored by the main four political factions of the PLO with a membership estimated to exceed fifteen thousands in December 1987. Similarly students competed on political agendas in elections for student councils with 90% participation by students (Jamil Hilal, "dellat al-intifada al-mutejedida" ("the significance of the self renewing intifada") in, *al-Fikr al-Dimocrati* (Democratic Thought), No. 1, winter 1988. pp 12-13).

returnees to the WB had middle class occupations in the countries from which they returned. In GS the percentage was much higher totaling 68%<sup>62</sup>.

While the relative size of Palestinians from WBG employed in Israel contracted significantly following the establishment of the PA, a reverse process occurred with regard to the size of middle class there. The rise in the size of the middle class was the result of employment in the various structures of the PA<sup>63</sup>, the mushrooming of non-governmental organizations (NGOs), the establishment of a modern sector of the economy (banks, insurance, telecommunication, hi-tech, and schools and hospitals ...), an increase in the numbers employed in free professions, and the open presence of political factions and movements whose full-time cadres form part of the middle class (in terms of function, and conditions of work).

The second intifada (in September 2000) was met by severe Israeli measures restricting movement of Palestinians (including permits to work in Israel) which resulted in rise in unemployment, including among young people<sup>64</sup>, as the number of Palestinians from WBG employed in Israel went down sharply<sup>65</sup>. This and the existing insecurity increased the number of those wanting to emigrate, particularly among the young, the ambitious and the educated<sup>66</sup>.

### **The middle class emerges as a major component of the class structure**

The establishment of the PA was accompanied by a mushrooming of the institutions, organizations and activities that indicate with the presence of the new middle class; government institutions (erected by the PA), local newspapers, journals, radios and television stations, hospitals, clinics and medical laboratories, research centers, hundreds of NGOs of different kinds, expansion of universities and colleges, banks, insurances

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<sup>62</sup> Returnees formed, at the end of 1997, the equivalent of 10.5% of the total population of the WBG (53.6% males, and 46.4% females). 33.9% of male returnees (by the end of 1997) of all ages (26.5% of all male returnees were 14 years old or less) had post-secondary education (10% middle diploma and 23.9% a university degree), and 14.7% of female returnees of all ages (29.6% of all female returnees were 14 years of age or less) had a post-secondary education (8.1% middle diploma and the rest a university degree). 36.5% of the returnees came from Jordan, 31.1% from Gulf States, 21.5% from other Arab countries, and 4.9% from the United States (See; Maliki, M. & Shalbi, Y. (December 2000). *Internal Migration and Palestinian Returnees in West Bank and Gaza Strip*. Ramallah; Palestine Economic Policy Research Institute (MAS), (tables 18 - 20).

<sup>63</sup> One function of the quasi-state trappings of institutions established by the PA can be seen as an attempt to give respectability to the middle class positions in these institutions.

<sup>64</sup> Unemployment rose in the WBG from 11.8% in 1999 to 23.6% in 2006 (in WB from 9.5% to 18.6%, and in GS from 16.9% to 34.8% for the same years). Among youth (15 to 24 years) it rose from 17.3% to 35.7% (Palestine Economic Policy Research Institute (MAS), *Economic & Social Monitor*, Vole 9, July 2007; tables 10 and 12).

<sup>65</sup> The percentage of the labor force in WBG employed in Israel and settlements declined from 22.9% in 1999 to 9.6% in 2006 (ibid, MAS July 2007, table 9).

<sup>66</sup> In a poll (poll no.6) conducted by the Development Programme at Birzeit University in February 2002 nearly 22% of respondents said that they would emigrate if they had the chance. The percentage among the young (i.e. between the ages of 18-22) was 39%.

companies, supermarkets, restaurants and cafés (with English, French, Italian names as well wide range of names from the traditional Arab and Palestinian repertoires). Recently a new city began to be built (Rewabi) outside Ramallah to provide housing for the new middle class<sup>67</sup>, while the needs of the poor classes are largely ignored<sup>68</sup>.

There are five generators of middle class positions in WBG: First, PA institutions; second, civil society organizations (including NGOs, whose number and budgets increased following the establishment of the PA); third, the modern branches of the private sector of the economy as the period after 1994 saw a rapid increase in the number of banks, in telecommunication, insurance, and in high tech companies; fourth, the increase in the numbers of professionals such as lawyers, doctors, architects, dentists, and others professions; fifth, the cadre of political factions and parties.

Higher education provides the “cultural” capital needed for entry into the rank of the new middle class. The establishment of the PA was followed by an enormous expansion in education (in schools and universities). Annually tens of thousands graduate from universities and colleges in the WBG, all with middle-class aspirations and expectations<sup>69</sup>.

The new middle class has come to form, in 2013, about a third of the employed labor force in WBG; that is as much as three times its estimated size in the forties, fifties, sixties, seventies, eighties. In the 1980s and up to mid 1990s, the percentage of those in new middle class occupations in WBG formed ranged between 10% and 12% of the employed labor force. The expansion was initiated by the PA and the conditions surrounding its creation. The 1997 population census of Palestinians in WBG shows 20% of the employed labor force to be in salaried middle class occupations. Data for the second quarter of 2013 suggests that 29.7% (21.9% in WB & 36.8% in GS), are in white-collar occupations excluding those who are subsumed under “service and sales workers” which - in the second quarter of 2013 - formed 15.6% and 20.5% of the labor force in WB and GS respectively. These include individuals working in NGOs<sup>70</sup>. The fact that some are of

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<sup>67</sup> See how it is described by a Western journalist; Armin Rosen, “A Middle Class Paradise in Palestine”, *The Atlantic*, February 11 2013.

<sup>68</sup> In 2011 the poverty rate (based on actual consumption) in the WBG was 25.8% compared to 27.9% in 2001 (MAS, Economic and Social Monitor, Vol. 33, November 2013, p. 60). The poverty rate in the GS is twice as high as it is in the WB. Data from the PCBS show that in 2010 poverty rate stood at 18.3% for the WB and 38.0% for GS.

<sup>69</sup> There were 14 Palestinian universities (in WBG) in 2011 (2 governmental; 3 private; 9 public), in addition there were 15 university colleges, and middle colleges, in all 213,973 (121,998 females and 91,975 males). Thousand students enrolled in these universities and colleges which employed 14,667 persons in academic, administrative, and service occupations. In the academic year 2010/2011 the number of graduates from higher institutes of education numbered 31,702 (18,567 females, and 13,135 males). See: Ministry of Higher Education, Ramallah. See; (<http://www.mohe.pna.ps/FactsAndFigures.htm>).

<sup>70</sup> A MAS census of NGOs counted at the end of 2006 no less than 1495 NGOs in WBG (68.5% in the WB, the rest in GS). The number of NGOs increased by 61.5% since mid 2000 and the ratio changed in favor of GS. 60.5% of all NGOs were established following the formation of the PA (33.7% between 1994 and 2000, and the rest between 2001 and end of 2006). The survey recorded that 16882 individuals were, at the end of 2006, employed (and remunerated) by the NGOs that responded to the survey- an average of 20 employee per NGO. This excluded the membership of general assemblies and their board of directors

white-collar employees can be inferred from the fact that 14.7% (12.6% in WB, and 18.5% in GS) of those classified as “services and sales workers”, had (in the second quarter of 2013) educational qualification of associate diploma and higher. Those working in NGOs were estimated in 2011 to form 10% of the employed labor force<sup>71</sup>.

The working class (including those working in agriculture) formed, nearly a third of the active labor force (37% in WB and 29% in GS), and another third form the petty bourgeoisie (i.e. employed in petty production and distribution), the large owners of capital and property form a tiny percentage<sup>72</sup>.

### **The Palestinian political field undergoes structural changes**

The appearance of Hamas in the nineties altered the composition of forces and the rules regulating the Palestinian political field and challenged the ideology of state-building under colonial occupation adopted by Fatah and its allies. This challenge enabled, with others factors, Hamas to become a mass political party, which enabled it to win a majority of the Palestinian National Council (PLC) in 2006 elections which provided the preamble for it seizing control of the Gaza Strip in June 2007, and erecting its own government there. This inflated the public sector (and the middle class) as the government in Ramallah continues to pay the salaries of its employees in Gaza on condition they abstain from working for the government of Hamas. The siege that was imposed on Gaza by Israel drove a significant percentage of young people there to contemplate emigrating to escape the hardships and insecurities of the Strip<sup>73</sup>.

The percentage of the active labor force employed by the PA (in the government sector), which ranged between 16% and 20% before the year 2000, ranged between 22% and 25% during the period of 2001 and 2013. Employment in the public sector in GS is significantly higher than in the WB because part of the middle class is employed by the Hamas government in Gaza and another is paid (but not required to work) by the government in the West Bank<sup>74</sup>.

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which are not remunerated. Nearly half (46.8%) of NGOs surveyed received external funds. NGOs that depended on external funding as a basic source increased from 19.4% to 33% in 2006. The revenues (including from own sources) received by the surveyed NGOs doubled between 2000 and 2006 (from 112.7 million USA dollars to 223.6 million dollars). See: M. al-Maliki et al; *ta'dad al-munedhemat ghir al-hukomia al-filestina fi al-difa al-gherbia wa qita' gheza 2007* (Census of Palestinian NGOs in WB and GS in 2007), MAS, Ramallah, 2008 (pp vii-xviii).

<sup>71</sup> Karin A. Gester, *Palestinian Non-governmental Organizations*, Rosa Luxemburg Stiftung, Ramallah December 2011 (p 46). This is likely to be an over estimate as the census carried by MAS (referred to in this study) at the end 2006 indicated NGOs employment to range between 20,000 to 25,000 (taking into account NGOs that did not respond to the questionnaire) which suggests that it represents about 4% of the active labor force at the time (622 thousands in 2011).

<sup>72</sup> Calculated from Palestinian *Central Bureau of Statistics (PCBS), 2013. Labour Force Survey: (April- June, 2013)* op. cit (tables 27 & 28).

<sup>73</sup> In 2007 a CPBS survey suggested that 45% of young men (between the ages of 15 -29), and 18% of young women are thinking of emigrating because of the economic, security, and social conditions (MAS, *Economic & Social Monitor*, No. 11 (February 2008), p 60.

<sup>74</sup> Estimates suggest that the government in the West Bank pays for about 70 thousands employees in GS and Hamas pays for another 40 thousands employed by it. Percentages of employment in the public sector are taken from the various issues labor force Surveys of the PCBS. In the second quarter of 2013 the

The high unemployment rates, particularly among young graduates have prompted the PA government to actively seek the employment of skilled Palestinians in the labor markets of the Gulf<sup>75</sup>. This comes at a juncture when the Palestinian government in the WB (facing the futility of continued bilateral negotiations under USA sole sponsorship) and the government in GS (facing the heavy impact of continued closure and the limits of a one-track conception of resistance) are incapable of generating employment (for the working and middle classes).

Palestinians in the East Jerusalem have a different legal status than Palestinians in the rest of the West Bank and different from Israeli settlers in the WB. The legal status of Palestinian Jerusalemites “implies a host of further impediments, especially with regard to housing, employment, taxation and representation. Access to education and health is restricted, which affects the quality of the most important Palestinian resource, human capital. Another key impediment to reviving the economy of East Jerusalem is the lack of access to finance due to occupation-related complications. Palestinian Jerusalemites receive a disproportionately small share of municipal services”<sup>76</sup>. This is reflected in their occupational composition where the percentage with middle class occupations is lower than in the rest of the West Bank and the percentage employed in Israel is much higher.

Data from PCBS for 2010 show that 37% of those employed in the public sector were women (41.1% in WB and 29.5% in GS)<sup>77</sup>. It also shows that employed women occupy a higher ratio (57%) of middle class occupations than men do, albeit a larger percentage of women occupy lower middle class jobs than men<sup>78</sup>. Of those classified, in 2011, as “legislators, senior officials, managers, professionals, technicians and clerks” 71.6% had 13 years or more of schooling. Among women the percentage with such years of schooling

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public sector in WBG employed 22.5% of the active labor force (16.4% in WB and 36.2% in GS) (PCBS, 2013. *Labour Force Survey: (April- June, 2013) Round. Press Report on the Labor Force Survey Results. Ramallah - Palestine. 15/8/2013. (p.6.)*. In addition UNRWA provided employment to teachers, health workers and administrators. In 2010 UNRWA had over 15600 Palestinians employed as staff in the WBG (UNRWA had 4525 staff employees in the WB and 11136 in GS in 2010 (see; UNRWA Statistics 2010, Nov. 2011 (<http://www.unrwa.org/userfiles/2011120434013.pdf>)).

<sup>75</sup> Qatar has said it is ready to receive 20 thousand qualified Palestinians to work in Qatar (Samaa News Agency, 14<sup>th</sup> January, 2014; <http://samanews.com/ar/index.php?act=post&id=184441>).

<sup>76</sup> UNCTAD, *The Palestinian Economy in East Jerusalem: Enduring annexation, isolation, and disintegration*. United Nations, 2013 (p. iii). The report states that “rural-urban migration over the decades sustained the Palestinian Arab character of East Jerusalem even while other pressures were pushing a significant percentage of the East Jerusalem white-collar labour force to seek employment in labour markets elsewhere in OPT (especially in nearby Ramallah and Bethlehem), mainly in the services sectors, civil society organizations and the public sector. Other lower skilled occupational categories of the East Jerusalem labour force also found employment in the Israeli economy (in West Jerusalem or further afield), mainly in the industrial and services sectors, as well as in the construction sector”. It mentions that in 2009 about two-thirds of the East Jerusalem labor force worked in East Jerusalem and elsewhere in WBG, while the remaining 35% worked in Israel and its settlements (ibid, p.21). Unemployment in the governorate of Jerusalem is less than the rest of the West Bank (in 2011 it stood at 13.2%) but higher than Israel (PCBS, *Jerusalem Statistical Yearbook 2012, Ramallah, 2013*).

<sup>77</sup> PCBS, *Women and Men in Palestine: Issues and Statistics, 2011. Ramallah – Palestine (figure 16)*.

<sup>78</sup> PCBS, , 2011. *Labour Force Survey: Annual Report: 2010. Ramallah – Palestine (table 29)*.

was 92.2% compared to 62.9% for men<sup>79</sup>, indicating that the conditions of entry of women into the middle class is harder than it is for men.

### **Neo-liberalism and the middle class**

The PA was established at the height of the ascendance of neo-liberal era and this fact is celebrated in its basic law which commits the PA to a free market economy<sup>80</sup>. Consumerism is a salient feature of neo-liberalism; hence it is no surprise that consumer bank loans have been made within easy access to those with salaried regular employment (basically to the middle class). Consumer loans increased by 292% between the first quarter of 2008 and the fourth quarter of 2012<sup>81</sup>. According to the Palestine Monetary Fund individual bank loans shot up to about a billion dollars in early 2013 compared to US\$ 494 million in 2009<sup>82</sup>. One consequence of such loans is seen as making the middle class indebted to a financial system that is vulnerable to the dictates of international donors and the colonial state. It is estimated that 75% of public sector employees were in 2013 in debt. Some have suggested that “personal indebtedness .... fosters political apathy and undermines critical thinking and action against the very oppressive nature of the system”<sup>83</sup>.

The political culture that was fostered by the Oslo accords promoted the idea of the viability of state-building under colonial occupation and that the precepts of neo-liberalism are the way to “development”, and the equation of democracy with individualism, and identity politics is preferable than the politics of rights and interests. Issues of structural inequalities, domination and injustice were muted, and democracy was celebrated as the bullet box divorced of the principles of equality, freedom and social justice.

### **Changing structure of the “economies” of WBG**

Data on employment by sector in WBG since the establishment of the PA show that those employed in agriculture (as a percentage of total employed in WBG) ranged, in the period from 1995 to 2012 from 16.4% and to 11.5% (reached in 2012). In 1970 agriculture employed 39% of the active labor force of the two areas<sup>84</sup>. In GS employment in agriculture and fishing rose from 10.8% in 1995 to 17.5% in 2003 reflecting the closure of

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<sup>79</sup> PCBS, *Labour Force Survey: Annual Report:2011*. Ramallah – Palestine, 2012 (table 33).

<sup>80</sup> The Palestinian basic law, stipulates: “The economic system in Palestine shall be based on the principle of free market economy... Private property shall be protected and, shall not be expropriated except in the public interest, and for a fair compensation in accordance with the law, or pursuant to a judicial order” (Ramallah, 2003 Amended Basic Law).

<sup>81</sup> The percentage of consumer loans to gross domestic product increased from 3.8% in 2008 to 7.6% in 2012 (Mohanned Abu Rjailah, and Faythi Srouji, *Socio Economic Effects of Consumer’s Credit Risks in the Occupied Palestinian Territories*, MAS, 2013. P.2). See Also; Raja Khalidi, “After the Arab Spring in Palestine: Contesting the Neoliberal Narrative of Palestinian National Liberation”, *Jadaliyya*, 23/3/2012.

<sup>82</sup> Dalia Hatuqa, “Banking on West Bank Prosperity”, *Aljazeera*, 12 September 2013 (<http://www.aljazeera.com/indepth/features/2013/09/201391275625391674.html>).

<sup>83</sup> Tariq Dana, “The Palestinian Capitalists That Have Gone Too Far”. *Al-shabaka* (the Palestinian Policy Network), January 2014 (<http://al-shabaka.org/ar/node/710>). One bank public advertisement in Ramallah says: “Get a personal loan... and achieve all your dreams”.

<sup>84</sup> Quoted by Farsakh 1998, op. cit, p 13.



the Israeli labor market to Gaza workers following the second intifada, then declined to 8.4% in 2012.

Employment in manufacturing reached its the highest percentage of active labor force in 1995 when it recorded 18.0%, to decline to less than 13% since 2002, then to 11.9% in the year 2012. In the GS employment in agriculture declined from 15.2% in 1995 to 5.4% in 2012. The service sector dominates the economy of WBG. In 2012 it made up 57% of the real GNP (62% in GS and 56% in WB) and employed 62% of the active labor force (77% in GS and 55% in WB). But unlike in more developed economies it is driven by traditional services which accounted for 85% of the service's GNP contribution and 98% of total service employment<sup>85</sup>.

### **Unemployment encroaches on the middle class**

Following the establishment of the PA unemployment reached its lowest level in 1999 (i.e., 11.8%) and reached its highest level in 2002 (as a result of Israeli measures to quell the second intifada). It stood at 24.5% in the second quarter of 2013 (20.9% in WB and 31.5% in GS) in addition, 6.2% of the labor force was underemployed (5.4% in WB and 7.9% in GS). Unemployment showed a steady increase among women. What is noticeable is the high level of unemployment among those with 13 years or more of education which, in the last quarter of 2013, reached 28.7% (21.1 % in the WB and 39.3% in GS)<sup>86</sup>. Such data indicates that entry into the middle class is becoming more difficult as the public sectors (in WB and GS) can no longer absorb more employment, and the NGOs have reached their maximum absorptive potential, and the capacity of the private sector is constrained by Israeli restrictions.

Employment from WBG in Israel since the establishment of the PA underwent significant changes. During the period from 1972 to 1993, employment in Israel ranged (as a percent of the total employed labor force) between 26.6% (which was the case in 1988), and 38.8% (in 1993)<sup>87</sup>. During the period from 1994 to 2000 (the second intifada) the percentage ranged between 20% and 25%, but declined to a range between 8.0% and 10% during the period 2001 - 2013. In GS employment in Israel was completely barred since 2006 and rapidly declined from 15.7% in 1999 to 0.4% in 2005. Work in Israel (and settlements) is confined to the West Bank and totaled 9.7% of the active labor force in 2012, and reached 13.3% in the second quarter of 2013 (58.7% of whom had work permits). In other words 40% of WB Palestinian employed in Israel lack any form of protection, and the percent that of Palestinian employees (including the middle class) in WBG who belonged to a trade or professional union in the second quarter of that year was 32.3%<sup>88</sup>.

The high rates of unemployment in WBG illustrate the precarious situation of the Palestinian labor force in these areas. The majority of manual workers in Israel and in WBG lack serious protection of their basic rights. In WBG most workers work in

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<sup>85</sup> Belal Al-Falah, *Structure of the Palestinian Services sector and Its Economic Impact*, MAS, 2013, pp 1- 2.

<sup>86</sup>PCBS (Q4/2013), op. cit. ( table 17).

<sup>87</sup> Farsakh, 1998, op. cit (table 5 pp 52-2).

<sup>88</sup> Ibid (PCBS, 2013 (tables; 30& 42 and pp 40 & 42).

enterprises employing nine or less persons (including unpaid family members) form the overwhelming majority of all enterprises in WBG<sup>89</sup>.

It is important to note that the number of Israel settlers in the WB has nearly trebled between 1990 and 2012, making the ratio of Jewish Israeli settlers to Palestinians living in the WB one to four<sup>90</sup>.

#### **4. Conclusion; integrating class analysis in Palestinian studies**

The preliminary class analysis of Palestinian communities attempted in this paper highlights the need of regional framework that takes into account the socio-economic and political structures of the states in the region (Israel, Jordan, Syria, Lebanon, the Gulf region). Neither can it ignore the global changes affecting the region (the collapse of the Soviet Union, the Gulf war, the role of the USA in the region, the collapse of the Soviet Union, the Gulf war, the role of the USA in the region, neo-liberalism, crisis at the centre of the international financial system, the aid industry, etc).

In conclusion the following remarks can be highlighted in relation to class analysis of Palestinian communities the WBG:

*First*, Palestinian class formations have been subject, directly and indirectly to settler colonial conditions and to regional socio-economic and political changes. After 1948 (i.e. the Nakba) major social Palestinian classes emerged simultaneously in diverse political, cultural and socio-economic fields<sup>91</sup>. This calls for the investigation of the impact of the separate trajectories that the formation of Palestinian social classes had on the Palestinian national movement<sup>92</sup>.

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<sup>89</sup> The composition of the non-agricultural private sector shows that the majority (97%) of these are small enterprises (with 1 to 9 persons) and provide work for 68% of all employed persons of this sector (see: PCBS, Working conditions of employed persons in the non-agricultural private sector 2012, Ramallah, 23/12/2013).

<sup>90</sup> In 1990 the number of Israeli settlers numbered round 240 thousand, in 2012 they numbered 660 thousands (<http://www.arij.org/annualreports/AnnualReport2008Arabic.pdf>). In mid 2013 the Palestinian population in the WB was 2, 640 thousands (PCBS, 2013, op.cit, table 1).

<sup>91</sup> The term Palestinian is used to indicate national identity and not nationality.

<sup>92</sup> A rough preliminary discussion on the role of the Palestinian bourgeoisie in the national movement can be found in: Ghazi al-Sourani, *altehewolat alijtima'ya wa altabaqiya fi aldifa wa qita' ghaza; rou'a naqdiya* (Social and Class Transformations in the West Bank and Gaza Strip; A critical Perspective), Ramallah, Arab World Institute for Studies and Development, 2110; Raja Khalidi "After the Arab Spring in Palestine: Contesting the Neoliberal Narrative of Palestinian National Liberation" in *Jadaliyya*, 23/3/2012; Raja Khalidi, "*Daor al-ra'smal al-istithmari alkhas fi al-tenmia al-mahaliyya alshamila auo al-behth 'en bourgowazia falastinia mahlia*" (The role of private investment capital in local comprehensive development or; the search for a Palestinian national bourgeoisie", *Jadaliyya*, 9/7/2012 ; <sup>92</sup> Adam Hanieh, "*Khaleeji-Capital: Class-Formation and Regional Integration in the Middle East Gulf*", Historical Materialism 18 (2010).

*Second*, there is a need for in-depth studies on modes of capital accumulation of the various strata of Palestinian bourgeoisie<sup>93</sup>. The political presence of this class as well as its assumed readiness to normalize with the colonial power (and the powers to be) needs further ethnographic studies. The impression that “returnee” capital that was accumulated outside the WBG, dominate now the economy of these areas need to be investigated and its implications clarified. Moreover not enough systematic knowledge is available concerning the composition and modes of accumulation of local capital, particularly of the *nouveau riche*, who emerged (in the WB and in Gaza) following the establishment of the PA<sup>94</sup>.

*Third*, Palestinian towns in WBG retained till after mid 1990s their character as towns under the hegemony (economically, politically and culturally) of a limited number of established families. The formation of the PA seems to have created a new dynamic as a nascent urban centre began to emerge in the centre of the WB (in Ramallah, and environs)<sup>95</sup> as a result of this becoming the headquarters of the PA, modern service’s sector of the economy, NGOs, international organizations, political organizations, as well as of banking, insurance, hospitals, laboratories, etc (i.e., as a habitat for the middle class).

Internal rural-urban migration (from villages to towns) in the WBG has been limited<sup>96</sup> and has tended to be limited to the educated who sought middle class jobs and amenities. It is also a fact that the major towns in WBG are all within travel distance of villages and refugee camps if roads are not blocked by Israeli military check-points and other means.

*Fourth*, there has been a steady decline of Palestinian agriculture (in employment and contribution to GDP) and the retention of a marginal role manufacture. The main dynamics of class formation have been education, labor emigration, employment in the public sector, in the modern sector of the economy, and membership of political factions or parties. After the occupation of WBG in 1967 emigration outside these two areas was accompanied (up the second intifada in late 2000) by a large section of unskilled and semi-skilled labor commuting to work in Israel. This continues but is limited to the WB and is relatively small in size.

*Fifth*, emigration from WGS to the Gulf region continued till Gulf war 1991<sup>97</sup>. Emigration to Jordan slowed down considerably after the Jordan government cut its administrative links with the WB in August 1988. This meant that emigration ceased to be a major mechanism in the formation of the Palestinian middle class in the WBG.

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<sup>93</sup> See; M. H. Khan with G. Giacaman, & I. Amundsen, *State Formation In Palestine*, London and New York, RoutledgeCurzon, 2004 .

<sup>94</sup> Tariq Dana (January 2014), op. cit.

<sup>95</sup> On th emergence of Ramallah and its environs as a city. See; Lisa Taraki, “Urban Modernity on the Periphery: A New Middle Class Reinvents the Palestinian City”, *Social Text* 95, Vol 26, No 2 Summer 2008, pp 61-81.).

<sup>96</sup> MAS, *Palestinian Labor Migration into Ramallah and Al-Bireh Governorate*, 2008.

<sup>97</sup> For the drastic change that took place in geographical origins of foreign workers in the Gulf region in the early nineties away Arab labor including Palestinian, see; Hanieh, (2010) op.cit.

*Sixth*, following the formation of the PA the middle class had the task of running its various quasi-state institutions as it did previously with those of the PLO. In addition it had the task of managing the modern sector of the economy, the donor-driven NGOs, and other civil society organizations (including the political parties, including Hamas and Islamic Jihad), and to staff the free professions. This explains the inflation in the relative size of the middle class. However it derives its weight, not from its relative size, but from the pivotal role it plays in the PA, private sector, civil society organizations, political parties, health, education, and in the various fields of culture. In addition the middle class is relatively much more unionized (including in government employment, and UNRWA) than the working class and the petty bourgeoisie and enjoys comparatively a higher degree of job security, mobility, rights, and social security. However, similar the working class and the petty bourgeoisie, it remains captive to the conditions of statelessness and the ongoing settler-colonialism<sup>98</sup>.

Statelessness and settler-colonialism pose constant threats to the livelihood of new middle class and restricts its ability to plan its future. The middle class patriotism generated by the ongoing settler-colonial situation and denial of national and individual rights is constantly checked by concerns over avoiding jeopardizing the sources of that class position. As a class it has experienced the dire consequences of what the withholding (by the USA, EU, and Israel) of external funding and transfers to the PA. The most recent was the second half of 2012 which led to delays in the payment of public sector wages which affected the private sector and many of the civil society institutions (including universities)<sup>99</sup>. This perhaps explains why a majority in WBG perceives a necessity of maintaining the PA<sup>100</sup> while viewing both governments (in WB and GS) as corrupt<sup>101</sup>, and This perhaps explains why a majority in WBG perceives a necessity of maintaining the PA while viewing both governments (in WB and GS) as corrupt, the source of division, and an example of failure to achieve independence, stop settlement-building, protect them from the daily violence of the Israeli settlers.

The Palestinian middle class, like probably other middle classes, is not a cohesive entity. Politically its components are distributed over a wide political spectrum (from the extreme left to the extreme right). Ideologically they vary in the in their relation to secular and religious politics. Socially, it is differentiated by income and status with the lower middle class (school teachers, nurses, clerks, and so forth) forming the larger section of the

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<sup>98</sup> In mid 2013, only 26% of the employees had a written work contract (25.3% in WB and 27.4% in GS). Only 20.6% of employer contributed to a pension or severance pay for their employees; 21.2% get a paid annual holiday, and 22.4% get a paid sickness leave; and only 41.6% of women get a paid maternity leave PCBS (Q2-2013, op. cit. table 41).

<sup>99</sup> For a view of the strategies used by government employees in coping with delayed salaries in 2012, see; MAS, *Coping Strategies implemented by Government Employees in West Bank in Response to Delays Salaries 2012*, Ramallah, 2013.

<sup>100</sup> In November 2013 a public opinion poll found that 65.1% of adults in the WBG want to maintain the PA institutions (JMCC, public opinion poll, No. 80 (November 2013).

<sup>101</sup> 77.6% of adults thought government institutions in the WB to be corrupt, and 64.4% thought that the government institutions in GS are corrupt (Palestinian Centre for Policy and Survey (PSR), Poll no. 47 (March 2013).

class<sup>102</sup>. They are stratified by sector of employment (public sector, private sector, civil society organizations, free profession, and international organizations). Each sector is related differently to the labor and commodity markets, sources of rent or income, job security and political outlook demanded.

*Seventh*, The fragmentation of the Palestinian political field (represented by the collapse of all national institutions), has rendered Palestinian communities vulnerable to the diverse socio-economic and political determinants. The impact of this fragmentation on Palestinian political culture (i.e., in relation to individualism, consumerism, voluntary work and collective modes of action, solidarity among the diverse Palestinian communities, etc) need to scrutinized further. The fixation of the two major Palestinian political parties (Fatah and Hamas) over the building and controlling apparatuses of the self-government under conditions of colonial control, siege, and rent seeking point to a continuation of a culture of atomization and the de-politization of daily life. This trend is being promoted by the “bantustanization” of Palestinian space by Israel and by the demise of the influence of left<sup>103</sup> as a carrier of ideals and values of freedom, equality, self-determination and social justice.

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<sup>102</sup> In a study of Palestinian youth groups (no Islamist groups appeared) formed since 2011, it came out that most of these were middle class groups; those from the lower middle class tended to be of leftwing leanings and those of from upper or middle range of the class tended to adopt a liberal outlook (see;The Palestinian Center for Strategic Research and Studies (Masarat), *Ro'ya neqdiya istishrafia; al-hirakat al-shababiya al-filestinia* (an exploratory critical perspective on Palestinian youth movements), Ramallah, 2013).

<sup>103</sup> Public opinion polls give the left factions all together the support of approximately 5-6% of the adult population in WBG (Palestinian Centre for Policy and Survey (PSR), public opinion poll, No. 49, September 2013).