

# The Socio-Economic Transformations in the Gaza Strip (in the period of 2007-2018)

Dr. Mazen Salah Al-Ajaleh

## Introduction

A number of important variables have deeply affected the economic and social structures (as well as the respective roles and relations) of the Palestinian society in the Gaza Strip. The Palestinian internal division in mid-June 2007 came together with Israel's total blockade on the Gaza Strip. This rift led to profound and immediate changes with the rise of an Islamist de-facto authority which relentlessly worked to eliminate the presence of the Palestinian Authority (PA) and its respective institutions and cadres. This constituted a dramatic change in the nature of the political framework governing the Gaza Strip. Moreover, the non-developmental orientations neglected the interest of citizens and disregarded the issues of social justice, especially with Hamas's inconsistent policy of tax collection amidst a state of economic stagnation and the spread of poverty.

These political transformations ultimately affected the economic and social conditions in the Gaza Strip and led to the emergence of several changes within society's structures, systems, and relations. The changes also influenced the patterns of production, class structures, and societal values. Contrary to most transformations, which usually take more time and occur more gradually, these profound and continuous political changes led to huge alterations in just a few years.

This paper monitors and analyzes the socio-economic transformations in the Gaza Strip from the time of the Palestinian division of 2007 until 2018 (based on the available data), along with their consequences.



## The Theoretical Approach

The literature pertaining to this subject matter has a multitude of relevant concepts and theories. However, this paper mainly focuses on the processes that highlight the role of political upheavals, wars, ideologies and other issues of conflict in socio-economic transformations.

The term "Social Transformation" is defined as "any change that takes place in a social organization - whether in its structure or functions - during a certain time-period" (Kedai, 2015). In this context, Stephen Castles reaffirms that social transformation "implies an underlying notion of the way society and culture change in response to such factors as economic growth, war or political upheavals" (Castles, 2001), whereas other social scientists focused on the fact that "Social Transformation implies a fundamental change in society" (Khondker & Schuerkens, 2014).

The above-mentioned definitions focus on two main issues. First, they highlight the nature and extent of transformations taking place in societal structures and roles, as well as the resulting changes in consumption and production patterns, values, and concepts, in addition to being concerned with influential factors such as wars and political upheavals. Secondly, they involve models that help us understand the relation between the notion of transformation and social changes. In this framework, British sociologist Anthony Giddens points out that social change is a transformation in the fundamental structures of a society or social group (Giddens, 2005). Along similar lines, French sociologist and researcher Grigori Lazarev sees that social change is a noticeable transformation that affects the structure and function of a group's social organization and changes its course of history (Bounaànaà, 2017). Therefore, change is considered a transformation per se, whereas the definition of "change" focuses on transformations that affect social structures and their related functions.

A number of theories have thoroughly highlighted the concept of Social Change (Bounaànaà, 2017). However, this paper will mainly focus on the Marxist theory (both the classical and modern one) because this theory strongly examines the class struggle in its analysis of social change. In his book titled "A Critique of Political Economy," Karl Marx concludes that "men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society" (Marx, trans. 1969). Therefore, Marx sees that change is affected by the forces of production and the prevalent relations between social classes; which in turn affect the reasons behind their

conflict. This point of view shows that the emergence of a conflict will lead to different ideological visions and various consequences that will make it impossible to reach a reconciliation or settle disputes through compromise. In fact, the situation aggravates when stances are based on a conflict of interest mixed with conflicting ideologies between the parties of the conflict. The ideological dimension further complicates conflicts and makes it hard for the conflicting parties to reach any satisfactory solution for all parties (Drukman, 1993).

The proponents of neo-Marxism delve deeper into the notion and causes of conflict as they focus on harmonizing between traditional Marxism (which focuses on conflicts) and structural functionalism (which aims to promote stability). These proponents see that conflict carries within itself the respect for the regime and authority and they consider conflicts as a tool for change and modernization. German sociologist Ralph Dahrendorf thoroughly examined the Social Conflict Theory in light of Marxist thinking in his book titled "Class and Class Conflict in Industrial Society" (Dahrendorf, 1959). Dahrendorf sees that conflict is not limited to laborers and owners of the means of production, but it can also take place between other groups or segments of society who sense a lack of equality; such as blacks vs. whites, women vs. men, the youth vs. older persons, different religious groups, etc. (Tittenbrun and Dahrendorf). Hence, Dahrendorf sees that conflict is not confined to economic aspects but encompasses other aspects as well; such as different classes, dynasties, allegiances, religious beliefs, etc. Conflict does not merely lead to political ramifications for the benefit of one party against another, but it quickly expands to include ideologies, policies and programs that enhance these transformations.

### 3. Brief Overview of the Economic and Social Conditions before the Division:

The economy of the Gaza Strip was functioning in light of the expansion of Israeli settlements, which occupied approximately 40% of its territory until 2005. With that said, Israel kept systematically restricting the Gaza Strip's economic activity and utilization of resources. This led to "de-development" and a decline in the local production capacity, along with the enhancement of non-production services and the local generation and administration of what is known as "economic rent." This, in turn, decreased the local labor market's capacity to absorb the Palestinian work force. Those restrictions and limitations also led to an unstable economic growth where the economy became increasingly reliant on consumption expenditures that generate imports. This created an unsuitable work environment for investments and local production and further increased the Palestinian dependence on the Israeli

economy. Despite some great achievements at this level, they were not enough to bridge the ever-increasing social and economic gaps. Therefore, these sectors became greatly volatile in the face of external “earthquakes,” added to the shortcomings in Palestinian policies and institutions.

The orientation towards “economic rent” further aggravated the poverty and unemployment rates in the Gaza Strip. For example, in 1998, the unemployment rate reached 32%. In spite of the lower unemployment rates (of around 20%) after 1998, the unemployment rate rose again to 30% in 2007. Similarly, the rate of poverty in the Gaza Strip increased from 33% in 1998 to 52% in 2007 (Source: PCBS).

The focus on “economic rent” in income-generation also led to the private sector’s extreme focus on easy investments in its economic activity, particularly the investments that generate quick and substantial revenues such as the real estate and consumption sectors (and especially in the field of Tourism). This led to a consumption-based orientation and a service-based economy at the expense of other economic sectors (for example, the share of production sectors decreased from 24% in 1996 to 18% in 2006, whereas the share of the service sector rose from 67% in 1996 to 77% in 2006).

Among the main transformations that were witnessed in light of the “economic rent” approach were the urban changes; such as high-rise buildings, increase of service-providing institutions, political organizations, and the changing aesthetics of cities. There was also an increase in the influence and role of the middle class as a result of the increasing number of public sector employees, NGOs, international organizations, banks, etc. In this context, Jamil Hilal points out that the financial and real estate capital - which contributed to development and created new hierarchical relations between the different societal segments and also with their surroundings - contributed to the substantial number of local and international civil society organizations (CSOs) and Palestinian Authority (PA) institutions. This in turn led to a state of denial of the reality of the Israeli occupation and enhanced the dependency of the Palestinian society and its political, economic and cultural forces (Hilal & El-Sakka, 2015).

The aforementioned orientation came in parallel with the Palestinian Authority’s attempt to please the forces of neoliberalism through the adoption of policies that undermined its role amidst the Israeli occupation’s ongoing expansion and activities. The PA also failed to devise comprehensive national plans, was confined to “indicative planning,” and supported the market forces. This led to the public sector’s neglect of the economic process; failure to combat poverty, unemployment and inequality; and the non-provision of social services to all citizens.

## 4. Economic Transformations:

### 4.1 The General Environment of Economic Transformations: The Blockade on Gaza, Absence of a Developmental Vision, and the Tunnels

The Israeli Occupation adopted a systematic strategy of siege against the Occupied Palestinian Territory (OpT). This strategy was based on three main dimensions: control of resources, control of borders and crossings, and crippling the Palestinian side’s ability to take decisions. Thus, the Israeli Occupation authorities guaranteed the total dependency of the Palestinian economy on the Israeli side and prevented the PA from achieving growth and progress and building its state institutions. Substantial changes in Israeli control mechanisms took place after the control of Hamas over the Gaza Strip in June 2007. Following this dramatic development, Israel adopted a number of strict measures that maintained a comprehensive system of blockade over the Gaza Strip. This included the imposition of severe restrictions on the Gaza Strip’s external commercial activities; which in turn led to a great decline in the size and role of Gaza’s economy. Trading with the Gaza Strip was practically eliminated after Israel ceased to deal with the customs code of the Gaza Strip, declared the Gaza Strip an “enemy entity,” and completely closed all the commercial crossings between the Gaza Strip and Israel except for the Karm Abu Salem crossing. This made it impossible to import anything from outside the Gaza Strip (except for humanitarian goods), and the entering of different types of fuel was greatly curtailed. Moreover, the Israeli Occupation specified several areas where access by Palestinians is denied. These areas are agricultural lands close to the Gaza Strip’s eastern borders and they include approximately 35% of its arable lands. Furthermore, Israel decreased the scope of sea areas that can be accessed by Palestinian fishermen (OCHA and World Food Programme, 2010). Despite the harshness of these measures against the Palestinian economy in the Gaza Strip, the greatest damage took place during the three Israeli military assaults which led to tremendous losses that harmed Gaza’s social fabric, cohesion and structure. These assaults led to the death of thousands of Palestinian citizens and obliterated tens of thousands of houses, as well as destroyed Gaza’s infrastructure and economic facilities.

The process of development is largely affected by the political framework and the nature of the governing political authority. Experiments have repeatedly shown that development is a political and social path more than being a strictly technical process that revolves around a set of statistical indicators. Therefore, the absence of political stability leads to the disruption of developmental programs because the

general environment that regulates the developmental process (administratively, legally and security-wise) will suffer from great shortcomings that would prevent the fulfillment of the developmental process. The formation of the Hamas de-facto authority after the Palestinian division was one of the main reasons behind the de-development process. Hamas lacked the experience and bureaucratic (institutional) framework for promoting the process of development. Moreover, the new authority started implementing harsh factional and security policies that disregarded human rights and freedoms amidst the absence of legislative and judicial authorities. For example, there was the absence of a vision for national development and the imposition of exaggerated taxes under different namings and categories, and this was done in violation of the law and social justice. The socio-economic condition during this period witnessed the stagnant role of both the public and private sectors. In this framework, the role of the de-facto authority (hereby called the "public sector") was confined to collecting tremendous amounts of money and different types of taxes from the private sector, in addition to "crowding out" the private sector by infiltrating their economic activities. This was done by partnering with the private sector in existing production and service-based enterprises, as well as new businesses that were established by Hamas in an indirect way. This included a monopoly on the sale of major products (such as cigarettes and fuel), as well as trading in lands and other types of real estate. The Hamas movement also established financial companies and banks, such as the Islamic National Bank (INB), Palestine Production Bank (PPB) and Al-Multazem Insurance and Investment PLC, along with trading companies and money exchange bureaus, all of which are not authorized by the Palestine Monetary Authority (PMA). Their businesses also include residential projects, hotels, shopping centers, resorts, agricultural projects, fish farms, and others.

## 4.2 The Economy of Smuggling through the Border Tunnels with Egypt

There is no doubt that smuggling through tunnels is a problematic matter. This commercial orientation aims to benefit from the shortage of goods in different markets and has no relation to breaking the blockade. In fact, this orientation has indirectly supported the blockade and even prolonged it. The smuggling activities have been taking place under the directives, organization and sponsorship of the Hamas movement. This relieved the Occupation from its responsibility towards the Gaza Strip which is still considered an occupied territory according to international law. It is important to understand that, despite a few positive things from smuggling through tunnels, these activi-

ties led to a very harmful restructuring of the economic and social activity.

The economy of smuggling through tunnels represented the largest share of trade in the Gaza Strip. Some sources estimate that this share constituted about 80% of its imports and internal revenues. Meanwhile, the amount of funds collected by Hamas party's "Tunnel Authority" from tunnel licenses and taxes on smuggled goods was approximately 150-200 million U.S. dollars in 2009. According to the same source (Sayigh, 2010), and based on different pieces of evidence, this trade is likely to have reached amounts as high as 600 to 850 million U.S. dollars annually. It is also worth pointing out that, in return for the smuggled goods, there was the exporting of cash amounts outside of Gaza in a consistent manner through the tunnels, with an average of approximately 750 million U.S. dollars annually (Yaari & Ofer, 2011).

Unofficial statistics show that, in the 2008-2009 period alone, smuggling activities led to the emergence of a newly rich class ("nouveau riche") comprising more than 2,000 persons (such as tradesmen and holders of monopolies usually connected to influential figures) whose wealth has reached millions (Abu Mdallaleh & Abu Hatab, 2014) due to quick and enormous profits from the smuggling business. In the same period (i.e. 2008-2009), poverty rates among the people of the Gaza Strip exceeded 40%.

As noted by Sara Roy, the increased purchasing power of Gaza's "nouveau riche" led to additional economic defects, and especially because of the nature of their investments (Roy, trans. 2018). These people lacked the necessary experience to conduct and manage informal business activities and they could only invest locally; such as using traditional methods for investing in land and other types of real estate. This led to the increase of real estate prices by multiple times. The harmful investment and trading activities of the newly rich class (which negatively affected the normal trading system) went beyond the scope of the formal economy, and due to the long-standing blockade on the Gaza Strip, the formal economy of the Gaza Strip fell under the influence of these parties' informal business activities.

These phenomena led to immense social and economic differences between the rich class and the overwhelming majority of Gazans who live in abject poverty. According to Pelham, this also led to a geographic disparity, where the south flourished because of its proximity to the border tunnels while the north became vulnerable because of its distance from the affluence that emanated from the tunnel business (Pelham, 2012). Pelham also mentions similar transformations on the trade level as a result of the decline in trade routes through Israeli ports and the revival of business activities with Egypt after a

forty-year period of inactivity. Gaza's business elite, who have strong ties with Israeli and West European suppliers, saw that their status and influence in Gaza were being threatened by a new generation of smugglers who made use of the old unofficial trade routes that extended all the way to Sudan. Consequently, the business elite started diversifying their supply sources by partnering with Egyptian, Chinese and Turkish suppliers (Pelham, 2012). Even though the old business elite was superior in their knowledge of foreign languages as a result of their education and trips abroad, the new "bourgeoisie" of smugglers were less-educated but benefited from their tribal and kinship ties across the borders together with the support of the de-facto authority. Thus, the tunnels became a key driver of a bottom-up movement and led to a social change and the empowerment of previously marginalized groups.

As a result of the "tunnel business," the Gaza Strip witnessed the emergence of special companies for managing the assets and informal profits related to tunnels. These companies offered substantial interest rates to depositors, and according to unofficial estimates, they collected approximately 600 million U.S. dollars. However, all of these companies declared their bankruptcy after several months or so, and depositors could only return a small portion of their money estimated to be about 16% of the original deposit amount. This figure was mentioned in an estimate made by a Hamas committee that was established particularly to solve this issue.

### 4.3 Growth Rates and Source of "Economic Rent"

Statistical information related to GDP growth in the Gaza Strip does not show a trend of economic growth in the period of this study. This is because Gaza's economic growth is quite random and unstable. For example, there were five years in which there was a negative economic growth rate as a result of the economic recession in the Gaza Strip (such as the years 2008, 2014, 2017 and 2018), whereas the economic growth rate exceeded 10% in two years and reached 17.7% in 2011. This is probably due to economic recovery from a very low economic base whose GDP had seen an accumulated decline of more than 10% in the first three years of the study period, as well as the decreased Israeli restrictions on imports in mid-2010. It is worth mentioning that the average growth rate for the whole period (2007-2018) did not exceed 3.2%. The most dangerous consequence of the weak and declining GDP of Gaza was the occurrence of structural changes that decreased the Gaza Strip's contribution to the Palestinian Gross Domestic Product (GDP) from an average rate of 34% in the 1997-2006 period to only

25% (on average) in the 2007-2018 period. This percentage was highest in 2005 (37.4%) and it was lowest in 2014 (22.9%).

It is also worth noting that the economic growth in the Gaza Strip is unsustainable (there were low growth rates throughout this period). Also, the economic growth was mainly focused on the construction sector and the rebuilding of Gaza's destroyed infrastructure and did not pave the way for new fields of growth. Furthermore, this growth was directly related to the consumption that stemmed from aid and the PA's expenditures on the Gaza Strip. Therefore, it is clear that the achieved economic growth was not in any way related to the enhancement of production capabilities to pave the way for sustainable development. According to a report issued by UNCTAD (United Nations Conference on Trade and Development), the reasons behind the slow economic growth in the Gaza Strip are the decline in the base of economic activity in previous years and the non-utilization or underutilization of the available human, material and natural resources amidst ongoing restrictions on Gaza's imports and exports and other restrictions on the aspects of supply and demand (UNCTAD, 2013).

These analyses also show that some structural changes took place in the Gross Domestic Product (GDP) and the related rates of economic growth. The GDP was quite fragile and did not reach again its highest historic figure of 2005; which was 1,793 million U.S. dollars. Also, there were other factors that affected the economic growth, such as aid and assistance and governmental spending. The structural changes also included the low and negative rates of economic growth and its vulnerability to the import component of the GDP.

### 4.4 Changes in the Economic Structure:

The above-mentioned information showed that changes took place in the nature and structure of the GDP. In light of an environment that continually undermined economic activities, old structural defects were enhanced and new defects appeared on the surface. One of the most dramatic structural changes took place in the production sectors' contribution (especially agriculture and industry) to the Gross Domestic Product (GDP). For example, this contribution decreased from 22% in 2007 to only 13% in 2018. On the other hand, the contribution of the Service sector in the GDP rose from 65% in 2007 to 77% in 2018. These structural changes greatly weakened the production sectors and undermined their ability to play a pivotal strategic role.

Another noticeable change was the increased contribution of Final Consumption in the Aggregate Demand (AD); which increased from 56% to 66.3% during the period of the study (2007-2018), whereas

the different investment indicators saw a decline in the same period. For example, the average contribution of investment in the GDP was only 3% throughout this period, whereas this contribution in the GDP was 27% in the 1997-2007 period.

In order to further highlight the structural changes, let us compare the amounts of imports in the last two decades. The imports that were made in the first ten years (i.e. 1996-2006) totaled 8,857.9 million U.S. dollars, whereas the amount of imports in the 2007-2016 period was 6,878.8 million U.S. dollars with a negative average growth of 23.4% although the population increased by 35%. Therefore, the Gaza Strip's contribution to Total Imports decreased to 15% while this percentage used to be [as high as] 36% (Source: PCBS). This economic defect came simultaneously with other problems related to Gaza's economic decline, and they negatively affected the labor market which became unable to accommodate the huge developments in supply and demand. Hence, the annual unemployment rates skyrocketed, as discussed later in the study.

## 5. Social Transformations

The social sectors in the Gaza Strip received a heavy blow as a result of the complex political and economic environment. This was seen through the spread of poverty and unemployment, poor quality and absence of basic services, and social mobility that led to huge class-related transformations in the social structure. The following paragraphs highlight the Gaza Strip's changing social scene:

### 5.1 Human Capital Erosion: Unemployment and Poverty

Human capital is among the main aspects that suffered from the political and economic downturns. Consequently, most people in the Gaza Strip saw themselves living in abject poverty that spread quickly in the different fabrics of Gazan society. The annual unemployment rates also saw a continuous increase, and the number of unemployed persons exceeded the number of employed persons in 2018 when the unemployment rate reached 52% of the work force (compared to 33% in 2007). The number of unemployed persons in 2018 was 276,000 compared to 85,000 unemployed persons in the Gaza Strip in 2007, i.e. an increase of 225%. What exacerbated the situation is that the unemployment rate among the Gazan youth increased from 48.6% to 68.6% between the years 2007-2018, whereas the unemployment rate among female youth reached 75% (Source: PCBS, 2007-2018). These successive increases in the unemployment rate came together with a decrease in the Per-Capita GDP. The growth rate of the Per-Capita GDP fluctuated between low to negative, and the average growth rate

of Per-Capita GDP in the period of this study was 12.3%. It is worth noting that the highest historic amount of Per-Capita GDP in the Gaza Strip was in 1998 when this amount reached 1,420.7 U.S. dollars. The Per-Capita GDP never returned to this level yet it reached 1,374.5 U.S. dollars in 2005. With regard to the study period (2007-2018), the highest Per-Capita GDP was in 2013 when it reached 1,183 U.S. dollars, then it decreased to 1,138 U.S. dollars in 2016. Even though the GDP in the Gaza Strip decreased in 2018, the Per-Capita GDP reached 1,670 U.S. dollars because of changing the base year from 2004 to 2015.

These developments led to a substantial increase in the absolute and abject poverty rates of Gazan people. The rate of absolute poverty in the Gaza Strip rose from 38% in 2011 to 53% in 2017 using the monthly consumption criterion (based on the most recent poverty report). Moreover, the rate of abject poverty increased from 21.1% in 2011 to 33.8% in 2017. This shows that there was [approximately] a 60% increase in the percentage of Gazans suffering from abject poverty (Source: PCBS, October 2016, September 2017). Also, the poverty rate of the people of Gaza based on the criterion of income is 70%, which is a more precise criterion because it disregards the impact of aid in decreasing poverty. These serious indicators demonstrate the poor living standards and harsh conditions in the Gaza Strip, as well as Gaza's dependence on aid and the increased rates of food insecurity. Those elements had highly negative effects on people's mental and general health and their failure to provide the basic necessities of life to their families, as well as the absence of healthcare services and appropriate educational opportunities.

### 5.2 Basic Services and Infrastructure:

The Gaza Strip's high population relative to its small area of land (with a population density of 5,238 persons/sq.km) led to a tremendous pressure on services, public facilities, infrastructure, and the emergence of new social developments. Public services like education, health and utilities (such as water and electricity) were incapable of meeting the growing demand. The internal and external restrictions on the Gaza Strip, decrease in human resources, decline of people's morale and the damages caused by Israeli military assaults led to the gradual deterioration of the quality of services. In spite of that, some general indicators show us a certain degree of coherence and development in these services and facilities due to the support of UNRWA and other international organizations that exert efforts to provide infrastructure support to improve the livelihood of people.

At the educational level, the number of schools is a good indicator for assessing the condition and service level of educational facilities. The United Nations

Special Coordinator pointed out that 369 new schools have been constructed [in the Gaza Strip] to cope with the growing number of enrolled students during the years of the Palestinian division. However, only 137 schools were actually built through the efforts and funding of the international community and UNRWA; which shows that there is a gap of 232 schools. This gap intensified the pressure on educational facilities and increased the rate of enrolled students per classroom. For example, the number of students per classroom reached 39.3 in public schools (UNSCO, May 2017). Also, 61.7% of public schools currently use the double-shift system and the number of teaching hours is only 4 hours a day, which clearly shows the immense pressure on educational facilities. It is also worth mentioning that the number of primary school students in the Gaza Strip increased by 14.7% in the last decade, whereas the number of primary school students in the West Bank increased by only 6.8% in the same period. What explains this great difference between the West Bank and Gaza Strip is the fact that children aged 15 years and below constitute 48% of the Gaza Strip population.

The health services and facilities are also in a terrible condition. For example, despite the growth of the Gaza Strip population by 35% in the past decade, the number of operating health clinics actually decreased from 56 to 49 clinics. This led to a huge congestion in clinics, decrease of time allocated by doctors to patients, and a general decline in the quality of health services. Despite a small increase in the numbers of hospital beds as well as doctors and nurses in the 2007-2016 period, the growing population led to a decrease in the per-capita share in these services during the aforementioned period. For example, despite the increase in the overall number of hospital beds in the Gaza Strip from 2,128 beds in 2007 to 2,339 beds in 2016, the average number of beds decreased from 1.80 beds/1000 persons in 2007 to 1.58 beds/1000 persons in 2016 (Source: PCBS, 2016, 2017). The Gaza Strip is also witnessing a serious absence of water and energy security and their deteriorating quality and quantity. For instance, half the population of the Gaza Strip receive water for only eight hours every four days, whereas one-third of the population receive water for eight hours every three days. The remaining percentage receive water for eight hours every two days. It is also worth noting that the water that they have is non-potable and cannot be used for cooking, and therefore the people buy potable water from desalination plants.

Another deeply troubling issue is the lack of sufficient electricity. This problem was especially witnessed in the past years. In fact, the period of available electricity sometimes lasted for only four hours, followed by more than 12 hours without any electricity. This issue

became a huge burden for the citizens, the private sector and the different societal segments.

## 6. Class-related Transformations: Disappearance of the Middle Class

A number of important changes took place in the social fabric after the Palestinian division. This is because the control of Hamas and its de-facto authority led to quick, sudden and deep social mobility both upwards and downwards. This moved the leaders and key members of Hamas to a higher socio-economic level due to their rule over the Gaza Strip, assumption of high-ranking positions, and control over resources, privileges, incomes and salaries – thus improving their living conditions, residential standards, etc. Let us also not forget the “nouveau riche” (newly rich) class, who became affluent due to the tunnel activities and had strong connections with the de-facto authority through different companies, interests and even factional ties at times.

On the other hand, tens of thousands of personnel from the [previous] civil and military bureaucratic system lost their jobs and hundreds of them were even killed or injured. Although these people kept receiving salaries from the Palestinian Authority (PA), most of them no longer had any political or administrative authority in the Gaza Strip and some of them were even being pursued (especially those from the PA security services and Fateh movement). It is also worth noting that the reduction of salaries of PA members and sending thousands of them to [early] retirement in 2017 further lowered their social class and status in the Gaza Strip.

The occurring social mobility in the Gaza Strip had a tremendous direct and indirect impact on the size, status and role of the middle class.

This led to an ongoing economic decline and increased the rates of poverty among the middle class. Consequently, tens of thousands of persons who were classified as the “middle class” according to social and political standards were actually among the “poor class” according to the income and expenditure standards. Hence, this group of people was no longer able to live according to middle-class standards and social status. However, some of the middle-class members joined the Hamas institutions and practically became public sector employees.

These developments contributed to fragmenting the middle class and weakening its structure. Moreover, the decreasing salaries of the middle class categorizes them more as “poor class” according to economic standards. However, researcher Jamil Hilal points out that the Palestinian political and geographic division did not affect the size of the middle class as shown by some data, but it led to fragmenting this class and

increasing the concerns about future living conditions, deficits, and political marginalization (Hilal, 2013). Additionally, Ghazi Sourani notes that the Palestinian division led to the reproduction of de-development in the Gaza Strip and that such circumstances create a feeling of alienation among the middle class (Sourani, 2015).

Based on the above-mentioned poverty line of 2017, which indicates that 70% of Gazans are currently below the poverty line in terms of their income, and assuming that the rich class in the Gaza Strip represent 10% of the population, this would mean that the middle class only make up 20% of the total population. It is also worth mentioning that there are several statistical indicators which confirm that many people from the middle class are now below the poverty line in light of the absence of data or information about the consumption level of this class.

Among the indicators that show the vulnerability of the middle class towards poverty rates is the GINI Index. The GINI Index increased from 29.3% in 2007 to 33.6% in 2017. This means that there has been a growing lack of fair distribution of income. For example, unfairness is seen through the increased percentage of the rich class, poor class, or both; all of which show a decline in the middle-class percentage. Among the best indicators for showing the gap between the different classes is the increased gap between the salaries of the public sector and the private sector. For example, in 2007, the daily wage of a private sector employee was 69% the wage of a public sector employee (the difference between the two daily wages was 18.3 Shekels). However, in 2016, the daily wage of a private sector employee constituted only 52.7% the wage of a public sector employee (the difference between the two daily wages grew to 43.3 Shekels) (Source: PCBS, 2016, 2017).

The Palestinian division also played a prominent role in fragmenting the middle class and changing its social and political characteristics. For example, the social structure of the middle class changed when newly rich people joined this class after working in "the border tunnel smuggling business" and assuming high-ranking positions due to their allegiance to Hamas regardless of their qualifications. These groups of people also used their influential positions to make quick profits and adopted special interpretations of political Islam in a way that negates the national Palestinian identity. These new groups also tightened their security grip on the Gaza Strip to sustain their power despite their failure to properly govern the Gaza Strip and its residents. This led to a decline in the vast majority of economic and social indicators and the deterioration of living conditions, as seen through the aforementioned indicators.

## 7. A View towards the Future

The end of the Palestinian division and achievement of national and community reconciliation are an important precondition to prevent the deterioration of economic and social conditions and to rebuild what was destroyed by the division and blockade. This should happen through the adoption of a national developmental vision focused on enhancing the economy of resilience to resist Occupation. There is no doubt that the economic and social transformations mentioned in this paper will lead to negative developments as long as the original factors that caused them are still present in light of the ongoing division, blockade, and the interests of stakeholder parties.

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*Dr. Mazen Salah Al-Ajaleh has a PhD in Economics from the University of Algiers. He is a researcher in Economic Affairs and has published numerous articles in well-known scientific journals, as well as books, work papers and researches about the Palestinian economy. He is also a part-time lecturer in the field of Economics.*

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Rosa Luxemburg Stiftung Regional Office Palestine & Jordan

Responsible: Ute Beuck

Al Tireh St. / Nile St., Attari Bld #67, 2nd floor, (Opposite of the

Chinese Embassy), Ramallah, Palestine

Phone: +972 297 3302/06/46

Fax: +972 297 3345

Email: [info.ramallah@rosalux.org](mailto:info.ramallah@rosalux.org)

[www.rosaluxemburg.ps](http://www.rosaluxemburg.ps)

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