



Palestine Economic Policy Research Institute (MAS)

Toward Policies for promoting "Trust" in the Palestinian Labour Market

**Luca Andriani
Haneen Ghazawneh**

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Researchers: Luca Andriani, PhD Student, University of London, and visiting researcher (MAS).
Haneen Ghazawneh, Research Associate (MAS)

Reviewers: Numan Kanafani, Professor of Economics, Copenhagen University
Majdi Malki, Professor of Sociology, Birzeit University

Layout: Lina Abdallah

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Palestine Economic Policy Research Institute (MAS)
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Foreword

Trust is an important component of social capital. There has been much literature which has addressed the positive relationship between trust and economic performance. Moreover, some argue that trust is one of the preconditions needed to create economic prosperity. This concept has gained significant attention in contemporary economic and social science debates. Many economists and sociologists argue that socio-economic development cannot occur in a society with a low endowment of trust. In other words, a declining stock of trust as a component of social capital, in any society, negatively affects the economic performance of that society. This direct link between trust and development is a useful framework for the advancement of economic development.

This study seeks to promote policies to improve the level of trust in the Palestinian labor market. Labor markets combine the different production partners, bringing together employers and workers. It is likely that the development of trust between these two partners, and between individuals, groups and institutions in the environment surrounding the institutions of production will have a clear impact on economic performance. The research team developed an empirical model to determine how individuals, both employed and unemployed, respond to different types of trust: generalized trust, institutional trust, and political trust.

"Policies Toward Promoting Trust in the Palestinian Labor Market" is the sixth published study of the research program carried out by MAS since 2006 on Social Capital. This program is supported by Arab Fund for Economic and Social Development (AFESD). These studies have addressed the concepts of social capital, measuring social capital in the Occupied Palestinian Territory, bonding and bridging social capital, the importance of social capital in improving food security, and the role of school in the accumulation of social capital. These studies represent an important added value in the development of Arab literature on social capital. On the occasion of publishing this study, I would like to thank the researchers involved in writing this paper and acknowledge their emphasis on authenticity and depth of analysis. I would also like to thank the reviewers, evaluators and experts who participated in the discussion for their contributions in enriching the study. Finally, many thanks to AFESD for their continued support to this research program.

Dr. Samir Abdullah
Director General

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Executive Summary

The aim of this paper is to analyse the relationship between different types of trust (generalised, institutional and political trust) and the labour market in the oPt. More precisely, based on the most popular and recent economic literature (Guiso et al 2004, Knack and Keefer 1997, Kuenzi 2008) and by using a survey of social capital conducted by MAS in 2007, we derive measures of generalised, political and institutional trust. The idea is to empirically analyse whether individuals belonging to the labour force might “trust” other people, politicians and institutions differently depending on their employment status (employed or unemployed etc). To this purpose, after a theoretical introduction to the concept of “trust” and an initial descriptive section concerning the Palestinian labour market, we develop empirical analysis through cross-sectional specific models. In the empirical models, besides employment and unemployment variables, factors capturing demographic and geographic profiles are included as well as human capital variables. The motivations of this paper are twofold. Firstly, in the literature the positive relationship between trust and economic performance has been analysed both empirically (Knack and Keefer 1997) and theoretically (Butler, Giuliano and Guiso 2009). However, little attention has been paid to the determinants of trust. Put simply the primary question is: “Do individuals trust in the same way?” Secondly, if the answer to the previous question is negative, then different individuals might respond differently to economic policies implemented by institutional authorities (government authorities) and private agents (domestic and foreign investors for instance). Indeed this type of analysis might be quite useful especially considering the Palestinian context where policies and investment plans adopted by local authorities or international bodies represent a significant proportion of overall economic activity.

The structure of the paper is based on the empirical correlation between trust and labour market forces. It is divided into three subsections. The first focuses on the relationship between the different types of “trust” and different types of employment sector. Empirical evidence clearly indicates that the private sector and the self employee sector are more likely to perceive themselves to be isolated from the market and political institutions. The second subsection repeats this exercise only with the issue of unemployment. The main findings indicate that, generally, unemployed workers tend not to trust institutions and politicians, especially individuals those that are unemployed but that used to be employed. It is worth noticing that, in general, unemployed individuals tend to trust other individuals.

By comparing the results of these two subsections it seems that employed individuals with a permanent position are more likely to trust either people in general or institutions than job seekers. This led us to develop a third subsections in which we analyse the relationship between the labour market (employed and unemployed workers) and “trust” in the future. In other words, the main question is whether expectations change within the labour force between the employed and unemployed groups. Empirical evidence shows at least three clear results. Firstly, unemployed workers, compared to their employed peers, might feel more uncertain about the future. This affects their level of optimism/pessimism. Secondly, employed workers in the public sectors are more optimistic, probably due to their permanent job contracts. Thirdly, individuals living in the WB are more optimistic than those in Gaza. If we compare the three subsections, our empirical analysis confirms economic theory according to which employment instability and lower wages reduce individuals’ confidence in institutions and expectations. On the other hand, economic well being certainty tends to foster a more relaxing socio-economic environment in which individuals feel protected against possible adverse economic shocks.

The last section focuses on policy implications. The paper recommends a different investment plan that favours the private sector and micro-enterprises in order to reduce the sense of institutional distrust present within these sectors. At the same time social security policies should be “re-designed” in order to reduce the “social benefits” gap that exists those employed in the public and private sectors. It is obvious that institutions are forced to make a trade off between pursuing this targets and managing the limited governmental budget. However, discrepancies in terms of the provision of welfare between citizens foster a sense of inequity and unfairness which results in a lack of institutional trust. In terms of unemployment, the fact that unemployed workers generally trust people more than institutions might be the result of at least two factors. Firstly, job searching in the Palestinian labour market involves the use of informal network. Secondly, in periods of economic difficulties, the main resources for the unemployed are the informal insurance mechanisms provided by family help rather than a system of institutional unemployment benefits. A limited governmental budget definitively represents an obstacle to the development of a more comprehensive welfare system. However, policy makers have to take into account that government policies should match the demands of citizens in order to reverse these perceptions in the future.

1. Introduction

The aim of this paper is to identify how different individuals respond to trust; generalised, institutional and political. In the literature the positive relationship between trust and economic performance has been analysed both empirically (Knack and Keefer 1997) and theoretically (Butler, Giuliano and Guiso 2009). However, little attention has been devoted to the determinants of trust. The experimental work developed by Glaeser et al (1999) shows that good predictors of “trust” in “the two-person trust game” are the degree of social connections, whether the individuals in question are members of the same race or nationality and the duration of their acquaintanceship. Indeed the type of ties among individuals might affect the level of trust. In fact La Porta et al (1997) underline that trust is essential for cooperation but, at the same time, it is more important when it occurs between people who do not interact frequently and repeatedly. This is because cooperation in repeated interactions might be affected not only by trust but also by the threat of future punishment. In other words, repeated cooperation can be supported also in the presence of low levels of trust.

By following this literature, this paper does not analyse the level of trust that people have relative to their micro-community, such as family and friends, but rather, relative to large organisations (a la La Porta et al 1997) such as other members of society, institutions and politicians. More precisely, this study detects the socio-economic conditions of employment across different sectors and the way these influence individuals’ trust in institutions and people in general. Put simply, the primary question is: “Do individuals trust in the same way?”

The determinants of trust are important in that they might affect individuals’ perceptions of the transparency, credibility and efficiency of public institutions (monetary and fiscal authorities) and private actors (e.g. foreign investors), which in turn influences their responsiveness to policy measures for development and welfare - lack of trust will provoke suspicion and reduce individuals’ collaboration thus rendering policy ineffective. Hence, a particular policy or investment plan is likely to have a different impact depending on the status of the recipients. For example a policy based on investment incentives might receive little or even suspicious attention by the part of society that does not trust the institution or the body promoting that policy. The logical consequence is that said

policy will not achieve its' planned target. The analysis in this paper contributes to our understanding of which sectors of the labour force are more willing to trust institutions and society in general and which sectors are likely to be more sceptical towards government policy and private institutions.

Due to its particular political context, the lack of stable democratic institutions and society's general low-income level, the research team believes that the West Bank and the Gaza Strip (WBGS) represent an interesting case study in regards to this issue. To this purpose we will consider the relationship between trust and the labour market in WBGS in relation to two different socio-economic contexts: workers and unemployed individuals. In the first instance we investigate whether employed individuals trust in the ways outlined above. We divide the workers into sectors: public, private, NGOs, self-employed and Palestinian workers in Israel and Israeli settlements. In the second instance we assess the relationship between trust and two different types of unemployed individuals: those that have never worked previously and those that have become unemployed after a working previously.

The paper is structured as follows; in section 2 we offer a critical discussion of the importance of trust to specific economic factors and the measures of trust we adopt in our work, in accordance to the literature: political trust (Kuenzi 2008) and generalised and institutional trust (Knack and Keefer 1997 Sabatini 2009). To derive our indices of trust we use the "Survey on Social Capital" conducted by the Palestinian Central Bureau of Statistics (2007) for the purpose of MAS' social capital project where Nasr and Hilal (2007) measured the endowment of social capital in WBGS. While generalised trust and political trust are computed by using a binomial indicator (as in the literature), relative to institutional trust we construct a synthetic index by considering nine different institutions (trust in government, political parties, local council and so on).

In section 3 we develop a descriptive analysis of the Palestinian labour market either considering the sectors or considering separately the regions of the West Bank and the Gaza Strip.

In section 4 we show several cross-variable tables depicting the relationship between different employment statuses and different types of trust. This provides an initial and general overview about how different individuals trust people, institutions and politicians.

In sections 5 we develop our empirical analysis through probit cross-sectional specific models. Firstly, we investigate the correlation between different employment and unemployment types and trust. In our specific models variables capturing demographic and geographic profiles will be included as well as human capital variables. Following this we assess whether expectations regarding the future within the labour force change according to whether an individual is employed or unemployed. These analytical stages will constitute the framework from which we derive the policy implications for different working sectors and for the unemployed labour force that are discussed in section 6.

2. The Importance of Trust and its Indicators

One of the crucial questions we firstly need to address is “what is trust?” Nooteboom (2002) identifies trust as a special link between two agents: the trustor and the trustee. Under certain circumstances the former (trustor) trusts the latter (trustee) in one or more aspects of his/her behaviour. Moreover the trustee might represent an individual, a collective or an institution. Part of the literature has considered “trust” as an input by proposing the equation (1) as a “dominant-relation type”

$$\text{EconomicPerformance} \leftrightarrow \text{trust} \pm e \quad (1)$$

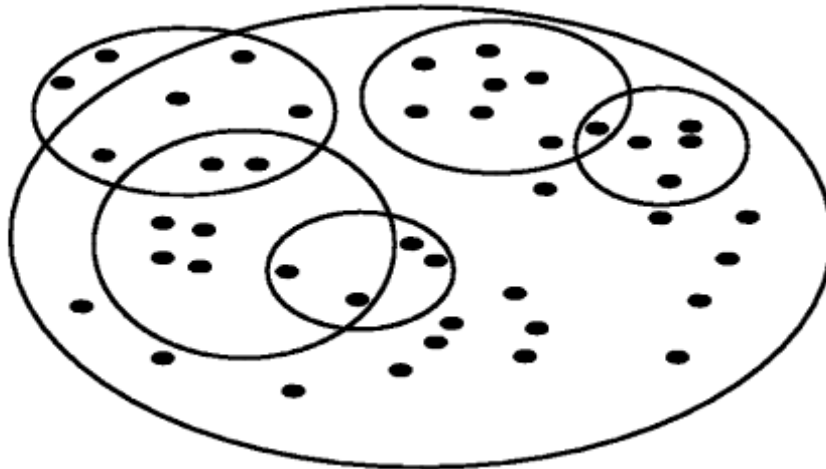
The idea that trust is one of the determining factors that helps to explain political economic performance has a long tradition in economic thought (Adam Smith in Dalton et al 2007), even though the concept has only received significant attention in contemporary economic and political science debates (Guiso et al 2004, 2006, Fukuyama 2001, Keefer and Knack 1997). In the eighteenth century, in understanding why Naples is not as developed as other states of Italy, Genovesi (1820) emphasises the importance of public trust (or in contemporary terms “generalised trust”) as trust among individuals. Trade and industry cannot grow and socio-economic development cannot occur in a society with a low endowment of public trust. Moreover, formal justice cannot be imposed successfully in a society where individuals do not trust each other in their informal relationships and this initial condition, in turn, negatively affects the economic performance of that society¹.

These historical positions have been revised by contemporary social scientists within the social capital debate. In fact, the increasing visibility of the concept of “trust” is strongly related to the growing interest in the phenomenon of social capital by the various social sciences. In the broader view of social capital theory, higher associational activities inside a community are able to foster a sense of civic engagement where cooperation, reciprocity and mutual trust are developed and used in order to solve collective action and asymmetric information problems. In other words, a society with a higher level of trust can achieve preferable economic and social outcomes. The question whether this mechanism can work regardless of the socio-economic environment or whether it is more context-oriented is still an object of vibrant debate.

¹ For a more accurate analysis about trust and social capital in the thoughts of Adam Smith and Genovesi see Bruni et al (2000)

According to Kenneth Arrow (1972) “much of the economic backwardness in the world can be explained by the lack of mutual confidence” (p. 357). In other words, mutual trust is crucial for commercial and non-commercial transactions. The available economic literature provides empirical evidence in support of this statement. Knack and Keefer (1997) found a positive relationship between trust, in its generalised and institutionalised forms, and economic performance across different countries. Guiso et al (2006) indicate a positive correlation between trust and the size of a country’s stock market. For Fukuyama (2001) “trust” is one of the crucial elements that make relationships among individuals work. Fukuyama (2001) identifies the concept of the “radius of trust” (Figure 1) - the mechanism that facilitates cooperation among individuals. More precisely, the radius of trust “is the circle of people among whom co-operative norms are operative” (Fukuyama 2001 p. 8).

Figure 1: the Radius of Trust



Source: Fukuyama (2001)

According to Fukuyama (2001), a modern society can be represented as a set of “concentric and overlapping radii of trust” ranging from families, friends, religious groups, NGOs and so on. Two possible outcomes can be derived from this initial scenario. Firstly, the radius of trust is larger than the group itself by producing, in this case, positive externalities². Secondly, the radius of trust is smaller than the group itself which means

² This identifies the case where trust occurring between individuals belonging to a particular group/circle (family, NGOs, religious group etc...) also affects non-members of that group by fostering cooperation not only inside but also outside the circle.

that not all the members belonging to that group benefit from this “social resource”. In the second case the classical insider-outsider dichotomy occurs. Nootboom (2006) reinforces Fukuyama’s statement underlining that “trust” has extrinsic instrumental values in helping to reduce the risk of transaction costs of relationships. More precisely, formal means of control such as government control or legal contracts are not able to completely eliminate relational risks. That is why some degree of trust is always needed (Nootboom 2006). Knack and Keefer (1997), for instance, divide “trust” into two explicit forms each of them corresponding to different types of trustees. They define generalised trust as the trust an individual has in people in general, while they define institutional trust as the trust one individual has in institutions. Kuenzi (2008) goes even further and defines political trust as the trust an individual has in political institutions.

If the input of “trust” might positively affect economic performance in terms of GDP per capita or investment and financial development, as with any other input, “trust” also needs to be produced in order to grow. Expectations and socio-economic conditions might foster or reduce this production and accumulation. For instance, the consumer confidence index (CCI) indicates the measure of consumer confidence towards current economic condition. Notice that this is not a pure economic variable but the perception that individuals have about economic certain variables. Therefore the CCI indicates the behaviour of society rather than real wealth. In 2009 the Nationwide’s Chief Economist Martin Gahbauer said "Consumer confidence has lost some of its upward momentum evident earlier in the year... The downbeat assessment of the present situation is consistent with recent news that the UK has been slower to come out of recession than other countries" (BBC News 9 December 2009). This is just one of a multitude of examples that show how much socio-economic conditions and expectations might influence the production of trust.

In this paper, by following the mentioned literature we will consider generalised, institutional and political “trust” as by-product of socio-economic factors such as employment conditions. Hence we will try to identify how different sectors of the labour force can represent some determinants of trust in the peculiar case of WBGs. This will represent an important tool to derive relevant policy implications about the labour market in both the regions of Gaza and the West Bank.

In order to develop our analysis we first need to construct the three different indicators of “trust”. For this purpose we use a survey conducted in the Palestinian Territories and published in the work of Nasr and Hilal (2007). As the authors underline, the initial objective of this survey was to detect the concept of social capital within Palestinian society in the West Bank and in the Gaza Strip. Therefore, part of the survey is dedicated to questions about trust. From the section about “trust” we have derived the indices of generalised trust, political trust and institutional trust. Like many social surveys, Nasr and Hilal (2007) use the same questionnaire framework of the World Value Survey to identify “general trust in people”.

The first indicator “generalised trust” (GT) measures whether individuals trust people in general. More precisely, in our case the GT is a binomial variable relative to the question “In general can you say that you can trust people?” The answers we consider from the survey are two: You can trust people in general (Yes); you should be careful when you deal with people (No)³.

The second indicator, “political trust” has been constructed through the question “Do you have confidence in politicians?” As mentioned earlier, a similar measure has also been advanced in other studies (Kuenzi 2008) for the cases of Ghana and Nigeria. The respondents could reply by choosing different levels of trust such as “Lots of trust”, “Some trust”, “Little trust” and “No trust”.

The third indicator, institutional trust, is computed as the sum of trust levels across nine different institutions⁴: the current government, political parties, local councils, the Palestinian Legislative Council, government institutions, the President and the cabinet, the judicial system, the police, and religious institutions. The set of answers is identical to those available in the section for “political trust”.

³ Given the really limited number of individuals that have answered “I don’t know” we restrict our sample to the respondents that have replied “yes” or “not”

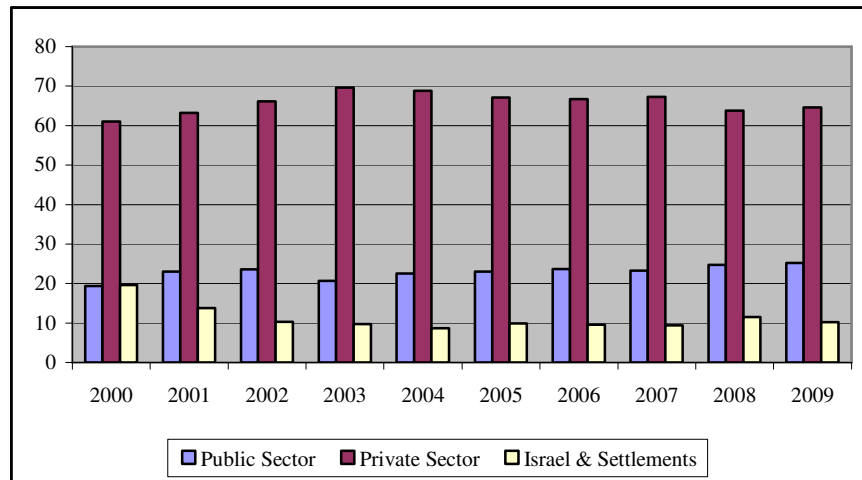
⁴ Unlike Cavatorta et al (2009) we reduce the number of the types of institutions. In Cavatorta et al (2009) trust in NGOs, international organisations (such as UN), big Palestinian companies (for example Jawwal), donors and media were included in the composite indicator. We have restricted our “bundle” only on institutions responsible for administrative, juridical and legislative tasks.

3. The Labour Market in Palestine: a Statistical Framework

Before analysing the relationship between the labour force and trust, it might be opportune to provide a general description of the labour market conditions in WBGS. The “Labour Force Survey” conducted by the Palestinian Central Bureau of Statistics (2009) offers a general view of the labour market in WBGS.

Figure 2 shows the level of employment by sector in WBGS during the last decade. Since 2002 the private sector has been responsible for two thirds of total employment. The public sector counts for one fifth of total employment while approximately 10% of those employed work in Israeli settlements.

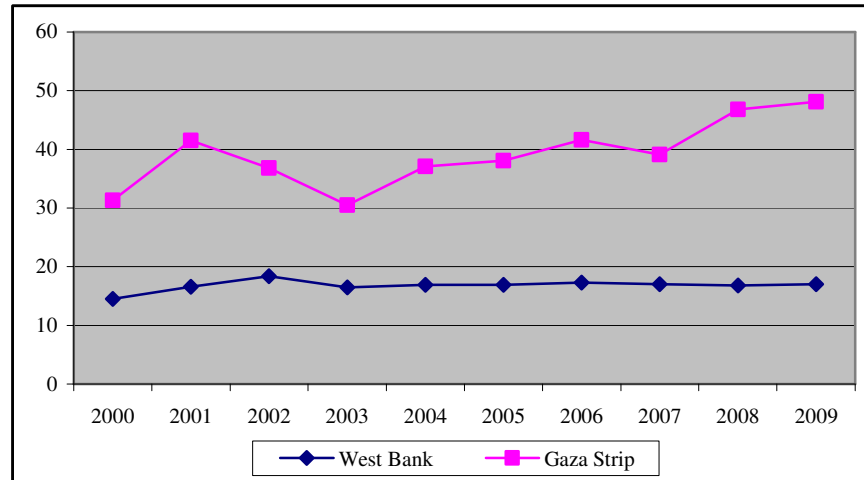
Figure 2: Employment by Sector in WBGS (2000-2009)



Source: Palestinian Central Bureau of Statistics (2009)

At the regional level the distribution of workers shows some differences. Figure 3 shows that while in the West Bank the size of the public sector has been stable since 2003, in the Gaza Strip it has grown quite considerably.

Figure 3: Public Employment in the West Bank and Gaza Strip



Source: PCBS (2009)

Indeed, according to the PCBS (2009) the private sector seems to be larger in the West Bank than in the Gaza Strip. During the period 2000-2009 the average size of the private sector in the West Bank and Gaza has been 68.5% and 58.7% respectively of the entire labour market. A quite consistent gap occurs between the two regions also relative to the proportion of Palestinian workers in Israel and Israeli Settlements. Since 2006 no Gazan citizens have been working in Israel or the settlements and even before that date the proportion of this category of workers was less in Gaza than in the West Bank. However, in both of the regions male employment prevails over female employment (Map 1).

The pattern of wages shows some interesting and peculiar characteristics. Figure 4 shows that higher-wage workers are those working in Israel and in Israeli settlements whose salaries are almost double those working for the Palestinian private sector. While the pattern of wages in the West Bank is quite similar to that depicted in figure 4, in the Gaza Strip wages in the public sector have been higher than those in the private sector and increased until 2006 (figure 5). This means that individuals working for the public sector in WBGs, and in Gaza in particular, are likely to be better off than private sector workers.

**Map 1: Labour Force Participation in WBSGS
by Sex and Governorate, 2009**

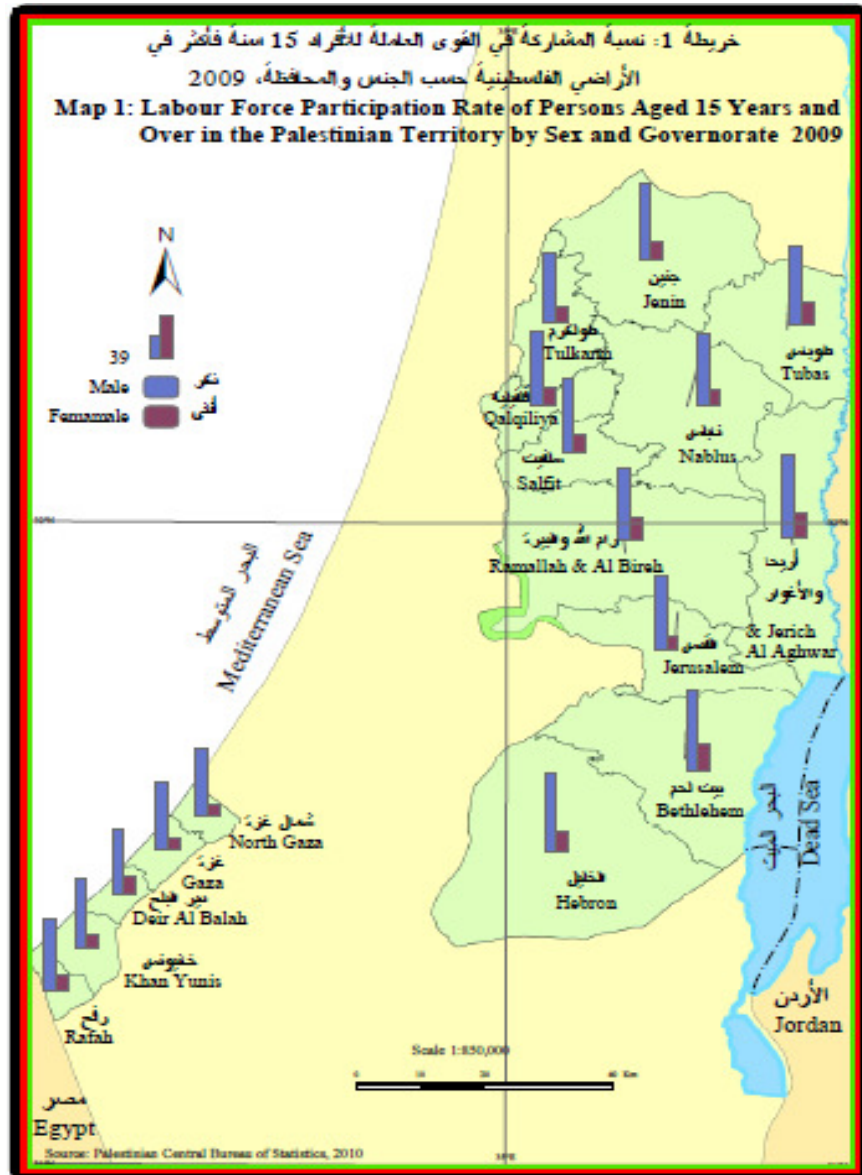
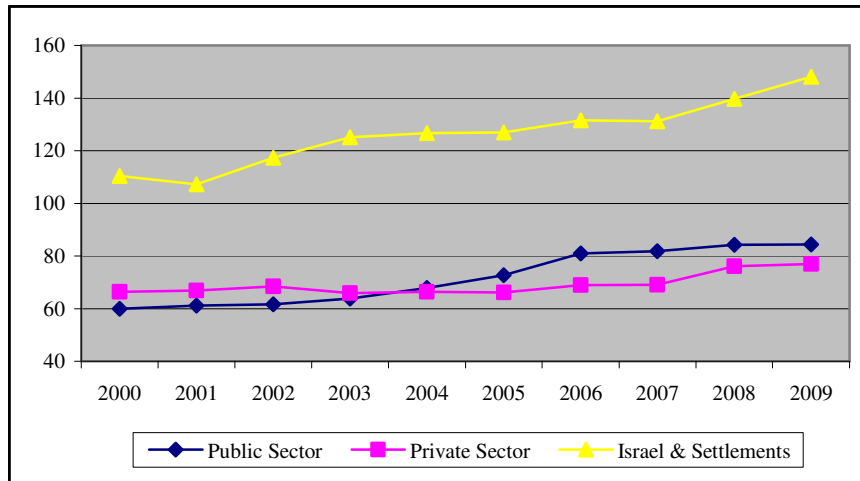
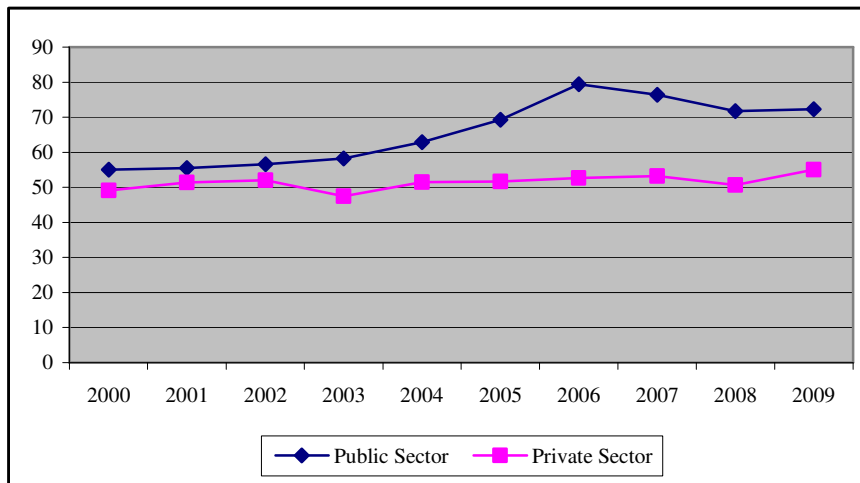


Figure 4: Average Daily Wage in NIS for Wage Employees in the WBS by Sector 2000-2009



Source: PCBS (2009)

Figure 5: Average Daily Wage in NIS for Wage Employees in the Gaza Strip by Sector 2000-2009

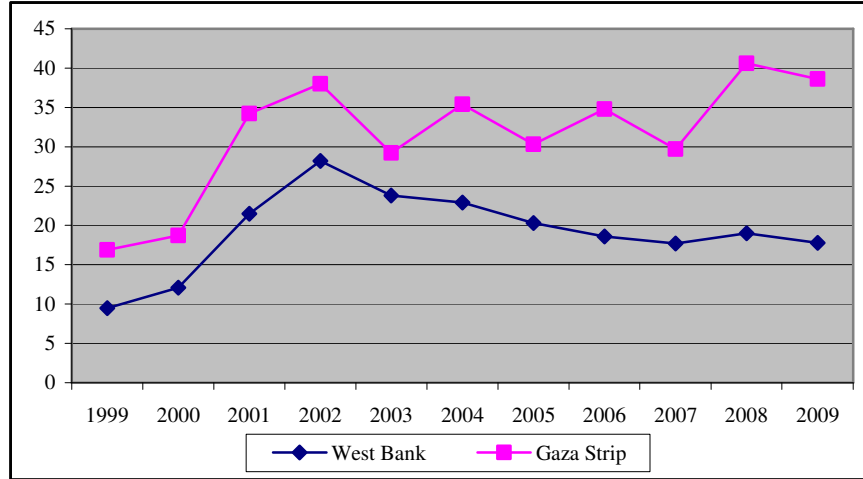


Source: PCBS (2009)

Turning to unemployment, a survey conducted by the PCBS in 2009 provides a time series of the last 15 years. Figure 6 shows the

unemployment rate in the West Bank and the Gaza Strip. As previously anticipated, the region with where a higher proportion of the work force is employed by the public sector - the Gaza Strip - suffers from a higher unemployment rate. Moreover, since 2002 the unemployment rate in the West Bank has been decreasing while in Gaza unemployment has remained above 30%, reaching as high as 40% in 2008.

Figure 6: Unemployment in the West Bank and Gaza Strip 1999-2009



Source: PCBS (2009)

From this initial descriptive analysis very little can be inferred about trust and the labour market. However, higher unemployment rates and lower wages represent in any circumstances a dangerous combination that is capable of affecting individual's confidence toward the market and government institutions. It is possible that the least well off within society assume that their economic situation is the fault of government institutions and their inability to provide for their needs. This may also decrease the likelihood they will have positive expectations regarding the future.

4. Trust and Employment Status

In this section, we are going to show several cross-variable tables depicting the relationship between different employment statuses and different types of trust. More precisely from the survey we restrict our sample to individuals that are employed and that belong to different sectors such as public sector employees, private sector employees, NGO employees, the self-employed and workers in Israel and Israeli's settlements. We link the sectors to the different types of trust that we have considered, namely: generalised trust, political trust and institutional trust. The aim of these tables is to indicate how respondents working in different sectors trust people in general, politicians and institutions. For instance, do NGO workers trust people in general more than the self-employed? Or do workers in the public sector trust institutions more than those working for the private sector? It is the opinion of the research team that this might be quite a useful exercise as it will allow us to develop a map of trust across different sectors and according to the various employment statuses. These analytical stages will constitute the framework to derive policy implications for different working sectors and for the issue of unemployment.

Table 1 shows the relationship between employment status and generalised trust. As anticipated in section 2, the indicator of generalised trust measures whether individuals trust people in general.

Table 1: Employment status and generalised trust (%)

Employment Status	Generalised Trust (Yes)	Generalised Trust (No)
Public	16	84
Private	13	87
NGOs	39	61
Self-employed	11	89
Israel/Settlement	8	92
Total	14	86

Source: MAS (2007)

The table clearly shows that individuals working for NGOs tend to trust other people in general more while individuals working in Israeli settlements are likely to be more suspicious relative to the other categories.

Indeed only 8% of workers in settlements answered positively to the question compared to 39% of NGO workers. This reinforces the conclusion of a previous research project conducted by MAS (Cavatorta, Ghazawneh and Andriani 2009) the conclusion of which was that the extent to which an individual is an active member of a voluntary organisation is positively related to interpersonal trust.

Table 2 indicates the link between employment status and political trust. Our cross-tabulation permits us to statistically compare different working sectors with different levels of political trust from the most positive response: “Lot of trust”, to the most negative response: “No trust”, with the two intermediate responses: “Some trust” and “Little trust”. Therefore the level of political trust has been computed according to four different answers: 1) Lot of trust; 2) Some trust; 3) Little trust and 4) No trust

Table 2: Employment status and political trust (%)

Employment Status	Lot of trust	Some trust	Little trust	No trust
Public	5	40	27	27
Private	2	39	26	32
NGOs	6	33	28	33
Self-employed	6	21	26	46
Israel/Settlement	2	36	29	34
Total	4	35	27	34

Source: MAS (2007)

According to the table the two levels that are most affected by a positive answer are “some trust” and “No trust” with 35% and 34% respectively of the total respondents. On the other hand only 4% of the total respondents (regardless of employment status) appear to fully trust politicians. The column of “Some trust” indicates that 35% of the respondents might not completely trust politicians but still rely on them to a degree while only 27% have “little trust”. The proportion of fully sceptical individuals is 34% (no trust) and the most sceptical are the self-employed (46%). The self-employed are likely to be used to working individually and feel less comfortable dealing with the legal and regulatory environment prescribed by the political system and thus have less trust in them. On the other hand, workers in the public sector are more optimistic. In fact they represent the highest proportion of individuals that have “some trust” for Politicians (40%) and the lowest proportion that are sceptical (27 %).

The third indicator used by this paper, institutional trust, is computed as the sum of trust across nine different institutions: the current government, political parties, local councils, the Palestinian Legislative Council, Government institutions, the president and cabinet, the judicial system, the police, and religious institutions. In this section, we will present the depicted relationship between employment status and trust in government institutions.

Table 3: Employment Status and Trust in Government Institutions (%)

Employment Status	Lot of trust	Some trust	Little trust	No trust
Public	10	48	21	20
Private	4	30	29	36
NGOs	6	47	18	29
Self-employed	10	29	27	34
Israel/Settlement	4	31	30	36
Total	8	37	26	30

Source: MAS (2007)

Table 3 shows that the level of trust in government institutions is quite high (Some trust) within the public sector (48%) and among workers of NGOs (47%) while it is quite low (No trust) within the private sector (36%) and among workers employed in Israeli settlements (36%).

From this initial statistical analysis it seems that self-employed individuals represent, in general, the most sceptical group while public sector workers generally trust both institutions and politicians more than the others. Even though this section presents some initial interesting results, more reliable interpretations can be proposed in the following section where an empirical analysis is developed.

5. Empirical Analysis

The idea that socio-economic factors can determine the level of “trust” has received very little attention in the literature. For instance, the model proposed by Glaeser et al 2002 might represent a sort of partial theoretical framework. Within a micro-founded approach Glaeser et al (2002) develop an optimal investment model for social capital. They consider six main factors including age, expected mobility, homeownership, social skills, spatial proximity among individuals and human capital. According to their analysis, these factors should predict the accumulation of social capital.

Similar to Glaeser et al (2002) we consider the life-cycle effect of the variable age, the human capital. However, in our empirical model we include different some socio-economic variables indicating employment conditions. Moreover, we consider the variable trust rather than social capital as a by-product element. To this purpose our analysis will be based on the following general theoretical framework expressed in the equation (2)

$$Trust \leftrightarrow socio - economic \pm e \quad (2)$$

which indicates that “Trust” might be determined by different socio-economic factors.

5.1 Employment Status and Trust

This section investigates the correlation between different employment statuses and types of trust by following the general theoretical framework of equation (3).

$$Trust \leftrightarrow Employment \pm e \quad (3)$$

The empirical analysis will be developed through probit cross-sectional specific models in which we include, besides the variables of employment, factors capturing demographic and geographic profiles as well as human capital variables.

In the first set of regressions (Table 4) we analyse the relationship between employment and generalised trust and between different employment statuses and generalised trust. Besides the employment variables we control also for variables such as educational level (*educ*), age and age

square⁵ (*age_2*), gender and marital status. Moreover, we set each regression with and without the dummy variable West Bank (*wb*). As described at the beginning of the paper, the sample considers two regions: Gaza and West Bank. The dummy *wb* indentifies the geographical profile and it allows us to detect whether living in one region (in this case the West Bank) rather than in another region might affect the perception of trust that workers might have with respect to people in general. Notice also that because of the lack of geographical contiguity between the West Bank and Gaza and given the internal political divisions that have occurred since 2007, the regional dummy will induce to more accurate and robust results and will reduce the risk of bias analysis.

Table 4: Employment and Generalised Trust

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
employed	-0.321*** (0.108)	-0.326*** (0.108)		
educ	0.072** (0.030)	0.073** (0.030)	0.050 (0.033)	0.049 (0.033)
gender	-0.026 (0.100)	-0.021 (0.100)	0.011 (0.102)	0.020 (0.102)
age	0.016 (0.021)	0.014 (0.021)	0.016 (0.021)	0.014 (0.021)
age_2	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
married	-0.022 (0.075)	-0.018 (0.059)	-0.036 (0.089)	-0.028 (0.088)
wb		0.226 (0.169)		0.251 (0.171)
public			-0.140 (0.123)	-0.122 (0.124)
private			-0.188 (0.129)	-0.193 (0.129)
ngo			0.584* (0.314)	0.595* (0.315)

⁵ Since between trust and individual age the relationship might not be linear we consider not only the variable *age* but also the variable “age square”. For instance, according to Glaeser et al (2002) the life cycle effect on social capital follows an inverted U-shaped pattern. Individual’s social capital increases with the increase of the age up to a certain point and then decreases. Glaeser et al (2002) find that individuals over 60 face a decline in social capital. Similarly, we might consider that trust might increase with an individual’s age up to a certain point of his/her life and then decline afterwards.

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
Self			-0.286* (0.147)	-0.294** (0.147)
settlement			-0.381** (0.179)	-0.402** (0.180)
_cons	-1.342*** (0.402)	-1.543*** (0.431)	-1.391*** (0.411)	-1.604*** (0.438)
N	1247.000	1247.000	1247.000	1247.000

From the table above it seems that individuals employed are negatively and significantly related to generalised trust (m1). On the other hand, in the first two columns (m1 and m2) the level of education (*educ*) positively affects the level of GT. It appears that individuals with a higher level of education are more likely to trust society as a whole. The regional dummy (*wb*) does not seem to make any difference and neither do the other demographic and individual variables. When we break down the variable *employed* into different working sectors the regressions show some interesting results. Contrary to the previous two regressions, m3 and m4 indicate that not all the working sectors are negatively related to trust. Individuals working for NGOs tend to trust in general more than individuals working in the other sectors analysed. This confirms the theory advanced by Putnam et al (1993) according to which voluntary associations tend to foster a sense of civic engagement amongst their employees and members and increase the level of trust inside the community. Unfortunately the same story cannot be used for the variables *self* and *settlement*. It seems that self employees and individuals working in Israel and settlements tend not to trust people in general. These results are also in line with the double entry table 1 according to which these two categories show the lowest level of generalised trust. It appears that working in Israel and in settlements induces a form of insecurity. There are two possible ways of interpreting this result. The first is based on the unstable legal and economic conditions that this type of worker has to face. In order to work in Israel, a Palestinian needs to possess a work permit. When this permit cannot be guarantee on a regular basis Palestinian workers in Israeli settlements become illegal with severe legal consequences for them besides the loss of their job. This feeling of insecurity might foster a sense of distrust towards the society and towards other people in general. A second interpretation is that working in Israel and in settlements means working with a rival party that have been in conflict with Palestinians for several decades. This creates a suspicious atmosphere that might negatively affect the trust such workers have for people in general.

Following Kuenzi (2008) we consider the variable political trust PT as the trust in politicians. Table 5 indicates the relationships between our control variables and PT.

In the first two specific models (m1 and m2) it is quite clear that there are positive and significant correlations between employed individuals and political trust. It appears that, regardless of the sector, employed individuals are more likely to trust politicians. Similarly, educational level seems to be one of the significant determinants of political trust. Individuals educated to a higher level tend to trust politicians more than the less well educated.

Table 5: Employment and Political Trust

	m1	m2	m3	m4
	b/se	b/se	b/se	b/se
employed	0.277*** (0.094)	0.271*** (0.094)		
educ	0.094*** (0.025)	0.097*** (0.025)	0.072*** (0.028)	0.070** (0.028)
gender	0.070 (0.086)	0.078 (0.087)	0.105 (0.089)	0.119 (0.089)
age	-0.011 (0.017)	-0.013 (0.017)	-0.007 (0.018)	-0.009 (0.017)
age_2	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
married	0.216*** (0.078)	0.227*** (0.078)	0.227*** (0.078)	0.241*** (0.078)
wb		0.259* (0.133)		0.322** (0.136)
public			0.325*** (0.108)	0.357*** (0.109)
private			0.292*** (0.110)	0.286*** (0.110)
ngo			0.252 (0.319)	0.274 (0.320)
self			-0.096 (0.117)	-0.109 (0.117)
settlement			0.242* (0.139)	0.213 (0.140)
_con	-0.489 (0.334)	-0.722** (0.354)	-0.443 (0.341)	-0.714** (0.359)
N	1247.000	1247.000	1247.000	1247.000

Columns m3 and m4 shows that inside the categories of employed individuals the variables *public*, *private* and *settlement* are positively and significantly related to PT. Workers belonging to these groups put their trust in politicians more than workers for NGOs. This might be due to the fact that the majority of NGO workers deal mainly with institutions rather than with politicians. Moreover, the politically independent status of NGOs is likely to reduce the link between the organisations and political leaders making our variable non-significant. On the other hand, trust in politicians is most significant in the public sector. This appears much more when we look at the regional level, living in the West Bank rather than in Gaza increases the level of political trust. In 2009 the Independent Commission for Human Rights (ICHR) asserted that the public sector in the West Bank was increasingly keen to higher workers who were sympathetic to the political stance of the West Bank political elite.

It is also interesting that the negative sign of the variable *self* (even though not significant). It seems that the self-employed are more sceptical about politicians.

Table 6: Employment and Institutional Trust

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
employed	0.439*** (0.148)	0.434*** (0.148)		
educ	-0.76* (0.045)	-0.074* (0.045)	-0.085* (0.048)	-0.085* (0.048)
gender	0.241* (0.141)	0.243* (0.142)	0.201 (0.145)	0.204 (0.145)
age	0.013 (0.026)	0.013 (0.026)	0.010 (0.027)	0.010 (0.027)
age_2	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
married	0.099 (0.139)	0.104 (0.139)	0.109 (0.139)	0.114 (0.139)
wb		0.161 (0.217)		0.206 (0.221)
public			0.494** (0.196)	0.508*** (0.197)
private			0.081 (0.171)	0.076 (0.172)
ngo			0.240 (0.512)	0.242 (0.510)

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
self			0.473* (0.258)	0.463* (0.258)
settlement			0.707* (0.382)	0.687* (0.382)
_cons	1.217** (0.533)	1.060* (0.572)	1.455*** (0.556)	1.258** (0.592)
N	1247.000	1247.000	1247.000	1247.000

As for institutional trust, being employed helps in trusting the institutions and the government (m1 and m2). Given the low female participation rate in the labour market, employed females tend to trust institutions more. One of the possible explanations for this might be the working benefits available for female workers, such as health insurance and maternity leave. However, contrary to PT being more educated induces scepticism about the actions of the institutions. When we consider the individual working sectors (m3 and m4) individuals working for the public sector, the self-employed and those employed in settlements seem to have confidence in institutions. This is not the case for NGOs and private sector employees for who the variables are not significant even though positive. As in the previous two specific models (m1 and m2) the regressions show a negative and significant relationship between educational level and IT.

5.2 Unemployment and Trust

In the following section we repeat the exercise but consider those that are unemployed instead.

$$Trust \leftrightarrow unemployment \pm e \quad (4)$$

Barro (1996) points out that between economic development and institutional performance there exists a negative correlation. Indeed as Altindag et al (2010) underline, higher quality institutions in a country are likely to improve economic conditions, increase investment in human and physical capital and favour higher productivity and capital per worker. Still Altindag et al (2010) investigate the relationship between joblessness and individuals' perception about the effectiveness of democracy. Similarly this section aims to detect the association between unemployment and the perception that individuals have about generalised, political and institutional trust. In order to develop a deeper analysis we will consider two types of unemployed individuals: those that are

unemployed but that were employed previously (named in our regressions *previous*) and those that are unemployed and never worked before (named in our regressions *never*). Table 7 shows the impact that being unemployed⁶ has on levels of institutional trust.

Table 7: Unemployment and Institutional Trust

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
unemployment	-0.438*** (0.148)	-0.433*** (0.148)		
educ	-0.076* (0.045)	-0.074* (0.045)	-0.082* (0.045)	-0.080* (0.045)
gender	-0.240* (0.141)	-0.242* (0.142)	-0.249* (0.142)	-0.251* (0.142)
age	0.013 (0.026)	0.013 (0.026)	0.019 (0.026)	0.018 (0.026)
age_2	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
married	0.100 (0.139)	0.104 (0.139)	0.112 (0.140)	0.118 (0.140)
wb		0.161 (0.217)		0.175 (0.218)
previous			-0.518*** (0.158)	-0.515*** (0.158)
never			-0.039 (0.350)	-0.026 (0.350)
_cons	2.133*** (0.573)	1.975*** (0.609)	2.031*** (0.569)	1.857*** (0.606)
N	1246.000	1246.000	1246.000	1246.000

The table above shows that individuals that are jobless have lower levels of institutional trust (m1 and m2). According to the first two columns better educated individuals (*educ*) as well as females (*gender*) have a more negative perception of institutional trust. When we look at the types of unemployed people, both of the variables, *previous* and *never*, are negatively correlated to IT and *previous* is also significant (m3 and m4). This might imply that unemployed individuals, that have worked before,

⁶ Notice that the sample does not include only employed and unemployed individuals but also unemployed individuals that are not looking for a job, discouraged workers, housewives, students and people that cannot work. These types of individuals represent our control group. This is also the control group for regressions relative to “trust” in the juridical system and “trust” in the future.

due to their unstable economic and employment situation are more likely to lose trust in government and government institutions than individuals that have never entered the labour market and, hence, have never experience this pattern. Keeping other factors constant, being a female and unemployed seems to induce higher levels of suspicious regarding institutions. A possible explanation might be related to the number of obstacles that a female worker faces in order to find a job that fits her level of educational attainment. Hence the unemployed individual might hold institutions responsible for her job market situation. Similarly for highly educated individuals that are unemployed, institutions are considered to be possibly the most responsible and therefore they lose credibility and trust.

Table 8: Unemployment and Political Trust

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
unemployed	-0.280*** (0.094)	-0.274*** (0.094)		
educ	0.093*** (0.025)	0.095*** (0.025)	0.091*** (0.025)	0.093*** (0.026)
gender	-0.071 (0.086)	-0.079 (0.087)	-0.075 (0.086)	-0.083 (0.087)
age	-0.011 (0.017)	-0.013 (0.017)	-0.010 (0.018)	-0.012 (0.017)
age_2	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
married	0.214*** (0.078)	0.225*** (0.078)	0.218*** (0.078)	0.230*** (0.079)
wb		0.260* (0.133)		0.265** (0.133)
previous			-0.310*** (0.102)	-0.307*** (0.102)
never			-0.138 (0.210)	-0.116 (0.210)
_cons	-0.048 (0.351)	-0.272 (0.368)	-0.075 (0.352)	-0.306 (0.370)
N	1246.000	1246.000	1246.000	1246.000

As with institutions, politicians lose credibility in the eyes of the unemployed. Once again, m3 and m4 indicate that amongst the unemployed the most disappointed are the individuals that previously lost their job (*previous*) and that are now unemployed. Unlike institutional

trust, political trust may be based more on whether an individual has been educated to a higher level and whose perceptions about politicians is positive, especially for individuals living in the West Bank. In fact, notice that the dummy *wb* is positive and significantly correlated to PT in both the m2 and m4 regressions.

If we switch our attention towards generalised trust (table 9), it is interesting to notice that in all the regressions, the variable of unemployed is positively and significantly correlated to the dependent variable GT.

Table 9: Unemployment and Generalised Trust

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
unemployed	0.320*** (0.108)	0.325*** (0.108)		
educ	0.071** (0.030)	0.073** (0.030)	0.070** (0.030)	0.072** (0.030)
gender	0.026 (0.100)	0.021 (0.100)	0.024 (0.100)	0.019 (0.100)
age	0.016 (0.021)	0.014 (0.021)	0.016 (0.021)	0.015 (0.021)
age_2	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
married	-0.022 (0.077)	-0.018 (0.060)	-0.021 (0.073)	-0.017 (0.057)
wb		0.226 (0.169)		0.227 (0.169)
previous			0.308*** (0.118)	0.311*** (0.118)
never			0.375 (0.229)	0.388* (0.230)
_cons	-1.708*** (0.428)	-1.904*** (0.454)	-1.721*** (0.432)	-1.921*** (0.458)
N	1246.000	1246.000	1246.000	1246.000

In fact, m3 and m4 show that the jobless who worked previously rely much more on other individuals than job seekers that have never worked before. We believe that this result should not be surprising especially if we consider that the job market in Palestine is based on informal networks. More specifically, the search-matching model of the Palestinian labour market lacks efficient intermediary employment-agencies. The

inefficiencies of the labour market lead job seekers to use personal connections they possess to find work. The regressions m3 and m4 shows that jobless individuals that worked previously trust people in general more. This may be due to their more stable informal networks that were established during the period they worked. From m1 to m4 it appears that, in general, better educated individuals trust “others” more. If we compare this result with the “employment section”, it seems that, regardless of employment status (employed or unemployed), higher education leads to higher generalised trust. This conclusion is in line with the social capital literature (Putnam 1993, Helliwell 2003, Lin 2001) according to which higher levels of education increase the networks of connections and thus foster trust among individuals.

One of the problems advanced in the literature is the inefficacy of the judicial system (Stiglitz 1990, Guiso et al 2004). More specifically, a legal system may be inadequate for two primary reasons. Firstly, if the judicial system is slow and secondly if legal enforcement is ineffective (Stiglitz 1990). This means that the legal system is not able to insure property rights and to foster a sense of justice inside the community. This is likely to undermine the level of institutional trust within society especially within more disadvantaged groups such as the jobless unemployed. In the construction of the indicator of Institutional trust, one of the institutions we consider is the judicial system. We have subtracted this institution from the indicator IT and repeated the exercise used to form table 7. The results show that even without the element “trust in the judicial system” being unemployed significantly decreases the level of trust in institutions. We also empirically investigate whether trust in the juridical system is affected by employment status. Table 10 shows different specific models in which “trust in the juridical system” is the dependent variable. The models m1 and m2 control for employment and different employment statuses respectively. Apparently being employed and working for the public sector of for Israeli settlements fosters trust in the Palestinian legal system. On the other hand the models m3 and m4 indicate that job seekers and, especially, the unemployed who worked previously do not rely on the judicial system. Interestingly, being a resident of the West Bank rather than Gaza increases trust in Palestinian legal institutions⁷.

⁷ We should keep in mind that the survey has been implemented during a very sensitive situation in WBGs; during the conflict between Fatah and Hamas. This exceptional situation might affect the trust on the Palestinian legal institutions at the regional level.

Table 10: Labour Market and Trust in the Juridical System

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
employed	0.190* (0.098)			
educ	0.023 (0.026)	0.007 (0.029)	0.023 (0.026)	0.023 (0.026)
gender	0.051 (0.091)	0.068 (0.093)	0.051 (0.091)	0.053 (0.091)
age	-0.030* (0.018)	-0.033* (0.018)	-0.030* (0.018)	-0.031* (0.018)
age_2	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
married	0.187** (0.084)	0.199** (0.084)	0.187** (0.084)	0.185** (0.084)
wb	0.656*** (0.132)	0.724*** (0.136)	0.656*** (0.132)	0.654*** (0.132)
public		0.307*** (0.115)		
private		-0.118 (0.111)		
ngo		0.443 (0.374)		
self		0.066 (0.124)		
settlement		0.257* (0.152)		
unemployed			-0.190* (0.098)	
never				-0.247 (0.215)
previous				-0.178* (0.107)
_cons	0.060 (0.375)	0.156 (0.381)	0.250 (0.384)	0.263 (0.387)
N	1246.000	1246.000	1246.000	1246.000

5.3 Labour Market and Trust in the Future

So far we have analysed the association between different employment statuses with generalised, institutional and political trust. Not surprisingly, employed individuals trust institutions more than job seekers. In order to complete our empirical analysis it is necessary to investigate the relationship between the labour market and expectations regarding the future. In other words, the main question is whether expectations change within the labour force according to whether an individual is employed or unemployed and to what extent they have positive expectations regarding the future. Table 11 shows that unemployed workers, compared to the employed, might feel more uncertain about the future and this affects their degree of pessimism. Indeed, the variables *jobless* and *job seekers* (*unemployed*, *previous* and *never*) are negatively and significantly related to the measure of “expectations regarding the future”. This is definitively a signal of social and individual “depression” that is reflected in negative expectations regarding the future. An interesting point to consider is the regional dummy *wb*. Apparently, individuals living in the West Bank are more optimistic than their counterparts in Gaza. The dummy variable is positive and significantly correlated to the dependent variable at 1% of significance. It seems that being a resident of the West Bank induces more positive expectations regarding the future, especially for job seekers.

Table 11: Labour market and trust in the future

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
employed	0.243** (0.110)			
educ	0.037 (0.031)	-0.001 (0.034)	0.037 (0.031)	0.036 (0.031)
gender	-0.047 (0.105)	-0.076 (0.109)	-0.047 (0.105)	-0.049 (0.105)
age	-0.006 (0.020)	-0.006 (0.020)	-0.006 (0.020)	-0.005 (0.020)
age_2	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
married	0.175* (0.099)	0.189* (0.099)	0.175* (0.099)	0.178* (0.099)
wb	0.391*** (0.147)	0.499*** (0.152)	0.391*** (0.147)	0.393*** (0.147)
public		0.483*** (0.140)		

	m1 b/se	m2 b/se	m3 b/se	m4 b/se
private		0.156 (0.132)		
ngo		0.019 (0.364)		
self		0.080 (0.142)		
settlement		-0.073 (0.161)		
unemployed			-0.243** (0.110)	
never				-0.159 (0.247)
previous				-0.261** (0.119)
_cons	0.385 (0.417)	0.554 (0.425)	0.628 (0.428)	0.610 (0.430)
N	1246.000	1246.000	1246.000	1246.000

6. Concluding Remarks: The Labour Market and Policy Implications

The direct link between the labour market and trust constitutes is a phenomenon that could be used to improve the relevance and effectiveness of government policy.

Our empirical analysis confirms theory in that unstable employment conditions and lower wages reduce the confidence of households in institutions and future prospects. Economic well being and stability tend to foster a more relaxing socio-economic environment in which individuals feel safer and better protected by possible adverse economic shocks. Table 12 shows that employed individuals have more positive expectations regarding the future than the unemployed. In particular, individuals working in the public sectors trust their politicians, the judicial system more and have more positive expectations regarding the future than those employed in other sectors. On the other hand, table 12 shows the opposite for individuals that are unemployed but that used to work. Indeed, among the employed, individuals working in the public sector benefit from higher wages and better social security. These two elements, financial stability and social security, might also explain their optimism towards the future.

Even though the political and institutional frameworks of the West Bank and Gaza Strip are not included in our empirical models, they play a crucial role in the setting of policy. Due to its geopolitical situation, WBGS cannot rely on an ordinary open market economy and is subject to all the negative economic consequences that derive from the absence of freedom of movement. Nevertheless, there is still important room for government intervention.

We argue that this persistent lack of political trust might negatively affect their perception of “public choice” in the form of decisions adopted by the Government. For example, tax collection is the means that a government has in order to build a welfare system and to invest in public goods. The lack of an efficient judicial system (Bowles and Gintis 2002) and of trust in institutions (Knack and Keefer 1997) is likely to increase the probability of “cheating” among citizens. In other words, institutional distrust might undermine “State governance” and keep the collective action problem unsolved. Table 12 provides evidence for this claim. One of the sections of the survey (Nasr and Hilal 2007) asks the respondents whether they can

justify tax evasion. The possible answers to this question were “Yes”, “Sometimes” and “No”⁸. The double entry table put the question in a relationship with labour market status, considering both employment and unemployment. According to the table at least 70% of the individuals in the labour force are completely against tax evasion. However, the sectors of “private”, “self-employed” “settlements” and “unemployed individuals that never worked before” show values below this percentage. On the other hand, 6.5% of the labour force responded that tax evasion was justified and again the categories mentioned above (NGOs as well in this case) present values above this percentage. It is plausible to think that this is the result of disappointment and lack of trust towards institutions.

Table 12: Labour market status and tax evasion (%)

Employment Status	“Yes”	“Sometimes”	“No”
Public	3.5	19.8	76.7
Private	7.2	24.8	68.0
NGOs	11.1	5.6	83.3
Self-empl	9.8	23.3	66.9
Israel/Settlement	8.8	32.7	58.4
Unemployment (<i>Previous</i>)	4.2	22.0	73.8
Unemp (<i>Never</i>)	12.2	26.8	61.0
Total	6.5	23.3	70.3

Source: MAS (2007)

Empirical evidence suggests that more effort should be made by institutions to foster a more efficient and productive private sector. Lower wages do not foster trust and reduce productivity. Encouraging investment in the private sector and putting in action policies in favour of micro-enterprises might represent a positive institutional signal for private workers and the self-employed. Moreover, it appears that the difference in terms of social security between the public and the private sector highly affects the institutional trust and trust in government. According to the Palestinian Civil Service Law (CSL), workers in the public sector are ensured pension allocation and health insurance. The CSL also ensures employed females a paid maternity leave for a specified period of time and an hour for feeding during the first year of birth. These conditions have not been completely implemented in the private sector where the working benefits are definitively less and weaker (MAS, 2010 forthcoming). One of

⁸ Given the really limited number of individuals that have answered “I don’t know” we omit this WBGSion from our analysis

the recommendations of the paper is that the government should take greater responsibility for CSL implementation in the private sector. Unemployed workers that have never worked before are likely to represent youth unemployment. The fact that 12.2% of unemployed youth is entirely comfortable with tax evasion and only 61% is not, might be translated as a lack of expectations. Table 7 clearly shows that an individual that is highly educated and unemployed (and possibly female) completely distrusts institutions. This sort of “frustration” might be due to personal experience or to social perceptions. In both cases for an institution this represents a public failure with respect to an important part of the human capital of society.

Two important and complementary concluding remarks can be deduced from our analysis. The first is related to the unfavourable geopolitical situation of the WBGS. Thus it may be that trust is a by-product of the complex socio-economic, institutional and political situation in Palestine; in that the Palestinian economy lacks openness, as well as crucial institutional instruments such as monetary policy and a fully independent fiscal policy and that this situation negatively affects the sense of generalised, political and institutional trust within Palestinian society. The second conclusion is related to available government policies. In other words, making government policies more transparent and more coherent as well as more relevant to citizens’ demands and needs may be crucial in order to reverse these patterns in the long-run.

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Appendix 1

Variables

<i>Variables of the probit cross-sectional regressions</i>	
Dependent Variables	
GT Generalised Trust	It measures whether individuals trust people in general
PT Political Trust	It measures whether the individual is confident in political men
IT Institutional Trust	sum of trust level across nine different institutions: current government, political parties, local council, Parliament PLC, Government institutions, president cabinet, juridical system, police and religious institutions
JS Trust in Juridical System	It measures whether the individual trust the juridical system
TF Trust in the future	It measures whether the individual trust the future
Independent Variables	
Employed	Individual that is employed
Public	Individual employed in the public sector
Private	Individual employed in the private sector
Ngo	Individual employed in a NGO
Self	Self-employed individual
Settlement	Individual employed in Settlements or in Israel
Unemployed	Individual that is unemployed
Never	Individual unemployed that has never worked before
Previous	Individual unemployed that has worked previously
Educ	Level of education
Gender	Dummy 1 = female 0 = otherwise
Age	Level of age
Age_2	Level of age square
married	Dummy 1 = married 0 = otherwise
wb	Dummy 1 = Individual resident in West Bank 0 = otherwise

Appendix 2

In the Appendix 2 we describe the probit cross-sectional regressions we have used in the empirical analysis

Section 5

Considering the section 5 and given the equation (3)

$$Trust \leftrightarrow Employment \pm e \quad (3)$$

Tables 4-6

- 1) Regressions indicated with m1 in tables 4-6

$$prob(trust^k) = b_0 + b_1employed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + e_i$$

where

$$k = gt, pt, it$$

- 2) Regressions indicated with m2 in tables 4-6

$$prob(trust^k) = b_0 + b_1employed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

- 3) Regressions indicated with m3 in tables 4-6

$$prob(trust^k) = b_0 + b_1employed_i^j + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + e_i$$

Where

$$j = public, private, ngo, self, settlement$$

- 4) Regressions indicated with m4 in tables 4-6

$$prob(trust^k) = b_0 + b_1employed_i^j + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

Considering the section 6 and given the equation (4)

$$Trust \leftrightarrow unemployment \pm e \quad (4)$$

Tables 7-9

- 1) Regressions indicated with m1

$$prob(trust^k) = b_0 + b_1unemployed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + e_i$$

- 2) Regressions indicated with m2

$$prob(trust^k) = b_0 + b_1unemployed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

3) Regressions indicated with m3

$$prob(trust^k) = b_0 + b_1unemployed_i^h + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + e_i$$

Where

$h = never, previous$

4) Regressions indicated with m4

$$prob(trust^k) = b_0 + b_1unemployed_i^h + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

Table 10

1) Regression indicated with m1

$$prob(js) = b_0 + b_1employed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

where

$js = trust in juridical system$

2) Regression indicated with m2

$$prob(js) = b_0 + b_1employed_i^j + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

3) Regression indicated with m3

$$prob(js) = b_0 + b_1unemployed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

4) Regression indicated with m4

$$prob(js) = b_0 + b_1unemployed_i^h + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

Table 11

1) Regression indicated with m1

$$prob(tf) = b_0 + b_1employed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

where

$tf = trust in the future$

2) Regression indicated with m2

$$prob(tf) = b_0 + b_1employed_i^j + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

3) Regression indicated with m3

$$prob(tf) = b_0 + b_1unemployed_i + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$

4) Regression indicated with m4

$$prob(tf) = b_0 + b_1unemployed_i^h + b_2educ_i + b_3gender_i + b_4age_i + b_5age_i^2 + b_6married_i + b_7wb_i + e_i$$