

Compensation Determinants and Its Relationship to Performance in the Public Sector of Palestine: The West Bank Versus Gaza Strip

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Abstract: This study investigates the determinants of wages and compensation in the Palestinian public sector and their potential implications for performance. It examines compensation rates and analyzes reasons for variation between the West Bank and the Gaza Strip. Adopting a descriptive approach, the study reviews relevant literature and incorporates insights from interviews with six specialists in the Palestinian public sector. The findings reveal logical reasons for disparities in compensation between the two regions and suggest that factors such as job scarcity and limited alternatives sustain the relationship between compensation and performance, despite significant differences in wage rates. This study uniquely explores the motivations for seeking public office in two geographically distinct yet interconnected areas of Palestine while addressing the sensitive political context and complex circumstances. The significance of this study lies in capturing perspectives of governmental specialists who seldom have the opportunity to discuss the political divisions affecting Palestinian community and governance. Recommendations include ensuring fairness in compensation disbursement by standardizing wage rates across regions and conducting further quantitative and survey-based research. The paper argues that a more effective accountability mechanism will deter the opportunistic behaviors of managers engaging in earnings management.

Keywords: Compensation Determinants, Performance, Public Sector Organizations, Palestine, West Bank, Gaza Strip.

Type: Research paper



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1. Introduction

Compensation is a crucial factor in attracting talent, reflecting the value assigned to employees for their efforts, tasks, and responsibilities. Although government positions in Palestine are often preferred over private sector jobs, many skilled specialists are confident in building their futures through self-employment. However, the prevalence of this mindset is worth considering. A 2014 UNDP report revealed that about two-thirds of Palestinian university graduates prefer to secure employment in the public or private sectors rather than start their own projects (United Nations Development Programme, 2014). This preference underscores the importance of job security for young people, especially at the

beginning of their careers, as it provides stability while they establish their professional paths and start families.

There is a noticeable difference in job satisfaction between the public and private sectors, particularly regarding income (Sánchez-Sánchez & Fernández Puente, 2021; Reuben, 2022). In the private sector, there is a significant gap between the salaries of permanent employees and those of supervisors and executives (Bruce, 2023). Conversely, government employees often receive better income and benefits compared to their counterparts in private companies, especially those newly hired (Interviewee1, 2023). Given the high unemployment rates, recent graduates and job seekers face intense competition for positions in both sectors. This situation makes maintaining a job for income essential, yet it presents challenges as private sector employers may seek to reduce wages or limit increases to maximize profits, conflicting with employees' aspirations and hard work (Interviewee6, 2023; Interviewee4, 2023). Consequently, individuals are often forced to choose between leaving their current job due to inadequate compensation and seeking better opportunities or staying and risking dismissal due to perceived poor performance (Interviewee4, 2023).

The current study focuses on the Palestinian Public Sector (PPS) and reveals that employees are distributed across the West Bank and the Gaza Strip, two geographically separate areas, each characterized by distinct features. Although employees in both areas are subject to the same Civil Service Law and operate under one government system, there is a notable difference in the average daily wage between these areas. This study aims to explore the reasons for this wage disparity and shed light on the factors that influence wages and compensation in the PPS, particularly by comparing the characteristics of these two regions. Interviews conducted for this study helped identify the reasons behind the wage differences and their potential future implications. The study also aims to provide recommendations for equitable compensation distribution, which could be beneficial for any future government striving to achieve national unity and justice for employees across the West Bank and Gaza Strip.

Human resources are considered a pivotal element of development. Successful countries invest significant efforts in human capital, which in turn fuels economic progress across various productive sectors. Hence, it is crucial to emphasize investment in HR as an essential strategy for achieving economic stability and enhancing the efficiency of institutions in reaching their goals (Mohammed et al., 2022). Organizations are encouraged to focus more on individual compensation and offer rewards that match the level of skills, abilities, and performance (Kuhn, 2009). This emphasis is fundamental in strengthening the investment in HR and fostering development opportunities that add value, particularly by ensuring justice and equity within government jobs and institutions. However, accessing such opportunities can be challenging, especially when the state faces severe challenges, such as those experienced by the Palestinian Authority. Productivity rates, whether at the individual level or within organizational performance, may vary if employees do not achieve an acceptable level of job satisfaction, a critical determinant. Furthermore, employees in the Gaza Strip reportedly receive less attention from government leadership compared to their counterparts in the West Bank (Interviewee5, personal communication, 2023; Interviewee2, personal communication, 2023). This perception is underscored by the disparities in average daily wages between the

two regions, with wages being higher in the West Bank than in the Gaza Strip (see Table 1).

The sense of unfairness among employees regarding wage distribution in the government sector poses a significant challenge, especially in the absence of a reasonable justification (Interviewee2, personal communication, 2023). This study aims to uncover the determinants of compensation in the Palestinian Public Sector (PPS), explore the discrepancies in wage rates between the Gaza Strip and the West Bank, and assess how these differences might influence performance, given that all employees are subject to the same law and that wage rates should be similar or very close.

This study seeks to address the following questions: (1) What factors significantly influence compensation in the Palestinian public sector? (2) Why do wages and compensation vary among PPS employees in the West Bank and Gaza Strip, and what are the implications for the government sector? (3) To what extent does compensation correlate with variations in job performance in public institutions in both the West Bank and Gaza Strip? And (4) Are the compensations for PPS employees fair and equitable? What recommendations can be proposed to ensure fairness?

The main research questions aim to identify the specific factors that determine compensation rates in the PPS, determine the reasons for differences in compensation among PPS employees and their impact on the government sector, analyze the variation in performance of public institutions in the West Bank and Gaza Strip based on wages and compensation, evaluate the fairness and equity of employees' compensation and wages in the PPS, and suggest measures to achieve fairness in both areas.

The significance of wages and compensation in organizations and individuals' lives is substantial. They are crucial for boosting productivity and enhancing employee performance, particularly when supported by incentives, rewards, and motivation. Management often uses wages as a key motivational tool (Sule et al., 2015), and individuals' ability to plan for the future is closely tied to their income. Thus, the importance of wages continues to grow, reflecting a high level of job security (Hamedani et al., 2024). This study casts light on the Public Policy Statement (PPS) and is, to the researcher's knowledge, the first to explore the differing reasons for seeking public office in two geographically distinct but interconnected areas. The study's sensitivity due to its political implications and complex circumstances led interviewees to request anonymity and prefer not to be questioned in front of their organizations or governmental offices. This study is intended as a knowledge-based inquiry, not aligned with any political or governmental entities. Its significance lies in documenting the perspectives of specialists in the governmental sector, who often lack opportunities to address the political divisions affecting the Palestinian community and government. This study holds value for researchers, and anyone interested in the topic, particularly those optimistic about the future and aspiring for a unified government in the West Bank and Gaza Strip. The findings of this study may contribute to improving the means for achieving this goal.

The paper is organized as follows. Section 2 presents the literature review, while Section 3 describes the methodology. Section 4 provides a background on the Palestinian sector. Section 5 presents the findings, while Section 6 concludes.

2. Literature Review

The relationship between compensation and performance has been a topic of interest in previous literature. For example, Reggami and Bouchenkir (2021) suggested that there is no significant relationship between a company's profit and its employees' wages. They argued that employees often seek wage increases as a fixed right, regardless of the company's financial performance, while the company's owners or managers aim to reduce operational costs, including workers' wages. On the other hand, Tawam and Kalakhi (2021) conducted a study on the workers of the Sonelgaz-Tiart Company and found that both material and moral incentives had a positive impact on the workers' performance. Similarly, a study by Abu Himid (2020) on employees at Nesma Holding Company in Saudi Arabia showed that material and moral incentives effectively motivated employees. Additionally, Abdel-Hamid (2019) observed that wage and incentive policies in the pharmaceutical sector in Egypt improved productivity. Conversely, Farwana et al. (2016) found that both material and moral incentives improved employee performance in the Palestinian Electricity Company. Furthermore, Erick et al. (2014) investigated the relationship between executive compensation and financial performance in Kenyan insurance companies and found no significant relationship. In a study on CEO compensation strategy in Jordanian firms, Trepo et al. (2001) concluded that the balance of power between boards and CEOs determined pay, and CEOs were able to influence compensation through economic, political, and symbolic factors. In conclusion, the relationship between compensation and performance appears to be inconsistent, with some studies finding a significant relationship while others find no or insignificant effect. This suggests a research gap that warrants further investigation to discover factors that may influence the compensation-performance relationship.

2.1. Compensation

Compensation refers to all material or financial benefits that an employee receives, either directly or indirectly, in exchange for their work (Boström & Lundm, 2020). Wages represent a critical aspect of human resources, forming the most significant component of compensation (Dessler, 2020). Competitive or attractive wages not only draw and retain qualified personnel but also boost productivity, particularly when linked to production output (Arul, 2020). The compensation system encompasses direct wages for specific job tasks as well as indirect benefits like health insurance and paid vacations (Gad Al-Rub, 2015). Reggami and Bouchenkir (2021) define wages as the monetary units received by a worker for their effort, including regular pay and a profit share based on the financial performance of the company.

2.2. The Compensation and Performance Relationship

Research on the relationship between compensation and performance has produced varied results. Some studies suggest that compensation plays a key role in enhancing organizational or financial performance, while others present differing views. These studies can be classified into three groups based on their findings. The first group demonstrates a strong positive relationship between compensation and performance, with researchers like Saidu & Dauda (2014), Babatunde & Olaniran (2009), and Ittner et al. (2003) noting a high correlation.

The second group reports a positive, yet not significant or weakly positive relationship. For example, Ozkan (2007) observed a positive and significant link between CEO cash compensation and firm performance, along with a positive but not significant relationship between total compensation and firm performance. Similar studies by Horn & Levinsohn (2001) and Shivdasani & Yermack (2005) also identified a significant but diminishing correlation over time. The third category includes research indicating a negative and/or insignificant relationship. For instance, Aduda (2011) discovered a statistically negative non-significant relationship between executive compensation and the performance of commercial banks in Kenya. Fernandes (2008) found no significant correlation between company performance and executive compensation, similar to Erick et al. (2014) who reported a non-significant relationship between executive compensation and financial performance. Additional studies by Nulla (2012), Jegede (2012), and Aduda and Kingoo (2012) revealed negative and insignificant associations between executive pay and performance.

It is essential to explore the reasons for these varied findings. The marginal productivity theory, proposed by Alfred Marshall, posits a direct proportional relationship between wages and the marginal productivity of labor. According to this theory, employers adjust the number of employees until the marginal productivity of the workers matches their wages, thereby regulating employment levels so that even the least productive worker earns a wage equivalent to the prevailing market rate (Amer, 2015).

2.3. Previous Studies

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warrants further investigation to uncover factors that may influence the compensation-performance relationship.

3. Methodology

This study adopts a descriptive approach, utilizing a comprehensive review of previous research alongside an examination of secondary data drawn from official reports and pertinent statistics. It aims to critically evaluate and synthesize findings from earlier studies, with a specific focus on the public sector in Palestine. The geographic scope of the study encompasses both the West Bank and the Gaza Strip, allowing for a comparative analysis between these two regions. Data collection was conducted through interviews with six senior leaders in the public sector, who are both professionals and practitioners in governmental roles. These interviewees provided valuable insights that were directly relevant to the study's objectives. In terms of data analysis, the researcher included only the information that was corroborated by at least four out of the six interviewees, ensuring a robust and reliable set of data for the study's conclusions.

4. Background on the Palestinian Public Sector

The Palestinian Authority was established in 1994 under the Oslo Accords, granting it the right to manage public organizations in the West Bank and Gaza Strip. Consequently, government institutions were formed in these two areas. However, due to the geographical separation of the West Bank and Gaza Strip and the lack of contiguous borders, managing public sector organizations posed a significant challenge for the Palestinian Authority. Additionally, each area inherited different provisions and laws: the West Bank was under Jordanian rule, while the Gaza Strip was under Egyptian governance (PCRF, 2024). Therefore, the Palestinian Authority exerted substantial effort to unify administrative and legal work patterns in these two areas. Despite these efforts, it was compelled to establish separate organizational structures for each region instead of creating a single, integrated government institution. The West Bank is larger in both area and population compared to the Gaza Strip.

In early 2006, the Palestinian Authority held its first legislative elections, involving two major Palestinian political parties. The Hamas movement emerged victorious, defeating the Fatah movement, which had controlled the Palestinian Authority and its institutions and participated in the Oslo Accords. However, significant differences between the two parties prevented them from forming a unified government (Al Tahhan, 2017). This failure escalated into conflict, resulting in a political division in mid-2007 (Cook, 2018). Consequently, a government aligned with the Fatah movement was established in the West Bank and supported by the Palestinian presidency (Barron, 2019). This government, despite not reflecting the election results, was internationally recognized. Conversely, Gaza institutions were managed by a Hamas-led government deemed illegitimate by the Palestinian presidency. This division also rendered the Legislative Council dysfunctional, as it operated in Gaza but not in the West Bank, causing each area to be administered separately (Abu Rahma, 2018).

The political division significantly impacted employees. While public sector employees in the West Bank (affiliated with the Fatah government, later known as the Ramallah government) continued their work, their Gaza Strip

counterparts were instructed to refrain from working and stay at home. Exceptions included employees in the Ministry of Health, Ministry of Education and Higher Education, judicial institutions (Hovdenak, 2010), and certain civil affairs institutions. To fill the gap, the Hamas government in Gaza appointed a large number of employees to maintain government services. Each government assumed responsibility for disbursing wages to its respective employees, although the Ramallah government continued to pay salaries to its employees in the Gaza Strip, including those not currently working.

This study focuses on two primary comparisons and examines the reasons for the differences in each. The first comparison addresses wage and compensation differences in the government sector between the West Bank and Gaza Strip, considering that each area is governed by a separate government. The second comparison analyzes wage and salary variations among employees affiliated with the Ramallah government but working in either the West Bank or Gaza Strip.

4.1. Compensation in the Gaza Strip vs. the West Bank

Public servants strive to increase their wages and typically aim to work until reaching retirement age. One distinguishing feature of the public sector is the retirement salary offered after at least fifteen years of service, as outlined in the Civil Servant Law of 2005. This benefit makes the public sector particularly attractive. However, despite its relative stability, developments have led to wage rate disparities between the West Bank and Gaza Strip, which the government justifies as reasonable but employees view as unfair. Unlike the private sector, the public sector is managed by government officials influenced by political objectives, who often seek to bolster their political influence and secure workers' loyalty (Mulgan, 2000). Governments recognize that maintaining worker satisfaction through fair wages fosters loyalty and incentivizes effective performance. Despite Israel's withdrawal from Gaza in 2005, Gaza residents remain heavily dependent on Israel due to restricted travel, limited economic resources, and physical and economic isolation. This isolation prevents exposure to other cultures and realities, except for limited interaction with Israeli society as low-wage laborers (Kuttab, 2008).

According to the World Bank (2019), the economic situation in Palestine has worsened, necessitating urgent action to avert a severe humanitarian crisis, particularly in Gaza. Gaza's economy contracted by 6.1 percent in the second quarter of 2018, with real GDP growth declining by 1.3 percent. Despite half the population living in poverty, creating jobs is seen as the key to accelerating economic growth, reducing poverty, and fostering stability in Palestinian Territories (World Bank, 2022). Public sector jobs, in particular, have seen increased demand due to the social insurance benefits offered in exchange for service.

While private sector wages in the West Bank have remained stable and have even increased for some, they have decreased in Gaza since 2012. Public sector wages have risen in the West Bank but remain stagnant in Gaza. Real wages in the West Bank have improved since 2012, driven by higher wages for Palestinians working in Israel and its settlements. However, overall compensation as a percentage of government expenditure has decreased from 58.1% in 2005 to 48.8% in 2018.

Table 1 illustrates the disparity in average daily wages between public sector employees in the West Bank and Gaza Strip. In 2021, the average daily wage for a worker in the West Bank was 129.9 shekels, compared to just 95.8 shekels in Gaza—a 26% difference. Additionally, between 2015 and 2021, the average daily wage increased by 16.7% in the West Bank but only 11% in Gaza.

Table 1: Average daily wage of public sector employees in the West Bank and Gaza Strip

Area	2015	2016	2017	2018	2019	2020	2021
West Bank	108.1	110.2	115.4	117.2	120.6	127.3	129.9
Gaza Strip	85.0	91.4	92.3	94.5	93.4	94.8	95.8

Source: PCBS (2022a)

The economist quoted by Al-Manar in 2023 highlighted that inflation rates in Palestinian territories rose between 2006 and 2020. While public sector wages in the West Bank increased by 23%, the inflation rate of 41% resulted in an effective salary decrease of 18%. In 2006, the average daily wage was approximately 103 shekels; by 2020, it had risen to 126 shekels. However, no comparable data was provided for Gaza's government sector, and the outlook based on available information remains bleak.

5. Discussion and Analysis

This section addresses the study questions and objectives, beginning with the first objective, which answers the first question about analyzing the factors influencing compensation in the Palestinian public sector. The researcher examines the factors affecting wages and compensation in two categories. The first category focuses on the differentiation of compensation between employees governed by different administrations but subject to the same legal framework. The second category explores the variance in wages and compensation among employees working under the West Bank Government in both the West Bank and Gaza Strip. By the end of this section, the study's first objective will be achieved, and the first question will be answered.

5.1. Compensation Variation Due to Different Government Structures

Wages and compensation rates differ significantly between the West Bank and Gaza Strip. This study aims to identify the key factors contributing to these disparities. These factors were identified through interviews with six senior government leaders and analyzed in the context of prior research, reports, and statistics. According to the interviewees, the five main factors affecting wages in the Gaza Strip compared to the West Bank are political division in the public sector, politicization of public jobs, economic issues and structure, workforce efficiency, and wage rates in the private sector.

Political Division in the Public Sector:

All interviewees highlighted political division as the primary reason for the wage disparity, with four out of six identifying it as the most dominant and challenging factor compared to others. The political division, resulting from Hamas's victory in the 2006 elections, led to the Ramallah authority's refusal to accept the election

outcome. Although Hamas established control over the Gaza Strip, it failed to gain authority in the West Bank, which remained under the Palestinian Authority (PA). The PA adopted a policy of excluding employees who failed to meet certain security conditions, specifically targeting those affiliated with the Hamas movement (AMAN, 2022).

Following the dismissal of approximately 60% of employees in response to the PA's directives, the Hamas government was compelled to hire 28,000 employees. However, it struggled to pay their salaries in full (Farraj & Dana, 2021). Interviewees believe these actions created a clear discrepancy in the Gaza Strip, where employees unaffiliated with the PA received full salaries, while those aligned with Hamas earned only half their salaries despite performing government duties. Furthermore, many of the employees appointed by Hamas were previously unemployed and thus accepted lower wages compared to their current state of unemployment. This scenario led the Gaza government to establish separate contracts with low salary rates, sometimes lasting up to three years, before integrating employees into the permanent civil service.

The differing approaches to managing the public sector in the West Bank and Gaza Strip further illustrate these disparities. In the West Bank, there is greater stability, with an annual permanent fund for PA organizations, including employee salaries, supplemented by tax revenues and other sources of income. In contrast, the Gaza Strip relies on less transparent funding sources, some of which are conditional (e.g., Qatari assistance) or derived from commercial activities. These challenges force the Gaza government to adopt ad hoc measures to manage its public organizations.

Politicization of Public Jobs:

The politicization of public jobs is evident in the deliberate manipulation of employment and pay by the PA in its conflict with Hamas in Gaza. Despite cutting international financial aid to the Hamas-led government after the 2006 elections, the U.S. administration continued funding Mahmoud Abbas' office to pay salaries of security forces loyal to him, particularly the Presidential Guard, to prevent Hamas infiltration into the PA's security sector. However, the PA prohibited salary payments to state employees who supported Hamas in the Gaza Strip (Farraj & Dana, 2021).

Respondents had mixed opinions on this issue. Some believe politicization is acceptable at senior levels to ensure alignment with the government's agenda or program, but it should not extend to all positions and levels. A minority (two out of six interviewees) argued that politicization is a healthy phenomenon, asserting that implementing the government's agenda requires followers of the same political background to operationalize public policies.

Since its establishment in the early 1990s, the PA has prioritized appointing employees aligned with the Fatah movement—the ruling party from which the PA emerged—while individuals with other political orientations, including Hamas, were marginalized (Rocard et al., 1999). Consequently, after consolidating control over government institutions in Gaza, Hamas naturally prioritized those loyal to its cause or at least willing to work under its governance (Interviewee 3, personal communication, 2023).

This politicization has significantly influenced wage and compensation disparities. The PA faces unique challenges, lacking the authority to exert

influence in Gaza while continuing to pay salaries to its affiliates there. These employees often fail to contribute to organizational goals, prompting the PA to offer voluntary early retirement and enforce mass retirements (Abdeen, 2018). It also implemented wage reductions without publicly acknowledging these measures, targeting employees perceived as objectors (Abdeen, 2018). Over several months, salary cuts affected approximately 942,000 Palestinians (25% of the population) dependent on PA wages (Farraj & Dana, 2021). This situation contributed to a 60% poverty rate in the West Bank and Gaza by 2007, the highest level in a decade.

The researcher believes that a focus on avoiding political appointments in public positions is crucial for good governance. Public positions should serve all citizens equally, irrespective of political affiliation. While political appointments may be justified for some senior positions, these should be limited to qualified candidates and remain within a reasonable proportion to ensure diversity and inclusivity. Direct public service positions must remain apolitical, as any ruling party transitions from being a faction to becoming a government responsible for all citizens.

Economic Structure:

The economic structure in the Gaza Strip is described as fragile, particularly given its limited production potential. An increase in the supply of the labor force, coupled with a decrease in demand, often leads employers to offer jobs with low wage rates (Al-Falah, 2014). Job opportunities within the Green Line vary significantly between the West Bank and the Gaza Strip. While opportunities are increasing in the West Bank, thereby boosting demand for local jobs, the availability of job opportunities for workers in the Gaza Strip remains severely limited, rendering it ineffective in addressing workforce demand.

Additionally, the PCBS (2022a) highlights a significant difference in labor force distribution across sectors between the West Bank and the Gaza Strip. While the demand rates for the private sector appear somewhat similar, as shown in Table 2, the proportion of workers in the private sector in the West Bank ranged from 66.2% to 67.7% between 2015 and 2021. In contrast, the Gaza Strip ranged from 61% to 64.8%, irrespective of the differing nature and wage rates in these sectors. Regarding public sector employment, the West Bank had the lowest proportion of its labor force employed in the government sector—only 15% in 2021. Meanwhile, the percentage of workers in Israel and the settlements reached a record high of 18.8% of the labor force.

This data indicates an increased demand for public employment in the Gaza Strip, driven by the lack of alternative job opportunities, as jobs within Israel and the settlements are scarce. Consequently, the disbursement of incentives and cost-of-living allowances to government sector employees in the West Bank might attract more individuals to this sector. This is particularly true given that unemployment rates in the West Bank are significantly lower compared to the Gaza Strip.

Table 2: Distribution of employed individuals by sector (2015–2021)

Area	Sector	2015	2016	2017	2018	2019	2020	2021
West Bank	Public Sector	16.1	15.4	15.3	15.6	15.3	15.4	15.0
	Private Sector	67.5	67.7	66.3	66.2	66.9	67.5	66.2

	Israel & Settlements	16.4	16.9	18.4	18.2	17.8	17.1	18.8
Gaza Strip	Public Sector	37.0	36.3	36.3	36.6	36.4	39.0	35.1
	Private Sector	63.0	63.7	63.7	63.4	63.6	61.0	64.8
	Israel & Settlements	-	-	-	-	-	-	0.1

Source: PCBS (2022a)

The researcher raised this issue with the respondents, and three out of six respondents engaged in in-depth discussion. They generally agreed that wage rate reductions by companies, prompted by an increase in labor force supply, rising unemployment rates, and extreme poverty, could benefit these companies. Wages constitute a significant portion of operating expenses and reducing them can lead to overall cost savings. These savings might be reflected in lower prices for final products, or at the very least, allow companies to maintain current product prices while covering other rising expenses. However, it is evident that there are no effective mechanisms enforcing employers to comply with the minimum wage set by government legislation. The increase in the labor force supply, combined with limited demand, has given employers control over the wage rates offered. Workers, facing heightened competition and a lack of alternatives, are compelled to accept any available job opportunities, often at lower wages.

Workforce Efficiency:

The researcher discussed this issue with the interviewees, and three out of six participants expressed strong interest. One might assume that the wage disparity between the two governments is due to the efficiency of the workforce, with more efficient workers receiving higher wages. However, this is not the case. The interviewees noted that executive positions, including those at the director level, do not necessarily require higher qualifications or exceptional skills and competencies. This is largely because these roles are governed by the policies of the government institution. Creativity, development, and innovation are often constrained to procedural matters and, at best, must gain approval from higher levels of authority.

The interviewees emphasized the importance of skilled manpower, asserting that its significance cannot be overstated. Skilled individuals can deliver high-quality work independently, without relying heavily on employers. Consequently, organizations must offer competitive wages to retain skilled workers; otherwise, such individuals may opt to work independently (Hayes, 2022). The shortage of skilled or trained manpower poses a significant challenge (see Fuqaha et al., 2015). Employers face questions such as whether they have the resources to adequately compensate skilled workers, whether there is a lack of training for manpower, or whether there is an oversupply of manpower but a scarcity of skilled workers. The efficiency of the labor force is closely tied to the availability of attractive job opportunities, which may be more prevalent in the West Bank than in the Gaza Strip.

In essence, the limited opportunities available for public sector jobs in the Gaza Strip lead to fierce competition among the most qualified, experienced, and skilled applicants, making the hiring process highly selective. As noted by the interviewees, many employees in the Gaza Strip are overqualified for their positions. In contrast, the qualified workforce in the West Bank often finds rewarding opportunities in international institutions and the private sector. Consequently, the qualifications of applicants for public sector jobs in the West

Bank tend to be lower compared to those in the Gaza Strip. However, despite the differences in workforce efficiency, public sector employees in the West Bank receive better wages than their counterparts in Gaza.

Wage Rates in the Private Sector:

The minimum wage is a legally guaranteed amount that must be paid to a worker for the work or service provided within a specified period of time, calculated either by hours or performance (Reggami & Bouchenkir, 2021). According to the labor force survey for the second quarter of 2022, 88% of workers in the Gaza Strip earned less than the minimum wage, affecting approximately 104,000 employees. In contrast, only 20% of the 54,000 workers in the West Bank were paid below the minimum wage. The wage deficit in the Gaza Strip was significant, with workers earning an average of 710 shekels less than the minimum wage (1880 shekels), equating to approximately 38% below the standard. Meanwhile, in the West Bank, workers earned an average of 75% of the minimum wage

The wage gap between the Gaza Strip and the West Bank is substantial and affects not only private sector employees but also 30% of public sector employees in Gaza, who receive salaries below the minimum wage. Wage disparities are further exacerbated by rising unemployment rates in Gaza and declining wages, in contrast to the West Bank, where unemployment rates are relatively low, and wages are increasing. These trends are illustrated in Table 3.

Table 3: Unemployment rates in the West Bank and Gaza Strip

Area	2016	2017	2018	2019	2020	2021
West Bank	17.6%	18.7%	17.7%	15.3%	16.8%	16.5%
Gaza Strip	35.4%	38.8%	43.1%	45.1%	46.6%	46.9%

Source: PCBS (2022b)

Unemployment rates in the Gaza Strip have risen consistently, whereas rates in the West Bank remain stable with a slight downward trend. Although the Palestinian government increased the minimum wage to 1880 shekels from 1450 shekels in 2021, implementing this change has proven challenging for non-governmental organizations. Wages in the Palestinian government sector have not increased but have instead been reduced. While state revenue growth typically enables salary increases, the Palestinian Authority (PA), which heavily relies on aid and donations, faces limited revenue sources. Many donor countries contribute to the salaries of PA employees (Al-Shami, & Al Tahhan, 2021).

On the other hand, higher private-sector wage rates and favorable job opportunities in the West Bank reduce the demand for public employment. This could encourage the government to raise wages for specific jobs or promote employees to attract talent in specialized areas. Some interviewees supported this view, citing the West Bank's more prosperous private sector compared to the Gaza Strip. The entrepreneurial environment in the West Bank, including small, self-managed projects, provides individuals with stable and appropriate financial returns.

However, one interviewee offered a differing opinion, arguing that private sector wage variations are not a significant reason for wage differences between the regions. Two key issues were raised in this context. First, there are no strict restrictions on public sector employees preventing them from engaging in

freelance work after official hours. While some regulations prohibit public employees from practicing private work, many continue to do so. Examples include health sector employees, such as doctors, who work in public hospitals and provide private consultations after hours, and teachers who offer private tutoring.

Second, the interviewee suggested that public sector salaries provide a baseline level of financial security that covers basic living expenses without requiring excessive effort. This security allows some public employees to focus on private endeavors, combining both jobs until their private work is well-established. Once successful, they may leave their public roles entirely.

Finally, some respondents noted that private sector wage rates, even if high, do not always serve as sufficient incentives for workers. In the Gaza Strip, compared to the West Bank, the private sector offers limited stability and job security. Conversely, the government sector provides benefits such as insurance, pensions, and retirement plans. The absence of a comprehensive social security system at the national level further reinforces the appeal of public sector jobs, even when they offer lower wages. This perception of stability and long-term security often outweighs the immediate financial benefits of higher-paying private sector roles, leading some workers to prioritize public employment.

5.2. Compensation Variation Due to Geographic Area within the Same Government

In this section, we address the second question of the study and achieve the second objective by identifying the reasons for wage disparities among public sector employees in two geographical areas, despite their affiliation with the same government. Historically, differences in wages and compensation between two regions governed by separate governments might have been understandable, even under the same regulatory framework. However, what is perplexing is the wage disparity between employees working under the same government in two distinct geographical areas.

To explore this issue, a series of questions was posed during interviews conducted for this study. The interviewees, six specialists in the Palestinian government sector, provided individual testimonies and insights. Their responses were analyzed to identify the internal and external factors contributing to wage discrepancies between public sector employees in the West Bank (WB) and the Gaza Strip (GS), both of whom are affiliated with the same government (the Ramallah government). Below are the key findings:

Internal Reasons:

- **Job Level Discrepancy:** One significant reason for the wage disparity is the difference in job levels. Positions in the West Bank are generally considered to be of a higher level than those in the Gaza Strip. The centralization of successive governments in the West Bank has resulted in most supervisory roles being concentrated there. Additionally, the West Bank has a larger population and geographic area, contributing to this imbalance.
- **Career Path Freeze:** Many government employees in the Gaza Strip ceased working due to the political division in mid-2007. These employees continued to receive wages while staying at home, but their career progression stalled. Unlike their counterparts in the West Bank, Gaza

employees lack opportunities for advancement due to an unclear organizational structure.

- **Suspension of Bonuses and Allowances:** To reduce operational expenses, the Palestinian Authority halted periodic bonuses and promotions for Gaza employees. Transportation allowances were also discontinued, as non-working employees no longer commute.
- **Halt of Exceptional Promotions and Incentives:** In the Gaza Strip, employees are not eligible for promotions or bonuses due to the lack of active work. A limited number of employees in specific government institutions, such as the Ministry of Health and the Ministry of Education, receive minimal incentives, contributing to overall lower salaries in Gaza.
- **Increase in Retirement Referrals:** The percentage of employees referred to retirement has risen significantly in the Gaza Strip compared to the West Bank, where recruitment continues. Retirees receive lower pensions than their active service salaries, exacerbating the wage gap.
- **Cessation of Appointments in the Gaza Strip:** Since the political division in 2007, no new appointments have been made in Gaza's public sector. This lack of new positions has further limited promotion prospects and kept wages low.

External Reasons:

- **Economic Situation:** The West Bank enjoys relative economic stability, with a more robust private sector compared to Gaza. Graduates in the West Bank have access to more job opportunities, allowing for wage competition. Conversely, the Gaza Strip faces lower employment rates and limited self-employment opportunities, forcing employees to accept any wage offered. Moreover, the cost of living allowance is higher in the West Bank, reflecting its higher standard of living, which is not the case in Gaza.
- **The Labor Market:** Public sector jobs in the West Bank face less demand due to the availability of private and civil sector positions. In Gaza, the scarcity of private-sector jobs makes public employment more desirable, even at lower wages. In the West Bank, higher job titles are offered to attract experienced and qualified individuals who might otherwise work in the private sector.
- **Pressure Groups:** Employees in the West Bank benefit from advocacy by effective unions, such as the Employees Union, which is absent in Gaza. Furthermore, West Bank employees are often perceived as loyal to the ruling regime, resulting in additional support through bonuses, promotions, and other benefits. In contrast, Gaza employees face complex circumstances, with no strong representation or advocacy for their rights, leading to disparities in wage distribution.

5.3. Analysis of the Compensation-Performance Relationship

This section addresses the third research question and achieves the third objective of the study. The decline in the performance of public sector institutions in Palestine is not solely attributable to political divisions but also to the prioritization of political affiliation over qualifications in public office appointments. This practice has deprived Palestinian governmental institutions of numerous advantages, including the inclusion of highly qualified individuals

with diverse political perspectives, critical oversight, and opportunities for innovation and development. As a result, the Palestinian government's performance has lacked the hallmarks of good governance.

While the existing literature often identifies a relationship between compensation and performance, this study's findings present a nuanced perspective. Unlike quantitative studies that employ statistical tests to measure this relationship, this research relies on qualitative interviews to interpret the link between compensation and performance in the Palestinian public sector.

Government performance indicators, including economic and social metrics, do not reflect meaningful progress. In both the West Bank and Gaza Strip, performance remains suboptimal, with the situation in Gaza being particularly dire. The political division, which has led to the establishment of separate governments in the two regions, has exacerbated unemployment and poverty rates, stifling the aspirations of Palestinian youth. Under these circumstances, discussing human resource development is challenging when opportunities for growth and progress are so limited.

Moreover, low or delayed salaries for public sector employees have had a detrimental impact on society. According to an investigation by Zawaya (2023), reductions in employee salaries or purchasing power lead to weakened social solidarity, decreased consumer spending (particularly on non-essential items), and a rise in bankruptcies as merchants leave the market. Financial strain also forces employees to extend loan repayment periods, deepening their debt burden and leaving them feeling trapped. Employees often remain in their positions despite low wages, recognizing the lack of alternative job opportunities due to high unemployment, extreme poverty, and inflation. This dynamic undermines their ability to protest against systemic inequities, leaving them working under difficult circumstances with few options for improvement.

Establishing unified indicators for measuring public sector performance is particularly challenging given the differing administrative, economic, and social conditions of the West Bank and Gaza Strip. These regions vary in terms of income rates, poverty levels, unemployment rates, and other factors, complicating efforts to develop consistent criteria for performance evaluation. To address these disparities, it is essential to unify government systems in the West Bank and Gaza Strip and agree on a shared framework for managing public affairs. Special attention must be given to prioritizing citizen services, which should form the foundation for a collective vision of good governance.

Despite these challenges, general observations can help interpret the relationship between compensation and performance in the Palestinian public sector. The Palestinian public sector does not offer exceptional incentives for outstanding performance, unlike private sector institutions. For example, an employee may propose innovative ideas that improve work processes, but even if these ideas are accepted, the employee will not receive significant compensation, as the government system provides limited flexibility in this regard. Furthermore, promotion or advancement in public jobs is governed by rigid rules, laws, and conditions, often influenced by factors such as interviews and other formal procedures. This makes it difficult for employees to anticipate the benefits of their initiatives in terms of personal financial returns. While some researchers believe there is a relationship between compensation and performance, the majority (five

out of six) argue that no such relationship exists. The following discussion elaborates on these two perspectives:

Supporters of Linking Wages to Performance:

Some believe there is a correlation between compensation and performance, particularly for public sector employees on annual contracts who aim to transition into permanent positions. In such cases, compensation tends to be lower initially, but as performance improves and opportunities for permanent employment arise, wages increase significantly. Similarly, employees on probation may demonstrate high performance while their wages remain largely unchanged. However, this situation is limited to specific categories of employees and cannot be generalized across the entire public sector. Another scenario where wages are tied to performance involves roles in vocational educational institutions that generate products or services for a fee. In such cases, a portion of the proceeds is allocated to the employee, creating a direct link between performance and earnings. Additionally, employees in specific professions, such as doctors, may receive indirect benefits for high performance. For instance, a government-employed doctor may be allowed to practice privately after official working hours, provided their performance in the public institution meets certain standards.

While this perspective is valid, it does not represent the dominant trend in the public sector. The percentage of employees who receive indirect compensation or additional benefits is relatively small, and these benefits take various forms. For example, employees working at border crossings may receive overtime pay, collection employees may receive additional allowances, and certain other professions may receive performance-related bonuses.

Opponents of Linking Wages to Performance:

The majority of interviewees argue that there is no significant link between wages, compensation, and job performance. Their reasoning is grounded in the fact that all government employees, whether in the West Bank or the Gaza Strip, are subject to the Civil Service Law, which enforces a standardized scale for wages and compensation. This leaves little room for deviation or extraordinary compensation based on performance. In many cases, increases in compensation or returns, as highlighted by proponents of the link, are tied to additional work rather than improved quality of work. Thus, relying on quantitative rather than qualitative achievements as a metric for performance is not a valid measure of the compensation-performance relationship. Additionally, various factors influence an employee's performance, including relationships with colleagues and supervisors, job satisfaction, and the work environment. These non-material factors often outweigh the significance of wage levels in motivating employees.

For instance, employees in similar professions—such as doctors, teachers, accountants, and craftsmen—may receive comparable wages, despite differences in job demands. Consequently, transferring to another role or location for better compensation may result in the loss of other non-material benefits, such as a supportive work environment, which could be more important to the employee.

Finally, some believe that security officers, for example, may receive compensation similar to or even lower than that of teachers, despite the former facing greater risks and challenges, such as apprehending criminals. Would a

security officer willingly transition to a teaching role simply for higher pay? Similar considerations apply to other professions and roles.

5.4. Analysis of Fairness and Equity in Compensation and Wages in the Palestinian Public Sector (PPS)

The fourth question is addressed here, achieving the fourth study objective. We have previously discussed the study's problem in various contexts—the evident wage rate disparity between the Gaza Strip and the West Bank and its impact on employees. This section also examines the reasons behind this discrepancy, whether between employees of the same government, such as the Ramallah government, or between employees of the Gaza government and their peers affiliated with the Ramallah government.

The interviewees unanimously agreed that wage rates are neither fair nor equitable. This inequity affects the psychological state of employees, making them feel like second-class citizens. Extreme discontent persists among employees due to the lack of alternatives and the fear of losing the only opportunity available to them. One interviewee described the situation, stating: “The wages and compensation allocated to employees in Gaza are not fair, and this is known to everyone, but it cannot be disclosed, especially when the government is both the opponent and the arbiter.” In other words, Gaza employees affiliated with the Hamas government do not have the right to object to the salaries they receive, which do not exceed 50% of the allocated salary. This discussion excludes allowances, bonuses, or other incentives and focuses solely on the non-payment of full salaries, even at a minimum level.

Notably, employees in Gaza have very limited job opportunities, compelling them to accept the available jobs and the accompanying wages. In contrast, Ramallah employees in the Gaza Strip, whose salaries have been reduced by at least 30%, and who have been deprived of periodic bonuses, incentives, and promotions for years, feel extremely frustrated. Many responded to the government’s call to stay home and refrain from work. Today, after years of division—particularly since 2017—their salaries have been reduced further, and a portion of them has been referred to compulsory and/or early retirement. Many had aspirations and commitments, including loans that consumed up to 50% of their salaries, but they now receive only 20–30% of their wages at best.

For wages and compensation to be fair, the government must prioritize strengthening national unity, shielding public sector employees from political tensions, and avoiding the use of employees as leverage in political disputes. Moreover, justice and fairness should be achieved by standardizing wages and compensation rates for all employees in both regions—the Gaza Strip and the West Bank—while accounting for regional differences, such as the higher cost of living in the West Bank, but without discriminating against opportunities for promotion, job levels, bonuses, and allowances.

The wage and compensation disparity between public sector employees in the West Bank and the Gaza Strip, despite both being part of the same government, reflects a concerning phenomenon. Such disparities undermine justice and fairness within society. Consequently, Palestinian public sector institutions cannot be described as following good governance principles. As a result, administrative corruption, favoritism, nepotism, bribery, and other

unethical behaviors are likely to spread within government institutions as long as employees performing similar tasks face significant wage disparities.

Based on the discussion, the following conclusions can be drawn:

- a. There is a noticeable disparity in wage rates for public sector employees between the West Bank and the Gaza Strip, even though both regions are part of the same government, governed by the same systems and laws.
- b. The most prominent factors contributing to this disparity include the political division that resulted in separate governments for each region, political appointments in public service, differences in economic structure, workforce efficiency, and wage rates in the private sector.
- c. There is a wage disparity for Ramallah government employees working in the Gaza Strip compared to those in the West Bank, despite their affiliation with the same government but residing in two different geographical areas.
- d. The most significant internal factors behind the wage disparity include discrepancies in job levels, career path stagnation, suspension of bonuses and allowances, cessation of exceptional promotions and incentives, and increased retirement referrals.
- e. External factors contributing to wage variations include economic conditions, labor market dynamics, and pressure groups.
- f. The researchers found no strong correlation between compensation and performance rates among Palestinian public sector employees. Employees are governed by the Civil Service Law, which does not provide significant benefits linked to performance. The benefits offered between professions often depend on additional work rather than the quality of the work provided. Material incentives may not sufficiently motivate employees to change jobs due to other factors affecting employee satisfaction.
- g. The inequitable distribution of wages and compensation between the West Bank and the Gaza Strip, as well as among Ramallah government employees working in both regions, negatively impacts employees, leaving them feeling oppressed and unjustly treated. This inequity affects their performance and dedication to their duties and may drive some employees to engage in unethical behaviors such as bribery.

The findings underscore the urgent need for reform in the following areas:

- Unified Compensation Policies: Standardize wages and compensation across regions to ensure equity.
- Elimination of Disparities: Address differences in allowances, promotions, and benefits between employees in Gaza and the West Bank.
- Improved Governance: Strengthen governance frameworks to prevent administrative corruption, favoritism, and nepotism.
- Employee Morale: Implement strategies to boost morale, ensuring fairness and fostering loyalty and dedication in public sector roles.

By addressing these systemic issues, the Palestinian public sector can align more closely with the principles of good governance, ultimately enhancing employee satisfaction and performance while reducing the potential for corruption.

6. Conclusion

This study examines wages and compensation in Palestine, focusing specifically on disparities within the government sector and their impact on performance and employees' perceptions of justice. We draw on previous research, relevant reports, and select statistics to inform our analysis. The researcher conducts extensive interviews with six government sector officials, who provide in-depth information that enriches the study. The study identifies the key factors that determine compensation in the Palestinian public sector, exploring both internal and external factors that influence wage and compensation rates. It finds that job performance may not directly correlate with wages and compensation, as evidenced by employees in the Gaza Strip who work for only half their salary yet remain committed to their jobs due to a lack of alternatives. Overall, employees generally express dissatisfaction with their salaries and compensation, feeling a sense of injustice, especially when comparing the salaries of those in the Gaza Strip with their counterparts in the West Bank. This feeling of injustice intensifies among employees who are paid by the Ramallah government but work in Gaza.

The study concludes that although wages and compensation are crucial, they alone are insufficient to enhance job performance, given the scarcity of job opportunities and limited alternatives. This complex relationship requires further exploration. Additionally, the study finds that employees perceive their compensation as unfair, particularly because they perform similar tasks under the same laws as their colleagues. A silent protest may be simmering among the workforce, suggesting underlying dissatisfaction. This discontent poses potential future risks: employees may leave the public sector if better opportunities arise, and their dissatisfaction could negatively impact their behavior during elections.

The study recommends that conflicting political parties work together to resolve conflicts and reduce political tensions within government institutions. This effort is not only a moral and national imperative but also crucial since employees across both regions share the same national identity, are all Palestinians, and serve the Palestinian people. If some politicization of sovereign functions is unavoidable, at least the executive functions should remain non-politicized. It is crucial to foster national unity between the West Bank and Gaza Strip, reflecting this unity in public sector compensation to ensure fairness and equity. Government bodies are encouraged to promote good governance and protect public sector jobs from political conflicts, maintaining public institutions as national entities that serve all, free from political influence.

The study also highlights the need for better integration within government institutions, pointing out that significant efforts are lost due to duplicative processes between the two regions. Effective governance requires that government services be neutral regarding political affiliations, as national obligations significantly outweigh political loyalties. The study advocates for additional research to thoroughly understand the dynamics between wages, compensation, and job performance by focusing on mediating and moderating variables. Further quantitative studies testing variables such as job satisfaction, organizational justice, alongside compensation and wages, would enrich this understanding. To gain deeper insights, future research could also examine demographic factors to uncover potential discrepancies in the opinions of respondents.

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