

Media brief on ILO study:

The 'Disemployment' Impact of the 2014 Conflict in Gaza: An ILO Damage Assessment and Recovery Strategy

Before the conflict in Gaza in the Summer of 2014 and the accompanying Israeli military operation, overall unemployment was estimated at 32.6 per cent, with the male rate at 27.8 per cent and the female rate at 53.1 per cent, nearly double the rate for males. Worthy of note is that these high unemployment rates are largely due to decades of occupation and border closures that have left the people of Gaza isolated, impoverished and vulnerable. Gaza was already in the grip of a humanitarian and environmental crisis before the most recent crisis began. Some 67 per cent of workers earned less than the minimum wage. As waged employment is the principle source of income for the vast majority of Gaza households, the foregoing wage income data is suggestive of high levels of poverty and working poverty. It is not surprising that 80 per cent of Gaza residents were dependent on aid and 57 per cent were food insecure.

The 2014 conflict

On 7 July 2014, a humanitarian emergency was declared in the Gaza Strip, following a severe escalation in hostilities, involving intense Israeli aerial and navy bombardment and Palestinian rocket fire. Hostilities de-escalated following an open-ended ceasefire which entered into force on 26 August. In the 2014 crisis, 2,205 Palestinians were killed, including at least 1,483 civilians, of whom at least 521 were children and 283 were women. Over 500,000 Palestinians were displaced at the height of the hostilities; thousands remain displaced. Seventy one Israelis were killed, including 66 soldiers, a security coordinator and four civilians. One foreign national civilian was also killed in Israel.

The scale of destruction, devastation and displacement during the 50 days of conflict was unprecedented in Gaza, since at least the start of the Israeli occupation in 1967. The humanitarian impact of these hostilities came against a backdrop of heightened vulnerability and instability in Gaza. Since the de-escalation of hostilities, the humanitarian community has been working hard to respond to the needs of all 1.8 residents of the Gaza Strip while advocating for transformational changes, including a lifting of an almost 8-year-old blockade imposed on the Gaza Strip.

The Israeli blockade undermines the living conditions of Palestinians in Gaza, reducing access to livelihoods, services and housing and disrupting family life. The situation is further compounded by restrictions imposed by Egypt along its borders with Gaza since 2007, and heightened in 2013 at Rafah Crossing which had become the main crossing point for Gaza given the above restrictions.

"Disemployment"

The Israeli military operation of July-August 2014 thus compounded an already dire situation for the residents of Gaza. This new ILO report was developed to gauge the extent of labour displacement – referred to here as *disemployment* – in private sector activities caused by the Israeli military operation. Disemployment is defined as the temporary loss of employment caused by the destruction of the land, structures, capital equipment and/or tools normally used by people in the course of their working day. As such, disemployment, in the context of this conflict, is

unemployment in excess of that which existed prior to the Israeli military operation of July-August 2014.

Preliminary estimates of physical damage to workplaces as provided by the Palestinian Authority are also used. These estimates suggest that, in the aggregate, disemployment due to the physical destruction of productive assets is around 17,200 persons. This is equal to about 6.4 per cent of all employed persons and about 11.6 per cent of the private and non-governmental sectors workforce in 2013. Furthermore, it is assumed that nearly all public sector employees have retained their jobs, or at least retained their claim for compensation for such positions.

Using 2013 labour force data – the most recent reliable unemployment data from Gaza – an increase by 17,200 raises the general unemployment rate from 32.6 per cent to 36.9 per cent. However, this is apart from the increase in unemployment that occurred in the first half of 2014, just prior to the Israeli military operation. The government that overthrew the elected Muslim Brotherhood Government in Egypt in mid-2013 dismantled the tunnel system connecting Gaza and the Sinai. This significantly increased unemployment rates starting in the second half of 2013, to reach 44.5 percent in the second-quarter of 2014, near its all-time highest rate.

Detailed Needs Assessment

The report and its shorter version comprises of ILO's contribution to the Detailed Needs Assessment (DNA) which was undertaken following a request from the Government of the occupied Palestinian territory to all international partners (the European Union, the United Nations, and the World Bank) to provide support for planning the recovery and coordinate reconstruction with a long-term developmental vision for Gaza.

Forward-looking strategy

The report also provides a forward-looking strategy based on the fact that employment has to be mainstreamed in all other recovery and reconstruction efforts. In parallel, interventions should be targeted specifically on job creation. This strategy balances the need for emergency humanitarian assistance, including the creation of immediate income opportunities, with longer term developmental needs related to the generation of sustainable decent jobs and the maintenance of livelihoods. This is based on four interrelated levels of intervention, which are based on an immediate emergency response and mid- to long-term initiatives:

- (a) **Support immediate and longer term job creation.** Address the short-term priority to provide incomes through wages while rehabilitating, repairing and reconstructing damaged or destroyed productive assets and infrastructure.
- (b) **Ensure the recovery of enterprises and the self-employed.** Develop wage subsidy programmes as a means to temporarily subsidize employers' wage costs to enable them to either maintain their workers or hire new workers. For the self-employed, provide small grants to regain lost productive assets (e.g. tools and equipment).
- (c) **Invest in skills.** Intensify accelerated short-cycle skills training in areas which have immediate labour demand, such as construction and other public investment programmes. A comprehensive package needs to be introduced, specifically for young people, at all levels of education.
- (d) **Institutionalize employment coordination and a monitoring mechanism.** build coherence through an institutionalized coordination mechanism. This should have high political support

in order to make timely decisions, strengthen partnerships, minimize duplications and maximize job creation. Other specific functions can be to improve and coordinate labour market information and analysis in collaboration with PCBS to have systematic and nationally recognized data, promote common approaches including Decent Work principles, and establish a common evaluation and impact-assessment tools to monitor progress and adjust approaches accordingly.

Data on disemployment by sector

Table 13: Estimates of disemployment in Gaza due to destruction of non-governmental productive establishments during July-August 2014

| Economic Activity | Number of employed 2013 | Estimated disemployment from destruction | Estimated disemployment from damage | Estimated total disemployment |
|--|-------------------------|--|-------------------------------------|-------------------------------|
| Agriculture | 22 413 | 5 603 | 0 | 5 603 |
| Manufacturing | 18 224 | 1 206 | 1 407 | 2 614 |
| Construction | 3 796 | 228 | 0 | 228 |
| Commerce, hotels, restaurants | 55 988 | 3 076 | 3 589 | 6 665 |
| Transport and storage | 1 411 | 85 | 0 | 85 |
| Information and communications | 1 850 | 111 | 0 | 111 |
| Services (non-governmental) | 44 579 | 1 896 | 0 | 1 896 |
| <i>of which: Education (UNRWA & private)</i> | 7 953 | 0 | 0 | 0 |
| <i>of which: Health (UNRWA & private)</i> | 5 028 | 0 | 0 | 0 |
| <i>of which: Other services</i> | 31 598 | 1 896 | 0 | 1 896 |
| Total | 148 261 | 12 205 | 4 996 | 17 201 |

LOSS in GDP

The average person employed in non-governmental establishments produced an estimated US\$9,168 in added value in 2013 with a range from a low of US\$5,528 in private services to a high of US\$30,628 in construction activities. Multiplying the estimated number of disemployed persons by value added per employee yields an estimate of the GDP (value added) loss on an annualized basis the estimated loss would be about US\$45.2 million during the course of the year, assuming no return to work of those disemployed. Thus, the average working day productivity losses from disemployment in agriculture can be estimated at about US\$146,000 and for all non-governmental enterprises at about US\$508,700.

Table 14: Value added by non-governmental establishments in Gaza by economic activity in 2013 and estimated annualized damage-induced value added losses (USD)¹

| Economic Activity | Value added USD | Value added per employee | Estimated disemployed workers | Value- added losses |
|--|----------------------------|---|--|------------------------------------|
| Agriculture | 173 100 000 | 8 073 | 5 603 | 45 235 064 |
| Manufacturing | 224 686 000 | 12 329 | 2 614 | 32 225 485 |
| Construction | 116 262 300 | 30 628 | 228 | 6 975 738 |
| Commerce, hotels, restaurants | 523 142 400 | 9 344 | 6 665 | 62 277 766 |
| Transport and storage | 16 739 500 | 11 864 | 85 | 1 004 370 |
| Information and communications | 15 338 100 | 8 291 | 111 | 920 286 |
| Services (non-governmental) | 289 956 500 | 6 504 | 1 896 | 12 331 428 |
| <i>of which: Education (UNRWA and private)</i> | <i>43 971 900</i> | <i>5 529</i> | <i>0</i> | <i>0</i> |
| <i>of which: Health (UNRWA and private)</i> | <i>71 321 200</i> | <i>14 185</i> | <i>0</i> | <i>0</i> |
| <i>of which: Other services</i> | <i>174 663 400</i> | <i>5 528</i> | <i>1 896</i> | <i>10 479 804</i> |
| Total | 1 359 224 800 | 9 168 | 17 201 | 157 698 655 |

LOSS in housing

The estimates is that 13 per cent of housing units – 44,300 in all – were affected with approximately 5 per cent of the housing stock (18,000 housing units) became uninhabitable, rendering more than 108,000 people homeless. It is difficult to establish the extent to which the destruction of housing will affect employment, but it is clear that the lack of basic amenities can only hinder economic recovery and the regeneration of employment for various groups. For example, damage to housing and associated infrastructure may disemploy home-based workers, disproportionately affecting women.

A measure of the lost value of GDP (value added) due to disemployment in non-governmental establishments can be approximated by first considering estimated GDP by economic activity as provided in the second column of Table 14.

¹ Estimates of value added by economic activity, except for agriculture, are taken from the *Economic Survey 2013*. Value added for agriculture in Gaza for 2013 is not yet available. Thus, agricultural value added and value added per employee are for taken from the PCBS *National Accounts* for 2012.