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# THE OCCUPIED PALESTINIAN TERRITORY

**AN EMPLOYMENT  
DIAGNOSTIC STUDY**

REGIONAL OFFICE FOR ARAB STATES

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First published 2018

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The Occupied Palestinian Territory: An Employment Diagnostic Study / International Labour Organization, Regional Office for Arab States. - Beirut: ILO, 2018.

ISBN 9789221313953 (print)

ISBN 9789221313960 (web pdf)

ILO Regional Office for Arab States

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## **ACKNOWLEDGEMENTS**

This study was prepared by Amer Madi, with support from Charmaine Seitz and Omar Abu Ghosh, under the guidance and supervision of Tariq Haq, Senior Employment Policy Specialist at the ILO Regional Office for Arab States. Valuable comments and feedback on previous iterations of the draft were received from Tariq Haq, Patrick Daru, Aya Jaafar, Rasha El Shurafa and Mounir Kleibo from the ILO, as well as Samer Salameh from the Palestinian Authority's Ministry of Labour. Thanks are also due to participants of a tripartite national consultation on the draft study held in Ramallah on 4 July 2017.

## ACRONYMS

AFD	French Agency for Development
ALO	Arab Labour Organization
ALMP	Active Labour Market Programme
BSIS	Business Start-up Incubators Support
BTC	Belgian Technical Cooperation
CCA	common country analysis
CCIA	Chambers of Commerce, Industry and Agriculture
CPI	Consumer Price Index
CTP	cash transfer programme
CVET	Continuing Vocational Education and Training
DEEP	Deprived Families Economic Empowerment Programme
DWP	Decent Work Programme
PFCCIA	Palestinian Federation of Chambers of Commerce, Industry and Agriculture
GDLIA	General Directorate for Labour Inspection and Administration
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GS	Gaza/Gaza Strip
HYS	Higher Council of Youth and Sport
ICA	investment climate assessment
ICT	information and communication technology
IDB	Islamic Development Bank
ILO	International Labour Organization
ILS	Israeli shekel
IMF	International Monetary Fund
LET	Local Education and Training Councils
LFS	Labour Force Survey
LMIS	Labour Market Information System
MAS	Palestine Economic Policy Research Institute
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
MoA	Ministry of Agriculture
MoEHE	Ministry of Education and Higher Education
MoNE	Ministry of National Economy
MoH	Ministry of Health
MoL	Ministry of Labour



MoSD	Ministry of Social Development
MSMEs	micro, small and medium-sized enterprises
MTIT	Ministry of Telecommunication and Information Technology
NCWE	National Committee for Women's Empowerment
NGO	non-governmental organization
NPA	National Policy Agenda
NQF	National Qualification Framework
NTF	National Training Fund
NYS	National Youth Strategy
OPT	Occupied Palestinian Territory
OSS	one-stop shop
PA	Palestinian Authority
PASS	Palestine Start-up Support
PCBS	Palestinian Central Bureau of Statistics
PFESP	Palestinian Fund for Employment and Social Protection
PFI	Palestinian Federation of Industries
PFM	Public Financial Management
PGFTU	Palestine General Federation of Trade Unions
PUMP	Palestinian Upgrading and Modernisation Programme
SDSS	Social Development Sector Strategy
SMEs	small and medium-sized enterprises
TE	technical efficiency
TEA	total early-stage entrepreneurial activity
TFP	total factor productivity
EU	European Union
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations International Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
USD	US dollar
VAT	Value-added tax
WB	West Bank

# 1. EXECUTIVE SUMMARY

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Conditions in the Occupied Palestinian Territory (OPT)<sup>1</sup> continue to be characterized by a stalled peace process, political instability, a protracted fiscal crisis, outbursts of violence in the West Bank and Gaza, and high levels of deprivation in Gaza due to a crippling blockade – now in its tenth year. The lack of economic prospects, as well as heightened political and security tensions, have constrained the livelihoods of hundreds of thousands of Palestinians, and limited their access to economic opportunities and decent work. The latest round of the labour force survey conducted by the Palestinian Central Bureau of Statistics (PCBS) showed that the overall unemployment rate increased in 2016, particularly in Gaza, rendering the long-term employment trend in both the West Bank and Gaza ever more bleak.

As part the overarching Decent Work Programme (DWP), the International Labour Organization (ILO), in conjunction with local partners, has commissioned this labour diagnostic. The DWP aims to promote labour rights, enhanced employment and livelihood opportunities for Palestinian men and women, as well as seeking broader social protection for those in need in the OPT. This report, based on an extensive desk review and consultations with relevant national and international stakeholders, seeks to provide a full diagnostic of labour market trends, institutions, and governance. It also maps existing employment programmes and services (both private and public) while providing a general assessment of their impacts and identifying their main strengths and shortfalls. It concludes with a summary and general recommendations about the way forward.

## ABOUT THIS DIAGNOSTIC ANALYSIS

This analysis, while incorporating extensive desk research and the latest figures from the Palestinian Central Bureau of Statistics (PCBS), also draws on numerous first-hand interviews with Palestinians in both the West Bank and Gaza, among them senior officials in the Ministry of Labour (MoL), Palestinian workers' and employers' organisations, non-governmental organisations and universities delivering labour market programmes, and private-sector actors.

The diagnostic was guided by the principle, laid out by the ILO, that human resources and the labour force should not be primarily viewed as beneficiaries of growth but rather as “creators of growth”. That is, “investments in a qualitative development of human resources, together with improved opportunities to maximise and enhance the economic returns to these resources make up the foundation and essence of job-rich growth” (ILO, 2012). Attention was paid to both “inclusiveness” and “sustainability” of available policies and programmes and to how effective they are under the prevailing conditions. The status of women and men, both youth and adults, was given specific consideration in order to provide a gender-sensitive analysis, especially as these groups each face specific barriers to participation and employment.

Finally, this diagnostic acknowledges that a great number of the factors influencing labour markets and economic policy are outcomes of decades of occupation, and that without full autonomy to implement policies, the Palestinian Authority (PA) is hobbled in its ability to support livelihoods and serve its public. Some of the main issues perpetuated by the occupation that impact on Palestinian livelihoods and employment include daily violence, restrictions on movement, inequitable access to land and resources, and human rights violations. While these are broadly referred to in the report, they are more fully discussed in numerous other studies and analytical reports.

<sup>1</sup> The term “Occupied Palestinian Territory” refers as a whole to the geographical area of the Palestinian territory occupied by Israel since 1967. Consequent to the adoption of resolution 67/19 by the United Nations General Assembly on 29 November 2012, the State of Palestine was accorded the status of Observer State in the United Nations.

## OVERVIEW OF FINDINGS

**Growth and labour market trends in the West Bank and Gaza closely mirror periods of conflict and instability**, reflecting the heavy reliance of the Palestinian economy on Israel, and the adverse economic impacts of the regime of closures and restrictions. The most recent example of this was the severe economic impact of the Gaza war in 2014, which pushed the Palestinian economy into recession. Since then, the economy has rebounded with real GDP growth reaching 3.5 per cent in 2015 and an estimated 4.1 per cent in 2016. The drivers of growth in recent years, however, have not led to a large boost in employment levels, with total Palestinian employment expanding by just 1.8 per cent in 2016, of which 31.6 per cent was in Israel and Israeli settlements (PCBS, 2017b).

This has been accompanied by **a decline in the contribution of manufacturing and agriculture to GDP**, when these sectors have historically employed the largest proportion of Palestinian workers. In particular, the large decline in agriculture (from 12 per cent in 1994 to 2.9 per cent in 2016) and in manufacturing (from 21.3 per cent to 13.9 per cent over the same period) has been a function of greater controls on imported capital goods and raw materials, as well as constrained revenue due to restrictions on access to outside markets. In contrast, sectors producing non-tradable goods and those that are less vulnerable to physical controls, notably in construction-related activities and services, have fared much better, though with differentials between the West Bank and Gaza at different periods due also to closures and movement restrictions.

The greatest impact of these internal and external closures and the accompanying volatility in growth has been the **sheer lack of employment opportunities**. By all measures, the West Bank and Gaza labour market has fared badly since 2000, with Gaza doing markedly worse. Unemployment rates have been chronically high, reaching 26.9 per cent in 2016 (18.2 per cent in the West Bank and 41.7 per cent in Gaza), and real wages have fallen. The unemployment rate, among the highest in the world (particularly for youth), has directly reflected the severity of the recessions experienced in 2000-2002, 2005-2006 and 2013-2014 while low participation rates have reflected the escalation of conflict and internal divisions since 2005. **Especially worrisome is the large and continuous decline in youth employment and falling participation rates, particularly in Gaza**. The 2016 Labour Force Survey (LFS) found that 34.3 per cent of unemployed youth (18.2 per cent in the West Bank and 46.3 per cent in Gaza) had been unemployed for more than a year, compared with 32.4 per cent of total unemployed (15+). Among its neighbours, the OPT is unique in that the crisis in youth employment is driven by conflict, with research indicating that barriers to participation are especially tied to restrictions on movement and persistent violence (World Bank, 2011).

Also troubling are demographic projections indicating that the **OPT sits on the cusp of significant changes to its demographic make-up that will double the population over the coming years** to 9.5 million by 2050 (UNFPA, 2016). The bulk of this population boom will take place in Gaza, which is expected to exceed the population of the West Bank (at 50.3 per cent) after 35 years. While there is an opportunity to capitalize upon a “demographic dividend” that will lower the dependency ratio from 0.73 to 0.49 by 2050, possibly boosting savings and investments and increasing the rate of GDP growth, this cannot happen without careful planning and the easing of economic barriers. There will be a need to create 72,000 new jobs per year by 2030-35, not including those jobs lacking in the form of unemployment and underemployment - a tall order for the current economy.

**Increasing Palestinian women’s participation in the labour force is particularly important** in the OPT where the female labour force participation rate is one of the lowest worldwide (19.3 per cent in 2016). Educated women are increasingly confined to government employment, whose growth has been capped recently, while less educated women appear to have little access to such jobs. There

is also evidence that the decline in household incomes has forced women to assist in informal activities (as unpaid family members), but this does not seem to have had a tangible positive effect on the social empowerment of women as prohibitive patriarchal structures and norms that constrain women's employment in certain fields persist.

**Little policy attention has been paid to addressing the inter linkages between the supply and demand sides of the labour market to allow for the expansion of the demand for women's labour.** Nearly one-third of females aged 25-34 and one-fourth of females 35-44 are labour market participants, but they are still not finding work, with unemployment rates ranging between 55.0 and 26.6 per cent (compared with their male counterparts who have unemployment rates ranging between 12.5 and 23.4 per cent). Typically, girls and women are highly educated in the OPT, in part because it is considered valuable but also because males are sent into the workforce early. However, when the small numbers of women who are working try to use their advanced education to get a job, they find numerous barriers - not least of all acceptance by the market itself.

An important starting point here appears to be addressing **which programmatic assumptions of ALMPs are cultural and which are real needs for females seeking to enter the workforce and find stable employment.** Robust social policies that support those needs (e.g. childcare, flexible work hours, policies that support a healthy work/life balance, and public awareness campaigns in support of working women) are essential.

While there are no data to assess the impact, effectiveness or efficiency of ALMPs collectively or by type, anecdotal evidence suggests that they have played a role in and contributed to developing the skills of thousands of Palestinians in the workforce (especially youth and new graduates) and improving their employability. Entrepreneurship programmes have had a positive impact on creating a supportive environment for entrepreneurship in the Palestinian community, while emergency job creation programmes following cash-based transfer modalities have contributed to building and upgrading community assets and prevented their beneficiaries from falling deeper into poverty, albeit temporarily. Nonetheless, ALMPs in the OPT suffer from a set of problems that can be summarized as follows:

- **LACK OF SUSTAINABILITY.** The vast majority of employment programmes in the OPT are entirely dependent on financial support from international donors, and several of them - particularly short-term job creation programmes implemented by small NGOs - are not sufficiently institutionalized within the organisations implementing them. Accordingly, the long-term sustainability of projects is then challenged when funding disappears.
- **WEAK ACCOUNTABILITY.** Review and evaluation of ALMPs is either non-existent or very weak with most ALMPs only tracking process and output level indicators, rendering the measurement of impact and efficiency of nearly all ALMPs, including those most institutionalized, nearly impossible.
- **FRAGMENTATION.** ALMPs in both the West Bank and Gaza are fragmented, with often similar goals, overlapping objectives, and target groups, without necessarily being coordinated, as they are implemented by different organisations or funded by different donors. Proliferation and fragmentation of ALMPs often leads to inefficiencies (such as double targeting), with several organisations working to serve the same (often not necessarily the most disadvantaged) target groups. It is believed that many organisations have established these programmes without a clear long-term vision in order to diversify their funding sources.
- **LIMITED CAPACITY TO PLAN AND DELIVER RESULTS.** Capacity to plan, manage and effectively implement ALMPs within many implementing organisations is often lacking. This situation clouds and obscures the aims and oversight of employment programmes.

- **LIMITED CAPACITY TO ACHIEVE SCALE OR REACH OUT TO THE MOST VULNERABLE.** Despite the important contribution of ALMPs in developing Palestinian skills to match labour market needs, the structural problems facing the labour market and its limited ability to absorb the enormous number of new entrants that join the workforce each year makes their contribution to reducing unemployment level very marginal. The various ALMPs implemented in the West Bank and Gaza over the past 15 years have been unable to address the structural problems of the labour market, but the failure of these programmes should not be surprising.

More generally, **current levels of high unemployment among the highly educated appear to be negatively impacting the perception of youth towards education and its relevance to the labour market.** This would result in an important and dangerous change in the Palestinian values, with long-term implications. Low levels of academic achievement and the inability of education, whether academic or technical and vocational education and training (TVET), to translate into better employability, **indicate that new workers are not being adequately prepared.** In 2013, a school-to-work survey among those aged 15–29 found that only a small proportion of those surveyed (38.9 per cent of young men and a tiny 6.6 per cent of women) had completed the transition to stable and secure employment.

Employers' reviews indicate that **jobseekers could benefit from an earlier introduction to the labour market,** one that provides them with a basic background in job readiness, workplace values and ethics, basic communications skills, and which helps them develop a positive attitude towards work. Because young people are encountering the responsibilities of work for the first time when it truly matters - as they seek to establish themselves – both the risks and the chances of failure are high.

Internship programmes are one way of strengthening new entrants' familiarity with the labour market and their chosen field. Currently, **internship programmes are weakly supported, developed without coordination between educational institutions and the private sector, unpaid, and viewed by employers as a kind of public service rather than an opportunity to build a skilled workforce.** The barriers that prevent family-owned SMEs from hiring individuals that are not their relatives, regardless of their skills and aptitude, also needs special attention because family enterprises are so widespread in the OPT.

Moreover, given the demographic outlook for the OPT, **a current lack of oversight and persistent fragmentation in labour policy is leading to a squandering of opportunities and resources.** The effort to unify labour policies under one umbrella with strong tripartite participation is very much needed, without delay. The private sector, the main employer of wage employees in both the West Bank and Gaza, should be involved and consulted by those institutions looking at education and labour market reforms and development to ensure a greater alignment between demand for and supply of skills.

The implications of this failure are widespread. The insufficient number of job opportunities in the local market and resulting growth in the number of Palestinians employed in Israel and the settlements (about 117,600 Palestinians from the West Bank in 2016, an increase of nearly 4,900 workers from the prior year) has created a vulnerable worker class outside the umbrella of Israeli and Palestinian labour law. These workers are also the source of a degree of fiscal leakage believed great enough to cover the entire PA budget deficit (UNCTAD, 2013).

**Unified policy-making should include stronger oversight, monitoring and accreditation for both continuous vocational education and training and ALMP coordination.** If done properly, experience in other contexts has shown that ALMPs can reduce the duration of unemployment for beneficiaries, increase earnings through training, increase the likelihood of employment beyond six months during a two-year period through self-employment assistance, and support public employment (USAID, 2009). Specifically regarding ALMPs, the PA (MoL) has already expressed concern over the manner in which these employment-related programmes are initiated without its oversight, dissatisfaction with their outcomes, and worry over the lack of proper coordination and consultation between various implementing parties and the relevant authorities in programme execution. All of the above

undermines the role and mandate of the public institutions that aim to govern and regulate the labour market on the one hand, and promote employment and decent jobs on the other. Instead, the Government's role should be strengthened and supported. The Palestinian Fund for Employment and Social Protection (PFESP) is particularly well positioned to coordinate ALMPs, though it would most likely require support to do so effectively.

**Support for the creation and development of SMEs remains both a need and an opportunity for enhancing much-needed growth, with some concern for value versus cost balance, since support for a handful of industries through loans and/or incubation can be expensive and involve high risk.** The OPT's high total entrepreneurial activity (TEA) rate essentially means that people are reverting to entrepreneurship as a last employment resort given the absence of opportunities in other activities (Portland Trust, 2014). A high TEA rate is not necessarily positive, as it often results in higher failure rates. Indeed, Global Entrepreneurship Monitor (GEM) data show that, in 2012, 42 per cent of Palestinian entrepreneurs (and two-thirds of female and youth entrepreneurs) were driven by necessity rather than by opportunity (MAS, 2012). Entrepreneurial activities are in a nascent stage, with many challenges and constraints to overcome.

**Improved access to business loans, more favourable loan conditions, and improved access to markets would greatly assist in increasing investment and the demand for labour in the OPT.** The inexistence of a strong sovereign currency and the continued reliance on the Israeli shekel further hampers economic independence and growth in the OPT, but will need time before a careful and prudent national decision can be taken in this regard. Moreover, because the vast informal market appears to be linked in part to the lack of access to finance, improving pathways to funds for small businesses is one way to formalize firms, thus increasing the tax base and improving conditions for workers (MAS, 2014). **There is a need to stem the decline in real wages at all levels of education,** for one. Real wages have declined as a result of the loss of sources of work in Israel, particularly for the unskilled who have had to find jobs within the West Bank and Gaza in a context of declining domestic demand. Improvements in both economic and labour market performance have consistently proven to be unsustainable, and often short-lived.

The growth in sectors producing non-tradable goods and those that are less vulnerable to physical controls, such as the services sector and telecommunications, have been predictable responses to the mobility restrictions inducing constraints on other sectors. **Ideally, private sector development should be the source of employment and wage growth in the West Bank and Gaza going forward, with emphasis on reviving growth in agriculture and manufacturing, and exploring the prospects of inducing growth in new sectors with high-labour intensity and growth potential such as energy.**

However, unlike most countries in the world, creating an appropriate business climate is beyond the control of the PA. The analysis presented in this report suggests that sustained and substantial job creation, driven by the private sector, is a key element for inducing growth and combating poverty. **The current regime of internal and external closures and prevailing climate of political and economic uncertainty, combined with fragmentation of the West Bank (including Jerusalem) and Gaza economies brought about by internal division, are the most visible constraints to private sector growth.**

## SUMMARY OF RECOMMENDATIONS

In a context marred by restrictions, imposed under occupation, on access to and movement of factors of production, limited fiscal space and a lack of monetary levers to promote macroeconomic growth, as well as widening economic fragmentation, heightened uncertainty, and weakening democratic



governance, **long-term recommendations for inducing job-rich growth can be only be put in broad terms that assume an end of both occupation and internal Palestinian political and administrative divisions.**

In the long term, **the PA needs to adopt policies and develop an institutional infrastructure that enables rapid and sustained job-rich growth driven by a more diversified economy and higher value-added economic activities and trade, including agriculture, manufacturing and other emerging sectors such as fuel and green energy.** Land assets and water resources will need to be unlocked for economic use, which will require reforms in land regulations and administration and water laws. Closing the widening socioeconomic gap - particularly in areas related to employment, income and structure of the economy - between and within the West Bank (including East Jerusalem) and Gaza will necessitate proactive policies for inducing local economic development and inclusive economic growth, including for any returning Palestinian refugees.

**Such policies will need to focus on dismantling the economic structures created by years of occupation through incentivizing and facilitating private domestic and foreign investment to offset the effects of years of regression and underinvestment.**

Finally, structural reforms that improve fiscal sustainability will be crucial, including improving the efficiency and effectiveness of public expenditures to create the fiscal space for multi-dimensional poverty reduction, social protection and large-scale infrastructure investments.

Short-term recommendations focus on those key priorities for inducing job-rich growth in the short term, while laying the foundations for effective implementation of the broader long-term policy orientations discussed above. These focus exclusively on areas within the control of the tripartite partners and stakeholders with programmes supporting private sector and economic development. The recommendations are grouped under three themes as follows:

## THEME 1

**Strengthening the drive for economic diversification and growth** through supporting industrial technological innovation and modernisation, strengthening market regulation towards enhanced competitiveness of local products and services and facilitation of trade and access to markets. Specifically, it is recommended to:

- Improve the business enabling environment by:
  - Streamlining business registration process, enhancing access to basic infrastructure and services (particularly in Area C and Gaza);
  - Accelerating business and labour market policy reforms;
  - Improving access to land;
  - Enhancing the reliability and supply of electric power to Gaza; and
  - Strengthening the capacity for market regulation, particularly in import control;
- Support the agricultural and manufacturing sectors as engines of growth through a comprehensive and holistic restructuring and reform programme.



## THEME 2

### **Enhancing skills, addressing skills mismatching, and developing a market-oriented education system.**

Investments in knowledge, skills, and innovation are necessary for greater integration of the Palestinian economy with the regional and global economy, focusing on technology-driven entrepreneurship and higher value-added services. Given the relatively small size of the Palestinian economy, future Palestinian economic growth will depend on investment in human resources, the skills of its workers, and the entrepreneurship of its business community. More specifically, recommendations include:

- Mitigating informational constraints on workforce development needs at the national level, ensuring strong private sector involvement and feedback in the process;
- Promoting TVET development policies;
- Strengthening opportunities for learning outside the school system.

## THEME 3

### **Develop an inclusive labour market support system that promotes equitable, job-rich growth and decent work.** Specific recommendations here include:

- Strengthening the capacity of the MoL to discharge its mandated functions, particularly in areas of inspection and employment; and
- Building the capacity of the PFESP to lead and coordinate ALMPs towards improved effectiveness and impact.

## **2. INTRODUCTION**

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Conditions in the OPT are characterized by a stalled peace process, political instability, a protracted fiscal crisis, outbursts of violence in the West Bank and Gaza, and high levels of deprivation. The lack of economic prospects, particularly in Gaza, which has been blockaded for ten years now, as well as heightened political and security tensions, have strained the livelihoods of hundreds of thousands of Palestinians, limiting their access to economic opportunities and decent work. The latest round of the labour force survey conducted by the Palestinian Central Bureau of Statistics (PCBS) showed an increase in the overall unemployment rate in 2016, particularly in Gaza (PCBS, 2017b).

Numerous employment/job creation programmes are being deployed in the OPT to help alleviate these difficult economic and labour market conditions. Over the years, such programmes have played a role in providing purchasing power to the poor and unemployed, and have helped prevent communities and people who are living in extremely difficult socioeconomic conditions from falling into even deeper crises. Criticism of such programmes has noted the ad-hoc nature of implementation, a lack of overall monitoring and, arguably, questionable levels of impact and scalability.

With the revitalization of the Palestinian Fund for Employment and Social Protection (PFESP) in 2013, the Palestinian Cabinet endorsed its role as the national focus point for the immediate and long-term needs of unemployed Palestinians. The objective of PFESP, which is supported by the International Labour Organization (ILO), is to provide a structure whereby employment support responds to the immediate labour market impacts of the Israeli occupation, in parallel to the developmental goal of ensuring decent and sustainable jobs for the Palestinian people in the long run. This fund serves as the financing mechanism for all job creation programmes, and supports a range of employment promotion activities, with a key role in overseeing the effective implementation of the national employment strategy.

## THE OBJECTIVES OF THIS DIAGNOSTIC

Guided by its relevant Conventions and Recommendations and its rights-based development approach, the ILO promotes full and productive employment by developing integrated employment, development, and skills policies that maximize the employment impact of economic growth, investment and development, and which are inclusive, gender-sensitive, productive and sustainable. Such support is provided through policy advice, capacity building and technical cooperation activities.

The ILO is currently implementing a technical cooperation programme costing approximately US\$1.9 million. It is based on the priorities outlined in the Government's National Development Plan and supports the state-building efforts and aims to accelerate the socioeconomic development required to secure a safe, stable and prosperous future for the Palestinian people.

In 2013, the ILO in the OPT developed an overarching Decent Work Programme (DWP) with tripartite constituents and stakeholders. The DWP contributes to the National Development Plan, the labour sector strategy led by the Ministry of Labour (MoL), and the first United Nations Development Assistance Framework (UNDAF) for the State of Palestine (2014-2016). The DWP aims to:

- Promote labour rights and improved labour market governance;
- Enhance employment and livelihood opportunities for Palestinian women and men; and
- Facilitate the development of an integrated social security system and the extension of social protection to all those in need in the OPT.

Consequently, a comprehensive understanding of labour market trends and existing services and programmes is key to designing effective policies for addressing the profound labour market challenges facing the OPT, while also promoting decent working conditions and a better future of work for both men and women, and particularly for youth.

In order for the ILO to provide well-informed and guided policy advice to the MoL and its social partners, it is undertaking a comprehensive analysis of the existing employment situation and challenges in the OPT. As such, this study seeks to provide a full diagnostic analysis of labour market trends, institutions, and governance. It also maps existing employment programmes and services (both private and public), while providing a general assessment of their impact and identifying their main strengths and shortfalls. The diagnostic study additionally aims to understand the nature of the deficiency of productive employment, and the context-specific constraints, challenges and opportunities for increasing productive employment through sustainable and inclusive job-rich growth as a basis for a sharper and more effective focus of employment policy in the OPT.

The results of the study will form the basis for dialogue and assist in identifying key priorities for the MoL, PFESP and social partners, as well as establishing entry points for the ILO in supporting its tripartite constituents in developing their own visions, policy frameworks and plans for the future of employment in the OPT.

## **2.1 METHODS & PRINCIPLES: CONDUCTING EMPLOYMENT DIAGNOSTIC ANALYSIS**

The study draws on interviews and discussions with Palestinians in both the West Bank and Gaza, which provided valuable contextual data from those working closest in the field. Interviews were conducted with senior officials in the MoL, Palestinian workers' and employers' organisations, and non-governmental organisations and universities delivering labour market programmes. Similarly, discussions were held with individual employers in both the private and NGO sectors to explore their needs and opportunities for enhancing job-rich growth. The full list of organisations and interviewees is found in the appendix of this report.

The study also draws heavily on secondary data and reports on the economic and employment conditions in the OPT, available in the public domain. The study was particularly assisted by the recent publication of the UN Country Team's Common Country Analysis (UN Country Team, 2016), which identified 20 vulnerable and disadvantaged groups and the layered factors that influence their vulnerability, among them the economic factors of poverty, inequality, high dependency, and environmental status. Another particularly timely resource was the report *Palestine 2030 – Demographic Change: Opportunities for Development* (UNFPA, 2016), which makes population projections for the OPT through to 2050, but in doing so discusses the prospects for capitalizing on the OPT's yet unrealized "demographic dividend" (i.e. the reduction in the economic dependency ratio – the ratio of economic dependents to the active population) expected to result from declining birth rates and which might result in economic growth if accompanied by proper policy measures. Palestine 2030's emphasis on policy prescriptions that view an increased pressure on the labour market, particular by women and youth, as an opportunity was particularly helpful in keeping an eye on inclusiveness and sustainability for the long term. Finally, a mapping of Active Labour Market Programmes (ALMPs) commissioned through the PFESP in 2016 was tapped heavily in augmenting the analysis and cross-checking of primary data collected on ALMPs.

This study is guided by the principle, laid out by the ILO, that human resources and the labour force should not be viewed primarily as beneficiaries of growth but rather as "creators of growth",

i.e. that “investments in [the] qualitative development of human resources, together with improved opportunities to maximise and enhance the economic returns to these resources make up the foundation and essence of job-rich growth” (ILO, 2012). As such, in conducting this review of the various components of employment and employment policy in the OPT, careful attention was paid to both “inclusiveness” and “sustainability” and how they play out under the prevailing conditions.

Particular efforts were made in the analysis to emphasize the needs of youth as they transition into the labour market, especially given their high rates of unemployment. Children under the age of 18 comprise close to half of the population in the OPT, which will bring a wave of young people into the labour market in the coming years.

## 2.2 IMPACT OF OCCUPATION AND CONFLICT

*Any discussion of development in Palestine must start with the fact that the largest and most visible constraint on Palestinian development is the occupation. After nearly 50 years of occupation every Palestinian living in the Occupied Palestinian Territory (OPT) is vulnerable to some degree.... The occupation impacts the movement of people and goods, fragments the territory geographically and socio-politically, stunts economic growth, and restricts Palestinian use of critical resources such as land, water and minerals. With the very same instruments, it hinders policy-making, governance and service delivery by the Palestinian Authority. (UN Country Team, 2016)*

This diagnostic of employment conditions and policy in the OPT starts from the acknowledgement that a great number of the factors influencing labour markets and economic policy in the OPT are outcomes of decades of occupation. Moreover, without full autonomy to implement policy (e.g. developing Area C, which makes up more than 60 per cent of the West Bank and falls totally under Israeli control, or moving goods through a Gaza port), the PA is hobbled in its ability to develop policies that could support livelihoods and serve its public.

It is beyond the scope of this analysis to detail the many ways in which the occupation circumscribes the economy in the OPT; an extensive range of other resources exist. However, it is important to state a starting assumption that, until the occupation has come to an end, it will be difficult to fully address the issues Palestinians face in improving their livelihoods. Nevertheless, the following are some of the main constraints perpetuated by the occupation that impact Palestinian livelihoods and employment:

- **VIOLENCE.** Violence by the military and Israeli settlers creates instability, which is inhibiting planning both on the micro (enterprise) and macro (government) level. Death and disability resulting from this violence impact the ability to work and study, and have long-lasting physical and mental health implications. On a daily basis, the possibility of violence impedes the work of producers, distributors and workers, resulting in reduced productivity over the long term. Moreover, the geographical and political separation between the West Bank and Gaza that developed out of internal violence creates logjams in governance, duplication in institutions, and prevents sound policy-making.
- **RESTRICTIONS ON MOVEMENT.** The difficulty in moving within the West Bank due to checkpoints and the Israeli barrier, within the Restricted Access Areas in Gaza, and into and out of Gaza itself continues to complicate the transport of people and goods. The physical separation of Gaza from the West Bank, and then East Jerusalem from the rest of the West Bank, limits the size of the Palestinian market, and prevents both export and import. Back-to-back transport procedures and other measures required by Israel for security slow down the movement of goods and create additional expense, reducing competitiveness. The outcome is a series of “highly fragmented and distorted local economies with limited opportunities for growth” (UNFPA, 2016).
- **INEQUITABLE ACCESS TO LAND AND RESOURCES.** Palestinian access to land and water remains restricted by the Oslo agreements that maintained Israeli control until the establishment of a final status agreement.

Nearly 20 years after the deadline for this final status, Palestinian access to natural resources is entirely inadequate to meet the needs of the growing population. Attempts to develop policy around new resources are routinely slowed down or blocked by Israeli military regulations and/or security concerns. Gaza's aquifer is over-extracted and the need for large-scale water desalinization and/or sewage treatment is dire, yet the required equipment is slowed or blocked from reaching Gaza due to the blockade. Area C, under complete Israeli control, makes up about 61 per cent of the West Bank and includes much of its open and arable land. Land that falls between the West Bank green line<sup>2</sup> and Israel's barrier is largely agricultural land, which includes numerous wells, and can only be accessed with special permits. The Dead Sea, and the cities of Jerusalem and Bethlehem are all international tourist destinations that Palestinians are unable to fully capitalize on due to restrictions. The World Bank has estimated that the Palestinian economy could add US\$2.2 billion per year, increasing GDP by one-fourth, if it were able to freely develop Area C (2013).

- **HUMAN RIGHTS VIOLATIONS.** Occupation-related violence (besides causing death and injury) has impacted access to education and health, in some cases rising to the level of grave violations (UN Security Council, 2016).<sup>3</sup> Children especially have experienced violations of their rights enshrined in the Convention on the Rights of the Child (1990), to which Israel is a State Party, with long-lasting implications. The demolition of homes and infrastructure, either as a result of an inequitable system, in conflict, or as a means of punishment, also has long-term economic implications for those families and communities who had invested their wealth in such lost structures.

While not exhaustive, these issues will be referred to in this report when significant, but they are most critical when speaking of policy recommendations. The main recommendation for improving the employment landscape in the OPT is to remove the constraints of the occupation so that unhindered growth can occur and policies can be shaped in a responsive fashion.

These features, while not exhaustive, will be referred to in this report when significant, but are most critical when speaking of policy recommendations. The main recommendation for improving the employment landscape in the OPT is to remove the constraints of the occupation so that natural growth can occur and policies can be shaped in a responsive fashion.

## 2.3 STRUCTURE OF THIS REPORT

After a brief background of the economic situation, this report focuses on the main indicators related to employment in the OPT. Sub-sections break down the indicators by region, sex, age and/or other characteristics where significant. Important trends and data are illustrated with tables and charts, and critical areas of policy concern are highlighted with "Focus" text boxes.

A description of the enabling environment follows, with a brief narrative on the structure of the Government as it relates to employment policy, legislation, and enforcement. Finally, the report surveys ALMPs in the OPT, and summarizes the main conclusions before making some policy recommendations based on its findings.

<sup>2</sup> The armistice line established after the 1948 war that demarcates the separation between Israel and the territory occupied in 1967 – i.e. the West Bank and Gaza Strip.

<sup>3</sup> The UN Secretary General's annual report on children and armed conflict cited the killing of children and damage to schools in the West Bank and Gaza in 2015. "In 2015, the situation was marked by heightened tensions that translated into widespread violence, especially in the West Bank, including East Jerusalem, in the second half of the year. The detrimental impact of grave violations and an increasingly violent and oppressive environment continued to mark the lives of children. Palestinian and Israeli children were affected by the prevailing situation of military occupation, conflict and the blockade."

# **3. ECONOMIC ENVIRONMENT AND FISCAL SPACE**

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### 3.1 TRENDS IN ECONOMIC GROWTH AND POVERTY

The Palestinian economy is the economy of an occupied territory, and therefore the efficacy of both the PA's policies and donor support has been undermined by occupation. The fiscal burdens of the humanitarian crises and the occupation-related fiscal losses have diverted donor aid from development to humanitarian interventions and budget support (UNCTAD, 2016). Political uncertainty and instability in the OPT have been contributing to an increasingly grim outlook for the Palestinian economy, which has proven unable to perform as needed to support basic living standards (World Bank, 2017).

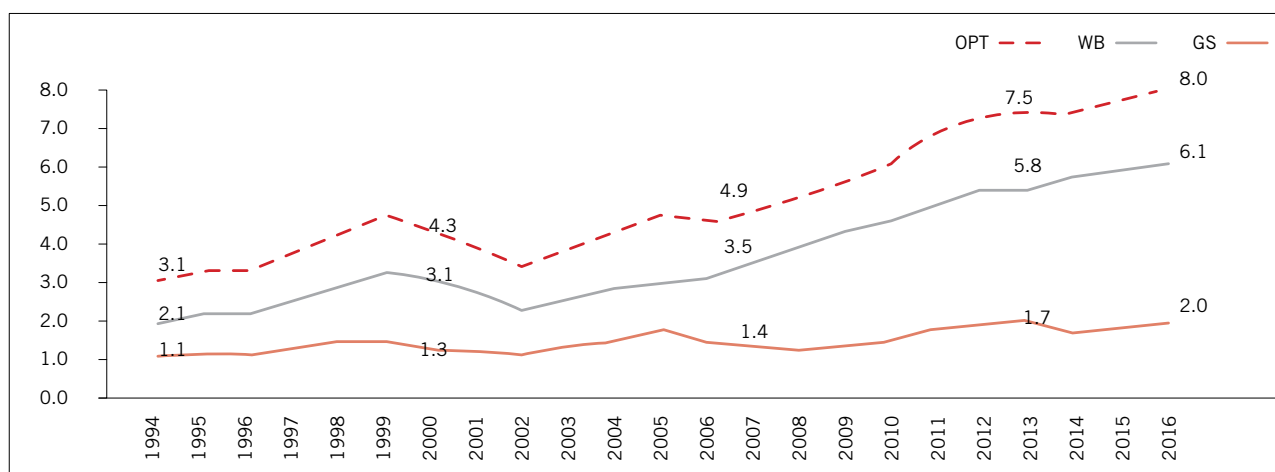
Some 25.8 per cent of Palestinians live below the national poverty line (UNFPA, 2016). In the West Bank, the poverty rate registered 15.8 per cent in 2009, while in Gaza - where unemployment rates have soared since 2008 - poverty affects 33.7 per cent of the population (World Bank, 2011). Extreme poverty affects 7.7 per cent of the West Bank population, and 19.9 per cent of those living in Gaza. Mapping by the UN shows that pockets of vulnerability in the West Bank are concentrated among residents in proximity to Israeli settlements and military installations, and areas where movement and access is severely restricted.

Poverty has fluctuated dramatically in Gaza, increasing by 20 percentage points between 2006 and 2007 before falling from 49.5 to 33.7 per cent in 2009 and then rising again to nearly 40 per cent in 2011 (World Bank, 2011; PCBS, 2012). However, these shifts have not been accompanied by significant changes in employment. Rather, it has been influxes of international aid that have succeeded in lifting families out of poverty, at least temporarily, despite few improvements in access to jobs (PCBS, 2011).

The Palestinian economy is relatively small, with total output estimated in 2016 at about US\$8 billion, and GDP per capita estimated at \$2,279 (PCBS, 2017a). Real GDP growth has been extremely unstable and determined by political events and donor support, which have both been unpredictable and largely outside the control of the PA. Depicted over time, trends in GDP illustrate that political events and instability have had a significant impact. The following charts illustrate how the most robust economic performance was witnessed during periods of relative stability (1995-1999), while all episodes of economic contraction (2000-2002, 2006 and 2014) were preceded by political and military confrontations.

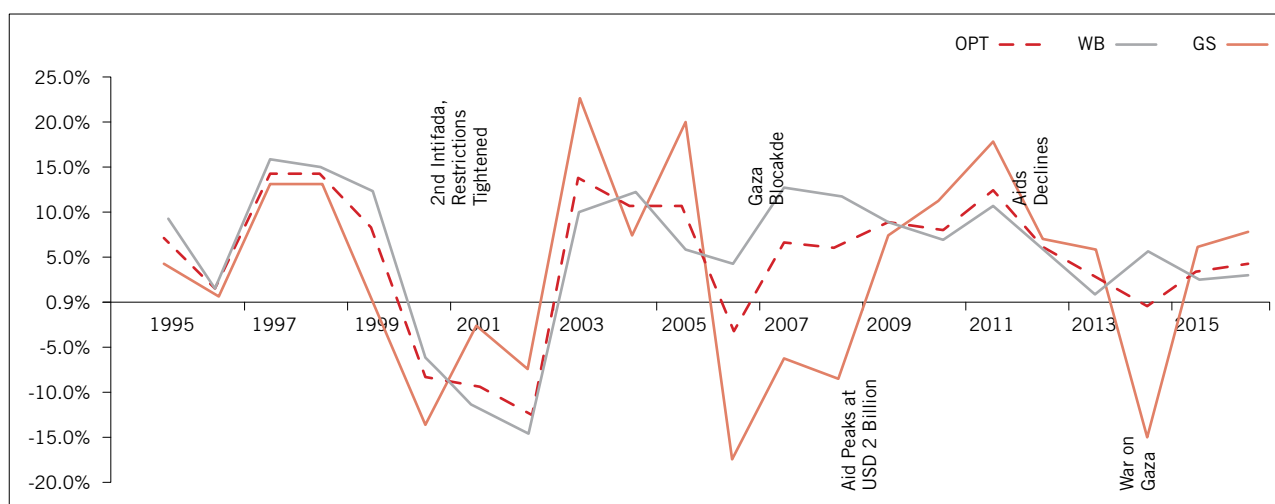


**FIGURE 1 - Real GDP (US\$ billion, 2004 prices) in the OPT by region, 1994-2016**



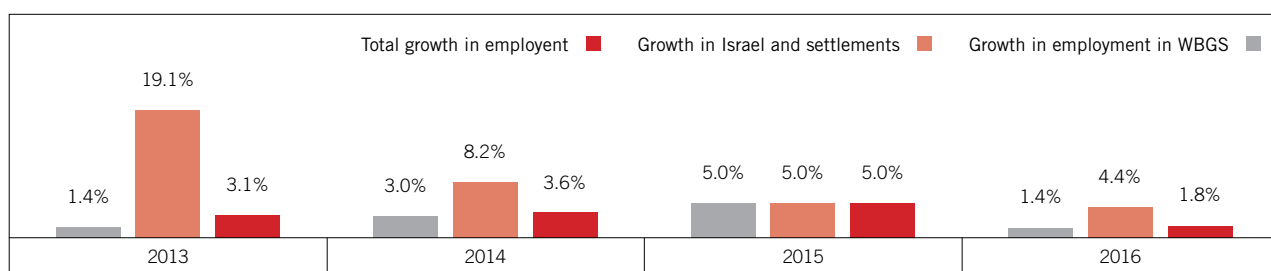
Source: PCBS, 2017a

**FIGURE 2 - Real GDP growth in the OPT by region, 1995-2016**



Source: PCBS, 2017a

The severe economic impact of the Gaza war pushed the Palestinian economy into recession in 2014. Since then, the economy has rebounded with real GDP growth reaching 3.5 per cent in 2015 and an estimated 4.1 per cent in 2016 (World Bank, 2017). Drivers of growth in recent years, however, have not proved sustainable. For example, growth in 2016 in the West Bank was largely fuelled by increases in household consumption financed by loans, whereas in Gaza it was mainly driven by an unsustainable expansion in the construction sector as a result of increased amounts of construction materials allowed to enter Gaza (ILO, 2017). Nevertheless, this economic growth did not lead to a large boost in employment levels; total Palestinian employment expanded by just 1.8 per cent for the year, of which 31.6 per cent was growth in employment in Israel and Israeli settlements (PCBS, 2017b).

**FIGURE 3 - Employment growth in the OPT, 2013-2016**

Source: Author's calculations based on PCBS, 2017b

The PA's dependence on Israel for collecting clearance and customs revenue, which constitutes a considerable share of its overall revenue, and decisions made by the Israeli Government to withhold revenue has often resulted in fiscal crises for the PA. Combined with a lack of control over most of the natural resources in the West Bank and its borders, the policy space available for the PA to induce growth remains very limited. Palestinian fiscal crises in recent years have undermined not only the public sector's ability to absorb the growing workforce, but also rendered the PA unable to induce capital investment and allocate the required resources for the development of productive sectors and address deformations in the structure of the economy, brought about by decades of occupation and underinvestment. The Palestinian Authority allocated 10.1 per cent (\$247 million) of its total budgeted expenditures for 2017 to development expenditures, of which 57.5 per cent (\$142 million) was projected to be donor-financed (see table 2 below).

## 3.2 STRUCTURE OF THE ECONOMY AND SECTORAL GDP

The structure of the economy has substantially deteriorated since the 1990s, with clear diversions of investment towards the non-tradable goods sector at the expense of agriculture and manufacturing, mainly services and residential construction. Historically, Agriculture and manufacturing have been the sectors in which a large proportion of the Palestinian labour force was employed. For instance, the manufacturing sector, usually one of the key drivers of export-led growth, has largely stagnated and its share of GDP has dropped from 21.3 per cent in 1994 to 13.9 per cent in 2016, with light manufacturing contributing no more than 4 per cent to both GDP and employment. The share of the agriculture sector has also declined from 12.0 to 2.9 per cent over the same period (PCBS, 2017a). These trends have led to a lack of jobs for those entering the workforce, and stubbornly high rates of unemployment.

Private investment levels, averaging about 15 per cent of GDP in recent years (IMF, 2017), have been low and concentrated in low-capital and low productivity activities less affected by political risk. Consequently, the services sector currently accounts for close to 51 per cent of GDP, a level considered unhealthy because of the limited room for further expansion. The Palestinian services sector is mostly made up of traditional service sub-sectors that are less labour intensive and less dynamic than the agricultural and manufacturing sectors, and are characterized by a limited capacity for raising productivity through technological innovation (UNCTAD, 2015).

**TABLE 1** - Contribution to GDP by economic activity in the OPT (%), 2010-2016

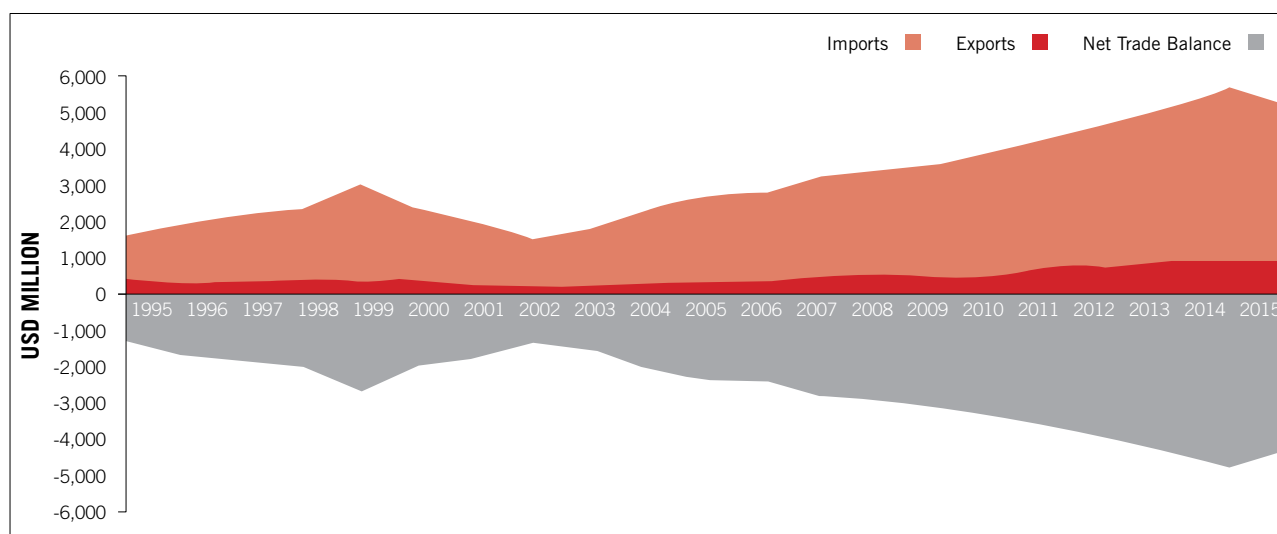
<b>Economic Activity</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Agriculture, forestry and fishing	5.5	5.9	4.9	4.1	4.4	3.3	2.9
Mining, manufacturing, electricity and water	12.9	12	11.9	15.5	14.1	13.4	13.9
Construction	9.7	14	14.1	10.1	7.3	8.3	7.5
Wholesale and retail trade, repair of motor vehicles	9.4	14.1	14	17.3	17	17.7	17.2
Transportation and storage	2.1	1.9	1.8	1.7	1.9	1.9	2.2
Information and communication	6.7	6.9	6.9	6.1	5.9	5.9	5.5
Services, including financial and insurance activities, public administration and defence, and government revenue	53.7	44.7	46.4	45.2	49.4	49.5	50.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: PCBS: Economic and Social Monitor, various years (2010-2016); and PCBS, 2017a.

The decline of the share of the agricultural sector in GDP is related to two factors. Firstly, the sector was not given a high priority in the various reconstruction and development programmes implemented by the PA since its establishment in 1994, where priority was given to developing financial services, trade and tourism. Secondly, policies of expanded settlements and the confiscation of Palestinian natural resources by Israel created a disabling environment for agricultural development. Israeli restrictions on the Palestinian agricultural sector include denying farmers access to Palestinian water resources, confiscating land, severing villages from cultivated plots through the construction of the separation barrier, destroying trees and crops, demolishing houses and productive assets and restricting the movement of Palestinian workers and goods through checkpoints, roadblocks and trenches (UNCTAD, 2017).

Reviving the agricultural sector requires prioritizing the enhancement of the capacity and competitiveness of the sector and its ability to productively employ more Palestinian workers, through both technical assistance, improved services, and policy work. Various suggestions for achieving this objective are included in a comprehensive strategy issued by the Ministry of Agriculture, covering all related aspects, including human resources, technical skills, land, water, infrastructure, institutional and legal frameworks and agricultural trade (MoA, 2017).

For a small economy like the OPT, achieving a sustainable growth path depends largely on the capacity to compete in both local and external markets and increase exports of goods and services (UNCTAD, 2015). The Palestinian economy, however, has been losing this capacity as a result of weak competitiveness-enhancement policies, externally-imposed restrictions on access to resources and trade, and a lack of political stability on top of the poor business environment. Despite improved export performance, the trade deficit has been growing, increasing by close to 26 per cent between 2010 and 2015. The large structural trade deficit weighs negatively on the capacity of industry to create jobs.

**FIGURE 4** - Value of exports, imports and net trade balance (in US\$ million), 1994-2016

Source: PCBS: Economic and Social Monitor, various years (2010-2016); and PCBS, 2017a.

Nearly half of all exports are in limestone and agricultural products, mostly with limited processing and low value added. Although export diversification has been limited in value, the emergence and continued growth of some high-value sectors, such as pharmaceuticals, furniture, agribusiness, information and communication technology (ICT) services, energy, and call centres, points to the future potential in services and some high value-added industry.

As discussed in detail later in this report, the labour market has proven particularly impenetrable for youth and women, who face specific barriers and, as a result, have high unemployment rates when they participate at all. The OPT has struggled with high rates of unemployment since 2001 when workers in the West Bank and Gaza were restricted from accessing jobs in Israel, and productive sectors began shrinking as a result of the restrictions on movement. Since then, the unemployment rate has been persistently high.

### 3.3 GOVERNMENT FINANCE

Despite sluggish GDP growth, declining income per capita and aid receipts below expectations, the PA remains committed to fiscal reforms, pursuing fiscal sustainability, controlling the budget deficit and mitigating the structural dependence on aid by enhancing revenue performance and reducing public debt, and controlling government expenditure (PA, 2017). These reform efforts, which started in the mid-2000s, have been largely successful in curbing years of increasing budget deficits. Over the period 2006–2016 the PA has managed to significantly reduce the relative size of its recurrent fiscal deficit from 25 per cent of GDP in 2007 to 5.1 per cent of GDP in 2016 (table 1). This was mostly achieved through reductions in the wage bill and net lending to GDP.

The wage bill peaked at 24 per cent of GDP in 2006 (when public sector employment acted most visibly as a safety net) and has since been reduced to 15.2 per cent, largely thanks to GDP growth, but also due to the adoption of a “zero net hiring” policy still in force.<sup>4</sup> Net lending has been a

<sup>4</sup> According to this policy, governmental institutions are permitted to replace staff who leave but not add new positions or fill existing vacancies. Implementation of this policy reduced staffing on the PA’s payroll, but has been implemented unevenly.

significant source of fiscal burden, and the PA has taken a number of actions to reduce it, dropping from nearly 10.0 per cent of GDP in 2007 to 1.8 per cent in 2016.

While significant, deficit management and other reforms in public finance implemented by the PA have not been very effective in reducing fiscal stress or in inducing job-rich growth as they have been implemented against a backdrop of decreasing donor aid, economic disruptions, and worsening socioeconomic conditions, particularly in Gaza. Consequently, the PA has been resorting to delaying payments due to service providers in the private sector, borrowing from local banks, and payments to the pension fund of civil servants is in arrears. Arrears to the private sector amounted to \$491 million in 2015 and \$327 million in 2016.

Government revenue, historically, did not contribute substantially to deficit reduction. Although receipts have been steadily increasing for the past few years in both value and percentage of GDP, they are still low due to a rather narrow tax base and lack of ability to collect taxes in the Hamas-controlled Gaza Strip. In 2016, government revenue spiked by close to 25 per cent, mainly due to one-off transfers by the Government of Israel to the PA to offset fiscal leakages accumulated over the years under existing revenue-sharing arrangements, as well as an advance payment from Paltel, a telecoms operator, as part of the company's license fees for the next twenty years. Revenues from income tax and domestic Value Added Tax (VAT) receipts each fell by 8 per cent in 2016, and excise on tobacco declined by 6 per cent.

TABLE 2 - Public finance key indicators (2014-2017) ((US\$ million))

	2014	2015	2016	2017 - Budget
	<b>USD Million</b>			
<b>Total Revenues</b>	<b>2,744</b>	<b>2,754</b>	<b>2,352</b>	<b>3,503</b>
<b>Total Expenditures</b>	<b>4,068</b>	<b>3,973</b>	<b>4,202</b>	<b>4,205</b>
Wages	2,050	1,912	2,052	2,108
Non-wage	1,732	1,816	1,881	1,850
Net Lending	286	301	269	247
Recurrent Deficit	(1,324)	(1,219)	(750)	(702)
Development Expenditures	262	230	337	427
<b>Total Deficit</b>	<b>(1,586)</b>	<b>(1,449)</b>	<b>(1,087)</b>	<b>(1,129)</b>
<b>Total Financing</b>	<b>1,586</b>	<b>1,449</b>	<b>1,087</b>	<b>1,129</b>
Donor Budget's Support	1,027	709	607	508
Donor Development Financing	203	89.00	154.00	142
Net Domestic Bank Borrowing	(142)	163	(5)	-
Domestic Arrears	504.00	491.00	327.00	(3,000)
Other	-	-	(2.00)	-
Residual	(6.00)	(3.00)	6.00	779.00
	<b>In Percent of GDP</b>			
Total Revenues	21.6	21.7	25.8	25.3
Total Expenditures	32	31.4	31.4	30.4
Wage Expenditures	16.1	15.1	15.3	15.2
Non-wage Expenditures	13.6	14.3	14	13.4
Net Lending	2.3	2.4	2	1.8
Current Balance	-10.4	-9.6	-5.6	-5.1
Development Expenditures	2.1	1.8	2.5	3.1
Total Deficit	-12.5	-11.4	-8.1	-8.2
Donor Support	9.7	6.3	5.7	4.7
Financing Gap	-	-	-	5.6
<b>Nominal GDP (USD Million)</b>	<b>12,697</b>	<b>12,673</b>	<b>13,397</b>	<b>13,826</b>

Source: Ministry of Finance, 2017.

# **4. DEMOGRAPHIC STRUCTURE**

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The estimated population of the OPT in 2016 was 4.88 million, with an annual growth rate of 2.83 per cent between 2010 and 2016, and a median age of 20 years. The population of the West Bank was approximately 2.97 million at the end of 2016, and in Gaza it was approximately 1.91 million.<sup>5</sup> The demographic structure of the OPT is marked by a very high fertility rate (4.1 in 2013, 4.5 in Gaza and 3.7 in the West Bank). While halving since the 1970s, fertility remains twice as high as the most advanced Arab countries (UNFPA, 2016).

**Demographic Statistics PCBS (2014 - 2015)**

Population in the OPT - 4.88 million (2016)  
 Population in West Bank - 2.97 million (2016)  
 Population in Gaza Strip - 1.91 million (2016)  
 Fertility in the OPT – 4.1 live births/woman  
 Fertility in West Bank – 3.7  
 Fertility in Gaza – 4.5  
 Life expectancy for males - 72  
 Life expectancy for females - 75  
 Youth bulge 15-29 – 30%  
 Population below the age of 15 – 39%  
 Elderly - 2.9%  
 Infant Mortality Rate – 18 per 1,000 live births  
 Child Mortality – 4 per 1,000 live births  
 Under Five Mortality – 22 per 1,000 live births  
 Maternal Mortality – 24 per 1,000 live births

*Unless indicated otherwise, statistics cited are from 2014-15, despite the publication of 2016 data in order to reflect the calculations of the UNFPA population projections in the text and to prevent confusion from two different numbers.*

This has resulted in a high rate of population growth, despite declining death rates. The proportion of youth (ages 15–29) of the total population has increased to 30 per cent in 2015, while the proportion of the elderly (ages 60+) has stayed nearly the same at 2.9 per cent.

Demographic projections made by UNFPA (2016) found that the OPT sits on the cusp of significant changes in its demographic make-up. Formidably, the population is expected to double over the coming 35 years to 9.5 million by 2050, despite a drastic fertility reduction from 4.06 children per woman today to 2.17 in 2050. The bulk of this population boom will take place in Gaza, which by then will exceed the population in the West Bank (population in Gaza will constitute 50.3 per cent of total population in the OPT), crammed into its area of 365 km<sup>2</sup>, already one of the most densely populated areas on earth.

Crucial to this analysis, however, is the prediction that the demographic make-up of the population will change to favour the Palestinian working-age population, with the following important transformations to consider in future labour and employment policy planning:

- A significant decline in the proportion of youngsters below age 15, from 39 per cent now to 25 per cent by 2050;
- A doubling of the proportion of elderly from 2.9 per cent to 7.7 per cent in 2050 (a significant increase but not extremely burdensome in terms of health care and social protection demands);
- An increase in the working age population (15–64 years old) from 57.8 per cent in 2015 to 61 per cent by 2030 and 67 per cent by 2050;
- A declining dependency ratio from 0.73 to 0.49 in 2050, bringing with it a demographic opportunity likely to boost savings and investments and increase the rate of GDP growth.

The UNFPA has made detailed projections regarding the number of jobs needed to capitalize on this “demographic dividend.”

<sup>5</sup> Ibid.



*In a fast-growing country like Palestine, population growth is a major component of the supply of manpower. The active-age population, those older than 15, would grow from 2.9 million in 2015 to 7.2 million in 2050, thus a multiplication by 2.5. This transformation of the age structure and the relative decrease of dependents compared with the active population generate an opportunity for demographic dividend (an opportunity for boosting economic growth), but must be accompanied by socioeconomic measures to be effective. (UNFPA, 2016)*

By 2050, the Palestinian economy is expected to have 3.8 million potential workers, up from 1.3 million in 2016. This will require an increase of 72,000 new jobs per year, not including those jobs lacking in the form of unemployment and underemployment, by 2030–35. After 2030, the bulk of these new jobs will need to be created in Gaza due to its higher fertility rate. Gaza's currently very high rates of unemployment make the projected demand for jobs a critical concern, especially given the limited absorptive capacity of the labour market. LFS data show that between 2010 and 2016, the labour market absorbed around 39,000 new labour force entrants annually on average, leaving some 16,000 new entrants unemployed each year.

**FIGURE 5 - Annual number of jobs to be created for newcomers, 2015-2050 (thousands)**



Source: (UNFPA, 2016)

The projections discussed above are based primarily upon a growing rate of female participation in the workforce. As discussed later in the report, female participation is very low at 19 per cent, but projected to increase to 29 per cent in 2030. Other important components are the decline in child marriage (24 per cent of females were married before age 18 in 2015), sustained high levels of education, with half of youth achieving post-secondary school education (2014), and potential solutions for the high rate of unemployment among youth (40 per cent), especially female youth (60.8 per cent). In other words, policies that support female health and education and equitable access to employment for male and female youth are the pathways to realizing the OPT's demographic dividend, which could mean a 1 per cent GDP increase per annum.<sup>6</sup> Such policies could include improved access to market-oriented vocational education and training, fostering stronger linkages between education planning and delivery and the labour market, development of the care economy to support women's employment, and supporting the creation and development of viable work options that are harmonized with women's family and work commitments, including job matching for non-working women with jobs located close to their home.

<sup>6</sup> The total demographic gain of increased support ratio (increased working age population who are productive and reduced dependent population) is estimated at an annual average increase in GDP of 7 per cent, keeping the unemployment rate constant. If unemployment decreases gradually to 5–7 per cent, however, the demographic gain would be higher at a 7.7 per cent annual average increase in GDP (UNFPA, 2016).

# **5. LABOUR FORCE CHARACTERISTICS AND UNEMPLOYMENT**

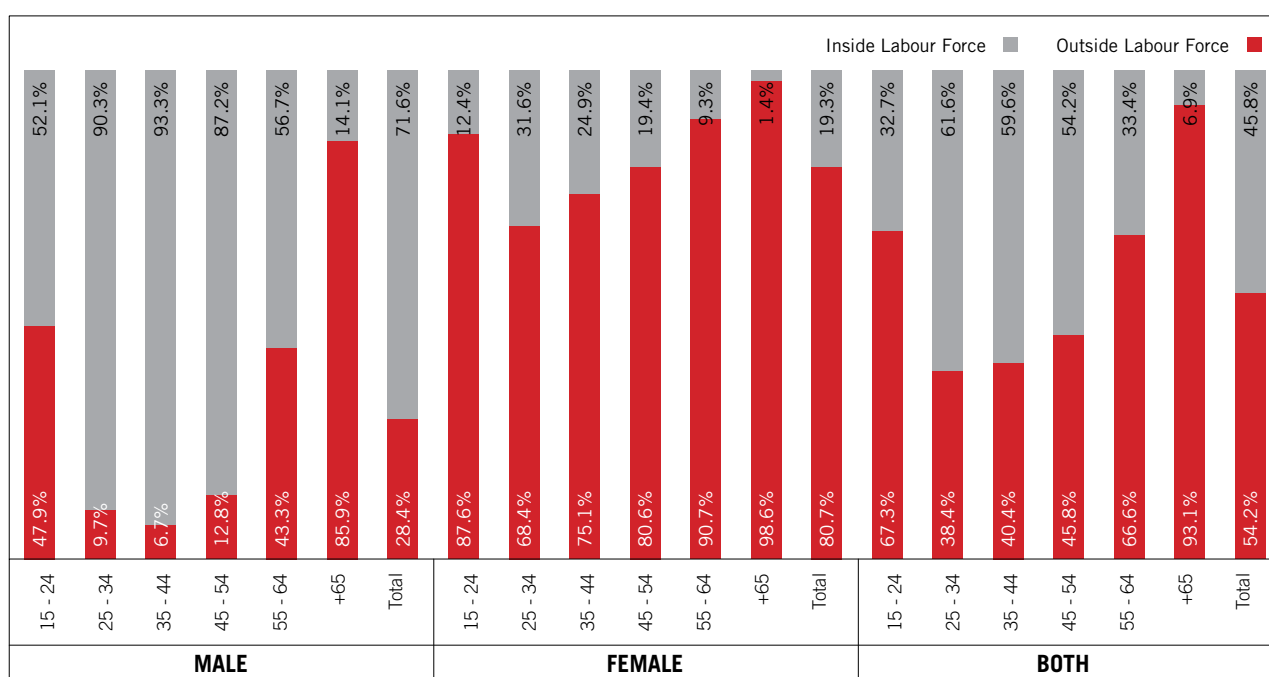
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## 5.1 LABOUR FORCE AND PARTICIPATION

The working age population in the OPT increased by 83 per cent since 2000 to count nearly 2.93 million in 2016, or about 61 per cent of the OPT’s total Palestinian population, but remained largely inactive, particularly among youth and women. The youth population aged 15-24 stood at 1.03 million in 2016, representing 35 per cent of the total working-age population. However, youth comprise only 25 per cent of the total labour force, as less than a third of Palestinian youth participate in the labour market. Among the youth population as a whole, more than 330,000 (32.3 per cent) were not in employment, education or training in 2016. This high share of idle youth represents a threat to the future employability and productivity of the Palestinian workforce, which could adversely affect growth and development prospects.

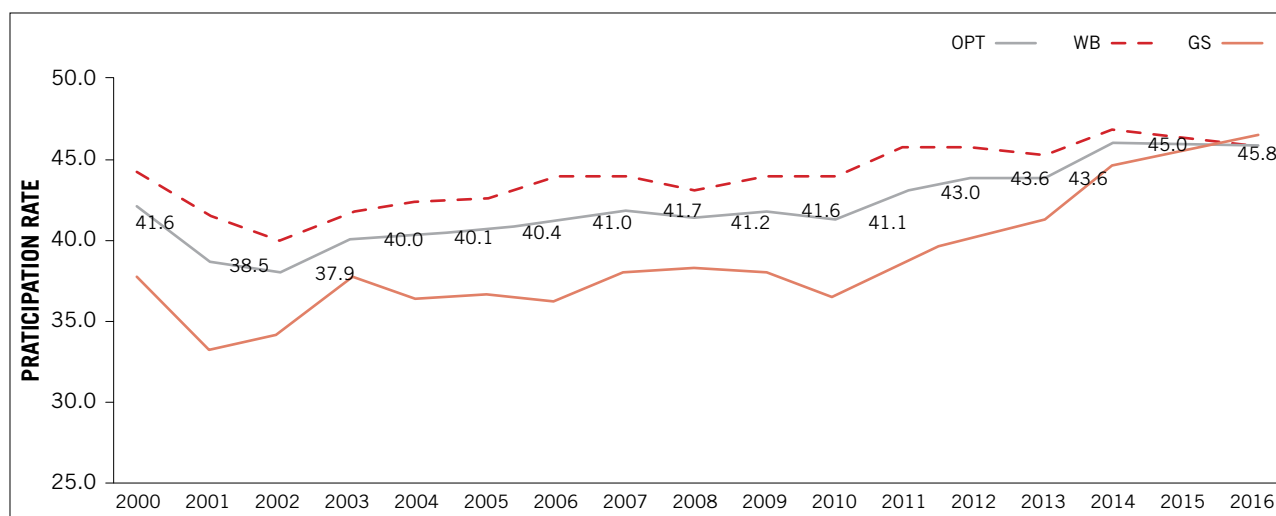
As figure 6 below illustrates, 80.7 per cent of women were outside the labour force in 2016 compared with only 28.4 per cent of men. Over the period 2000-2016, the number of labour force participants doubled from 667,000 to 1.34 million, with the labour force participation rate (the share of the working-age population that is either in employment or looking for work) peaking at 45.8 during the three-year period 2014-2016.

**FIGURE 6** - Percentage distribution of the working age population (15+) by labour force status, sex and age, 2016



It is notable that the Gaza war in 2014 did not appear to have a significant negative impact on overall participation rates in the OPT, which increased from 41 per cent in 2010 to 46 per cent in 2015. In Gaza, labour force participation rates increased considerably from 36 per cent to 45 percent over the same period. The West Bank did not show a similar progressive trend towards increasing participation, barely increasing by three percentage points in the same period of time, with some regression between 2012 and 2013, and between 2014 and 2015. Participation rates in Gaza in 2016 actually exceeded those in the West Bank.

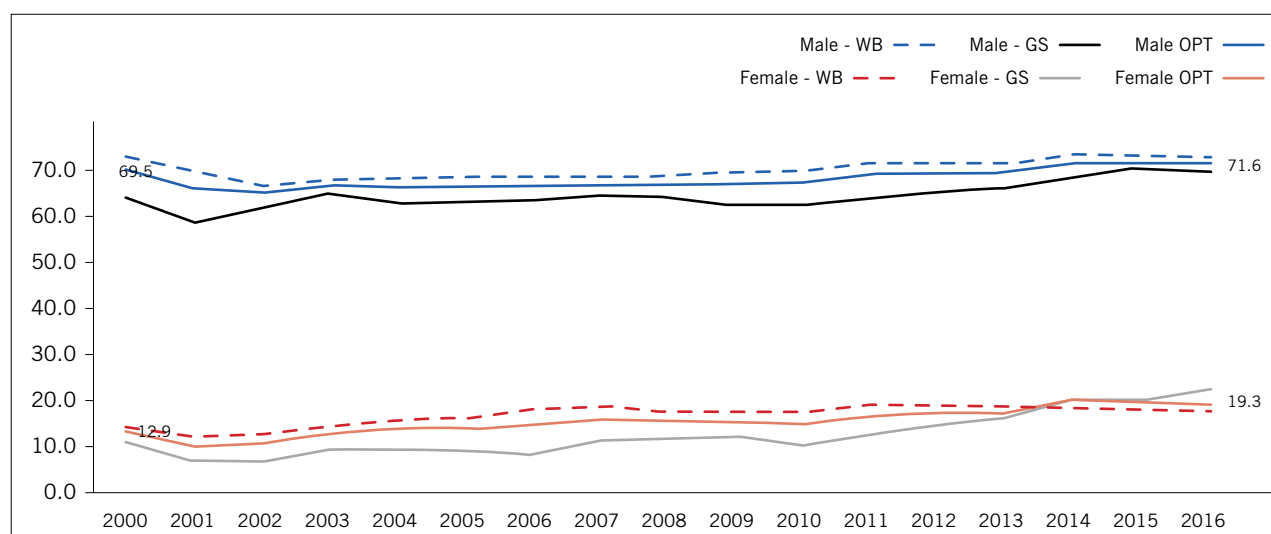
**FIGURE 7 - Labour force participation rate (age 15+), 2000-2016**



Source: PCBS, 2017b

Labour force participation rates in the OPT (figure 8) are low in comparison to neighbouring countries, with female participation rates being one of the lowest globally. The large gender participation gap has been narrowing at a slow pace in recent years, particularly in Gaza, with a slight decline in male participation (PCBS, 2017b). This is mainly as a result of the deterioration in economic conditions in Gaza and women’s attempts to compensate for lost male income by joining the labour market.

Despite the increase in participation rates among Palestinian women, there are major structural obstacles to women’s entry into the formal labour force, both on the supply and demand sides. On the demand side, these include a lack of affirmative policies that promote the hiring of women, weakness of the manufacturing sector, high unemployment rates for men, and negative cultural attitudes and unfavourable societal views towards women working outside the home and community, particularly in mixed working environments and non-traditional occupations. On the supply side, disabling factors for the effective labour market participation of women include a weak care economy, and traditional gender divisions of labour which give women different reasons than men to remain outside the labour force (see table 4).

**FIGURE 8** - Labour force participation rate for individuals 15+ years, by region and sex, (%), 2000-2016


Source: PCBS, 2017b

The reasons for men and women remaining outside the labour force (see table 3) are in some ways different, and highly reflective of traditional gender divisions of labour. Men stay outside the labour force in order to pursue their education, or because they have lost hope in finding work as a result of political and economic factors. Women, on the other hand stay outside the workforce because they are carrying out household duties (63.8 per cent) or studying (23.9 per cent).

**TABLE 3** - Persons outside the labour force (15+) by region, sex and reason (%), 2016

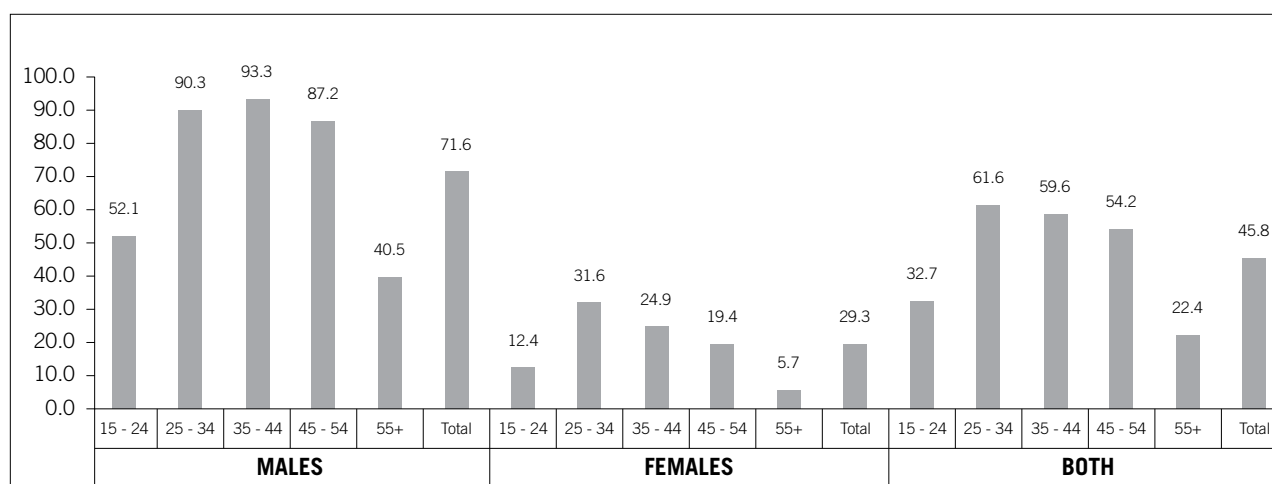
	West Bank	Gaza	Total
<b>Males</b>			
Old / ill	34.7	32.8	33.9
Housekeeping	-	-	-
Study/Training	48.3	57.2	51.8
Other	17	10	14.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Females</b>			
Old / ill	6.4	8.5	7.2
Housekeeping	62.3	60.4	61.6
Study / Training	24	27.8	25.4
Other	7.3	3.3	5.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Both Sexes</b>			
Old / ill	13.6	15.4	13.3
Housekeeping	46.5	43.2	45.3
Study / Training	30.2	36.2	32.4
Other	9.7	5.2	8
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

The labour force in the OPT is mainly comprised of people in their prime of life, with the majority of the labour force being between 15 and 44 years of age. The labour force participation rate of women is highest among women in the age group 25–34, whereas for men it's highest among those in the age group 35–44. This is probably because many women exit the labour force upon marriage, and particularly after having their first child. Corroborating the assumption that women

have difficulties remaining in the labour force once they marry, the labour force statistics show a lower percentage of women in the labour force who are married (56.5 per cent) compared with men (66.1 per cent) (PCBS, 2017b).

This being said, it should be noted that the labour force participation rate of women across all age cohorts, except for the 55 years and above group, has been increasing at a much faster rate than it has been for men, which has remained relatively unchanged since 2000. This not only provides further evidence of women’s increasing desire to work, but also indicates that societal norms vis-à-vis women’s employment are changing; several interviewees in the West Bank and Gaza attested to the increasing need to work to meet rising costs of living.

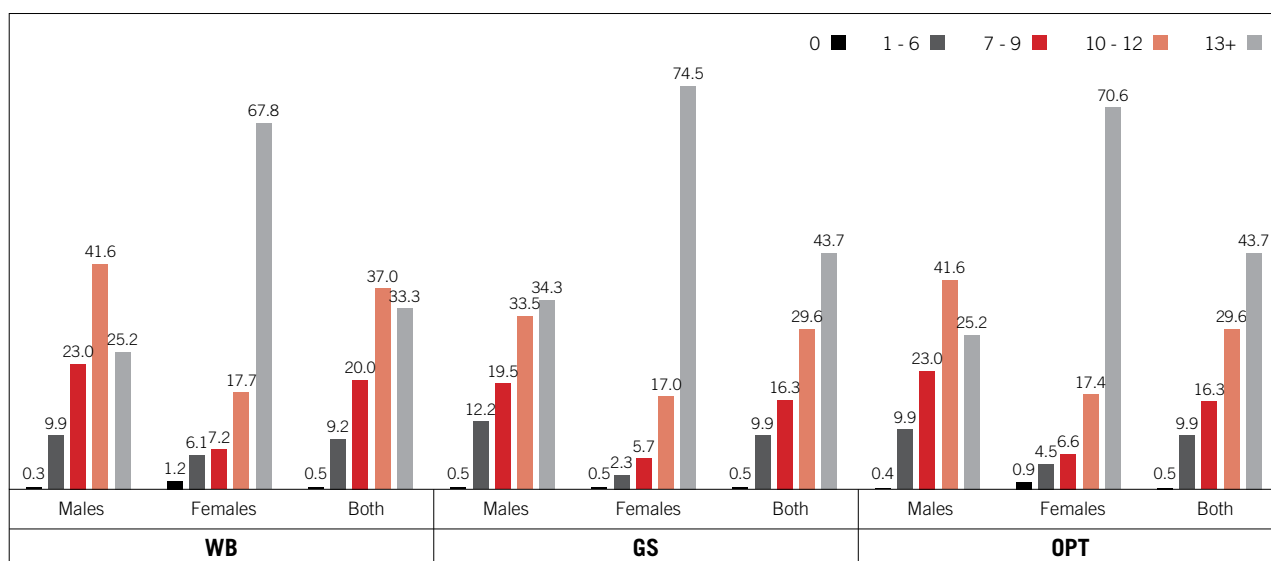
**FIGURE 9 - Labour force participation rate of individuals aged 15 years and above in the OPT by sex and age, (%), 2016**



Source: PCBS, 2017b

In terms of educational attainment, Palestinians in the labour force are fairly well educated, with the largest proportion (43.7 per cent) having completed 13 or more years of schooling. Nonetheless, clear differences since 2000 have emerged in the educational attainment of men and women in the labour force. The majority of women in the labour force (70.6 per cent) have post-secondary education (13+ years of schooling), compared with only 28.4 per cent of men (with the difference slightly more pronounced in the West Bank). Nevertheless, the share of illiterate women in the female labour force is slightly higher than that of men in the male labour force, particularly in the West Bank.

**FIGURE 10 - Percentage distribution of labour force participants (15+) by sex, region and years of schooling, 2016**



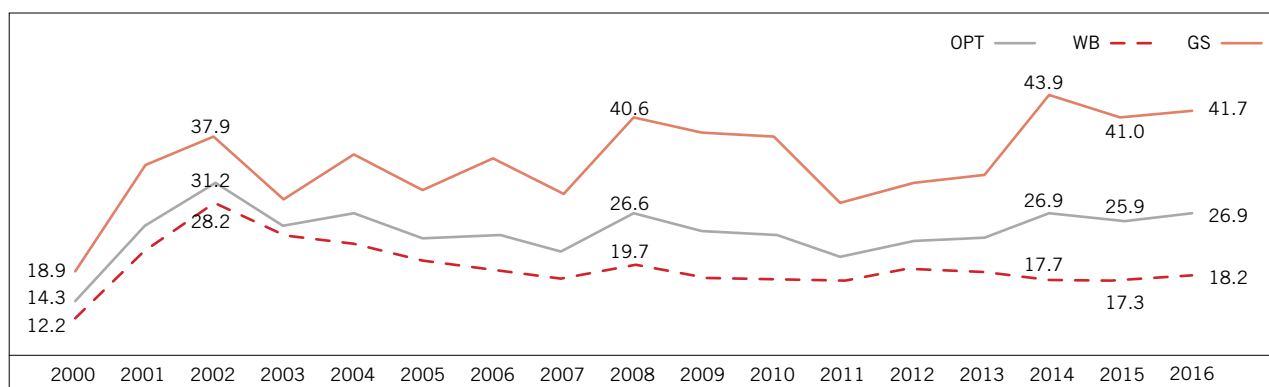
Source: PCBS, 2017b

Statistics on female education and participation indicate that women’s chances of joining the labour force are highest with high levels of education. Put differently, statistics reflect, among women, the correlation of rising rates of education in recent years with increased labour force participation. However, the fact that the percentage of women in the labour force who have post-secondary education is higher than that of men means that women are more likely to be more highly qualified than men in order to compete in the labour market.

## 5.2 UNEMPLOYMENT

Unemployment rates in the OPT have been very persistently high since 2000 when the Government of Israel tightened movement restrictions following the outbreak of the second Palestinian intifada. Between 2000 and 2015, reflecting trends in the Palestinian economy and the effect of the Israeli closure and movement restriction policies, unemployment fluctuated between 14.3 per cent (2000) to 31.6 per cent (2002). The unemployment crisis is particularly severe in Gaza due to the continuation of the Israeli blockade, which has severely affected the construction, manufacturing and transportation sectors, even bringing them to a halt on occasion. As figure 11 shows, the overall unemployment rate has never recovered to levels before the second intifada and restrictions on labour markets in Israel. Unemployment stood at 26.9 per cent in 2016 (18.2 per cent in the West Bank and 41.7 per cent in Gaza), a very small improvement from the preceding year.

**FIGURE 11 - Unemployment rate among labour force participants (15+) by region, 2000-2016**



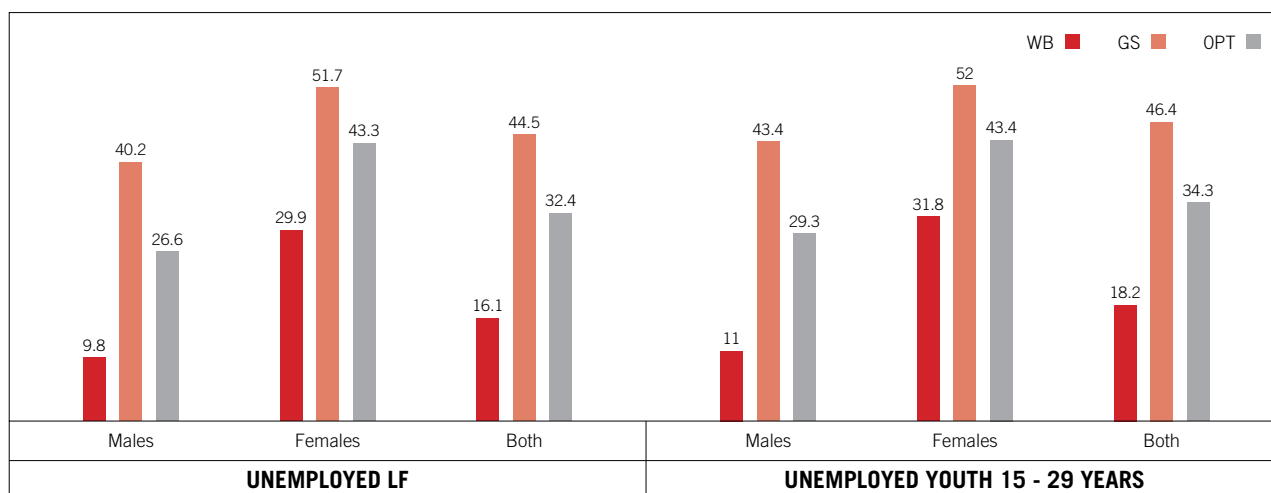
Source: PCBS, 2017b

Interviews conducted within the framework of this study in Gaza confirmed that unemployment constitutes a chronic and long-term problem for those who are unemployed. In several meetings with workers and employers organisations, the several stories about workers having been out of work for more than 2 years were heard, including directly from three workers who have experienced extended periods of unemployment and underemployment since 2005. Most employers indicated that they would not consider hiring jobseekers who have been inactive or unemployed for extended periods due to perceived high costs of reintegration and training.

The latest round of the Labour Force Survey (LFS) (2016) corroborates stories heard in Gaza. Overall, the survey found that 34.3 per cent of unemployed youth (18.2 per cent in the West Bank and 46.3 per cent in Gaza) were unemployed for more than a year, compared with 32.4 per cent for the unemployed labour force more generally. Women were also significantly more likely than men to be chronically unemployed. Once unemployed, women are nearly 1.6 times more likely than men to remain unemployed for more than one year. This likelihood is even larger in the West Bank owing to the significantly lower unemployment rate among men than in Gaza, with women being three times more likely than men to remain unemployed for more than one year than men. Long-term unemployment (and inactivity) has negative consequences for employability and morale, particularly for skilled workers and youth, thereby pointing to the need of additional measures of reintegration of persons who lost their self-confidence and skills needed for the current labour market over the years.



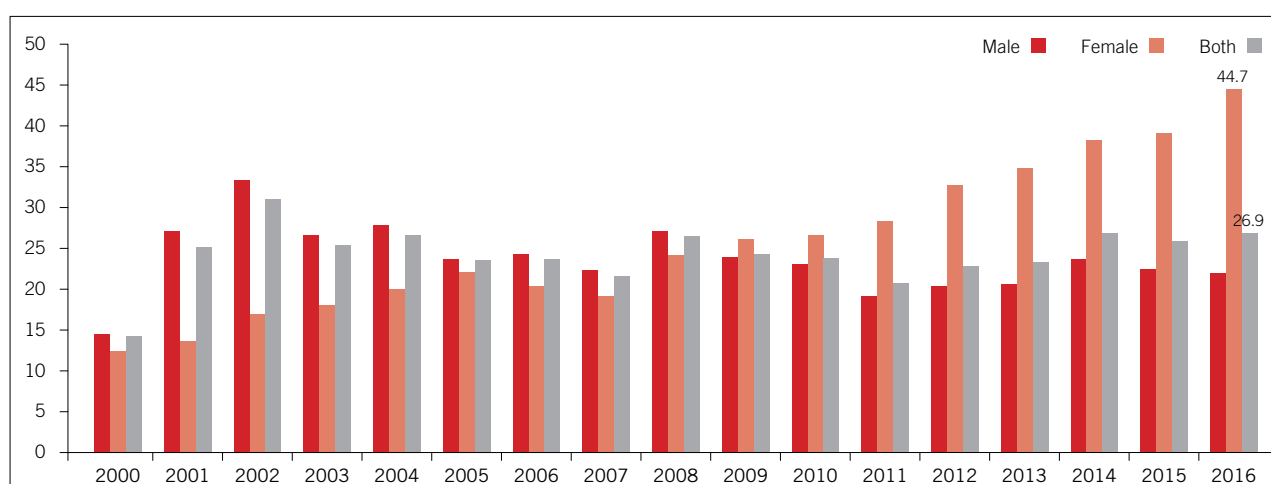
**FIGURE 12 - Proportion of long-term unemployment (12 months and above) in total and youth unemployment in the OPT by region and sex, (%), 2016**



Source: PCBS, 2017b

Examining unemployment rates with a closer lens on gender reveals a significant disparity. The male unemployment rate has largely followed the trend line of overall unemployment, declining relatively steadily since 2009. Rates of female unemployment, however, have increased every year since 2000, except for a short period between 2006 and 2007. In other words, while there are growing numbers of women entering the labour force, demand for womanpower remains low. According to Botmeh (2013), female youth unemployment can be four times as high as that among women in older age groups with the same education. These women appear to be being pushed into the workforce by the high rates of unemployment among men (World Bank, 2011). In 2016, the female unemployment rate (44.7 per cent) was nearly double that of their male counterparts (22.2 per cent). This disparity is equally a measure of not only the limited size of the female labour force, but also of the disproportionately weaker employability prospects they have under the prevailing socioeconomic circumstances.

**FIGURE 13 - Unemployment rates (15+) by sex, 2000-2016**

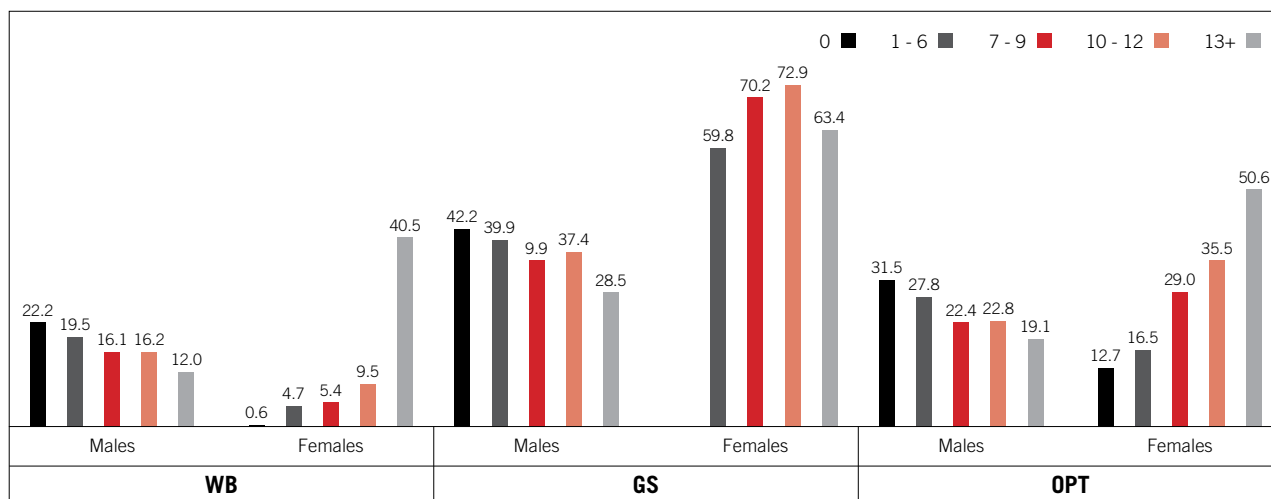


Source: PCBS, 2017b

Among unemployed women, the highest share of unemployment has systematically been among those with 13 or more years of education, while the lowest has systematically been for those with the lowest levels of educational attainment. In 2016, for example, half of the unemployed women had 13 years of education or more (compared with 19.1 per cent among men), and 12.7 per cent

of unemployed women had no education (compared with 31.5 per cent among men). Yet women accounted for more than half of all university graduates in 2016/2017 (see section 6.1 below on literacy and levels of education). Several factors are at work here, but what is obvious is that public and private investments made in education are not matched by the opportunities offered in the labour market and many highly qualified women are kept outside the labour market.

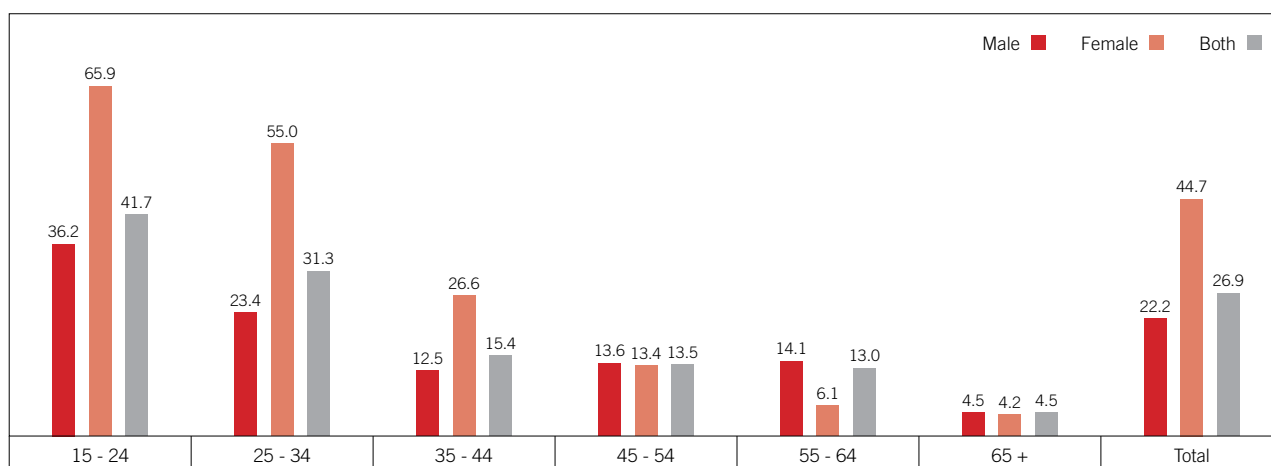
**FIGURE 14 - Percentage distribution of unemployed individuals (15+) by sex, region and years of schooling, 2016**



Source: PCBS, 2017b

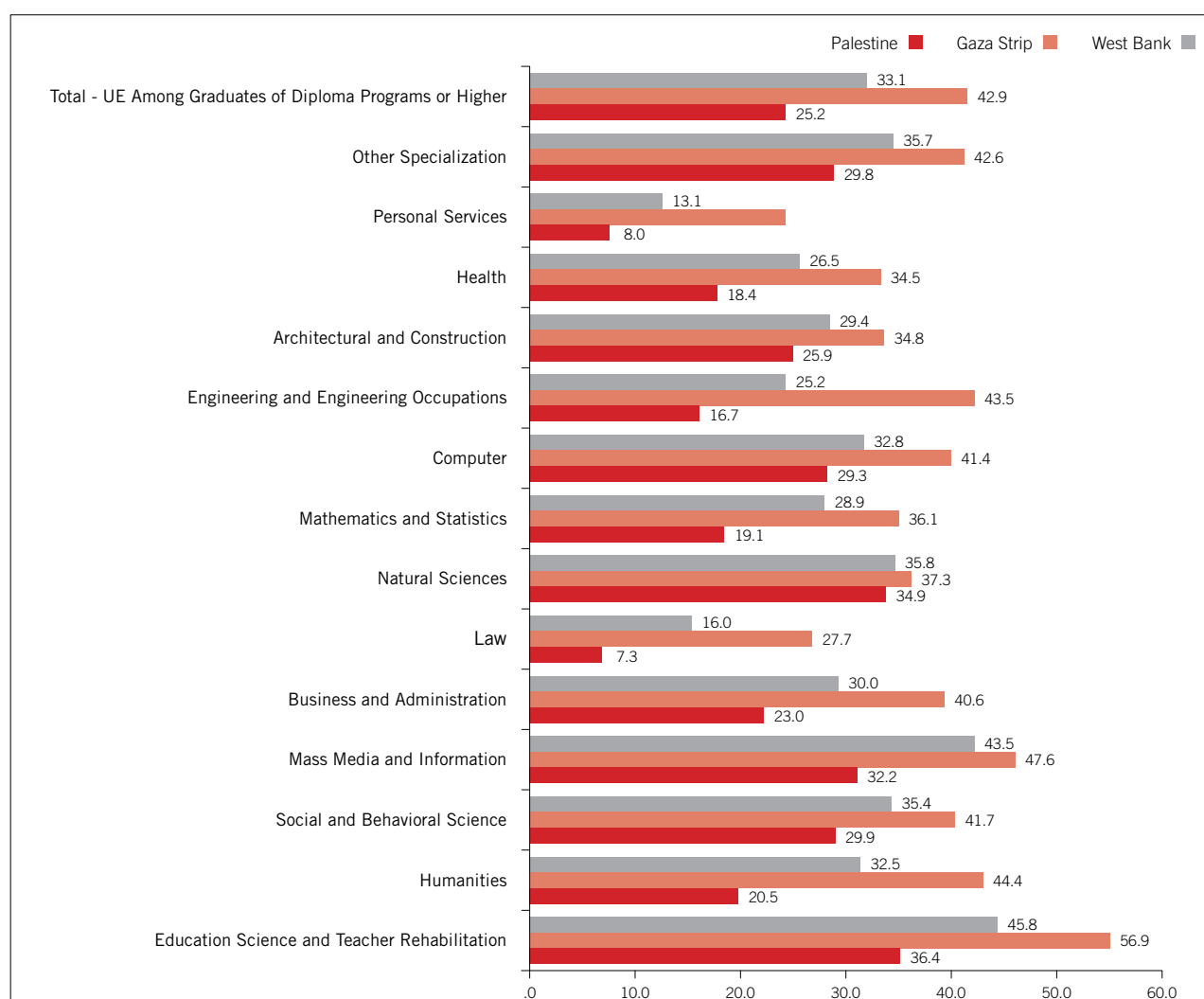
Among both male and female workers, unemployment rates are highest among youth (15-24), registering 41.7 per cent (29.8 per cent in the West Bank and 61.4 per cent in Gaza). Likewise, much higher rates of unemployment are found among young women aged 15-24, with female youth unemployment standing at nearly 66 per cent. Even older women aged 25-44 have high unemployment rates ranging between 26.6 per cent and 55 per cent, as compared with their male counterparts with unemployment rates ranging between 12.5 and 23.4 per cent. Unemployed youth met in the context of this study attributed their unemployment to a lack of suitable jobs available, with most unemployed youth met in Gaza indicating that they have been out of work for no less than two years –worrying given the potential for the “scarring effects” of long-term youth unemployment, which may have negative impacts on future job prospects and peace and stability in the OPT.

**FIGURE 15 - Unemployment rate among labour force participants (15+) by age and sex, 2016**



In 2016, nearly one-third of post-secondary school graduates (33.1 per cent) were unemployed, 42.9 per cent in Gaza and 25.2 per cent in the West Bank. In the West Bank and Gaza Strip combined, graduates with qualifications in personal services (hairdressing, etc.) and degrees in law had the lowest unemployment rates, but either the proportion of graduates was so negligible or they obtained their degrees abroad and were not recorded here. Trained teachers have the highest unemployment rate, at 45.8 per cent, driven largely by unemployment among Gaza’s educators, most of whom are women. The next highest proportion of unemployed is among graduates of mass media and journalism, natural and social sciences, and computer studies. In every case, unemployment in these sectors is higher in Gaza than in the West Bank.

**FIGURE 16 - Unemployment rate for graduates who hold an associate diploma certificate or above in by specialization and region, 2016**



In nearly every field, the unemployment rate among female graduates in 2016 was more than double that of unemployment among male graduates. The gap is most prominent in the critical STEM fields (science, technology, engineering and mathematics). But fields that are traditionally viewed as “female”, i.e. education, humanities, and social sciences, also show wide gaps. Male graduates in humanities, for example, have only a 13.6 per cent unemployment rate compared with 45.4 per cent among females. And men trained in education have a 21.5 per cent unemployment rate, compared with 55.9 per cent of female educators that cannot find work.

A school-to-work transition survey conducted among youth further underscored that higher education actually correlates with unemployment among both male and female young people (15-29 years) (ILO, 2014).The study noted that, “for both young women and men, the rate of unemployment increased

with each incremental addition of education level". The unemployment rate of female graduates from university was as high as 64.3 per cent - double the male rate of 31.1 per cent. This trend, which persisted in 2016, as shown below, hinted at a "significant deficiency in high-skilled professional posts in the territory and that the few that did exist tended to go to young men in preference to young women."

According to Botmeh (2013):

*Higher female enrolment rates in tertiary education - be it vocational or academic - does not seem to help these women in the labour market partly because their education is limited to a few stereotypical domains. This implies that women's choices and skills in the labour market are partially predefined through the nature of their enrolment in schools and higher education institutions.*

Market changes have not favoured those sectors where women are most prominent, thus limiting the entry of women overall. The World Bank (2011) noted that trends of women increasingly working as unpaid family members, usually in agriculture (see below), and working in government clerical jobs indicate that "opportunities for finding productive work with potential for growth have dwindled for women." This is extremely concerning considering the demographic prediction that women will be entering the workforce at increasing numbers in the coming years.

### **BOX 1 - YOUTH CRISIS: YOUNG PEOPLE IN THE LABOUR FORCE AND UNEMPLOYMENT**

Low rates of labour force participation of those below the age of 18 may indicate discouragement as well as cultural expectations. Among both males and females, the highest rates of unemployment are found in those early years with about one-third of males in the labour force aged 15-19, 20-24, and 25-29 unemployed. Likewise, much higher rates of unemployment are found among females ages 15-34, with unemployment rates ranging between 43.7 per cent and 67.1 per cent. Even older females aged 35-39 have an unemployment rate of 31.7 per cent (compared with their male counterparts with an unemployment rate of 12.9 per cent; after age 29, male unemployment ranges between 10-20 per cent).

Analysis by the World Bank (2011) suggests that a great deal of this crisis in youth employment is driven by conflict, making it somewhat different than the high rates of youth unemployment in other Middle East and North Africa (MENA) countries. It was noted that unemployment among those aged 18-34 peaked at 38 per cent in 2002, but then labour force participation rates declined, possibly as the youth became discouraged. By 2009, educated young adults were more likely to leave the labour force, while labour force participation increased for educated adults who were older than 35. Moreover, demonstrating the importance of restrictions on movement, labour force participation among youth with over 12 years of schooling decreases with their distance away from government centres, indicating that the barriers to youth employment are closely linked with the political situation.

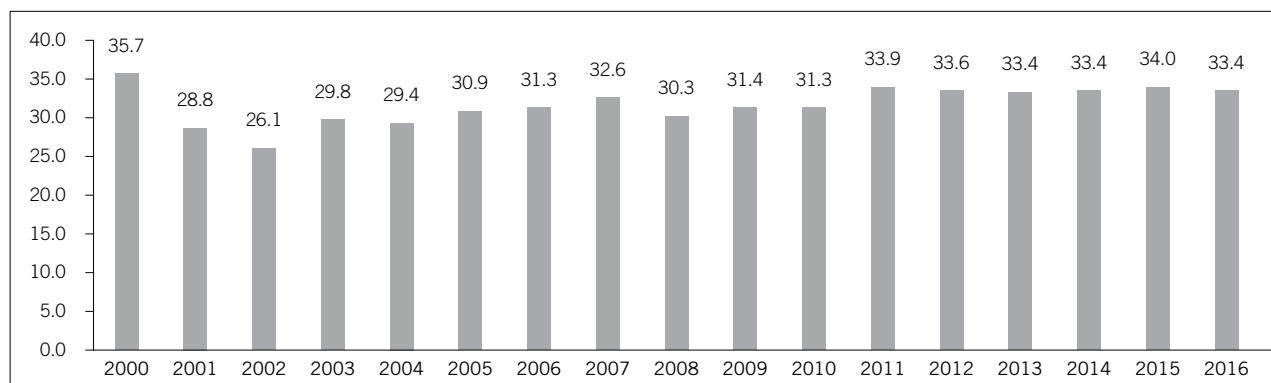
Percentage of working age population (ages 15+) by sex, age and labour force status, Q4 2016

SEX AND AGE	INSIDE LF	OUTSIDE LF	TOTAL	UNEMPLOYMENT
<b>MALES</b>				
15-19	32.2	67.8	100	36.9
20-24	71.7	28.3	100	33.2
25-29	87.5	12.5	100	25.9
30-34	92.3	7.7	100	17.8
35-39	93.5	6.5	100	12.9
40-44	94.6	5.4	100	11.3
45-49	90.4	9.6	100	10.5
50+	55.3	44.7	100	13.0
<b>TOTAL</b>	<b>71.4</b>	<b>28.6</b>	<b>100</b>	<b>21.0</b>
<b>FEMALES</b>				
15-19	1.6	98.4	100	44.1
20-24	24.4	75.6	100	67.1
25-29	31.6	68.4	100	62.2
30-34	27.6	72.4	100	43.7
35-39	24.2	75.8	100	31.7
40-44	22.3	77.7	100	16.5
45-49	22.0	78	100	14.7
50+	9.9	90.1	100	8.9
<b>TOTAL</b>	<b>18.9</b>	<b>81.1</b>	<b>100</b>	<b>43.9</b>
<b>BOTH SEXES</b>				
15-19	17.2	82.8	100	37.2
20-24	48.5	51.5	100	41.6
25-29	60.1	39.9	100	35.3
30-34	60.7	39.3	100	23.6
35-39	59.5	40.5	100	16.7
40-44	89.9	10.1	100	12.3
45-49	56.9	43.1	100	11.3
50+	32.2	67.8	100	12.4
<b>TOTAL</b>	<b>45.5</b>	<b>54.5</b>	<b>100</b>	<b>25.7</b>

### 5.3 EMPLOYMENT

The employment rate in the OPT - defined as a measure of the extent to which available labour resources (people available to work) are being used, and calculated as the ratio of the employed to the working-age population - was quite low in 2000 (35.7 per cent) before it dropped by 6.9 percentage points in 2001 following the outbreak of the second intifada, to 28.8 per cent. In 2002, following the Israeli military operation in the West Bank, it dropped by another 2.7 percentage points to 26.1. Since then, employment rates started a recovery trend, ranging between 29.4 per cent (2004) and 34 per cent (2015). The actual growth of employment in absolute terms between 2000 and 2016 has also been quite modest, increasing by 71.3 per cent, with an average of 39,333 persons becoming newly employed annually, compared with 183 per cent growth in the working age population and 201 per cent growth in the labour force.

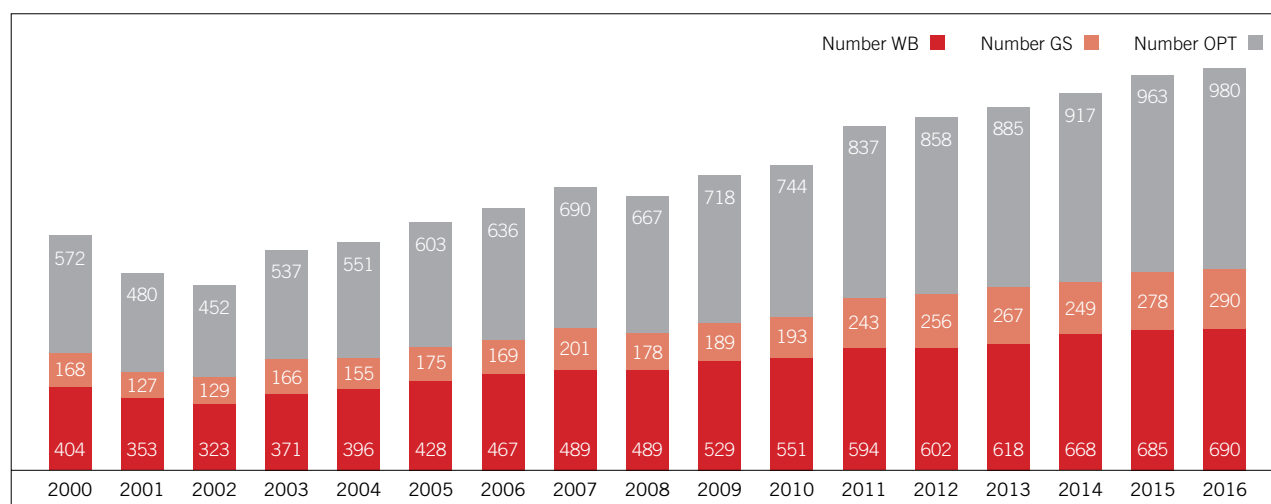
**FIGURE 17** - Employment rate in the OPT, (%), 2000-2016



Source: Author's calculations based on PCBS, 2017b.

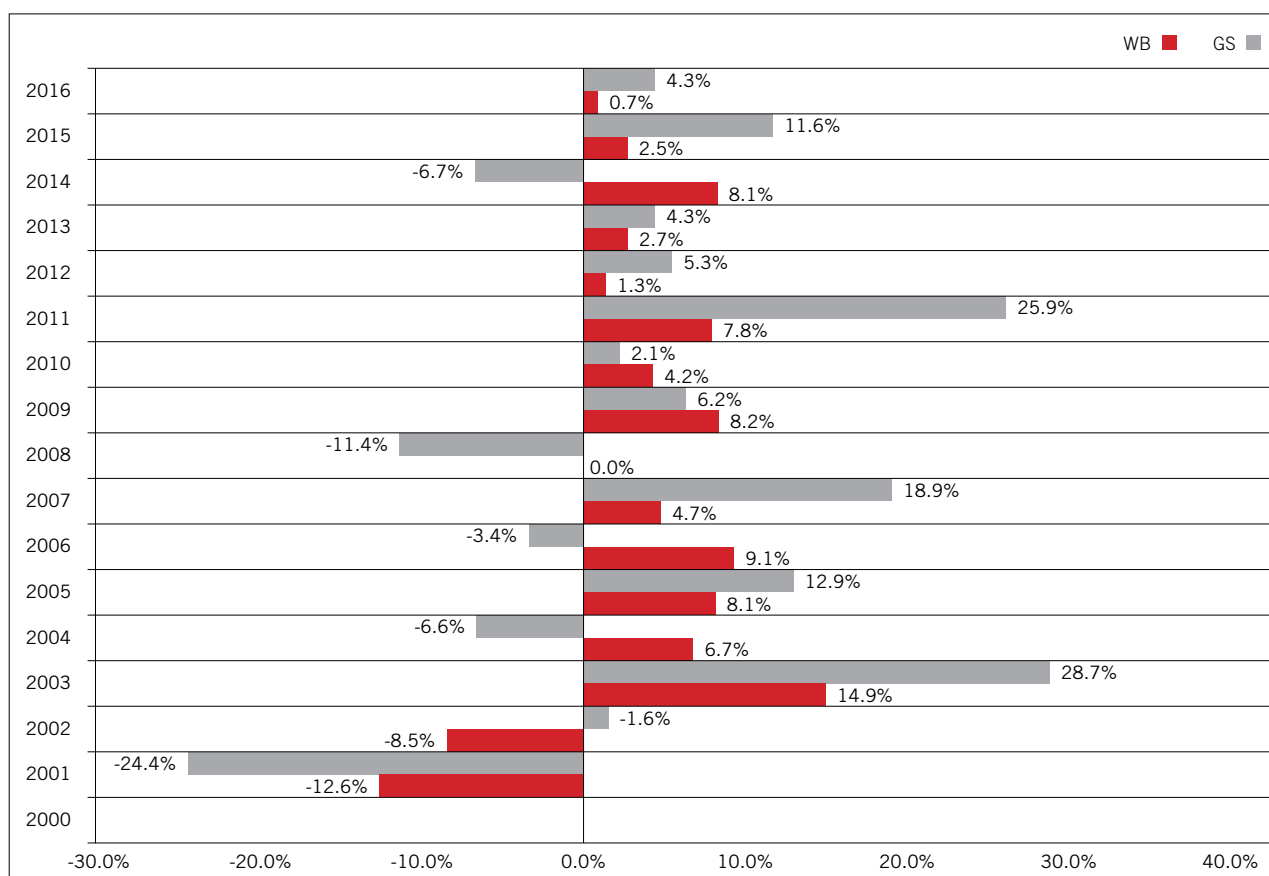
In 2016, growth in employment was quite weak, with only 17,000 additional workers (1.8 per cent) joining the ranks of employed individuals. This was largely due to poor employment trends in the West Bank, where employment levels were nearly unchanged over the previous year (0.7 per cent expansion). The bulk of Palestinian employment growth occurred in Gaza, which saw a 4.4 per cent increase, albeit from a very low base, and in Israel and the settlements, where employment expanded by 4 per cent. Importantly, employment in Israel and the settlements did not expand over the first three quarters of 2016, but grew sharply in the fourth quarter, with an increase of 17,900 as demand for labour in the construction sector grew and additional work permits were issued by the Israeli Government to Palestinian jobseekers.

**FIGURE 18** - Number (in thousands) of employed persons (15+) by region, 2000-2016



Source: PCBS, 2017b

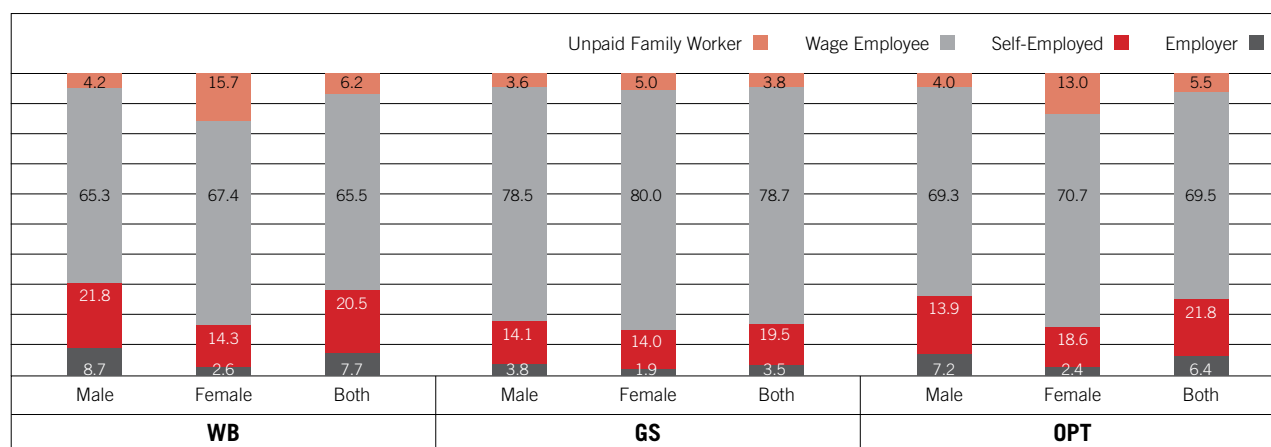
**FIGURE 19 - Growth in employment (%) in the West Bank and Gaza, 2000-2016**



Source: Author's calculations based on PCBS, 2017b.

The breakdown of employment by status shows that the employment structure in the OPT is dominated by employees or wage-workers who made up 69.5 per cent of the employed population in 2016. While gender differences in the proportion of employed Palestinians as wage workers is small, there are clear gender and regional differences in all other employment status categories. Self-employment is largely linked to a lack of opportunities for wage employment. Women are less likely to pursue self-employment than men, but four times more likely to end up as unpaid family workers. Women are also less likely than men to employ others in both the West Bank and Gaza, which – according to interviews with women’s rights organisations interviewed – is largely due to lack of resources (financial and human), self-confidence, and limited business opportunities and access to markets.

**FIGURE 20** - Percentage distribution of employed individuals (aged 15+) from the OPT by employment status, sex and region, 2016



Source: PCBS, 2017b.

The private sector is the most important sector of employment for wage employees in both the West Bank and Gaza. About two-thirds (66.4 per cent) of wage employees in the OPT (67.6% in the West Bank and 63.6 per cent in Gaza) worked in the private sector in 2016. Nonetheless, the capacity of the private sector to invest in business development and generate jobs continues to be constrained by the Israeli occupation, hence it has not been able to absorb new labour market entrants and other jobseekers. Consequently, the percentage of the wage employees employed in the private sector has witnessed little change in recent years, ranging between 66.1 and 67.6 per cent over the period 2008-2016. At the same time, the public sector, which employed 24.8 per cent of the working population in the OPT in 2009, has witnessed retrenchment in recent years, accounting for 21.6 per cent of employment in the OPT in 2016 (15.4 per cent in the West Bank and 36.4 per cent in Gaza).

An investment climate assessment found that engagement in innovative and business-upgrading activities has dropped among Palestinian private sector firms in recent years, driven primarily by diminished levels of activity among Gaza firms. For example, the assessment found, the percentage of firms providing formal training, investing in product and process development, and maintaining International Organization for Standardization quality system certifications have all dropped between 2006 and 2013 (World Bank, 2014).

In the absence of a sufficient number of job opportunities in the local market to absorb labour market entrants and jobseekers (and due to higher wages, as discussed below), employment in Israel and the settlements (see Box 2 below) has witnessed clear growth, gaining particular significance for employment in the West Bank. In 2015, 11.7 per cent of wage-employees in the OPT (all of whom were from the West Bank due to the inability of Gazans to access the job market in Israel and the West Bank) worked in Israel and the settlements. About 117,600 Palestinians from the West Bank were estimated to be employed in Israel and the settlements in 2016, an increase of nearly 4,900 workers from the preceding year.

One unique characteristic of employment in Israel is its vulnerability to changes in Israeli movement restrictions and closure regime, which is highly unpredictable. Due to Israeli policies discouraging them or as a result of security-related arrangements, workers employed in Israel often find themselves having no work permit from the Israeli military and attend their jobs at considerable personal risk. While wages for these workers are somewhat higher on average than among Palestinian employers, they exist in a legal vacuum, facing barriers to obtaining their rights as outlined in Israeli law (the inability to travel to make appeals and language barriers in the Israeli system, for example).



Moreover, they are the source of significant fiscal leakage because income tax and social security collected by Israel is not always transferred to the PA as required by bilateral agreements (UNCTAD, 2017). Fiscal leakage related to income tax and social security losses was estimated to be about 3.6 per cent of GDP and 17.1 per cent of total Palestinian tax revenue in 2010-2011. The magnitude of this single source of leakage suggests that total leakage amounts may be sufficiently large as to cover the entire budget deficit.

## **BOX 2 - PALESTINIAN WORKERS IN ISRAEL AND IN ISRAELI SETTLEMENTS**

Since Israeli occupation in the West Bank and Gaza in 1967, Palestinians have sought work in Israel, attracted to jobs that have been otherwise unavailable or which paid relatively higher wages. In the late 1980s, Palestinian employment in Israel involved as many as one third of wage earners and brought in one third of the gross national income (EFT, 2015).

The 1994 signing of the Paris Protocol governing economic matters between the Palestine Liberation Organization and Israel after the Oslo Accords codified the status quo in the form of a customs semi-union that relegated the Palestinian economy to dependence. With unemployment in single digits (4.5 per cent in Q4 2016), the average wage four times that in the OPT, and a higher labour force participation rate, Palestinian workers in Israel are at a disadvantage – and remain stuck there until the situation changes. Furthermore, Palestinian labour flows to other neighbouring countries are not only limited by travel restrictions, but also because relatively high wages make Palestinians expensive workers, except for in certain skilled fields.

In 2000, 18.8 per cent of the Palestinian workforce was employed in Israel or in the settlements. By 2015, after years of restrictions on the number of workers allowed, the proportion had dwindled to 12 per cent (PCBS, 2015). (Post-2007, no workers were allowed to leave Gaza at all.) A 2012 study found that only 37,000 of 87,000 Palestinian workers in Israel and the settlements had permits (EFT, 2015). Working without an Israeli-issued permit, which in any case is only valid during daytime hours and can be cancelled due to changing security conditions, leaves workers vulnerable to imprisonment, violence and exploitation.

Work permits for Israel increased from 60,900 at the end of 2015 to 74,400 by the end of 2016 (of which 67,000 were in active use). There was a further increase in the quota by some 7,000 permits in the first three months of 2017. Work permits for the settlements rose from 27,000 to 29,700 during 2016. As employment levels in Gaza and in Israel and the settlements are subject to significant volatility, the weak employment growth trends observed during 2016 in the West Bank, where nearly 60 per cent of Palestinians work, are especially worrisome.

Jobs in the settlements and Israel are mainly in construction or domestic work. A surprising number of these jobs are filled by Palestinian women, who more easily pass through security measures (either obtaining a permit or traversing checkpoints without one).

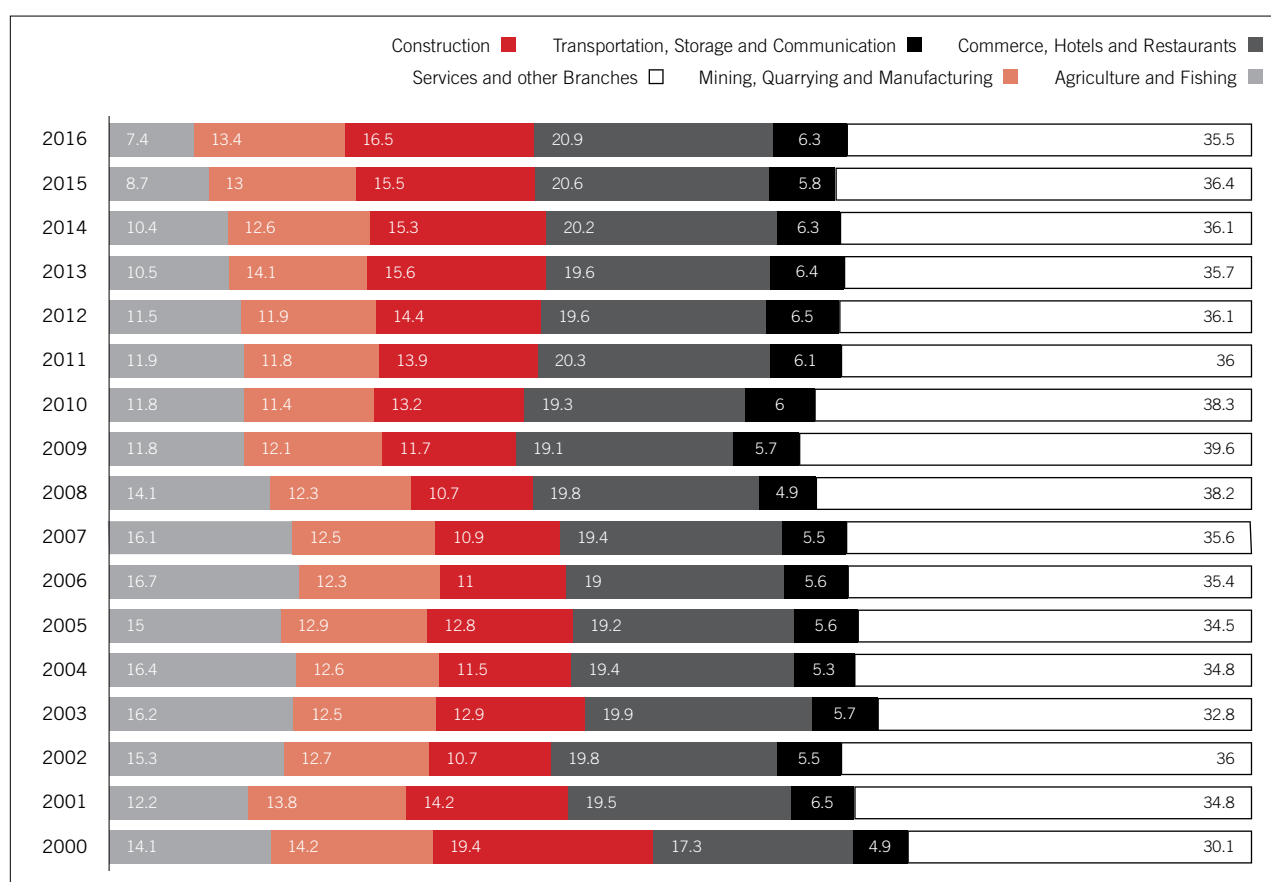
While wages are higher than in the OPT, they rarely rise to the level of the Israeli minimum wage, even though in 2007 courts determined the minimum wage must apply. Nor are these workers offered social security or other workers' benefits as required by law. Palestinian policies don't usually extend to cover workers in the settlements or Israel, in part because of the stigma associated with such work, but also, like other rural or less visible constituencies, because they fall far from the geographical centre of policy-making.

Not surprisingly, given the transformation in the Palestinian economy discussed earlier, the breakdown of employment by sector reveals a declining contribution of agriculture to employment. While 14.1 per cent of those employed worked in agriculture and fishing in 2000, this rose to 16.1

per cent in 2007 before plummeting to 7 per cent in 2016. The services sector, on the other hand, remains a growing component of the economy. Viewed by employment share, 30.1 per cent of those employed were employed in services and other branches in 2000. This percentage rose to 39.6 per cent in 2009 due to public sector employment, which is a component of the services sector, before also declining somewhat to 35.5 per cent in 2016 (PCBS, 2017b).

Other sectors have mostly remained the same in terms of employment shares, with mining, quarrying and manufacturing contracting slightly, employing 13.4 per cent of total employment in 2016 (down from 14.2 per cent in 2000). The proportion of employed persons working in construction has fluctuated rather markedly and declined from 19.4 per cent in 2000 to an average of 15.7 per cent between 2013 and 2016. Commerce, hotels and restaurants in one category and transportation, storage and communications in another have increased their shares in total employment by a few percentage points since 2000, but do not appear to have the capacity to employ greater numbers (PCBS, 2017b).

**FIGURE 21** - Percentage distribution of employed individuals (15+) by economic activity, 2000-2016

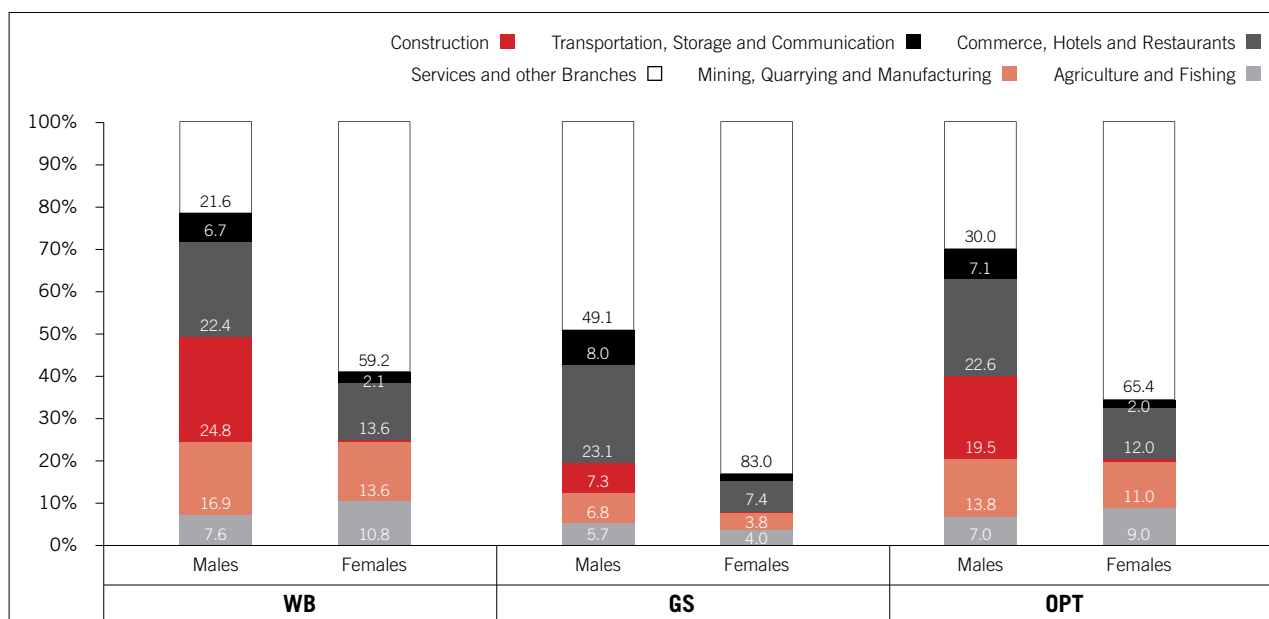


Source: PCBS, 2017b.

There are considerable gender differences in the sectoral composition of employment, with the overwhelming majority of women being employed in the services sector and agriculture. As illustrated in figure 22, these differences are more glaring in Gaza. Given that increased employment for women is considered critical for the OPT to capitalize on its “demographic dividend,” the barriers preventing female participation deserve additional focus. Indeed, the landscape as described above disproportionately impacts female workers, who have been largely relegated to agriculture and services. Female roles in construction and transportation have been limited. According to Botmeh (2013), this implies that “women’s prospects for future employment in the labour market are not encouraging”. The situation described above, where female employment is not evenly distributed

across economic sectors, and female workers face barriers moving between sectors indicates horizontal segregation, which weakens their ability to find work.

**FIGURE 22** - Percentage distribution of employed individuals (15+) by sex, economic activity and region, 2016



Source: author's calculations based on PCBS, 2017b.

In Gaza, 83 per cent of employed women worked in the services sector in 2016; the second highest sector for female employment was commerce/restaurants/hotels at a mere 7.4 per cent. In general, more people are employed in service activities in Gaza, with mining/manufacturing and construction absorbing a smaller proportion of the labour force. By comparison, the West Bank is slightly less segregated for females horizontally, with 11.3 per cent of women working in mining, quarrying and manufacturing, ranking second to services (66.7 per cent of working females). However, the West Bank is also much less segregated for men, providing a variety of work opportunities.

A labour market analysis of Gaza illustrated how the perpetuation of the status quo has prolonged the depression of women's engagement across all sectors of the labour market. In 2013, growth in the construction sector was viewed as the main driver for employment growth in Gaza overall. Nevertheless, the education sector was identified as the main growth sector for female employment. Had the market greatly improved, the main activities for female employment were expected to be retail and wholesale business, even though construction was once again identified as the main area with growth potential (Mercy Corps, 2012). While the most recent Gaza conflagration and the ongoing blockade dashed hopes for the construction sector, female workers continued to predominate in the health and education fields.

Discussions with stakeholders identified numerous barriers to breaking horizontal segregation. These include restrictions on movement and access (political), weak demand for women's labour (cultural), lack of access to credit (as elsewhere in world), competition (such as in handicrafts or foodstuffs) with Israeli and Chinese products, limited higher education choices resulting in limited pathways to work, patriarchy, and labour laws that do not cover domestic, seasonal, part-time or other workers where women are represented in greater numbers. In addition, there have been no policy efforts to break away from this segregation. The focus of development actors has been to boost traditional sectors where women are relegated to lower levels of production, with very little

effort (and investment) to create cross-sectoral integration or upgrade female employment and women's status or their position in the value chain to achieve job-rich growth.

While the focus here has been on breaking horizontal segregation as a means of opening the market to greater female participation, it should be stated that the same barriers also restrict broader participation in the male workforce. In 2016, nearly 80 per cent of inactive men with 1–6 years of schooling said that they were not working because they were too old or ill. Another 15 per cent indicated that the political/economic situation had led them to abandon the quest for work (PCBS, 2017b). Additionally, care work or services in the form of home-based nursing or eldercare services required for demographic shifts (see the section on demography) will be in demand but current cultural boundaries can be expected to limit access to these jobs, unless they are addressed with policy prescriptions.

### BOX 3 – CHILD LABOUR IN THE OPT

Child labour (i.e. the employment of those under 18) is a worrying child protection issue, especially in the West Bank. In 2015, 4.5 per cent of children were working, 5.7 per cent in the West Bank and 2.8 per cent in the Gaza Strip (PCBS, 2015). The proportion of children aged 10-14 years old, i.e. those working outside the law, was 1.6 per cent in 2014, down from 2.1 per cent in 2009. In 2014, 7.5 per cent of children aged 15-17 were working, up from 6.4 per cent in 2009. Some 16.2 per cent of working children aged 10-14 were not enrolled in school in 2014 compared with 30.8 per cent of those aged 15-17. The vast majority of working children are boys (PCBS, April 2015).

Percentage of working children (below 18) by area and sex, 2015

AREA	MALE	FEMALE	TOTAL
West Bank	10.8	0.5	5.7
Gaza Strip	5.2	-	2.8
<b>TOTAL</b>	<b>8.5</b>	<b>0.4</b>	<b>4.5</b>

International instruments on child labour designate some work as “hazardous” and others as “worst forms” as a means of acknowledging that some child labour deserves a greater protection priority than others (Worst Forms of Child Labour Convention, 1999 (No. 182)). In 2015, the PA, which has ratified the Convention on the Rights of the Child and its Optional Protocol on Armed Conflict, began to take steps to eliminate the worst forms of child labour (US Department of Labor). As noted above, it has established a legal age for work and appropriate conditions. It increased the number of labour inspectors and child protection officers in an attempt to step up enforcement. Still, agencies lack sufficient funding to fully implement the law and children can be found working in agriculture and quarries, selling goods in the street, and other dangerous jobs.

In terms of labour productivity, the long-term trend shows volatility and insufficient growth in both employment generation and workers' productivity, reflecting the impact of the overall macroeconomic and political context in the OPT. After two consecutive years of negative growth, labour productivity increased by 2.2 per cent in 2016 (ILO, 2017). While positive, this growth comes against a backdrop

of a decade-long period of slow and stagnant labour productivity growth, averaging only 0.6 per cent annually between 2005 and 2016, with essentially no growth since 2010 (ILO, 2017).

Which sector drove productivity gains the most from an employment perspective? A recent ILO report answered this question by examining labour productivity and employment growth in parallel. It found that only two of the six major economic sectors – manufacturing and mining and quarrying – registered positive employment and labour productivity growth in 2016, while other sectors witnessed mixed growth in these parameters. Sectors that saw increases in employment but declines in labour productivity were: construction; commerce, restaurants and hotels; and transport, storage and communication. In the agriculture, fishing and forestry sector, labour productivity grew, but as a result of steep drop in employment and output. The services sector witnessed the highest productivity growth, but employment declined (ILO, 2017).

Comparing labour productivity with best performing countries in the region, the World Bank (2014) notes that moderate labour productivity performance in the OPT is the result of firms with relatively low capital investments in low-productivity sub-sectors operating at a relatively high technical efficiency<sup>7</sup> (World Bank, 2014). While low capital intensity may be attributed to uncertainty in the investment climate (see section 7.5 on business enabling environment), the relatively high technical efficiency is more challenging to explain due to the myriad of factors that affect it, such as management efficiency, workforce characteristics, integrated supply chains, or from experience gained elsewhere. Therefore, there are potential opportunities to bring labour productivity up to more competitive levels if Palestinian firms are willing to invest more in their firms, and if resources are shifted towards higher productivity sub-sectors in manufacturing and services.

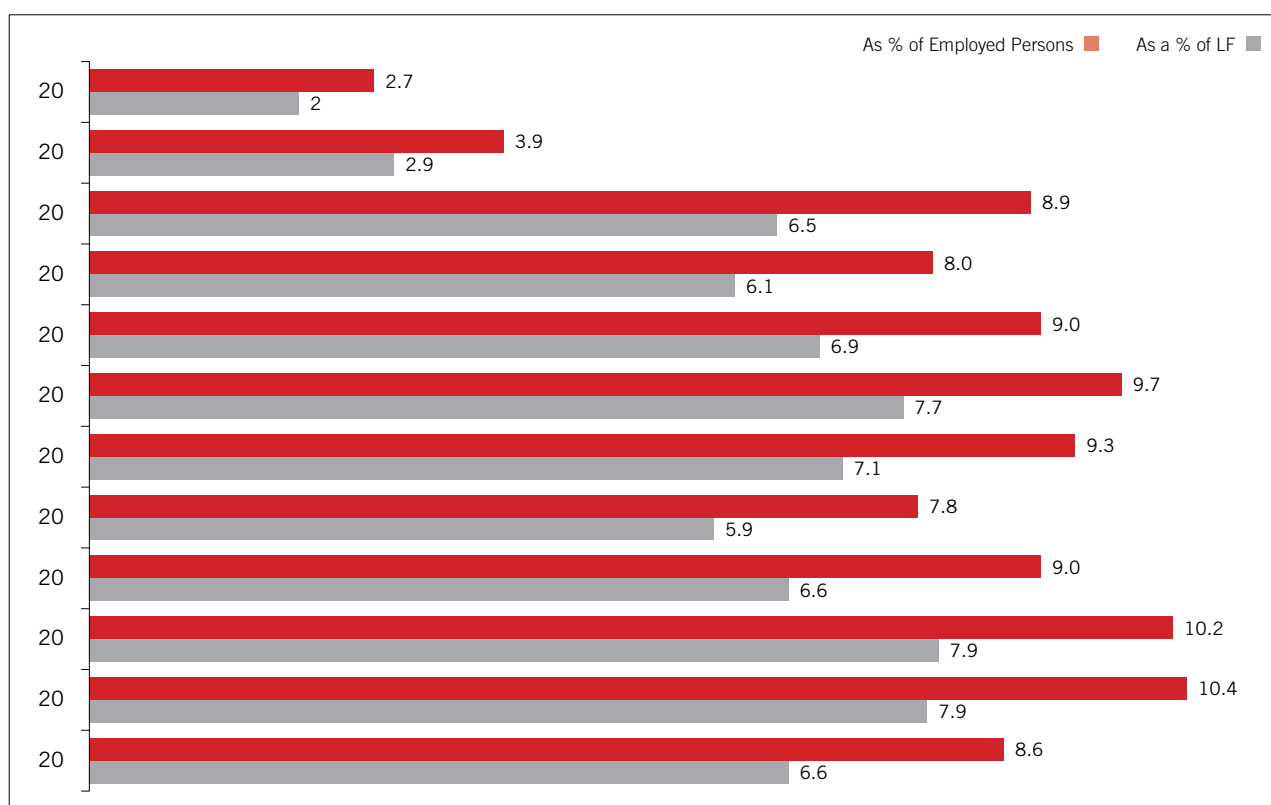
## 5.4 UNDEREMPLOYMENT

Underemployment refers to workers who are not working in jobs that best utilize their skills or availability for work (i.e. highly skilled workers employed in low paying or low-skill jobs, or part-time workers that would prefer to be full-time). It is often caused by poor economic conditions, or when there has been an increase in the supply of workers or a technological change. Assessing underemployment according to this broad definition is not possible in the OPT due to data availability constraints. Hence, the following discussion reflects on underemployment from a time-related perspective, which only partially examines the situation; several stakeholders interviewed argued that it is underestimated in official statistics.

In the OPT, time-related underemployment is relatively small, with men being more likely to be underemployed than women. However, it has progressed over time in a trend line similar to that of unemployment, rising after 2001 until 2007 when it started again to decline gradually to 2 per cent of the active labour force (2.7 per cent of the employed) in 2016 (2.2 per cent among men and 1.4 per cent among women). Only in Gaza did a different trend develop, declining after 2001 before rising and converging with that of the West Bank since 2008.

<sup>7</sup> Technical efficiency (TE) or total factor productivity (TFP) is the residual from a regression of the log of output (either value-added or revenue) on labour, capital, and other intermediate inputs. It is a measure of how well a firm uses inputs to produce outputs.

**FIGURE 23 - Underemployment by region as percentage of the labour force and employed persons (15+), 2005 - 2016**



Source: PCBS, 2017b

Overall, time-related underemployment is concentrated in employed persons with no education, particularly males (4 per cent of the active labour force) who, rather than join the ranks of the unemployed, have taken part-time jobs, which often require low-level skills. Likewise, it is lowest among females with 0–9 years of schooling who have been able to find suitable employment. Rates of time-related underemployment among females start to increase with more education, as the labour force resists absorbing these workers and unemployment increases.

### 5.5 INFORMALITY AND EMPLOYMENT

Very little information is available about the informal economy in the OPT, but it is widely acknowledged that informality is a significant feature of the Palestinian economy, labour market, and business climate. Although it is difficult to verify estimates of the size of the informal economy, an estimated 140,000 workers are employed in informal sector units in the West Bank (excluding East Jerusalem) and Gaza (World Bank, 2013). Given that the vast majority of informal firms are extremely small (1 or 2 workers) (ETF, 2013), it is likely there are something in the order of 100,000 informal sector units, most of which are owned by sole proprietors and operate within very small market catchments. This estimate should not be misconstrued for informal employment, which is believed to be substantially larger due to the proliferation of informal employment within the formal sector. In 2008, it was found that an estimated 59 per cent of informal employment (accounting for 205,500 jobs) was actually carried out by registered entities (ALKafri, 2012).

As in the OPT’s regional neighbours, in the informal workplace, conditions are poor and injuries incurred are the responsibility of the employee. There are no social security benefits in this sector, and the application of regulations and policies such as paid leave or pensions. Businesses remain in the “shadow economy” in order to avoid a tax burden and increased regulation, and there are

some indications that as developing countries, like the OPT, try to bring their regulations in line with international norms, the informal economy increases. The domestic trade sector is the largest employer, followed by the industrial sector and the services sector. Most employees were men (around 95 per cent). The total value added from informal sector enterprises was estimated at approximately \$120 million (EFT, 2013).

An econometric model of the Palestinian “shadow economy” between 1995 and 2012 found it to account for 57.6–88.7 per cent of GDP, which compares to some of the largest informal economies in the world (Sabra, 2015). Particularly in Gaza, the closure may have substantially increased informality. A market needs assessment by Mercy Corps (2012) found that “complex and volatile prevailing political and security conditions” were behind the reshaping of Gaza’s private sector, which began to rely on underground tunnels for import/export in lieu of open borders, emphasize local over international competition, and make use of informal or temporary employment over permanent jobs. The 2014 military operation in Gaza and a crackdown on tunnels leading into Egypt later altered the situation, but these structural changes may persist.

The size of the informal economy has significant implications for those seeking work. The school-to-work transition survey found that nearly all employed youth (94.1 per cent) had informal jobs, working either without a contract (68.6 per cent of wage workers) or with a contract of limited duration (13.1 per cent) (ILO, 2014). In 2016, the LFS found that 62 per cent of employed individuals in the OPT were informally employed, with informal employment among women (48.8 per cent) being substantially smaller than that among men (64.5 per cent). Policy prescriptions are needed to address this area of vulnerability for young jobseekers.

## 5.6 TRANSITION TO WORK

In 2013, the ILO conducted a school-to-work transition survey among those aged 15-29. It found that only a small portion of those surveyed (38.9 per cent of young men and 6.6 per cent of women) had completed the transition to stable and secure employment. The majority of young women (62.1 per cent) had not yet attempted to transition (compared with 29 per cent of young men) and 31.3 per cent remained in transition (similar to 32.2 per cent of men).

A successful transition was finding a satisfactory temporary job, a stable job (be it satisfactory or unsatisfactory), or satisfactory self-employment. Unemployment was the main reason for an incomplete transition, with 74 per cent of youth in transition being unemployed. One-fifth (20.8 per cent) of transitioning youth were inactive, but had future plans to work, which left only 5.3 per cent of youth in transition because they were not happy with their work situation or because they were self-employed.

A young person with a bachelor’s degree or postgraduate degree was slightly more likely to achieve stable employment. Youth in the West Bank were more likely to achieve a stable transition than their peers Gaza (51.4 per cent versus 26.7 per cent). Finally, while 36 per cent of youth experienced a direct transition from education to work, the majority experienced a lengthy transition: two or more years in unsatisfactory employment or one year or more in unemployment.

Cultural and patriarchal barriers play an important role in women’s choices regarding pathways to employment, which in turn impact the prospects of success. In 2016, 49.1 per cent of female jobseekers (the largest percentage) said that they were searching for jobs on the internet, compared with only 7.5 per cent of unemployed males (PCBS). The vast majority of male jobseekers (64.1 per cent) said that they delivered an application to potential employers, and the next largest group (22.5 per cent) said that they had asked for referrals from friends or relatives. Only 7.7 per cent



of females had asked people they knew about vacancies. Use of the MoL's employment offices for referrals or registering for work placement was quite low among unemployed women and negligible among unemployed men, indicating a low perceived value of the MoL's services in this area.

**TABLE 4** - Action taken to find employment by sex, 2016 (% unemployed persons aged 15+)

<b>EMPLOYMENT ACTION</b>	<b>MALES</b>	<b>FEMALES</b>	<b>TOTAL</b>
<b>Registered with MoL's local employment office</b>	0.8	4.8	<b>2.0</b>
<b>Read local newspapers looking for Job Advertisement</b>	1.9	10.4	<b>4.5</b>
<b>Searched for jobs advertised on internet</b>	7.5	49.1	<b>20.1</b>
<b>Submitted application for employment</b>	64.1	18.0	<b>50.2</b>
<b>Took a Test/ sat for an interview</b>	0.7	10.0	<b>3.5</b>
<b>Asked for referrals from friends/ relatives</b>	22.5	5.9	<b>17.5</b>
<b>Others</b>	2.5	1.8	<b>2.2</b>
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: PCBS, 2017b

Female workers' reliance upon distant means of accessing potential employers suggests that they are either reluctant or unable to visit the workplace of the job that they seek to obtain. In contrast, unemployed males applied in person at their potential workplace and asked people they knew for assistance in finding work. These strategies require greater intimacy with strangers or acquaintances, which may be uncomfortable or frowned upon by the families of these women. They also leave female jobseekers outside the traditional networks ("wasta" or via personal connections) that are typically used to gain employment in the OPT. Only 2 per cent of unemployed workers visited a local employment office to find work, and only 4.5 per cent used the newspaper – formerly the main source of community news.

These statistics confirm, once again, the extent to which the labour market in the OPT is affected by gender issues. According to the ILO study on school to work transition, "it is clear that creating employment opportunities for Palestinian young women has been treated as an afterthought in labour policies." Thus the need to address the gap by starting to understand more fully and in detail the obstacles that prevent young women from entering the labour force and completing their transition to stable work.

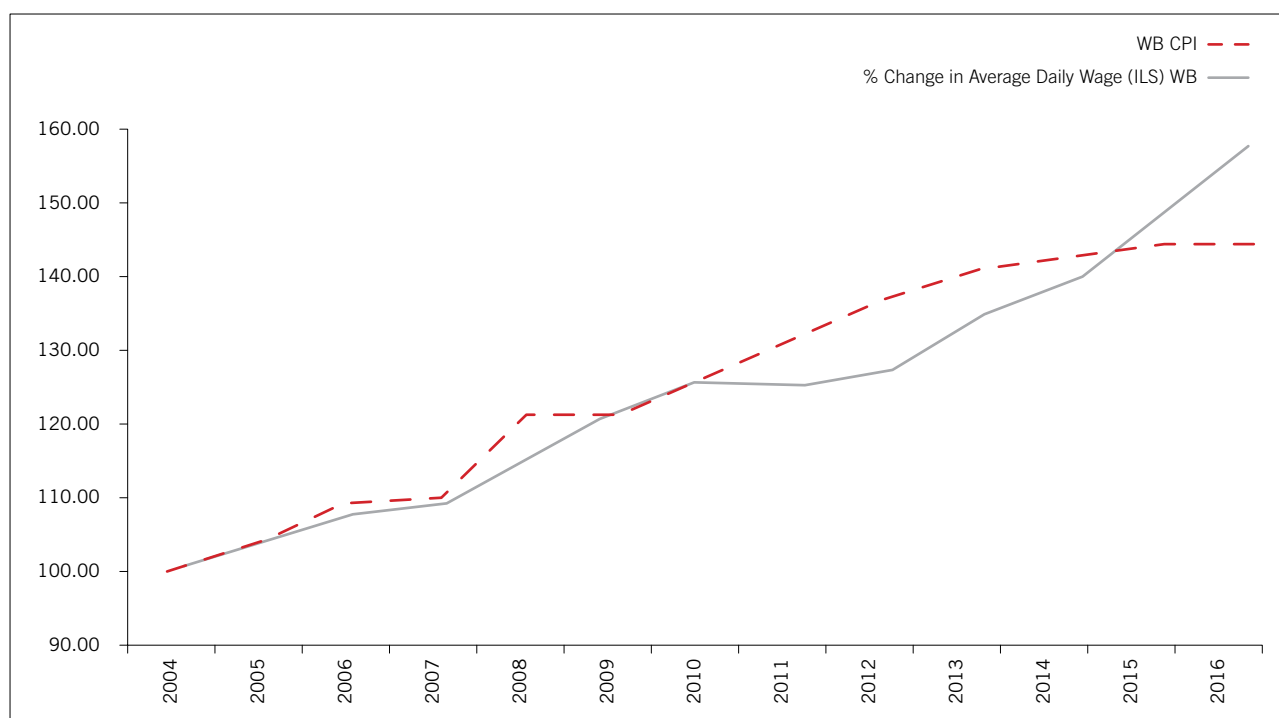
## 5.7 WAGES

In both the West Bank and Gaza, weak bargaining power among labourers, low levels of output and competitiveness in productive sectors, and a large supply of unemployed are key factors that have been exerting downward pressure on wages, and thereby weakening the quality of employment. While nominal average wages in the OPT have increased in recent years (by 48.1 per cent over the period 2004–2016), growth rates between the West Bank and Gaza exhibit significant disparities.

Daily wages in Gaza grew only by 4.2 per cent, from 59.2 Israeli shekels (ILS) to 61.7 ILS per day over the period 2004–2016. In comparison, during the same period, the average daily wage in the West Bank grew by 56.9 per cent (from 81.6 to 128 ILS per day), reflecting the relatively more competitive labour market. Real wages, however, have generally witnessed a decline for most of the period of the last 13 years. In the West Bank, before starting to grow in 2015 and 2016, real wages had shrunk continuously since 2004. In Gaza, though, real wages have decreased substantially since 2008.

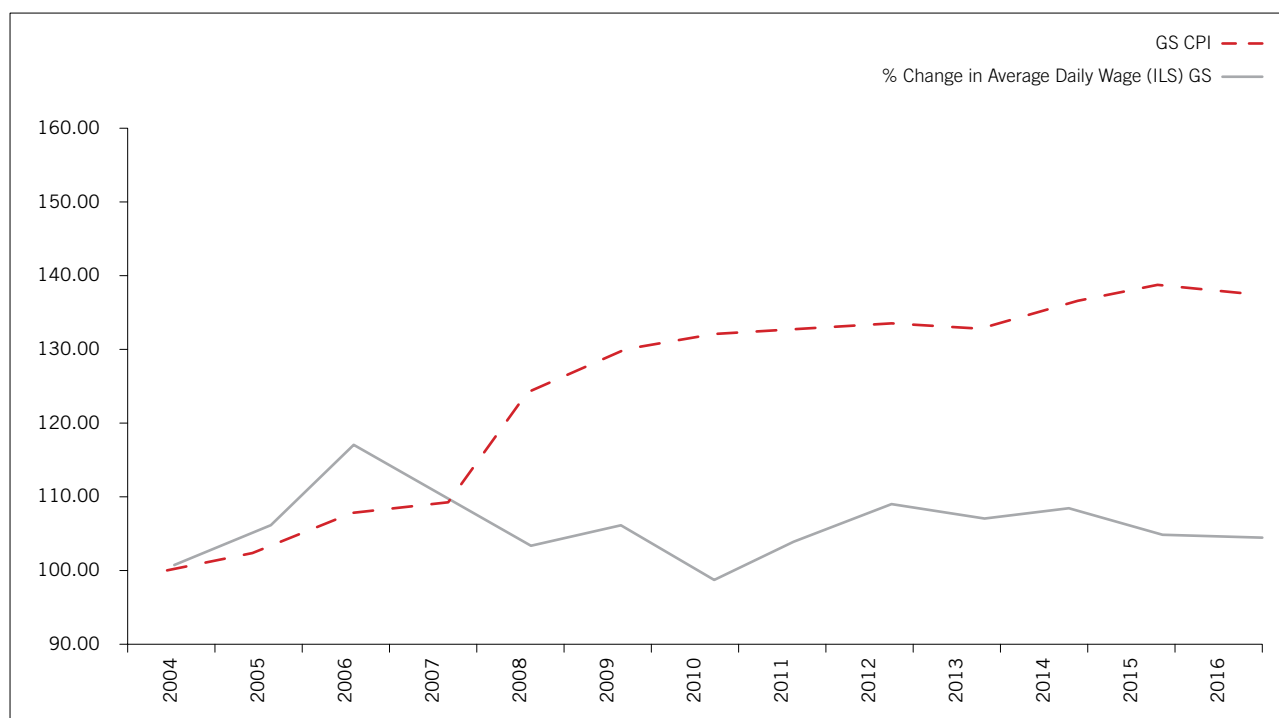


**FIGURE 24** - Real change in CPI and average daily wages in the West Bank, 2004-2016



Source: Calculated by author on the basis of data from PCBS, 2017b and 2017a.

**FIGURE 25** - Real change in CPI and average daily wages in Gaza, 2004-2016

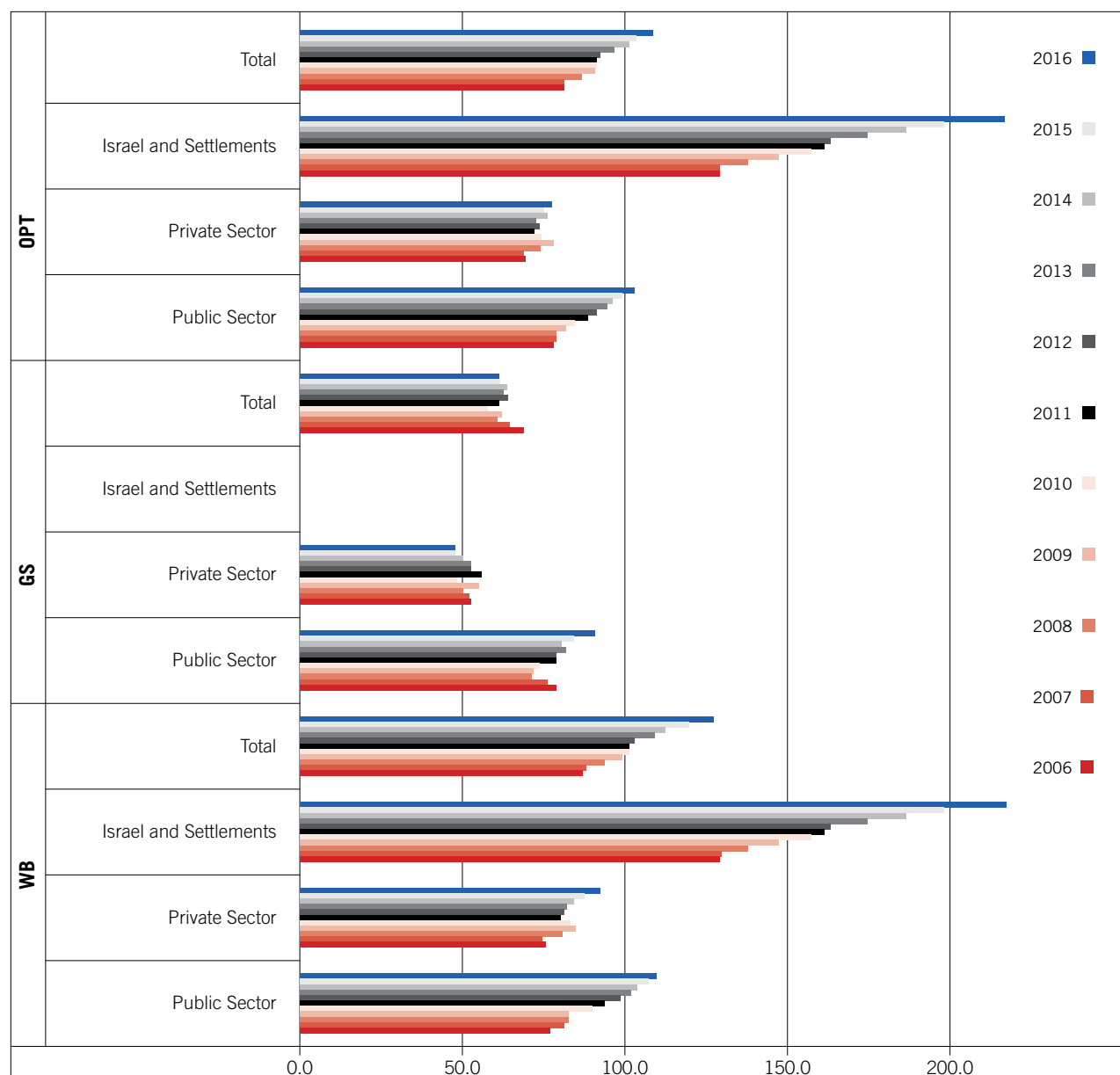


Source: Calculated by author on the basis of data from PCBS, 2017b and 2017a.

Recent growth in wages in the West Bank has been mainly driven by increased employment levels in Israel and the settlements and the significantly higher average wages Palestinian workers receive there. As figure 26 shows, employment in Israel and the settlements has historically provided higher remuneration for workers than both the private and public sectors within the OPT. In 2016, labourers working in Israel and the settlements received an average of 218 ILS per day, or 2.1

and 2.8 times the daily wages of their peers employed in the public and private sectors received respectively. Such workers earned more than 3.5 times the average wage in Gaza and more than 1.7 times the average wage in the West Bank.

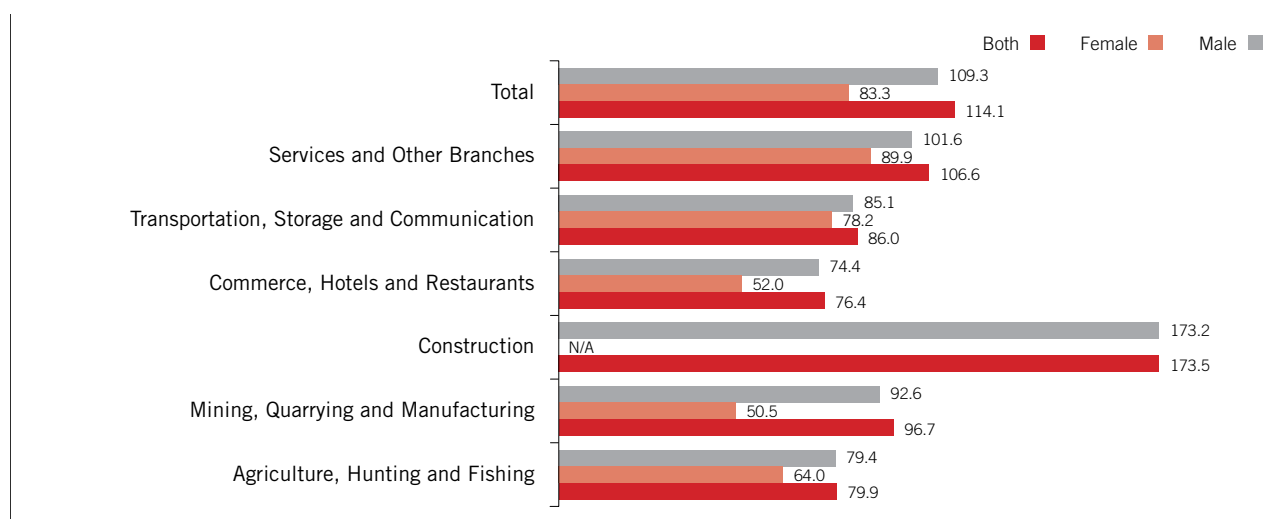
**FIGURE 26** - Average daily wage (ILS) for wage employees in the OPT by region and sector, 2006-2016



Note: Since 2006, Gaza employees have not been able to access Israel and Israeli settlements. Source: PCBS, 2017b.

Further analysis of wage data reveals significant gender pay disparities across economic sectors of activity. As figure 27 shows, women, on average, earn 73 per cent of men's daily wage (83.3 ILS for women compared with 114.1 ILS for men). In the manufacturing sector gender-based wage disparities are even larger, with women earning slightly over half (52 per cent) of what men earn (96.7 ILS for men compared with 50.5 ILS for women). Construction is the highest paying sector overall in the OPT, with an average daily wage of ILS173. This average is heavily influenced by the higher wages in Israel, as around half of all Palestinian construction workers are employed in Israel and the settlements. Gender- based differences are also likely to exist in the construction sector, but there is insufficient data to determine the degree.

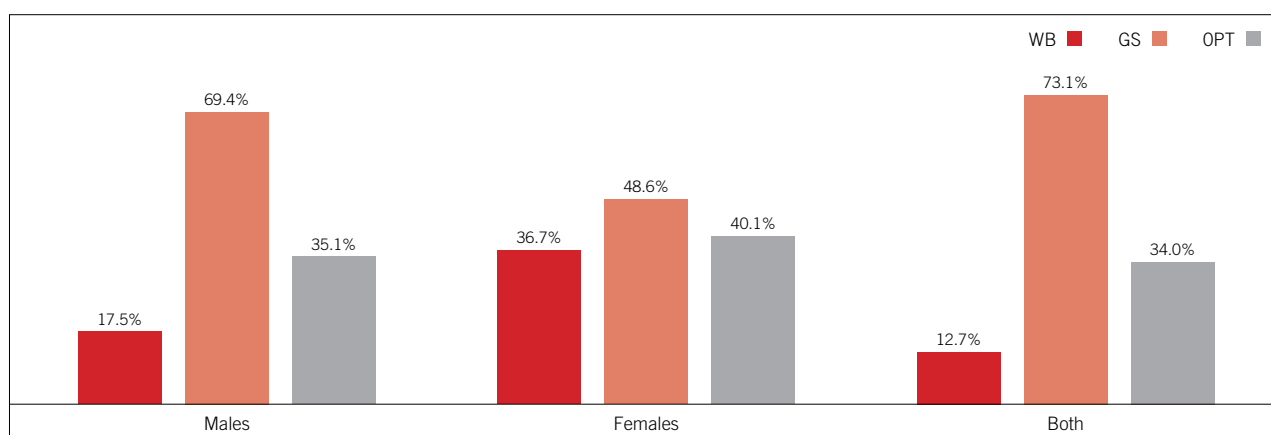
**FIGURE 27-** Average daily wage (ILS) in the OPT by economic sector of activity and sex, 2016



Source: PCBS, 2017b.

With the minimum wage in the OPT set at 1,450ILS per month, the preceding analysis suggests that minimum wage compliance is not an issue in the OPT. However, Labour Force Survey data show that a considerable number of workers in the OPT earn well below the statutory minimum wage. It was estimated that a total of 126,500 private sector workers (41,600 in the West Bank and 84,900 in Gaza), representing 34 per cent of the total labour force employed in the private sector (12.7 per cent in the West Bank and 73.1 per cent in Gaza), are paid less than the statutory minimum (see figure 28). Once again, wage inequity disproportionately affects women; some 40.1 per cent of women employed in the private sector earned less than the minimum wage in 2016.

**FIGURE 28 -** Share of the private sector employed persons (%) earning less than the minimum wage in the OPT by region and sex, 2016



Source: PCBS, 2017b.

One area in which women are faring comparatively better than men is the likelihood of contributing to a pension fund. Nearly 63 per cent of female employees contributed to a pension fund in 2016, whereas the corresponding share of male employees was 45.6 per cent. These figures reflect the much higher shares of public sector workers contributing to a pension fund than in the private sector. In sectors with few public sector workers, the shares are only 13.7 per cent in commerce, hotels and restaurants, 18.2 per cent in manufacturing and 25.0 per cent in construction.

## 5.8 ENTREPRENEURSHIP

There are numerous examples of Palestinian talent, innovation and excellence in business, but these do not necessarily reflect the general economic structure and current business environment, which remains the largest constraint for the development of entrepreneurship in the OPT.

The vast majority of Palestinian companies are small in size and therefore driven by small “entrepreneurs”, as opposed to large corporate leaders. Out of the nearly 145,000 economic establishments (131,000 were private companies) operating in the OPT in 2012 almost 90 per cent employed less than five people and a further 8 per cent had 5-9 employees.<sup>8</sup> Only 137 Palestinian establishments employed more than 100 workers - 100 in the West Bank and 37 in Gaza. In that same year small and micro enterprises employed nearly 763,000 people (almost 90 per cent of total employed) - 273,000 were entrepreneurs (own-account workers, employed others, and self-employed) and 489,000 were employees (PCBS, 2012).

Many of the jobs created by small businesses are short-term and many are created by nascent entrepreneurs whose businesses have a higher-than-average probability of discontinuity (World Bank, 2014). At the same time the economy as a whole does not seem to be oriented towards innovation, with low productivity and low value-added activities (Portland Trust, 2014). The total early-stage entrepreneurial activity (TEA) indicators for the OPT are also not particularly high.

The latest Palestine Economic Policy Research Institute's (MAS) Global Entrepreneurship Monitor (GEM) report shows that in 2012, 9.8 per cent of the adult Palestinian population (aged 18–64) had started a business in the past 42 months, meaning they were nascent or new entrepreneurs. By comparison, business start-up rates in Egypt and Algeria were 8.8 and 7.8 per cent, respectively. This activity rate is lower, however, than the 13 per cent average registered by the GEM consortium for low-income developing economies, but higher than the 6 per cent average of the six MENA countries included in the sample (MAS, 2012).

Given that the TEA rate usually decreases as countries reach a higher stage of economic development, the OPT's high TEA rate essentially means that people are reverting to entrepreneurship as a last employment resort given the absence of opportunities in other activities (Portland Trust, 2014). Indeed, GEM data shows that, in 2012, 42 per cent of Palestinian entrepreneurs (and two-thirds of female and youth entrepreneurs) were driven by necessity rather than by opportunity (MAS, 2012). This negative indicator is consistent with the alarmingly high overall levels of unemployment among Palestinian youth, and the concerns voiced by several business incubators and accelerators interviewed, particularly in Gaza, that young unemployed Palestinians seeking their support often come ill-prepared for the support they are seeking and without a clear business idea. The low opportunity-to-necessity ratio is both consistent with and accentuated by the fact that cultural traditions and values in the OPT do not promote or value entrepreneurship. Parents typically discourage their children from entering entrepreneurial activities, as they associate “traditional” careers with greater stability and social prestige. As a chief officer of a business accelerator put it, “Most of the young people who visit accelerators come looking for a job, and once they realise that we are not a recruitment agency they start asking what we do and then provide an incoherent pitch for a business idea.”

High rates of education among Palestinians (see below), a growing interest among socially-oriented investors and donors in promoting entrepreneurship and business start-ups, and the increasing

<sup>8</sup> Most recent data available on establishments dates back to 2012. Statistics referred to in this section thus do not take into account changes that may have happened as a result of the war on Gaza in 2014 and the recent economic developments in the both the West Bank and Gaza.

growth in the ICT sector have been key drivers for entrepreneurial activity in the OPT in recent years. The ecosystem of entrepreneurship in the OPT has developed and evolved quite rapidly as result, with the emergence of several initiatives that are aimed at supporting the development of core entrepreneurial value chain activities as well as essential support services. Key examples of such initiatives include co-working spaces for digital entrepreneurs aiming to foster a sense of community among ICT-focused start-ups, technology and industry-focused incubators and accelerators offering technical and business development services, technology-focused venture capital funds that target early stage investment, and donor-funded projects which facilitate and provide incentives for investment in businesses in the OPT.

Still, entrepreneurial activities are in a nascent stage, with many challenges and constraints to overcome. For example, the GEM Report found that between 2010 and 2012, all five indicators for entrepreneurship development had declined in the OPT: financing, government support, taxes and bureaucracy, government programmes and basic entrepreneurial education and training (MAS, 2012). There has not been an update of this report since, but there was consensus among sector stakeholders interviewed that, overall, with the exception of some improvements in business registration procedures, not much has changed on these indicators.

Despite the fact that several donor-funded initiatives, including some implemented by the ILO, have focused on enhancing entrepreneurship readiness through integrating business education and entrepreneurial skills into educational programmes at lower and higher education levels, it is broadly agreed that education in the OPT does not promote entrepreneurship. University curricula is described by many experts as “outdated” and “lacking the elements needed to equip students with basic[technical and soft] skills to think in an entrepreneurial way” in order to pursue their own business ideas. As a consequence, instead of focusing on their core business of investing in start-ups, most incubators and accelerators in the OPT put in significant effort and resources into basic business and skill training and coaching to help prospective entrepreneurs develop and launch their business ideas, limiting the efficiency of these entities and, in the context of a dynamic and fast changing global business environment, the potential impact they could have on businesses they serve, and the economy at large.

Gender-based disparities discussed in the preceding section of this report further constrains entrepreneurship and entrepreneurial development in the OPT. Between 2010 and 2012 there was a decline in overall TEA in the West Bank, from 14 per cent to 10 per cent, mostly driven by a sharp drop in female entrepreneurial activities. In 2012 the country level TEA gender gap reached 12.6 percentage points, above that of all other comparable economies (MAS, 2012).

Coupled with a lack of a public policy to support equitable and inclusive growth in entrepreneurial activity, political and administrative barriers(e.g. complex administrative structures, poor cooperation among administrative departments, and long and multiple procedures for business registration) seem to be disproportionately affecting women’s entrepreneurial development, thereby further deepening inequity in the labour market. The ability of women to become entrepreneurs is constrained by traditional familial dynamics whereby women’s agency is limited and subordinated to others. Typically, when women are engaged in informal home-based enterprises, they are viewed as helping the family rather than operating a legitimate business venture.

While there is broad consensus among stakeholders interviewed that small and medium-sized enterprise development and growth are key ingredients for inducing job-rich growth and promoting employment, the reality of occupation and its systems of movement and trade restrictions not only shape business development and growth(including entrepreneurial activity), but also render it extremely challenging. Access to low-cost, efficient, and modern technology (such as 3/4G

telecom technology, electronic payment systems, and satellite and sensing equipment), as well as basic services (such as water, electricity, and freight), is restricted by Israeli measures, further constraining business activities for entrepreneurs - typically heavy users of such services.

Because the ICT sector has been less vulnerable to Israeli trade restrictions, most of the existing entrepreneurship development initiatives have been service-oriented and focused on the digital economy. While this seems to have provided more opportunities for women and the educated, its benefits from entrepreneurial development have proved quite narrow, and essentially exclusive for educated youth with particular skills and access to resources.

The emergence of a nucleus of technology-based entrepreneurships is an encouraging development. Although nascent, it shows potential for growth, especially as it links up with broader regional initiatives. As one report notes:

*The emergence of a venture capital fund and a few private equity funds aimed at growing start-ups and small and medium-sized enterprises represent important steps toward the development of equity financing in the Palestinian territories. Along with recent developments in the equity market, this demonstrates a spirit of entrepreneurship and private sector responsiveness to opportunities, including a willingness to take on some risk. (Portland Trust, 2014).*

# **6. EDUCATION AND WORKFORCE DEVELOPMENT**

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## 6.1 LITERACY AND EDUCATIONAL ACHIEVEMENT

Since 2000, the OPT has made significant strides in expanding access to education across the nation. Consequently, literacy rates have increased from 89 to 97 per cent. The number of kindergartens and enrolled children has doubled. In secondary schools, the number of pupils per classroom has declined from 31.5 to 26.4. Improvement in high school, college, and higher education attainment, particularly by girls, continues on an upward trend. The percentage of girls who obtained high school degrees and above increased from 8 per cent in 2000 to 18.4 per cent in 2015. Despite these achievements, women continue to have a slightly higher rate of illiteracy, mostly among the older generations. In 2015, 98.5 per cent of males were literate compared with 95.6 per cent of females.

Palestinians value education highly as a means of challenging the inequality that arose from occupation. Botmeh (2013) reports that both men and women, after the second intifada in 2002, tended to remain outside the labour force to pursue education, a sign that the shocks of the intifada made people invest more in themselves.

The ILO school-to-work transition survey (2015) suggests, however, that this positive view of education may be changing among Palestinians. The failure of young people to find satisfactory work has, in fact, eroded support for long-term education. Some 28.2 per cent of youth in the OPT leave school in basic education or before completion, indicating exam failure and a lack of interest in education as the main reasons for departing. The education results indicate that “the personal, social and economic benefits of education are still not universally recognized.” The study lays the blame at the poor quality of schools and their content, along with the very high rates of unemployment among youth, especially young women.

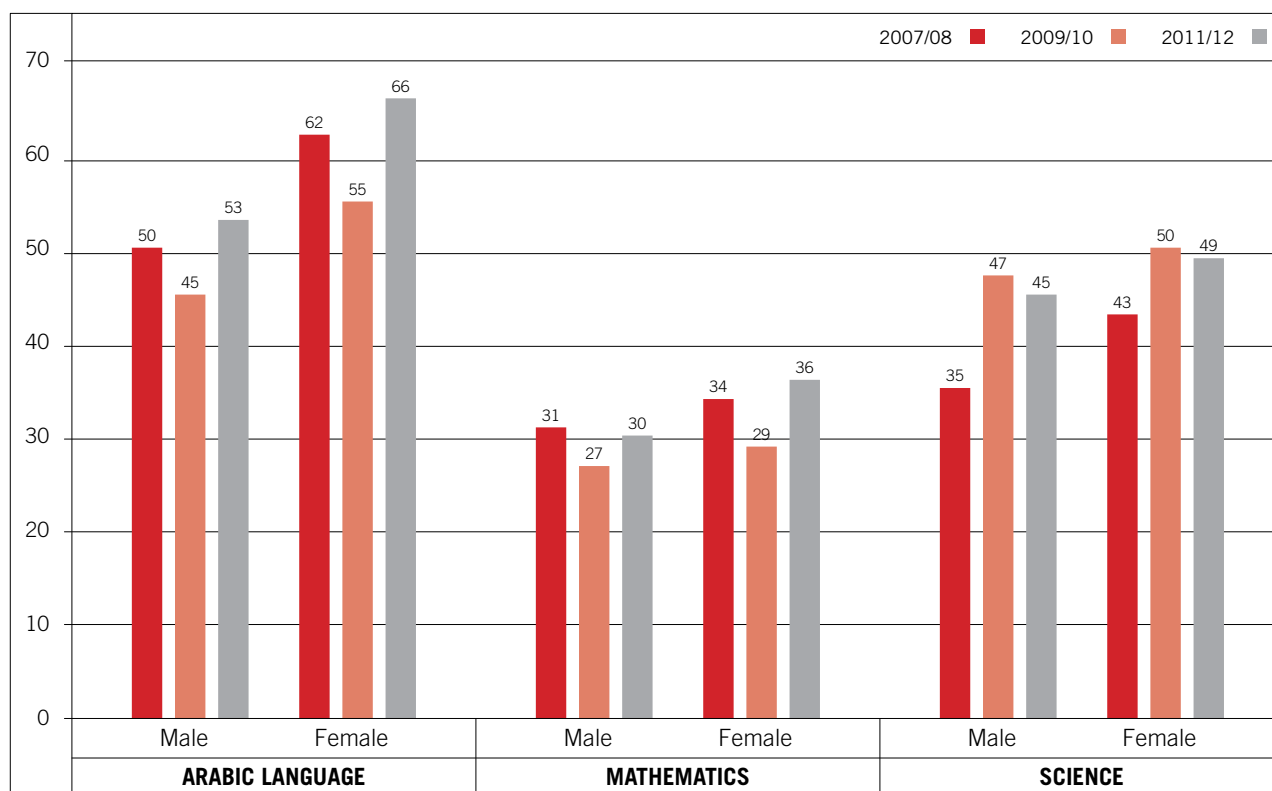
Indeed, poor academic performance in primary school has been called “alarming” (PCBS, 2014). Test scores in national exams for fourth grade students did not surpass the 50th percentile in math and science in 2011/2012, with males scoring only 30 per cent and females 36 per cent in math. Arabic language scores fared somewhat better, with males scoring an average of 53 per cent and female students averaging 66 per cent.

Scores for tenth grade students in 2011/2012 were even worse, with math and science averages not surpassing 30 and 37 per cent, respectively, with boys scoring lower than girls. In Arabic, males scored an average of 45 per cent, while females scored an average of 55 per cent.<sup>9</sup>

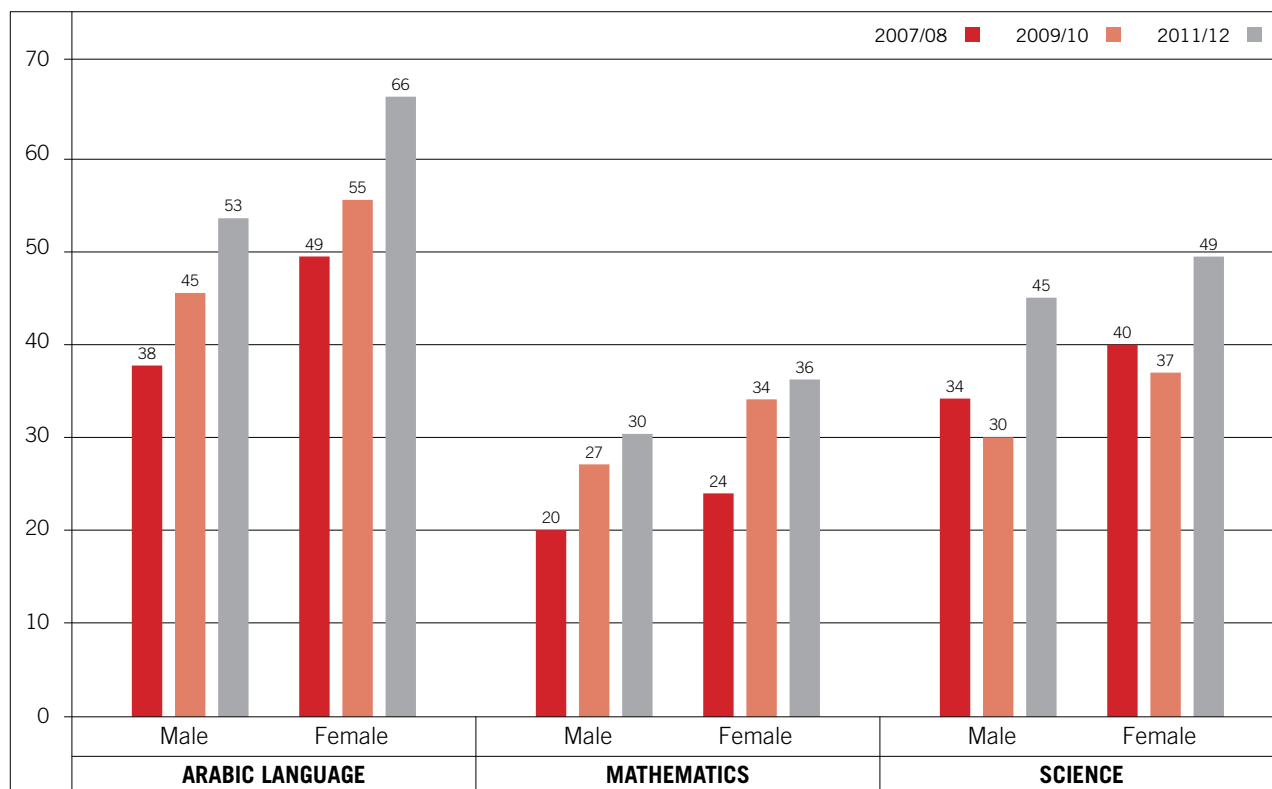
9 In a related issue, there are indications that enrolment in UNRWA schools serving refugees are not expanding their capacity at the rate required. Student enrolment in UNRWA schools actually declined between 2009 and 2014, despite overall population growth. UNRWA schools serve nearly 52,000 people and are an important support for some of the most vulnerable children and youth – those most affected by the weaknesses in the Palestinian economy (MAS, 2015).



**FIGURE 29** - Academic performance (%) of 4th graders in national exams



**FIGURE 30** - Academic performance (%) of 10th graders in national exams



This poor showing could have important ramifications for the workforce as it struggles to compete in the future. On the one hand, young people will be less prepared or competitive in the global labour market, but on the other hand, education's inability to provide a pathway to satisfactory work could continue to erode its reputation as a worthwhile investment.

*[E]xisting persistent national systemic barriers to the creation of a demand-driven, competency-based, flexible and responsive education system need to be overcome. The main general obstacles include the pervasiveness of the academic model, bureaucratic processes, and a lack of performance management systems. In addition, a vehicle for creating a vision for education, leading and coordinating its growth and development is lacking, and strategic planning for the education and business sub-sectors is missing. (ETF, 2010)*

## 6.2 POST-SECONDARY SCHOOL EDUCATION

Earlier, this report also showed that there is a correlation between additional years of post-secondary school education and unemployment that appears to stem from a lack of jobs, especially for female graduates. The OPT offers numerous opportunities for continuing education in the form of colleges and universities, training colleges, and an open university. This section explores some of the issues related to advanced education, whether it be academic or technical vocational education and training (TVET).

### i. Academic Education: High Enrolment, High Unemployment

There has been recognition by policy-makers that academic post-secondary school streams are not proving adequate for many students in preparing them to enter the job market. The high numbers of unemployed college graduates has created a bottleneck of frustration for younger generations who are unable to fulfil the quest for a dignified livelihood. Moreover, business owners are highly critical of the extent to which academic programmes are preparing students to enter the job market. A survey of 1,100 enterprises in Gaza in 2012 found that the number one soft skill that employers found lacking among prospective employees was "commitment and motivation" across all four job occupational categories (management, professionals, administrative and technicians). Other soft skills mentioned were communications, problem solving, teamwork, work under stress and ability to learn (Mercy Corps, 2012).<sup>10</sup>

Because the labour force participation rate for youth ages 15-19 is so low, i.e. the OPT does not have a culture that encourages young people to take up jobs along their path to higher education (rather than as additional family income). Most new graduates are entering the workforce for the first time after completing their education. This appears to have implications in terms of general preparedness as well as familiarity with workplace expectations, and rights and responsibilities as an employee. It is particularly true for females, who enter the workforce later than males, and are therefore at a disadvantage in general workforce preparedness.

The weakness of apprenticeships (see TVET section below) in the OPT - the fact that they are unaccredited, usually unpaid, and not developed in close collaboration with the private sector - is of critical concern. Students with academic degrees could be bolstered through strong apprenticeships with skills that help them in their transition into the labour market. According to the ILO (2014):

<sup>10</sup> Given that recruitment is not always competency-based, it is not surprising that the skills development system has little incentive to improve. The skills mismatch literature looks increasingly at the skills utilization part of the equation and less into the measurement of lack of skills through employers' surveys, particularly in the context of micro, small and medium-sized enterprises, as employers' identification and valuing of skills is not always adequate in the first place.

*By equipping youth with the skills they need in the labour market, quality apprenticeships can be an effective way of improving employment opportunities for youth and promote a smoother transition from school to formal sector employment. In the first instance, they can provide a learning pathway for youth at risk of dropping out early from initial education. This is particularly important as the lack of a secondary qualification is strongly associated across countries with poor labour market performance. By combining work and study, apprenticeship programmes can help attract and retain youth who have become disaffected with classroom-based schooling and are better suited to learning on the job. In addition, apprenticeships provide a good mix of basic competencies and job-specific skills, they usually allow participants to earn a wage while studying, and they offer valuable work experience.*

## **ii. Vocational Training: Developing Sound Policy and Programmes**

There are 76 TVET institutions operating in the OPT, in addition to more than 200 cultural centres that conduct TVET training as part of their charitable or other work. Still, the proportion of students that enter TVET is very small. Vocational training programmes enrolled less than 6.5 per cent of students in the 2010/11 academic year and less than 2 per cent of students in secondary education (in the agricultural and industrial streams only) were enrolled in TVET programmes during the 2013/2014 academic year (MAS, 2015).

The Government's National TVET Strategy outlines five main sources of funding for the TVET system. These are course fees, government subsidies, the National Training Fund (NTF), national and international grants and donations, and income-generating activities of TVET institutions. Levels of government and donor funding are the main factors determining TVET sustainability.

TABLE 5 - TVET institutions by responsible authority

RESPONSIBLE AUTHORITY	TVET INSTITUTION	NUMBER	DURATION	REQUIREMENTS OF ADMISSION
MOEHE	Vocational schools (industrial, agricultural, hotel managements and home economics)	17	Two Years	Tenth Grade Students
	Commercial Schools	9		
MOL	Vocational Training Centres	14	6 - 10 Months	Tenth Grade
MOA	14 Youth Rehabilitation Centres	16	Two Years	Target Groups
OTHER INSTITUTIONS (CONNECTED WITH GOVERNMENT SECTOR)	Prisoners' Club (Abu Jihad) and National Institute for Information Technology	2	2 - 9 Months / 30 - 1200 Training Hours	Target Groups
UNRWA	Vocational Training Centre	3	Two Years	9 - 12 Grade Students and Target Groups
NGO'S	Vocational Schools (Industrial and Hotel)	4	Two Years	Tenth Grade
	Vocational Training Centres	7	11 Months to Two Years	Target Groups
	Vocational Training Centres	3	6 - 11 Months	10 - 12 Grade Students
OTHER INSTITUTIONS (PRIVATE SECTOR, CULTURAL CENTRES AND WOMEN CENTRES)	More than 200 Cultural Centres are registered for Ministry of Education and Higher Education and Ministry of Labour		30 - 300 Training Hours	Very Dependent on the subject of training / education
<b>TOTAL</b>		<b>76 INSTITUTIONS</b>		

Source: MAS, 2015.

Higher enrolment in TVET is desirable, particularly because unemployment among vocational training graduates is low compared with graduates of academic programmes.

Drawbacks to vocational training include lower wages compared with those earned by university graduates, together with the lack of career perspective and lifelong learning. In addition, the majority of graduates of vocational programmes are absorbed by the services sector with inadequate involvement of the Government or private sector in vocational education and training (ETF, 2010). As this relates to female labour force participation, the current vocational training programmes are only perpetuating the horizontal segregation of the labour market by relegating women to traditional vocations and professions.

National education sector strategies have stressed the importance of increasing secondary school enrolment in vocational streams, but progress in this regard has been slow with higher TVET enrolment rates for boys than girls. The continued growth of the literary stream versus scientific education raises serious questions about preparedness and the extent to which graduates are meeting market needs.

*The core of a strong TVET system is industry engagement, whereby employers, industry associations and the TVET centers themselves are involved in joint planning to improve the relevance of TVET courses to the world of work. In the case of small businesses this includes a wide range of small-scale issues and constraints reducing the business profitability and productivity and their ability to engage with the training entities (USAID, 2011).*

Vocational training remains unattractive to many students, having been stigmatized as a pathway to wage earning fields. Registrants continue to be low-achieving students and training schools are viewed as undesirable or not prestigious.

SMEs, which make up the majority of the private sector, are resistant to hiring non-family members, thereby diminishing the incentive for TVET training (ETF, 2010). Moreover, the advancement of TVET faces numerous challenges, many of them detailed in a USAID study of seven TVET programmes run by NGOs (USAID, 2011), summarized as follows:

- **WEAK OVERSIGHT.** Despite the existence of a National Strategic Plan to formalize the TVET system, programmes continue to operate under a fragmented framework, without clear certification guidelines, and under the oversight of several different ministries. The Higher Council for TVET and Higher Council for Education are supposed to serve as oversight bodies but are generally inactive.
- **MISSING MARKET LINKAGES.** There seems to be very little coordination between TVET programmes and the private sector to determine market needs or assist students' transition into the workforce. (Further details on needs assessment and planning for workforce development is discussed in the following section.)
- **INADEQUATE USE OF APPRENTICESHIPS.** Most apprenticeships or work attachments in the OPT are unpaid, except for a small stipend for transportation. Of the NGO programmes studied, TVET apprenticeships were not regulated and there was no evidence of certificates being awarded when they were successfully completed. Vocational students reported seeking a more hands-on approach to training, and the use of paid work attachments would help employers to build a workforce rather than train students who then leave and go elsewhere.<sup>11</sup>
- **WEAK EMPLOYABILITY PROSPECTS OUTSIDE CLEARLY VOCATIONAL FIELDS.** Employers report that TVET graduates lack life skills such as language, customer service, attendance at work, and basic literacy in maths and English that would allow them to be successful on the job. In non-vocational sectors, there is evidence that the private sector gives preference to jobseekers with academic degrees and general skills, but then training them in the sector rather than investing in basic skills for TVET graduates that may fit the job profile.<sup>12</sup>
- **UNQUALIFIED STAFF.** For several reasons, including limited funding, staff in the seven programmes studied were not always qualified or certified to teach. While having knowledge in the specific trades, many lack skills for classroom teaching. Trainers and teachers are overworked and in demand (ETF, 2010).
- **LACK OF FUNDING.** Many TVET centres are funded by NGOs or churches, and are unable to generate enough funding or in-kind support to maintain stable operations. Tuition does not provide enough financial support to improve or expand programmes in a way that would make them more attractive or beneficial.

It would be remiss not to mention that, while there are some significant studies on labour and employment in the OPT and general economic tracking is in-depth and comprehensive, the promulgation of knowledge on such a critical issue could be stronger. Having identified the gaps in female labour force participation, for example, very little has been done to investigate and then develop policies around this issue. Likewise, the creation of a general strategy around promoting TVET has not resulted in follow-up and monitoring.

11 Some TVET centres in different countries have used work attachments as a way to generate income while creating opportunities for student training. A work attachment is any form of skills training that occurs onsite with an employer at the business or worksite. The VET-NGO League institutions, as well as public TVET Institutions, have agreements with employers where students may spend 2–3 months, or longer, at a worksite under the mentorship and guidance from a company supervisor (USAID, 2011).

12 Based on interviews with 550 businesspeople and government leaders (USAID, 2011).

*The OPT is not productive when it comes to the generation of knowledge. The challenge is to improve the use and exploitation of publicly funded research and development. Although there are a number of programmes that strengthen pathways through which the knowledge generating capacities of public higher education and research can work together with enterprises to bring innovations to the market, the level of lasting strategic cooperation between the two sectors is still too low. (ETF, 2010)*

### **6.3 ASSESSMENT OF WORKFORCE DEVELOPMENT NEEDS**

Effective workforce development for job-rich growth requires credible assessments of the demand for skills, engagement of employers in shaping education and workforce development agendas, as well as of incentives for employers to support skills development. While some positive, yet modest, steps have been taken by institutionalizing employer engagement at the local level and occasionally conducting assessments of economic prospects and skills implications at the local level, the overall consensus among stakeholders interviewed was that market assessments need to be further developed and strengthened.

At the national level, no formal assessments of economic prospects and their implications for skills have been conducted. At the local level, two major assessments of all economic sectors in selected governorates were conducted in 2011. The Belgian Technical Cooperation (BTC) assessed the needs for a trained labour force and the German Society for International Cooperation (GIZ) examined economic opportunities. These two assessments were conducted with strong participation by the Chambers of Commerce, Industry and Agriculture. In addition, USAID and Save the Children funded a TVET gap analysis at seven TVET institutions.

Moreover, no assessments of economic prospects or identification of skills constraints has taken place at the national level. This holds true even in the priority sectors of manufacturing, tourism, agriculture, and ICT. At the local level, constraints on critical skills have been identified in four governorates (out of 11) in the West Bank.

Employers and industry play a limited role in defining workforce development priorities, especially at the strategic level, and make few contributions to address skills constraints. The Higher Vocational and Technical Education Council, envisioned to institutionalize employer engagement, has not been active. The other national platform, the Tripartite Committee at the MoL, composed of representatives from the Government, employers, and workers, is supposed to “propose general policies directly concerned with employment and vocational guidance and training”. Although meetings are held every four months, discussions and decisions focus on issues related to the minimum wage and labour disputes rather than skills-related subjects.

At the local level, employers and industry help define workforce development priorities on a routine basis through their participation in the LET Councils. Employers and industry are involved in defining and providing inputs for the setting of strategic workforce development priorities through their involvement in national programmes/projects. Employers and industry have supported these programmes and projects aimed at addressing skills constraints, mainly by providing internships, apprenticeships, and other work-based learning, and sometimes through supporting curriculum development.

Directions for a policy agenda for aligning education and workforce development to economic development were put forward through consultations with the relevant ministries and private sector actors in a 2013 report on workforce development in the OPT (World Bank, 2013). Discussions with stakeholders suggest that while some headway has been made in implementing these

recommendations, most continue to be largely relevant. The recommendations have a focus on a demand-driven approach, institutionalizing the involvement of employers and industry. A focus on continuing vocational education and training (CVET) is also advocated.

# **7. THE ENABLING ENVIRONMENT: LEGAL AND INSTITUTIONAL FRAMEWORK AND BUSINESS ENVIRONMENT**

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## 7.1 LAWS AND REGULATIONS

The legal environment in which labour legislation is promulgated in the OPT is fragmented and stymied by political conflict and internal divisions within systems of governance. The West Bank and Gaza have different legal frameworks to begin with, as the West Bank fell under Jordanian control prior to 1967 and Gaza was historically controlled by Egypt. Layered onto out-dated British Mandate and Ottoman laws are Israeli military regulations, which the PA has mainly supplanted in areas under its control post-Oslo. Since 2007, the elected Palestinian Legislative Council has been inactive as a result of the internal schism between the West Bank and Gaza, a situation that created a legislative impasse, although the Palestinian president has passed numerous laws by decree.

In Israel, Palestinian workers are covered by Israeli labour law and collective agreements, although their effective application in practice remains a concern. Practical problems include incomplete payslips and the absence of labour contracts. Palestinians working in Israel face difficulties in claiming compensation and accessing health care due to a myriad of reasons, including fear of losing their job, lack of awareness regarding their rights under Israeli law, or because of their irregular status. Hence, the labour conditions of Palestinian workers depend, to a large extent, on the capacity of the Israeli inspection services to enforce the applicable labour legislation.

In 2007 the Israeli High Court of Justice ruled that Israeli employers in the West Bank must abide by Israeli labour laws with respect to all their workers. Until now, Israel has only applied a small part of its legislation, including the minimum wage, through military orders, and labour inspection activities in the settlements remain largely absent.

### i. Labour Law and Minimum Wage

Palestinian Labour Law No. 7 was adopted in 2000 as part of reforms designed to unify the fragmented legal systems of the OPT and to create a set of essential laws that would pave the way for a modern legal infrastructure for the OPT. The law, ratified in accordance with ILO and Arab Labour Organization (ALO) standards, establishes that work is a “right of each citizen who is capable thereof”. It stipulates that the PA is required to “provide [work] on the basis of equal opportunities and without any kind of discrimination whatsoever”. Civil servants, domestic workers and first-degree family members of the employer are exempted from these provisions of the law.

Since passing this law, more than 30 bylaws and amendments have been added to support its implementation. These cover aspects such as ratification of the minimum wage legislation (discussed below) through a wage committee, ratification of foreign worker permits, social security, specific occupational issues, workplace safety and general safety standards, religious holidays, further anti-discrimination clauses, first-aid training requirements, and domestic work, among others.

The Palestinian MoL, which employs some 900 officials in its Ramallah headquarters and in 14 regional labour offices in the OPT governorates, is responsible for labour legislation enforcement (through labour inspection), as well as other key policy areas such as employment promotion, working conditions, and labour relations.

Although the Labour Law and other relevant legislation have brought worker’s rights into line with international conventions and ILO standards and has unified the regulatory framework for the West Bank and Gaza, the Law and some of its regulations have affected certain aspects of job security (EFT, 2013). For example, while the law imposed more restrictions on and increased costs of dismissing employees (with consequences for the duration of transition from education to work), it

did not address workers' concerns over the lack of statutory severance pay for workers employed for less than one year.

The argument has been made that the Law has had an adverse effect upon the hiring of women and new graduates, i.e. by establishing the right to maternity leave and severance pay after one year of work employers are less inclined to hire women and more likely to offer short-term contracts (EFT, 2013). Surveys of working conditions have indicated, however, that enforcement of the law is extremely lax, with large numbers of workers not being paid minimum wage or receiving other protections.

In October 2012, after almost a year of negotiations between representatives of the Government, employers, and workers, the Palestinian Council of Ministers ratified regulations that set a national minimum wage for Palestinian workers in the OPT. The minimum wage was set at 1,450 ILS per month, 65 ILS per day, and 8.5 ILS per hour. The regulations became effective at the beginning of 2013, following an interim period set for wage settlement disputes between workers and employers in firms that pay less than the minimum wage. The analysis in section 5.7 showed that some 126,500 employed individuals earn less than the minimum wage, highlighting a large gap in both adherence and compliance (and capacity to pay, some argue) of employers and enforcement capacity of the Government— mainly the MoL.

It is thus widely acknowledged that the Labour Law, and relevant labour legislations more generally, need to be amended to address existing weaknesses and gaps, including the lack of coverage of certain segments of the labour force.

*The labour law in its present form excludes large segments of the Palestinian labour force including: self-employed workers, seasonal workers, unpaid family workers, domestic workers and those involved in unpaid domestic care and reproductive work at home. In addition, the law does not cover Palestinian workers inside Israel or in the settlements. Accordingly, the law is clearly not sufficiently gender sensitive and does not protect women working within the previously mentioned spheres. (Botmeh, 2013)*

Within the framework of the ILO's DWP, it has been supporting a consultative process to reform labour legislations, which is envisaged to continue through to 2020. A number of technical tripartite committees have been established to deal with key aspects of the reforms, such as labour conditions, occupational safety and health, and labour inspection. There are also ongoing discussions and consultations, with ILO support, among key stakeholders concerning the trade union law with the objective of bringing the draft law into full compliance with relevant international labour standards. Furthermore, the National Wage Committee is expected to work on revising the level of the minimum wage, which has not been adjusted since 2012, following several requests by trade unions.

The General Directorate for Labour Inspection and Administration (GDLIA) is the entity within MoL responsible for enforcement of the Labour Law through general inspections of workplaces for adequate work conditions, including inspecting child labour and the work conditions of employed children. While the capacity-building support (mainly by ILO) to GDLIA has substantially improved coverage and quality of inspection services and strengthened inspection-related institutional infrastructure, the capacity of the GDLIA continues to be constrained by lack of sufficient human, physical and financial resources, as well as lack of integration and weak coordination with other departments in the MoL (e.g. General Directorates of Employment and Labour Relations).

Other capacity gaps that are directly relevant to the human resource capacity of the labour inspectorate include: lack of a realistic succession plan; comparatively low remuneration, including lack of

provisions for an “inspection allowance” as is the case in other sectors (e.g. health inspectors); no clear career path for inspectors, with limited opportunities for professional development and promotion. Combined with the lack of resources discussed earlier and the absence of specialized labour courts, these factors threaten to erode the motivation and professionalism of the labour inspection team, with consequences for MoL’s ability to promote decent work and ensure compliance with labour legislation.

It thus bodes the ILO well, going forward, to persist in its technical support to MoL and social partners to reform labour legislations with the view of enhancing labour market performance. Supporting the PA to enhance its employment and labour policy instruments in particular, and policy space more generally, could play a significant role in deepening the effectiveness of these legislative reforms.

## ii. Social Security

The first ever law on social security for private sector workers and their family members was adopted by the Palestinian cabinet in February 2016 and signed by President Mahmoud Abbas a month later.<sup>13</sup> The law then underwent revisions due to the concerns raised by representatives of civil society, and the amended law was signed by President Mahmoud Abbas on 29 September 2016.

The new legislation provides for defined benefits for old age, disability and death, as well as employment injury. It also includes maternity protection insurance, with a view to encouraging employers to hire more women, thus contributing to an increase in women’s labour force participation (UN, 2016b). The new law requires the establishment of a social security institution for the administration of the social insurance schemes provided for by the law. This is currently under way and the first contributions are expected to be collected by January 2018. The new system is projected to cover over 300,000 workers by 2025.

The new social security institution will be built on a solid technical and analytical foundation. Underpinning its establishment are a number of actuarial and legal studies carried out by the ILO, as well as a comprehensive ILO report providing guidance on the investment policy of the social security system. In order to increase knowledge of the benefits and obligations arising from the new legislation, the PA is now preparing a national information campaign. Further support is required to fill the funding gap and assist the institution in making its first steps towards operational sustainability.

In addition, the PA is developing a national Social Protection Floor, in coordination with the ILO and other UN agencies, and is carrying out a study to assess the fiscal space for its progressive establishment. Furthermore, it is undertaking a comprehensive assessment, gap analysis and an administration study on existing cash transfer programmes.

## iii. Tax Legislation

All imported goods enter through Israel, so the PA has no control over customs, VAT, and many other tax revenues. Importers pay customs, VAT, purchase taxes and other forms of tax to Israel, which, in turn, transfers it, less 3 per cent for administration and other costs, provided that the PA holds the corresponding invoices submitted by importers. Hence, the PA lacks control over a significant source of its revenues, and often endures significant fiscal leakages as a result. The Israeli-Palestinian ministerial meetings in early 2016 managed to achieve good progress in clearing

<sup>13</sup> Law No. 6 of 2016 on Social Security, Official Gazette, 20 March 2016.

a large part of the stock of fiscal leakages owed to the PA. Nevertheless, a systematic mechanism to stop the accumulation of these leakages is yet to be put in place.

The Palestinian income tax law was promulgated in 2001 and has since been amended on several occasions, most recently in 2015. For individuals, for instance, new tax brackets were introduced in 2004 in an effort to alleviate tax burdens. In 2015, further amendments were made by presidential decree, with the rate set for the lowest bracket (up to 75,000 ILS annually) at 5 per cent, after waiving the first 36,000 ILS. As for corporation tax, two levels (15 and 20 per cent) were introduced in the 2015 amendments, with the former applying all types of businesses irrespective of size, and the second applying only to large telecom companies and companies with exclusive government-issued licenses to supply goods or services. These recent changes in the income tax law faced a public outcry, particularly from workers' organisations who were advocating for reducing rates and increasing the threshold of earnings exempt from income tax.

Formal businesses and employers organisations interviewed in the West Bank described the taxation system as being unduly burdensome, with the latter group stressing that it is particularly disadvantageous to micro, small and medium-sized enterprises (MSMEs), given that large companies benefit from tax exemptions. Entrepreneurs, on the other hand, considered taxes (as well as the business registration process and related costs) to be one of the main constraints preventing them from registering and formalizing their businesses.

VAT is applied to all local and imported goods and services at a rate of 16 per cent. Exemptions from VAT are granted only to projects benefiting from or supported by the PA, and for approved activities financed by UN and donor agencies. VAT exemptions are not granted directly to private businesses, and the income these businesses derive from such contracts is subject to the standard taxation rate. VAT refunds are approved for businesses providing evidence of entitlement but, due to fiscal constraints, they are often paid much later than their due dates, if at all. VAT refunds have been a significant component of arrears the PA has accumulated in recent years, with consequences for finance from operations for beneficiary businesses.

Moreover, as per the Paris Protocol, Palestinian VAT may be no more than 2 per cent below the VAT rate set in Israel. Not only does this constrain the fiscal space available to the PA in designing market-oriented taxation policies, but it also subordinates the Palestinian economy to that of Israeli economy, with negative implications for competitiveness and growth.

## **7.2 NATIONAL STRATEGIES AND EMPLOYMENT POLICIES**

### **i. National Policy Agenda 2017 - 2022**

The Council of Ministers of the PA approved the first ever six-year (2017–2022) National Policy Agenda (NPA) in December 2016 (PA, 2017). The NPA, along with sectoral and crosscutting strategies constitute the OPT's fourth National Plan since 2008. The document's title, Putting Citizens First, signals the PA's commitment to prioritising citizen-oriented government services, where public institutions embrace a citizens agenda and promote sustainable development by providing high-quality public services, fostering job creation through inducing private sector investment, and providing stronger social protections for the poor and vulnerable. The NPA highlights the need for accountability and transparency of government institutions, introduces a new performance management system and includes strong provisions against corruption.

The NPA identifies "Economic Independence" as one of ten policy priorities, recognising that, under occupation, economic policies must strike a balance between measures that will immediately

create jobs and those that will be required in the future for a competitive, independent economy. It underscores import substitution, export readiness, and removing cumbersome regulations and supporting business start-ups and MSMEs as key policy ingredients. Recognizing the urgency of finding solutions to the employment crisis, the NPA prioritizes the creation of jobs. These include expanding the PFESP, boosting job creation through public–private partnerships, and developing employment promotion programmes for graduates, while ensuring a safe work environment.

The NPA also recognises that the development gap between the West Bank and Gaza must be bridged, beginning with recovery, reconstruction and rebuilding of Gaza’s industrial base, but aiming towards a vibrant, integrated future Palestinian economy. And it confirms government commitment to work closely with the OPT’s private sector and research and academic institutions to develop and implement an economic strategy.

Key policy priorities and interventions related to employment under the NPA’s Economic Independence priority are illustrated in the table 6, which identifies important entry points for the ILO’s policy dialogue and programming with the PA and its social partners. These are based on the more detailed interventions identified in the relevant sectoral and crosscutting strategies.

**TABLE 6** - NPA 2017-2022 – Key policy priorities and interventions relevant to employment and the labour market

<b>POLICY PRIORITIES</b>	<b>POLICY INTERVENTIONS</b>
<b>BUILDING PALESTINE’S FUTURE ECONOMY</b>	Rebuild Palestine’s productive sectors, focusing on manufacturing, agriculture, tourism and restoring Gaza’s industrial base.
	Attract domestic and foreign direct investment, focusing on construction, tourism, agriculture, energy and ICT sectors.
	Expand international trade and exports.
<b>CREATING JOB OPPORTUNITIES</b>	Expedite job creation through public-private partnerships.
	Develop job creation programmes for graduates, ensuring equal opportunities for women.
	Expand the Palestinian Fund for Employment and Social Protection (PFESP). Ensure a safe work environment through the application of health and occupational safety standards.
<b>IMPROVING PALESTINE’S BUSINESS ENVIRONMENT</b>	Support business start-ups and MSMEs.
	Support and expand co-operatives.
	Cut red tape for business through smart regulation.
	Support and promote the digital economy. Enhance the role of ICT as a business enabler.
<b>PROMOTING PALESTINIAN INDUSTRY</b>	Support and protect national products, increase competitiveness and expand import substitution.
	Increase Palestinian products’ share of the local market.

Recognising the centrality of education to economic growth and sustainable development, the NPA identifies “quality education for all” as another national priority, building on the PA’s longstanding commitment to quality and equality in education. With universal education nearly reached in the OPT, the focus of the NPA is on enhancing relevance and quality of education, with enhancing the transition from education to work being a key policy. The NPA underscores the following as key needs for this purpose: (1) greater alignment between TVET and higher education institutions

with labour market needs, (2) upgraded and expanded TVET infrastructure and facilities; and (3) enhanced scientific research capacity.

## ii. Public Financial Management Strategy

Generally, the PA has approached the challenging economic outlook by doubling down on austerity measures to try to close the revenue gap in recent years. A new Public Financial Management (PFM) Strategy has been recently developed in line with the NPA, where fiscal balances and improved service delivery are key objectives.

The strategy identifies clearly existing gaps and how to address them, including through elaborating an Organic Budget Law, strengthening commitment controls, enhancing accounting systems, and regular and timely auditing of revenue and expenditure. Budgetary proposals include increasing revenue through fees and changing taxation on tobacco products (IMF, 2017).

There has been some discussion as to whether this is the correct approach, given the particular circumstances of the Palestinian economy, where significant leakage exists due to the political situation. Some analysis proposes that austerity will in fact aggravate the problem (UNSCO, 2017), particularly vis-à-vis the trade deficit and unemployment (UNCTAD, 2017). The general perception of interviewees was that, in order for the OPT to capitalize upon its demographic dividend, investment is required to ensure that the jobs are available for the waves of additional workers expected over the next 30–50 years. Indeed, public investment in industrial infrastructure, the water and energy sectors, but particularly in labour-intensive economic and social sectors is very much needed to crowd in the type of private investment needed in these sectors to create decent jobs.

## iii. Labour Sector Strategy 2017 - 2022

The Labour Sector Strategy 2017–2022 is a key planning document establishing strategic goals for the labour sector, such as the reduction of unemployment, development of TVET, empowering of cooperatives, strengthening of the sector's institutional capacities and reform of its underlying legal framework. Importantly, it also signals the intention of the PA to promote decent work by establishing a well-developed labour administration system, enhancing tripartism, promoting freedom of association and social dialogue as a means for developing and regulating the labour sector, and combating child labour. This strategy is built on an extensive partnership between the national labour administration system and its multiple governmental and non-governmental partners.

The labour sector strategy contributes to all ten policy priorities of the NPA, as well as to 13 out of the 14 policy interventions under the Economic Independence priority. It builds on previous and integrates current strategies developed for sub-sectors included under the labour sector as well as MoL departmental plans, including employment, TVET, and cooperatives. Table 7 provides a summary of the alignment between the Labour Sector Strategy and the NPA's policy interventions under the economic independence priority, including the General Directorates responsible for contributing to each.



TABLE 7 - Alignment between Labour Sector Strategy 2017-2022 and NPA

ECONOMIC INDEPENDENCE - PRIORITY INTERVENTIONS	MOL GENERAL DIRECTORATE RESPONSIBLE FOR CONTRIBUTION TO PRIORITY INTERVENTIONS				
	EMPLOYMENT	TVET	CO-OPERATIVES	INSPECTION	LABOUR RELATIONS
Rebuild Palestine's productive sectors, focusing on manufacturing, agriculture, tourism and restoring Gaza's industrial base		X	X		X
Attract domestic and foreign direct investment, focusing on construction, tourism, agriculture, energy and ICT sectors	X		X		
Expand international trade and exports		X	X		
Expedite job creation through public-private partnerships	X	X	X		X
Develop job creation programmes for graduates, ensuring equal opportunities for women	X	X			
Expand the PESPF	X		X		X
Ensure a safe work environment through application of health and occupational safety standards				X	
Support business start-ups and MSMEs	X		X		
Support and expand co-operatives	X		X		
Cut red tape for business through smart regulation					X
Support and promote the digital economy	X	X			
Enhance ICT's role as a business enabler					
Support and protect national products, increase competitiveness and expand import substitution			X		
Increase Palestinian products' share of the local market			X		

#### iv. Social Protection Infrastructure

The Palestinian social protection sector is quite diverse, with an overlapping – and occasionally competitive – network of governmental organisations and institutions, local and international non-governmental organisations (NGOs), charitable associations, UN agencies, and international organisations. Familial kinship is also an important element of the social safety net in the OPT.

The Ministry of Social Development (MoSD) is the key government body tasked with creating, implementing and managing social protection policies in both the West Bank and Gaza (MoSD, 2016). The MoSD operates through 17 directorates, 15 branch offices, and an additional 33 centres that provide specialized services to target households and groups with particular needs. Several other government organisations deliver social assistance to vulnerable and poor segments of the population, both on a regular and ad-hoc basis. For example, The Ministry of Health (MoH) provides free health insurance to poor and extremely poor families that benefit from MoSD's services and the Ministry of Education (MoE), exempts the poor and extremely poor from government school fees. The Zakat Committees provide support in the form of charity and alms to orphans, poor families, and vulnerable groups both in the West Bank and Gaza, including regular cash assistance to widows and orphans (MoSD, 2016).

Relief and social protection services are also provided by a wide array of international NGOs and development and humanitarian actors, including the European Union (EU), the World Bank, the United States Agency for International Development (USAID), and various UN agencies. Among the latter, the most prominent providers of social protection and humanitarian assistance are the

United Nations Development Programme (UNDP), the United Nations International Children's Fund (UNICEF), World Food Programme (WFP) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (MoSD, 2016).

After MoSD, UNRWA is the second largest relief and social protection provider in the OPT in terms of services offered and coverage. UNRWA provides primary healthcare, basic education, cash and food assistance, and other forms of immediate support and relief to poor and marginalized refugees. As the majority of the Gaza population are UNRWA-registered refugees, UNRWA is a major player in Gaza. In addition to UNRWA, the EU is a primary funder of the PA's social assistance programme (particularly its cash transfer scheme). The WFP provides food assistance and cash-based transfers (food vouchers) to poor households via MoSD and through international NGOs, and the World Bank offers limited cash assistance to poor households through the Palestinian National Cash Transfer Programme (see below).

The Palestinian National Cash Transfer Programme (CTP) was launched in 2010 and has since become the largest cash-based social assistance programme in the OPT. It aims to alleviate poverty by providing cash assistance to poor and extremely poor Palestinian families (MoSD, 2016). The launch of the CTP resulted in a major reform of the national cash transfer system. This included an important overall shift to poverty-based targeting, a substantial expansion of coverage, and the creation of a unified national registry system or database of beneficiaries.

In December 2016, the MoSD launched the Social Development Sector Strategy (SDSS) for 2017–2022. Reflecting the transition the MoSD made in 2016 from social assistance towards social development and reconfirming earlier policies aimed at strengthening linkages between social services, the SDSS espouses a holistic approach to social assistance and protection driven by a vision of an “impervious, immune, productive and innovative Palestinian society that [works together and] provides a dignified life to all of its members and unleashes their potential, and believes in [their] rights, equality, equity, partnership and integration” (MoSD, 2016). The SDSS is set to achieve this vision through three complementary goals, designed to induce a gradual transition towards improved responsiveness to the social development and protection needs of Palestinians on the basis of improved multi-dimensional poverty measurement. The SDSS goals are: (1) alleviate poverty among Palestinians; (2) remove all forms of social marginalization and exclusion; and (3) strengthen social cohesion within Palestinian society. The CTP is the largest programme under the SDSS in terms of both budget and planned number of beneficiaries. It has an estimated annual budget for 2017 of about \$140.5 million and a planned coverage of 120,000 households on average per quarter (MoSD, 2016).

The CTP has undergone important reforms since it was launched and has developed to the point where its poverty-based targeting approach has become recognized as one of the most efficient cash-transfer programmes globally. While the CTP's targeting approach has increased the efficiency of targeting and paved the way for greater harmonization of targeting mechanisms across several organisations, its reliance on a sole computerised consumption-based targeting tool for targeting and its lengthy registration and eligibility verification processes renders it largely ineffective in addressing emerging economic poverty and social exclusion and vulnerability, such as workers who suddenly lose their jobs.

The view that social wellbeing is central to the measurement of poverty is widely shared among social development stakeholders in the OPT, including MoSD. For this purpose, the PA is currently in the process of designing a framework for the measurement of multi-dimensional poverty, which will ultimately produce a revised poverty line and report. The framework involves two spaces: economic wellbeing and social wellbeing. The economic wellbeing will be captured by one dimension and one



indicator: the usual monetary poverty line.<sup>14</sup> Social wellbeing will be captured by assessing the level to which households enjoy rights enshrined in the Palestinian Basic Law on 10 social dimensions. Whether an individual enjoys their right to work is one of these ten indicators. Economic wellbeing will account for 50 per cent of overall poverty, with the remaining human dimensions accounting for 50 per cent. Using this framework, the population can be classified as being either multi-dimensionally poor, income poor, socially deprived (i.e. not poor economically, but poor on the social dimensions), and not poor. The type (monetary and/or non-monetary) and amount of social assistance to be provided will be based on this classification (MoSD, 2016).

The SDSS 2017-2022 espouses the need to develop the way the social sector operates and coordinates in order to improve responsiveness to both monetary and non-monetary aspects of poverty. It underscores the need to move the focus of social protection in the West Bank and Gaza away from its current cash assistance-centred approach (through the CTP) to a more comprehensive and integrated system of social protection and development services, where the poor across the different categories of poverty get various forms of assistance they need through a strengthened case management and referral system. Such a system would involve the PA institutions, NGOs and the private sector working in concert together. Ultimately, the aim is to render the CTP as a last priority option for providing social assistance in the West Bank and Gaza (MoSD, 2016).

## 7.3 WORKERS' AND EMPLOYERS' ORGANISATIONS

### i. Labour Unions

Labour unions in the OPT are largely the vestiges of the union movement that prevailed in the 1920s. Today they are plagued by the same political disputes that divide the political landscape. There are three main labour unions in the OPT, along with some Islamic trade unions that often function more as charitable associations. As mentioned earlier, the ILO is currently supporting the process of drafting a Labour Union Law, ensuring that it is in compliance with its Conventions and Recommendations.

The largest, the Palestinian General Federation of Trade Unions (PGFTU) represents some 350,000 workers, 40,000 of them being women, and seeks to defend workers' rights, work towards greater financial independence and increase membership, especially female participation. Its work is fragmented between the West Bank and Gaza (EFT, 2013).

Eight unions in Gaza encompass workers across a number of sectors: food and agriculture, textiles, transportation, services and trade, metalworking, construction and wood working, telecommunications and post, and municipal employees. In the West Bank, there are 186 local unions under the umbrella of 12 national unions (representing food and agriculture, textiles, transportation, banks and insurances, sewing and leatherworking, construction, public services, telecommunications and post, print and graphic design, health, chemistry and tourism) (EFT, 2013).

Total trade union membership in 2015 exceeded 236,000 workers (some 190,000 men and 46,600 women). Trade union density is relatively high in the health and social services sector, education and public administration, but it is much lower in most of the private sector (PCBS, 2015).

In 2016, only 18.8 per cent of workers reported that they were union members, with slightly greater female representation at 25.7 per cent versus 17.5 per cent of males (PCBS, 2017b). Regionally, membership rates among both female and male workers is much higher in Gaza than it is in the West Bank, with 32.4 per cent of workers in Gaza belonging to a labour union versus only

<sup>14</sup> This approach sets a poverty line as defined by a threshold income below which a person is considered to be poor.

13.1 of workers in the West Bank. Reportedly, low unionization rates are mainly the result of weak governance, lack of awareness among workers, and perceptions of low membership value.

## ii. Chambers of Commerce, Industry and Agriculture

At present there are 18 chambers of commerce, industry and agriculture (CCIA) in the OPT (13 in the West Bank and 5 in Gaza), including East Jerusalem, as well as the Palestinian Federation of Chambers of Commerce, Industry and Agriculture (PFCCIA).

CCIAs provide a wide range of services to their members and the general public. These services mainly aim to improve members competitive advantages and help them expand their market reach, including through training, trade facilitation, and organizing exhibitions. In addition, these chambers provide information on the general business and social environment surrounding the private sector. Legal, financial and performance problems have all weakened these chambers' effectiveness and their capacity to serve the private sector in the OPT. Currently, membership in the chambers comprises 65,000 enterprises, or an estimated 40 per cent of all establishments in the OPT. In most chambers, however, active membership (i.e. members who have paid their annual membership dues) represents less than half of total membership.

CCIAs are mandated by law to offer a set of exclusive services that secure a steady stream of revenues for them. Yet, capacity gaps and weak business models, particularly among the smallest chambers and their fragmentation, are constraining CCIAs' ability to provide services and fulfil their legal mandates.

The PFCCIA was established in 1989 in Jerusalem as the umbrella organization for all CCIAs in the West Bank and Gaza, as a legal and autonomous body representing the interest of all chambers and the private sector more generally. The CCIAs constitute the General Assembly of the Federation, and they elect its board. The last elections for both Chambers and the Federation in the West Bank was in 2011, whereas elections were held in 2014 for the Gaza Chambers. The PFCCIA's mandate is derived from the Palestinian Chambers' Law of 2011, which defines the legal boundaries for its operations. The key objectives of the PFCCIA are as follows:

- Developing the performance of member CCIAs, enhancing their contribution to national and local economic development through the provision of high-quality services;
- Lobbying and advocating for the interests of members and the private sector;
- Strengthening network relations of Palestinian chambers at the national, regional and international levels; and
- Increasing the market share of Palestinian products and exports.

## iii. Palestinian Federation of Industries

The Palestinian Federation of Industries (PFI) is the national institution representing the Palestinian industrial sector through its 15 federated associations (specialized industrial unions of employers) representing specialized industries. Aside from lobbying on behalf of its members associations in the various industries, the PFI's primary objectives include strengthening the capacity of member associations to serve their members while enhancing the competitiveness of Palestinian industry, including through the provision of specialized technical assistance and training, skilling and apprenticeship programmes.

With funding from the French Agency for Development (AFD), the PFI launched the Palestinian Upgrading and Modernisation Programme (PUMP), which has become one of the PFI's flagship

programmes. Through PUMP's competitiveness-enhancement focus, the PFI provides direct technical assistance to small and medium-sized industries to enhance the effectiveness and efficiency of their operations on the basis of a methodical diagnostic process and cost-sharing arrangements. Over the next three years, with AFD's support and using PUMP's approach, the PFI aims to assist 50 industrial enterprises in the food, chemical, metal, and plastic industrial sub-sectors to undergo diagnostic assessments and upgrade their competitiveness.

With UNDP funding the PFI, in partnership with the University College of Applied Sciences, has recently launched *Maharat*, an industrial-focused business incubator in Gaza. As of November 2017, the PFI was seeking funding to open a branch of *Maharat* in the West Bank.

## 7.4 NATIONAL COMMITTEE FOR WOMEN'S EMPLOYMENT

With support from the ILO and UN Women, the MoL played a key role in establishing the National Committee for Women's Employment (NCWE) in 2012 as an advisory committee tasked with supporting the Government in developing legislation, policies, and programmes that promote the employment of women and increase their participation in the labour market. In addition to the MoL and employers' and workers' organisations, NCWE members include representatives of more than 20 governmental and non-governmental organisations. The Minister of Labour presides over the Committee, and the Gender Unit of the MoL acts as the NCWE's Secretariat. Elected representatives of member ministries and governmental and non-governmental institutions make up the Permanent Bureau of the committee, which is coordinated by an elected coordinator.

The roles and responsibilities of the NCWE include:

- Developing policies that strengthen and increase women's economic participation and which help protect and guarantee their rights;
- Proposing draft laws and other legislation related to the objectives of the National Committee and follow up their adoption with the relevant authorities;
- Building the capacity of government bodies and non-governmental organisations, whose objectives intersect with those of the Committee, through the provision of technical and advisory support;
- Providing support and assistance to the MoL as the official body responsible for protecting, monitoring and implementing the Labour Law;
- Promoting and mainstreaming the concept of gender equality in policies, programmes and plans relating to the employment of women;
- Setting priorities for advocacy, media attention and increasing public awareness and mobilization on gender equality for women's employment in the Occupied Palestinian Territory;
- Strengthening the role of monitoring and observation and lobbying for greater employment opportunities for women.

The NCWE received considerable support and technical assistance from the ILO and UN Women to develop a strategic framework for its work, which has also received technical and financial support for implementation. While considerable progress has been made in developing the NCWE and institutionalising its work, its capacity to fulfil its technical mandate remains weak and its level of activity and ability to deliver its objectives continues to be largely dependent on external assistance.

## 7.5 HIGHER COUNCIL FOR YOUTH AND SPORTS

The Higher Council for Youth and Sport (HYS) was established in 2011 by Presidential Decree to be the supreme entity responsible for enhancing the engagement of Palestinian youth in all aspects of social, economic and cultural life. The HYS operates in the West Bank and Gaza, with headquarters in Ramallah and regional offices across the West Bank.

In 2016, HYS launched the 2017–2022 National Youth Strategy (NYS), following a consultative process that spanned a little over a year and involved the participation of more than 5,000 stakeholders. The NYS, which is yet to be endorsed by the Council of Ministers, is quite significant from an employment and labour perspective as it identifies economic empowerment, poverty alleviation, education and training as strategic areas of intervention. Job creation and employment services are central elements of NYS interventions. While it is not yet clear how the NYS will be coordinated and aligned with other sectoral strategies with similar objectives, it is quite likely that, once endorsed, strategy implementation will build on the work that HYS has already started. In 2016, HYS received \$0.6 million from the Islamic Development Bank (IDB) through the UNDP's Deprived Families Economic Empowerment Programme (DEEP) to provide temporary (one year) employment opportunities in HYS offices for 100 humanities graduates.

## 7.6 BUSINESS ENABLING ENVIRONMENT

Trade and labour distortions (as discussed earlier in this report) lead to both low productivity and low-growth outcomes through export and labour specialization in relatively low value-added activities. In the OPT this distorted incentive framework is exacerbated by high risk and uncertainty linked to the persistence of occupation, limited fiscal space for effective economic policy, as well as a lack of reliable property rights (World Bank, 2014). Employers and employers' organisations consulted within the framework of this study have repeatedly and consistently mentioned policy instability and weak enforcement of trade policies by the PA, political uncertainty, and Israeli restriction on the movement of goods and trade as the greatest obstacles to their activities, with most highlighting depressed levels of investment in their businesses as a result.

While the PA has taken many good steps and made progress in the direction of strengthening public policy and services in recent years to promote private investment, progress and improvements have been challenged by a lack of progress on the political front. The current prospects for addressing the chronically high rates of unemployment and a growing labour force, within the context of a constrained economy marred with uncertainty and risk, are questionable at best, even with carefully planned and meticulously implemented economic fiscal policies. The PA lacks resources and the capacity to absorb jobseekers, and the private sector will have to pick up the slack in order to support improved Palestinian economic performance. However, this requires economic incentives for it to do so. Current policy planning forums and mechanisms could be strengthened to become better attuned to understanding private sector growth constraints, particularly those facing SMEs and the informal sector. Thus the PA is ill-equipped to effectively mitigate these constraints with policies.

In addition to the high costs resulting from Israeli security procedures, other distortions raise production costs, diminishing Palestinian competitiveness (UNCTAD, 2015). Several of these were discussed earlier in the report (e.g. section 5.7). Others include the high transportation costs associated with the land-locked West Bank and Gaza, which impact production and marketing costs, thereby raising prices. The costs of production inputs and facilities, such as land, electricity and water, are also high. The depressed levels of investment reported by interviewees were not surprising given that the cost of doing business and conducting trade for Palestinian enterprises is

often prohibitively high and the movement of goods into and out of the West Bank has been subject to new impediments in recent years. At the same time, the movement of people and goods through Gaza has become even more severely restricted.

The following table briefly presents aspects of the political context that have clear negative consequences for the investment climate, with differentiation between West Bank (including East Jerusalem) firms and Gaza firms. The differentiation is due to the significant variation in their experience of the investment climate. Most of these differences are related in some manner to ongoing political instability, whereas others are simply characteristic of any developing country.

TABLE 8 - Factors affecting investment climate in the OPT, by region

WEST BANK	GAZA	OPT (BOTH WB AND GS)
Frequent and longer water shortages, with negative consequences for investment potential, cost of production, and productivity.	Lack of a reliable supply of electricity, with consequences for production capacity, competitiveness and labour utilisation capacity of firms	Restrictions on movement of people and goods
Restrictions on the economic use of land, particularly in Area C, negatively affecting delivery of key services.	Restricted access to the sea, with consequences for productivity and employment potential	The legal and regulatory environments in the West Bank and Gaza have become increasingly disconnected due to the political and administrative separation since 2007 (political schism), rendering the navigation of business and trade between the two territories increasingly difficult and costly. Nearly all facets of business regulation are affected by this split - including business registration, licensing and permits, banking, taxation, investment incentives, courts, enforcement of contracts, and competition, with consequences for increased economic fragmentation.
Land administration in Areas A and B <sup>15</sup> is lacking, with most of the land still unregistered, causing a proliferation of land disputes, and systematic registration proceeding at a slow pace.		

In the World Bank's Doing Business (2017) report, the OPT ranks close to the regional average in Ease of Doing Business. The performance of the OPT improved between 2015 and 2016 in relation to starting a business (rank improved to 169 from 170), and registering property (to 93 from 95), but worsened in terms of protecting minority investors (rank changed from 144 from 158) and paying taxes (from 56 to 101). There were modest improvements in relation to dealing with construction permits and accessing electricity.

The **Doing Business** indicators do not provide any substantive analysis of gender or youth issues, although they do report details on maternity leave (70 days on 100 per cent pay as per the Labour Law), and that non-pregnant and non-nursing women cannot work the same night hours as men (also as per Labour Law). The report incorrectly suggests that discrimination by gender in recruitment is not prohibited, as Labour Law No. 7 of 2000 prohibits all forms of discrimination, which specifically includes gender discrimination.

While noting the negative impact of the overall political context and its consequent effects of fragmentation and uncertainty on the investment climate in the OPT, the World Bank's 2014 Investment Climate Survey (ICA) also points to positive factors in the OPT's investment climate (World Bank, 2014). These include the low incidence of petty corruption, the fact that the financial sector continues to be stable and liquid, and, despite the political division between the West Bank and Gaza, most aspects of the bureaucracy are still functional. In terms of movement and access restrictions, there have been improvements on physical restrictions such as checkpoints within

15 The Oslo II Accord divided the West Bank into three administrative divisions: Areas A, B and C. Area A is exclusively administered by the Palestinian Authority; Area B is administered by both the Palestinian Authority and Israel; and Area C, which contains the Israeli settlements, is administered by Israel.

the West Bank, but new restrictions on trade into and out of the West Bank, as well as severe restrictions on movement and trade to and from Gaza.

Further, the recent deployment of political risk insurance is seen as a positive move. After eleven years of relative inactivity, the political risk insurance programme offered in the Palestinian territories by the Multilateral Investment Guarantee Agency (MIGA) was redeployed in 2014 and quickly reached its capacity limit in terms of commitment and interest. This turn-around was due to relative improvements in the investment environment during the period following the second intifada when the risk insurance fund was first launched. These improvements included the promotion of joint ventures by bilateral donors (who largely subsidized the purchase of political risk insurance) and, more importantly, the modification of the fund's operational rules to allow extension of risk insurance to local investors.

# **8. ACTIVE LABOUR MARKET PROGRAMMES: A SURVEY AND ANALYSIS**

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Over the past half century, ALMPs have emerged as a policy intervention frequently used in both developed and developing countries to increase employment opportunities while also addressing social problems that often accompany high unemployment (i.e. lack of inclusion and participation in the labour market). The universal goal of ALMPs is to enhance a country's labour supply, increase labour demand, and improve the functioning of its labour market over the long term. ALMPs counter market imperfections by focusing on human capacity development that leads to more positive and enduring employment outcomes (USAID, 2009).

A recent International Monetary Fund (IMF) study of developed countries established a positive correlation between spending on ALMPs as a percentage of GDP and the employment rate in the private sector. Using panel data from a 1993–2000 sub-sample for 15 industrialized nations, the IMF concluded that a “one percentage point increase in ALMP spending (as a share of GDP) is associated with an increase in the business employment rate of 1.9 percentage points”. Accordingly, ALMPs can be a tool to address unemployment, and deploying them effectively can help maximize labour market benefits from expenditure on employment programmes.

Over the past 15 years, scores of ALMPs have been established in the OPT to help combat high unemployment rates by reducing obstacles to employment by developing the skills of unemployed persons (especially youth and new graduates. Most programmes have been funded mainly by donors, with modest contributions from the Government and the private sector, if any (with the exception of some private firms who have implemented employment programmes within the framework of corporate social responsibility programmes). ALMPs have also attempted to bridge the gap between educational outputs and labour market demands. Currently, it is estimated that there are more than 130 ALMPs implemented in the West Bank and Gaza (PFESP/MAS survey).

A repeated theme emerging from the ALMP mapping exercise is the lack of coordination between the implementing parties and the private sector. Some of these programmes are quite well-funded. So the prospect that such resources would be directed at providing skills that were not neither desirable nor help unemployed or underemployed Palestinians to enter the job market, nor the private sector to benefit from such skills is unconscionable. The fact that some of these programmes are run from the perspective of emergency or humanitarian programming needs to be taken into account, and the bridging of emergency assistance with long-term development objectives (in part by incorporating market needs assessments and priorities of employers) should be made a priority to ensure that resources are not wasted.

## 8.1 EMPLOYMENT PROGRAMMES

ALMPs in the West Bank and Gaza can be classified into two major groups.

- **ENTREPRENEURSHIP AND SMALL BUSINESS ASSISTANCE PROGRAMMES.** These are geared towards enabling unemployed persons to start their own businesses and create job opportunities for others. This is achieved through a wide range of programmes including pre-incubation programmes, incubation and acceleration programmes, entrepreneurship supporting programmes and MSME creation and development services.
- **EMPLOYMENT AND TRAINING PROGRAMMES.** These include a wide range of programmes, among them temporary employment generation, internship programmes, training and capacity-building programmes, online job search and training programmes, and poverty-alleviation programmes. These employment services are provided by public institutions, NGOs, private sector organisations and donors.

Table 9 summarizes the main ALMPs operating in the OPT.

**TABLE 9** - Main employment programmes, services and target groups

SECTOR	PROGRAMME TYPE	NUMBER OF ORGANISATIONS	MAIN SERVICES	TARGET GROUP
<b>ENTREPRENEURSHIP AND SMALL BUSINESS ASSISTANCE PROGRAMMES</b>	Pre-incubation	6	Initial incubation activities that involve lectures, workshops and entrepreneur camps "start-up weekend" and business ideas competition, business plans preparation	Mainly university students in addition to start ups
	Incubation	9	Technical and managerial support and one-on-one coaching. Seed fund and linkage with investors	Start-up companies and Individual entrepreneurs with focus on ICT sector
	Business accelerating services	3	One-on-one sessions with experts and access relevant training courses Seed fund and access to venture capitals	Start-up companies and Individual entrepreneurs
	Entrepreneurship support	2	Capacity development for incubators, and facilitates the access to finance	Business incubators and accelerators
	MSME creation and development	6	Capacity building and training, development of business plans and feasibility studies. Access to financial services	Youth, women and unemployed persons
<b>PUBLIC EMPLOYMENT SERVICES</b>	Local education and training councils	12	Enhancing social dialogue and fostering local employment initiatives Maintain links and communications between different employment stakeholders	Organisations that have employment programmes
	Employment offices	16	Placement services Certificate of eligibility for free health insurance Career guidance, vocational training-related services, job search and job application support Provide information and work permits to work in Israel	Unemployed Persons
	Labour market Information System (LMIS)	-	Provide data on the demand and supply in labour markets to assist decision makers	All actors in the labour market
	On-the-job training/ internships	19	Training programmes that focus on bridging the gap between educational deliverables and labour market demand; On-the-job paid training	New Graduates
	Online job search and training	3	Linkage between jobseekers and organisations and online training courses	New Graduates and Unemployed Persons
<b>PRIVATE SECTOR PROGRAMMES</b>	Capacity building and scholarships	5	Multitude of training courses that aim to provide students with life skill and on-the-job training Scholarships	University students and new graduates
<b>OTHER PROGRAMMES</b>	Poverty Alleviation	5	Access to a package of financial and non-financial (Promotional Social Safety Net Activities) services Cash for work programmes	Poor Families

## 8.2 ENTREPRENEURSHIP AND SMALL BUSINESS ASSISTANCE PROGRAMMES

### i. Pre-incubation Programmes

Six organisations were identified to be working under this category; these organisations usually target university students and new graduates for assistance in generating business ideas and promoting an entrepreneurship culture. Initial incubation activities usually involve lectures, workshops and entrepreneur camps (“start-up weekend”) and a business ideas competition to help targeted groups fine-tune their business ideas. One-on-one mentoring and coaching services are also provided to persons who prove to have promising business ideas. These beneficiaries receive pitching services to show them how to present and discuss their business ideas with investors or with incubators.

In a very limited number of cases and when there are financial resources available, a predetermined number of business ideas are supported with small amounts of cash (up to \$2,000) that is then used to develop those business ideas and connect their creators with organisations that will help them to incubate their businesses.

### ii. Incubation Programmes

There are nine incubators working in the West Bank and Gaza, all of them established after 2004. These incubators target emerging companies and individuals who have entrepreneurial ideas and have been able to develop a primary product (a minimum viable product) to provide them with technical, managerial, and financial support that extends for between four to ten months. Most incubators focus on the ICT sector but some incubators also involve other disciplines such as media, science and engineering.

To be able to join an incubator, individual entrepreneurs and emerging companies file an application (usually an online application) that defines their profile and details their business activities. This application is then reviewed by a committee against pre-defined criteria that usually focus on innovation and the team’s capacity (technical, managerial and marketing skills).

The selected business is then allowed to work in the incubator’s premises and use available equipment (computer devices, telephone faxes, etc.) over a two- or four-month initial phase. They also enjoy technical and managerial support from business experts and supervisors, in addition to one-on-one monitoring.

Entrepreneurs who successfully pass the initial phase are given the chance to receive one-on-one sessions with experts from a multitude of professional sectors, and enrol in relevant training courses. They are also eligible to receive seed funding that usually ranges between \$5,000 and \$20,000, according to the type of incubated business.

### iii. Business Accelerating Services

Three business accelerators were found to be working in the West Bank and Gaza. These accelerators target university students and entrepreneurs who have business ideas, supporting them in developing their ideas into a product and establishing their own companies.

Fast-forward accelerators provide motivated start-ups with seed funding up to \$20,000, along with office space and technology, and access to highly experienced mentors. One-on-one sessions with experts from a multitude of professional sectors and relevant training courses are provided over a

period of four months. Entrepreneurs who pass successfully through the initial four-month phase have the chance to receive more funding from investors and/or venture capital funds.

The main challenge reported by accelerators is that the kind of business ideas usually presented by youth tend to be immature; such innovators have not normally had any practical experience in business. Accelerators also report that it is difficult to work with university students or new graduates because they are fresh in the workforce and have no work experience. Thus the vast majority of incubated companies who have been able to pass the initial four-month phase and become successful companies are those which have already had substantial experience in related fields and know the market, rather than university students.

#### **iv. Entrepreneurship Development Programmes**

These programmes aim to facilitate the creation of MSMEs in the West Bank and Gaza and enhance entrepreneurs' skills to make their start-ups more competitive and financially sustainable. Two organisations were identified as entrepreneurship support service providers:

- BTC manages a project called BSIS (Business Start-up Incubators Support). This project focuses on capacity development for incubators and consultants, and facilitates access to finance. In order to achieve its objectives, the project takes a new approach to incubation by re-activating existing Centres of Excellence and incubation centres. It also introduced a voucher system based on a financial contribution from start-ups and SMEs.
- The KOICA office in the OPT has launched a new project called Palestine Start-up Support (PASS) Programme, which aims to create a better environment for ICT start-ups in the West Bank and Gaza. This project is implemented through cooperation with the Ministry of Telecommunication and Information Technology (MTIT) and UNRWA. The main objectives of the project are to vitalize the business environment for local entrepreneurs, building capacity of government officials and experts in the sector and supporting an ICT social enterprise (GGateway – see [www.ggateway.tech](http://www.ggateway.tech)) in Gaza. In order to realize these goals, the project has supported graduates and start-ups via an incubating and accelerating programme with angel investors, while providing capacity training. The \$1.3 million GGateway will be a social enterprise for ICT outsourcing, supported by partner UNRWA in Gaza.

#### **v. MSME Creation and Development Programmes**

It is estimated that there are six organisations that provide development services to MSMEs in both the West Bank and Gaza. These services usually target youth, women, and unemployed persons to build their capacity and help them to start their own businesses.

Different sets of development services are provided to the different target groups. These include capacity building and training services in business management, marketing, promotion, bookkeeping, pricing and other areas needed to make their skills suitable for the labour market. Organization beneficiaries are also supported in creating income-generating projects and in developing business plans and feasibility studies for their projects.

These organisations also support established MSMEs in developing their businesses by providing them with loans (usually free of interest) in order to enable them to purchase productive assets and equipment needed to increase production capacity. MSMEs sometimes also receive product development services and are encouraged and guided to register their own businesses.

## 8.3 EMPLOYMENT SERVICES, TRAINING, AND MARKET LINKAGE PROGRAMMES

Several employment programmes have been identified as working under this rubric and are geared towards improving the skills of unemployed persons to increase their employability and meet labour market needs. The following paragraphs summarize the various programmes operating in the OPT.

### i. Public Employment Services

**The Palestinian Fund for Employment and Social Protection** is a semi-independent, autonomous body that was established in 2003 following Presidential Decree No. 9 of 2003. The mandate of the fund is poverty alleviation and employment promotion while implementing MoL policies by providing support for the implementation of active labour market policies in the OPT. The fund works directly with beneficiaries and partners in both the West Bank and Gaza. Partners include labour unions, NGOs, industrial unions, cooperatives, vocational training centres, and so on. The fund provides services in all areas in the West Bank and Gaza.

The PFESP is currently working on developing its strategic plan for the next three years with the view of enhancing and scaling up its ongoing programmes, as well as identifying new ones that could effectively create employment and job-rich economic growth. While it is not yet clear which direction the PFESP will take on the basis of its new strategy, discussions with senior staff at the fund suggest that no drastic changes will be introduced to current operations, though some services will be added. Hence, the fund is likely to continue working in the following streams of work:

- **ENTREPRENEURSHIP DEVELOPMENT THROUGH BUSINESS START-UP LOANS.** This is done through enhancing access to business start-up loans for young women and men through defraying repayment default risks by providing MoF-backed guarantees against such defaults. The fund has signed memoranda of understanding (MoU) with several banks to provide a total of \$100 million in loans to entrepreneurs it nominates, and has secured commitment from the MoF to provide default guarantees for loans up to \$1 billion.
- **ENTREPRENEURSHIP DEVELOPMENT THROUGH BUSINESS INCUBATION AND ACCELERATION.** The PFESP has signed MoU with several incubators and accelerators in the West Bank and Gaza to extend technical support to entrepreneurs it nominates. Within these arrangements, the fund provides co-finance for business start-ups.
- **LABOUR MARKET TRAINING.** The fund has implemented several labour market training programmes in the West Bank and Gaza using work practice (on-the-job training) and job insertion strategies.
- **PRIVATE SECTOR EMPLOYMENT INCENTIVES.** The fund has partnered with several organisations to enhance the employability of unemployed university and TVET graduates through wage subsidies to employers. This programme will continue into the future.

New services to be added include the establishment of one-stop shops for entrepreneurs, which will provide them with all the services and advice they need to be ready for financing and incubation. The shops will be established in close coordination with the Ministries of Labour, Finance, National Economy and Interior, and – tentatively – will be hosted within the MoL's own one-stop shops. A business case for establishing these one-stop shops has not been developed, although the fund has estimated the cost of setting up and running these shops to be around \$5 million.

Recently, the Council of Ministers took a decision to designate the PFESP as the national umbrella institution for all employment, job creation and entrepreneurship development programmes implemented in the OPT. It has delegated responsibility to the MoL, instructing all concerned entities to provide details of their ongoing ALMPs to the PFESP and to coordinate all such future and pipeline programmes with it. The implications of this decision regarding ongoing and future

ALMPs is yet unclear, but discussions with PFESP suggest that it will require support in putting in place mechanisms to effectively assume its newly assigned coordination role as well as manage its own ALMPs. Several stakeholders within and outside government have expressed concern that expanding the mandate of the PFESP not only runs the risk of duplicating several of MoL's mandated functions, but it also places a huge responsibility on the PFESP and sets high expectations, which may not be met given both the difficult context and the fund's nascent institutional experience. Accordingly, such support could include helping the fund to prioritise its strategic interventions, including assessing the feasibility of the planned one-stop shops, and building its capacity to lead/steer and coordinate ALMPs.

About 2,600 individuals have benefitted from the PFESP's activities, many of whom are also counted by the PFESP's partners as their own beneficiaries (often without clear reference to the PFESP). Like most of its partner organisations and other ALMPs, the fund has no data on its impact on beneficiaries, rendering evaluation difficult to assess. One of the key priorities the PFESP has identified for itself for the future is developing a performance measurement system that would enable it to track its achievements and assess its impact.

**The Local Education and Training Council (LET)** was established by the MoL with GIZ support and with representatives from the PA, the private sector, and civil society. It has the objective of enhancing social dialogue and fostering local employment initiatives. LET's main role is to maintain links and communications between different employment stakeholders and supporting partnerships. Currently, there are 11 councils operating in the West Bank and 1 in Gaza.

**Employment Offices and One-Stop Shops (OSSs)** supported by the MoL offer a wide range of services related to employability and labour demand and supply. There are 16 employment offices in the West Bank and five in Gaza, of which 8 are embedded in OSSs. The offices in the West Bank<sup>16</sup> offer job placement services and provide a certificate of eligibility for free health insurance for the unemployed in the West Bank and Gaza and for short-term workers in the Israeli labour market.

The MoL has been active in using these employment offices to offer a more comprehensive package of services. Thus, with support from GIZ, eight of the West Bank offices have been transformed into OSSs, offering a comprehensive package of career guidance encompassing vocational guidance, employment counselling, and guidance on self-employment and small enterprise creation, job search and job application support and information and work permits to work in Israel. Besides renovation, GIZ supported building the capacities of the management and technical staff in OSS. The technical staff were trained on new employment services such as career guidance and counselling, industrial relations and cooperation with employers.

As for services for employers, OSSs are envisaged to provide qualified staff according to their demands and criteria in addition to performing job matching. OSSs are also meant to provide employment opportunities and special services for women. Moreover, the MoL signed agreements with ten universities and two community colleges in order to establish career guidance offices on their grounds.

While significant capacity has been built within the OSS network, existing human and logistical capacity within the OSS network continues to fall short of what is needed to deliver the type of services for which they have been established. Key weaknesses in this regard include a lack of sufficient number of qualified personnel, limited capacity for networking with employers due to lack of transportation facilities, and a lack of clarity regarding roles and responsibilities. As

<sup>16</sup> The MoL has no control over employment offices located in Gaza due to the political and geographical separation between it and the West Bank.



discussed earlier in this report, a very small proportion of unemployed workers have registered with employment offices or sought their advice.

The **Palestinian Labour Market Information System (LMIS)** is implemented under the umbrella of the MoL, and is one of the main services of the General Directorate for Employment. The LMIS aims to create a dynamic system for training and education in the OPT and provide precise up-to-date data on demand and supply in the labour market to assist decision-makers, employers, and individuals in identifying current and future needs for different skills and professions. Employment and education and training policies are supposed to be developed through the findings of the LMIS.<sup>17</sup>

The LMIS is divided into four subsystems: population (demographic and labour data); education (higher education, formal and non-formal education, technical and vocational education, vocational retraining data); enterprises (unmet needs, dismissals, firms, skills, sectors, working experience); and finally, labour market (unemployment, jobseekers, vacancies, and filled vacancies). As can be seen from the LMIS subsystems, the Ministries of Labour and of Education and Higher Education, the private sector, the chambers of commerce, statistical bodies, jobseekers and graduates are all stakeholders in this system.

However, the LMIS is not functional or productive because of weak stakeholder contributions (including internally within the MoL), as well as lack of capacity (financial and human) within the General Directorate for Employment to update it. While updating the LMIS requires a modest investment of about \$20,000 according to the General Director of Employment, investment in updating the LMIS is likely to be unsustainable in the absence of incentives for users to update it. Developing an understanding of the needs of the different LMIS users and their incentives and willingness to pay for labour market information could thus be one way to transform the LMIS from an ineffective and unsustainable management information system into a self-sustaining, dynamic and demand-driven service.

**Employment programmes provided by about 20 community-based organisations (CBOs) and non-profit organisations** in the West Bank and Gaza usually target women, university students, and new graduates and, to a lesser degree, other categories of unemployed persons. These programmes can be classified under three categories:

- **TRAINING AND CAPACITY BUILDING PROGRAMMES.** These programmes aspire to encourage exceptional skills among undergraduates and new graduates (males and females) in an attempt to bridge the gap between educational deliverables and labour market demand, and to reduce the obstacles to employment opportunities by developing youth skills along two pillars – life skills and technical skills. Life skills training focuses on helping youth to be more presentable and self-confident and covers a wide range of topics such as leadership skills, time management, resume preparation, dealing with customers, presentation skills, team building, writing skills, etc. Technical training, on the other hand, focuses on specialized areas that meet the specific needs of targeted groups including ICT, engineering, graphic design, and other related areas. In their endeavour to reach out to more university students, a few programmes (especially Education for Employment, SHAREK, and International Youth Foundation) have also targeted the employment and graduate units in Palestinian universities in order to equip university students with important skills needed in the labour market and improve their employability. The staff in these units have undergone extensive skills training, and have been provided with equipment and logistical support to do their jobs.
- **ON-THE-JOB TRAINING AND INTERNSHIP PROGRAMMES.** These programmes usually target university graduates in order to bridge the gap between graduates' knowledge and labour market demand. After the training course, beneficiaries are linked with local organisations to enable some of them to participate in three to six months of paid on-the-job training. Usually a monthly salary of \$600 is paid to these beneficiaries – \$300 by the programme and the rest by the organization. The main benefit of these internships is the opportunity to gain practical experience, a salary, and access to potential employment with the local organisations that train them.

17 See <http://www.tvet-pal.org/>.

- **ONLINE JOB SEARCH AND TRAINING PROGRAMMES.** Three local organisations<sup>18</sup> with support from Silatech<sup>19</sup> have cooperated to develop a website called *Palestine is Working*.<sup>20</sup> This website has enabled thousands of new graduates to establish connections with more than 2,400 organisations operating in the OPT and in the Arab world, uploading their resumes and qualifications on the website. This website also allows users to see available job opportunities and access online training courses, including guidance for successful entrepreneur projects in the OPT and in the region. According to the website's management, more than 20,000 university graduates have uploaded their resumes on the website and been able to access the online training courses. A large proportion of them have found jobs through this platform.

## 8.4 PRIVATE SECTOR EMPLOYMENT PROGRAMMES

This study has identified five private sector organisations with their own employment programmes: the Arab Bank, the Bank of Palestine, Massar Group, Padico Holding and the Paltel Group. The primary employment programme managed by these organisations is oriented toward university students and new graduates. This programme includes a three to six month training course in which participants take a number of classes in life skills (e.g. leadership skills, time management, resume preparation, customer service, presentation skills, team building, writing skills, etc.) in addition to on-the-job-training within the companies. Participants are also paid a monthly salary of \$200–\$400. These training programmes usually target around 250–300 persons each year, of whom approximately 70 per cent are offered permanent jobs in these organisations.

In addition, Paltel Group has introduced several employment programmes that target different segments in the OPT, with a scholarship programme that has funded approximately 3,000 poor students over the past nine years. The programme has allowed these students to attend university to complete their higher education. Paltel Group also manages the “Decent Life” programme, which targets around 70 destitute families and provides them with the means to start their own livelihood projects.

## 8.5 POVERTY ALLEVIATION PROGRAMMES

Two primary programmes geared towards poverty reduction have been identified by the study:

- **DEPRIVED / PRODUCTIVE FAMILIES ECONOMIC EMPOWERMENT PROGRAMME (DEEP).** This is a UNDP project that was established in 2006 with the objective of improving the living conditions of economically deprived and socially marginalized Palestinian families and providing them with the means to becoming economically independent and productive. It accomplishes this through a package of financial and non-financial (promotional social safety net activities) services that address families' needs. Since its establishment, the programme has targeted more than 17,000 households in the West Bank and Gaza and provided them with a package of financial services (grants and loans) and business development services to start microenterprises intended to ensure a sustainable source of income for the entire household.
- **UNRWA JOB CREATION PROGRAMME (JCP).** Job creation is the main tool used by UNRWA for providing emergency support to food-insecure Palestinian refugee families. UNRWA offers temporary cash for work in camps, villages and remote locations of the West Bank and Gaza Strip. This injects money directly into the household economy and allows beneficiaries to choose how to spend it. Camps and communities also benefit from the programme with improved infrastructure and services. Participants do a wide variety of work including construction, cleaning and rehabilitating land, parks and public spaces, and supporting CBOs, disability centres and women's centres. Work opportunities for women, people with disabilities, and refugees in communities facing protection threats are given a particular focus. Since the JCP was initiated by UNRWA in 2000, an average of 15,000 poor households per year in the West Bank and Gaza have been employed for three months at \$420 per month. In 2017, UNRWA plans to offer temporary jobs for w53,000 registered

18 Education for Employment, SHAREK, and Welfare.

19 Silatech works with banks and other financial institutions to open up finance opportunities for young entrepreneurs, while providing young entrepreneurs with training and other support to help their new businesses succeed.

20 <http://yes-portal.blue.p>



refugees in Gaza and 8,000 registered refugees in the West Bank.

It is worth noting here that due to a long waiting list, opportunities for skilled positions are offered for a maximum of three months and contracts for skilled positions are capped at six months. Only one member of a given household is eligible for employment at any given time. The programme prioritizes placing JCP employees in projects that maintain and rehabilitate public infrastructure, boost the private sector, improve environmental conditions, and target disadvantaged groups.

The programme targets both skilled and unskilled workers, as well as professionals. Priority is given to applicants from households who have been assessed as living below the poverty line of less than \$3.87 per person per day; other criteria include gender, age, skills or location. Overall, UNRWA aims to provide 35 per cent of skilled opportunities to women and 25 per cent of all job opportunities to youth. UNRWA also provided thousands of opportunities for recent graduates of Gaza's universities through its Graduate Training Programme, which supported 2,148 graduates in 2017 and has provided job opportunities to over 31,451 graduates since its inception in 2001.

In 2008, Islamic Relief adopted the same model as a means for reducing food insecurity levels and unemployment among Palestinian households in Gaza. At the beginning, the programme focused on new graduates and helped them to secure temporary employment (four to six months) with local organisations. After that, the programme expanded to include workers, fishermen, and farmers, in addition to new graduates. In the last phase of the programme, 1,000 new graduates and 930 workers were targeted to receive \$400 as a monthly salary.

## **8.6 TECHNICAL, VOCATIONAL EDUCATION AND TRAINING (TVET) SUPPORT PROGRAMMES**

GIZ is leading the TVET and Employment Promotion Programme (TEP), which is a cooperation between the EU and the German Government in partnership with the Ministries of Labour, Education and Higher Education. GIZ supports TVET institutions in delivering training to Palestinians in order to bridge labour demand supply gaps. Beneficiaries include students at all levels of education, jobseekers, adult learners and employees, and relevant PA ministries (such as the MoL), UNRWA, the private sector, and TVET institutions. The programme focuses on adapting vocational training to fit the current employment situation and meet the needs of the labour market.

The Belgian Development Cooperation is implementing the Enhancing Capacities for Institution Building Project (ECIB) to improve the quality and relevance of TVET in the OPT by supporting a series of innovative public-private partnership initiatives to stimulate an interactive partnership between TVET institutions and the labour market. To reach this objective, ECIB focuses on improving and extending work-based learning (WBL) practices in TVET. The principle behind WBL is fairly simple: the best way to make sure that young people learn skills relevant for the labour market is to ensure that part of the training takes place in the workplace while doing real work. This way, WBL improves the practical skills of the students and facilitates the transition from the world of training to the world of work.<sup>21</sup>

21 See <https://open.btcctb.org>.

## 8.7 CONCLUSIONS ON ALMPs IMPACT AND EFFECTIVENESS

### i. General Conclusions

While there are no data to assess the impact, effectiveness or efficiency of ALMPs, either collectively or by type, anecdotal evidence suggests that they have played a role in and have contributed to developing the skills and employability of thousands of Palestinians in the workforce, especially youth and new graduates. Entrepreneurship programmes have a positive impact by creating a supportive environment for entrepreneurship in the Palestinian community, while emergency job-creation programmes following cash-based transfer modalities have contributed to building and upgrading community assets and prevented beneficiaries from falling deeper into poverty, albeit temporarily. That said, ALMPs in the OPT suffer from a set of problems that can be summarized as follows:

- The vast majority of employment programmes in the OPT are **entirely dependent on financial support from international donors, and several of them –particularly short-term job-creation programmes implemented by small NGOs – are not sufficiently institutionalized within the organisations implementing them.** This affects the size and the range of their services and raises questions about their sustainability in the future. This includes employment programmes managed by the private sector who also factor in external support when they design their budgets. Accordingly, the long-term sustainability of projects is then challenged when funding disappears.
- **Review and evaluation of ALMPs is either non-existent or very weak, with most ALMPs only tracking process and output level indicators, rendering the measurement of impact and efficiency of nearly all ALMPs, including those most institutionalized, nearly impossible.** ALMPs are deeply lacking a solid monitoring and evaluation and impact assessment process. In many projects, the baseline data about beneficiaries have not been collected correctly. This is problematic because it may undermine the effectiveness of ALMPs and their accountability. Most reports provide very general results and the deadweight loss, selection bias, substitution effects, and displacement effects that may appear have not been taken into account. The systematic implementation of monitoring and evaluation should thus be a priority.
- ALMPs in both the West Bank and Gaza are fragmented, often with **similar goals, overlapping objectives, and target groups, without necessarily being coordinated,** and are implemented by different organisations or funded by different donors. Proliferation and fragmentation of ALMPs often leads to in-efficiencies (such as double targeting), with several organisations working to serve the same (often not necessarily the most disadvantaged) target groups. It is believed that many organisations have established these programmes without a clear long-term vision in order to diversify their funding sources. **What is actually needed is more regulation and coordination between different employment programmes and not entirely new programmes,** a role that the PFESP could play, with support.
- Employment programmes are characterized by the **active involvement of donors and NGOs and the weak role of public and private agencies.** Also linked with the high level of donor aid flowing to civil society organisations, the NGO sector in the OPT is the most important in providing social and employment services. Indeed, strengthening public employment services and ensuring structured coordination among different providers must be among the key objectives of any employment policy.
- More than half of the organisations offering employment programmes also operate other programmes, many of which are not related to employment. In fact, the study found that in some organisations employment programmes account for a just a small proportion of their services. These providers, on the other hand, operate employment programmes under alternative names such as “poverty reduction”, “youth and women’s empowerment” and “social responsibility”, which seems to indicate that employment programmes, in some cases, are used to achieve other overarching objectives. **Capacity to plan, manage and effectively implement ALMPs within these organisations is often lacking.** This situation clouds and obscures the aims and oversight of the employment programmes.
- Despite the important contribution of ALMPs in developing Palestinian skills to match labour market needs, the structural problems facing the labour market and its limited ability to absorb the enormous number of new entrants that join the workforce each year makes **their contribution to reducing unemployment levels very marginal.** The various ALMPs implemented in the West Bank and Gaza over the past 15 years have been unable to address the structural problems of the labour market, but the failure of these

programmes should not be surprising. To have that kind of impact, **ALMPs must be integrated within a comprehensive strategy and policy framework considering macroeconomic policies and labour intensive investment policies, labour market regulations, the social security system, the legal framework for business, and tax regulations.**

## ii. Assessment of Entrepreneurship and Small Business Assistance Programmes

- Entrepreneurship programmes remain nascent in the Palestinian context and more time is needed to review their impact. With this in mind, **the entrepreneurship sector already faces considerable challenges** related to: the absence of policies that encourage and support the creation of emerging companies; education that does not promote entrepreneurship or innovation; a general trend among the working population towards traditional employment at the expense of self-employment; insufficient incubation for innovative business ideas; and a shortage in seed funding required to incubate and accelerate innovative start-ups.
- With the Palestinian economy's limited ability to create new jobs, **entrepreneurships and MSME programmes could play a role in job creation** by enabling entrepreneurs to start new businesses, thereby securing a sustainable income for themselves and their families. The limitations however need to be recognized and such programmes need to be accompanied by the right mix of policies and regulations to overcome the existing challenges and bottlenecks faced by this sector.
- The impact of entrepreneurship programmes in creating job opportunities is tangible, but relatively small compared with the financial resources allocated towards this end. In most cases, the number of people who have been able to start and maintain a thriving business is quite limited.
- The **impact of entrepreneurship programmes on the most vulnerable groups is questionable.** The people who have the most potential to benefit from entrepreneurship services (especially incubation and acceleration) are in most cases quite experienced with the market, while the likelihood of university students and new graduates succeeding is very limited. The number of people who have been able to establish their own companies through these services and receive a considerable amount of funding is very limited.
- It was also observed that **most entrepreneurship programmes focus only on the information and communication technology sector**, which may be related to the relatively low investment needed to incubate ICT businesses compared with other sectors. This limits their scope of work and prevent entrepreneurs in other sectors from receiving services that could be vital for manufacturing or other sectors.
- Entrepreneurships and MSME programmes work best for unemployed workers who have existing entrepreneurial skills and the motivation to survive in a competitive environment. Thus, **these programmes are not suited for people without existing entrepreneurial skills or other skills related to these programmes.**

## iii. Assessment of Employment services, training and linkage to market programmes

- **Outcomes of the employment service programmes reviewed have been, by and large, positive**, especially those bridging the gap between education outcomes and labour market demand, and in reducing obstacles to employment, especially among youth. Training geared towards youth has received a great deal of attention given the prominent degree of unemployment among this group. At the same time, **the costs of these programmes have remained low** when compared with other ALMP interventions (like entrepreneurship programmes).
- Such programmes, however, are likely to **produce only a short-term effect as long as the labour market is unable to absorb the enormous number of new entrants** that join the workforce each year, even those who are qualified or have skills demanded by the market. Moreover, greater involvement from the private sector is needed in designing employment programmes that currently operate in the OPT.
- Internship programmes that include short-term employment, on-the-job training and employer involvement/sponsorship generate more constructive results compared with programmes that do not foster a relationship with the private sector or provide on-the-job training. It was observed, however, that in many cases organisations accepted in terns without a real need for them as long as the programme was supported. This ultimately reduces the chances of sustainable employment when support for the programme is terminated. Greater buy-in is needed from the placement organisations to strengthen the internship component.

- **The majority of organisations do not have a mechanism for systematic follow-up of their beneficiaries** after programme termination. In cases where organisations reported having a follow-up mechanism, they were not systematic. Instead, they followed up sporadically or randomly and took no steps to remedy issues or vulnerabilities that appeared in the follow-up process.
- **Local education and training councils have had limited success** so far, with more modest results than expected, especially in terms of job creation, according to the overwhelming majority of stakeholders interviewed.

# **9. CONCLUSIONS AND KEY POLICY SUGGESTIONS**

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## 9.1 OVERALL CONCLUSIONS AND RECOMMENDED DIRECTIONS

Growth and labour market trends in the West Bank and Gaza since 2000 closely mirror periods of conflict and instability, reflecting the heavy reliance of the Palestinian economy on Israel, and the adverse economic impacts of the regime's closures and restrictions. There is little evidence of sustained GDP growth during this period, with a decline in the private sector, and marked contraction in manufacturing and agriculture GDP. In particular, the large decline in agriculture and manufacturing has been a function of Israeli restrictions on Palestinian access to land and water resources (including access to the sea in Gaza), lack of coherent policy to develop agriculture and, to a lesser extent, manufacturing, greater controls on imported capital goods and raw materials, as well as constrained revenue due to restrictions on access to outside markets. In contrast, sectors producing non-tradable goods and those that are less vulnerable to physical controls, notably in construction-related activities and services, have fared much better, though with differentials between the West Bank and Gaza at various periods due also to closures and movement restrictions.

The most visible reflection of this regime of internal and external closures and the accompanying volatility in growth has been the sheer lack of employment opportunities. By all measures, the West Bank and Gaza labour markets have fared badly since 2000, with Gaza doing markedly worse. Unemployment is chronically high, and real wages have fallen. The unemployment rate, among the highest in the world, particularly for youth, has directly reflected the severity of the recessions experienced in 2000-2002, 2005-2006 and 2013-2014 while low participation rates have reflected the escalation of conflict and internal divisions since 2005. Especially worrisome is the large and continuous decline in youth employment and falling participation rates, particularly in Gaza.

Women are another vulnerable group, with one of the lowest labour force participation rates in the world. Educated women are increasingly confined to government employment, while less educated women appear to have little access to such jobs. There is also evidence that the decline in household incomes has forced women to help in informal activities as unpaid family members, but not to have had a tangible positive effect on the social empowerment and agency of women. Prohibitive patriarchal structures and norms that constrain women's employment in certain fields continue to persist.

To increase women's participation, there is a need to shift focus on the inter-linkages between the supply and demand sides of the labour market to allow for the expansion of the demand for women's labour. That is, to design practical interventions which promote the demand for women's labour, while continuing to address the institutional and market impediments facing women's engagement in the labour market. It is clear that women are entering the labour force in increasing numbers, but not always finding demand for their labour. Rather ironically, girls and women have been highly educated in the OPT, in part because it was considered valuable but also because their brothers were sent into the workforce early. But when the small numbers of women who are looking for work try to use their advanced education to get a job, they find numerous barriers - not least acceptance by the market itself.

While many of the ALMPs discussed here appear targeted towards females, these sometimes do so from a psychosocial perspective - assuming that life skills and/or participation will improve these women's lives in general. The strong linkage between a woman's need or desire to work, and placing her in the workforce to earn income or become an entrepreneur is watered down by other (often valuable) aims. More research needs to be done to see which programmes strengthen both supply and demand, with the objective of getting women into the workforce. The focus should be on market systems when the target is to increase employment.

An important starting point appears to be addressing which programmatic assumptions are cultural (that females should work in certain fields, or that women are better off working at home, for example) and

which are real needs for females seeking to enter the workforce and find stable employment. Robust social policies that support those needs (e.g. childcare, flexible work hours, policies that support a healthy work–life balance, and public awareness campaigns that support working women) is essential.

Given the demographic outlook for the OPT, the creation of sound and unified employment policy that brings together all stakeholders cannot wait. The current lack of oversight and persistent fragmentation in labour policy is squandering opportunities and resources. The effort to unify labour policies under one umbrella with strong tripartite participation is very much needed, without delay. The private sector should be integrated into existing institutions looking at education and labour market reforms and development to ensure a greater alignment between demand and supply for skills.

Unified policy-making should include oversight, monitoring and accreditation for both CVET and ALMP programming. If done properly, experience in other contexts has shown that ALMPs can reduce the number of hours that beneficiaries are unemployed, increase earnings through training, increase likelihood of one's being employed for at least six months during a two-year period through self-employment assistance, and support public employment (USAID, 2009). Specifically regarding ALMPs, the PA (the MoL) has already expressed concern over the manner in which these employment-related programmes are initiated without its oversight, dissatisfaction with their outcomes, and worry over the lack of proper coordination and consultation between various implementing parties and the relevant authorities in programme execution. All of the above undermines the role and mandate of those public institutions whose job it is to govern and regulate the labour market on the one hand, and to promote employment and decent jobs on the other. Instead, the Government's role should be strengthened and supported. The PFESP is particularly well positioned to lead policy programming related to ALMPs, although it will most likely require support to do so effectively.

In tandem support for the creation and development of SMEs remains both a need and an opportunity for enhancing the much-needed growth, with some concern for a healthy value versus cost balance, since support for a handful of industries through loans and/or incubation can be expensive and involve high risk. Improved access to business loans would greatly assist in increasing and improving the enterprises that are operating in the OPT. "The capacity of the Palestinian labour market to absorb a rising supply of labour is limited due to the Israeli occupation and limited access to foreign markets," says the UNFPA. "Directing and supporting banks in granting loans for investments and business start-ups rather than for consumption would support productive investment and increase the demand for labour." Moreover, because the vast informal market appears to be linked in part to the lack of access to financing, improving pathways to fund small businesses is one way to bring firms to formalize, thus increasing the tax base and improving conditions for workers (MAS, 2014).

At the same time, across the board there has been a decline in real wages as a result of the loss of employment in Israel, particularly for the unskilled who have had to find jobs within the West Bank and Gaza within a context of declining domestic demand. Improvements in both economic and labour market performance have consistently proven to be unsustainable, and often short-lived. Even recent productivity growth, while positive, comes against a backdrop of a decade-long slow growth, and stagnant growth since 2010. Meanwhile, the long-term trend in labour productivity shows volatility and insufficient growth in both employment generation and workers' productivity, reflecting the overall macroeconomic and political context in the OPT.

The impact on the labour market in terms of loss of employment and falling wages has translated into a large increase in poverty rates, particularly for the unemployed and those out of the labour force. Most affected have been youth in Gaza, which has been effectively cut off from access to markets since 2007. Increasing youth employment is not only critical for the overall economy and for the positive engagement and growth of this generation, but the currently high levels of unemployment



among the highly educated also appear to be impacting beliefs about the value of education. This would spell an important and dangerous change in Palestinian values, with long-term implications.

The indicators that are available show that a variety of efforts should be made to smooth the transition to stable employment. Judging from employers' reviews, jobseekers could benefit from an earlier introduction to the labour market, whereby they are provided with a basic background in job readiness, workplace values and ethics, basic communication skills, etc. Because young people are encountering work responsibilities for the first time— as they seek to establish themselves – the risks are high and the chances of failure are also high.

Internship programmes are one way of strengthening new entrants' familiarity with the labour market and their chosen field. For best results, these should be carried out while young people are still being educated (academically or vocationally), with strong linkages between the classroom and the private sector. Also, internships should be paid so that employers view internships as a means of building up a skilled workforce that benefits them, rather than a kind of charity or public service. The study of barriers that prevent family-owned SMEs from hiring individuals that are not their relatives, regardless of skills and aptitude, needs special attention because family enterprises are so widespread.

Flagging outcomes in education will have significant impact on job preparedness and entry into local and international markets, particularly as labour flows abroad are only meaningful among skilled workers in certain sectors. Palestinians must work to develop education planning, firstly to prepare for demographic shifts, and secondly, to prepare workers to fill the jobs that will be required by such demographic transitions. There will be a need for thousands more doctors, nurses, and teachers, along with other types of specialized care workers.

The growth in sectors producing non-tradable goods and outputs less vulnerable to physical controls, such as the services sector and telecommunications, have been predictable responses to the mobility restrictions imposed on other sectors. Ideally, going forward, private sector development should be the source of employment and wage growth in the West Bank and Gaza, with an emphasis on reviving growth in agriculture and manufacturing, and exploring the prospects of new sectors with high labour intensity and growth potential such as the energy sector.

However, unlike most countries in the world, creating an appropriate business climate is beyond the control of the governing PA. The analysis presented in this report argues that sustained and substantial job creation, driven by the private sector, is a key element for inducing growth and combating poverty. The current regime of internal and external closures and the prevailing climate of political and economic uncertainty, combined with fragmentation of the West Bank (including Jerusalem) and Gaza, are the most visible constraints to private sector growth.

## 9.2 RECOMMENDATIONS

In a context marred by occupation-imposed restrictions on access to and movement of factors of production, limited fiscal space and a lack of monetary levers to promote macroeconomic growth, as well as widening economic fragmentation, heightened uncertainty, and weakening democratic governance, long-term recommendations for inducing job-rich growth can be made only in broad terms that assume an end to both occupation and internal Palestinian political and administrative division.

In the long term, the key recommendation is for the PA to adopt policies that reverse the negative effects of fifty years of occupation. Specifically, the PA needs to adopt policies and develop an institutional infrastructure that enables rapid and sustained job-rich growth from more diverse and higher value-added economic activities and trade, including from emerging sectors such as nature and



eco-tourism, online freelancing and micro work, and green energy. Land assets and water resources will need to be unlocked for economic use, and the PA will need to accelerate reforms of land regulations and administration, and water laws. Closing the widening socioeconomic gap – particularly in areas related to employment, income and the structure of the economy – between and within the West Bank (including East Jerusalem) and Gaza will necessitate proactive policies for inducing local economic development and inclusive economic growth, including for any returning Palestinian refugees.

Such policies will need to focus on incentivizing and facilitating private domestic and foreign investment to offset the effects of years of regression and underinvestment. Finally, structural reforms that improve fiscal sustainability will be crucial, including improving the efficiency and effectiveness of public expenditures to create the fiscal space for multi-dimensional poverty reduction, social and unemployment protections, and large-scale infrastructure investments in sectors that create job-rich growth. A key task in moving ahead in this direction is to clearly identify the type and characteristics of the future economy that Palestinians desire to have.

Recommendations presented in table 10 below focus on priorities that are believed to be key for inducing job-rich growth in the short term, while laying the foundations for effective implementation of the broader long-term policy orientations discussed above. Recommendations here focus exclusively on areas within the control of the tripartite partners and stakeholders with programmes supporting private sector and economic development. Recommendations are derived from key policy themes (as presented in the first column of table 10) emerging from the analysis presented in this diagnostic report (summarized in the second column), with several of them having been suggested by stakeholders consulted in the process. Specific areas of interventions are presented against each recommendation in the third column in table 10. These recommendations are intended to provide the basis for further discussions among tripartite partners and other stakeholders, identifying more nuanced actionable recommendations for all relevant stakeholders and actors.

TABLE 10 - Policy Themes and Recommendations

OVERALL RECOMMENDATION	SPECIFIC RECOMMENDATIONS	POSSIBLE AREAS OF INTERVENTION
<p><b>1. Strengthen the drive for economic diversification and growth</b> through supporting industrial technological innovation and modernisation, strengthening market regulation towards enhanced competitiveness of local products and services; and facilitation of trade and access to markets</p>	<p>1.1. Improve business enabling environment, including through: streamlining business registration process, enhancing access to basic infrastructure and services (particularly in Area C and Gaza); accelerating business and labour market policy reforms; improving access to land; enhancing the reliability and supply of electric power to Gaza; and strengthening capacity for market regulation, particularly in import control</p>	<ul style="list-style-type: none"> <li>• Continue to support reforms to labour legislation, including revising minimum wage regulations and developing the Labour Union Law, demonstrating good practices in tripartite dialogue and consensus-building</li> <li>• Enhance tripartite dialogue on economic and labour market development priorities, especially given the prolonged absence of a legislative body to represent public interests and exert government oversight. This could be done through supporting and enhancing existing platforms for dialogue, creating new ones (e.g. women's SMEs and cooperatives), and deepening them to improve higher level policy and decision-making</li> <li>• Strengthen employers and workers organisations, with an emphasis on supporting the development of member services and enhancing representation</li> <li>• Raise awareness about the benefits of business formalisation and work with the Government informal workshops and workers organisations to identify low-hanging-fruit that could promote formalisation of enterprises</li> <li>• Provide incentives for enterprise formalisation, including showcasing success stories and documenting lessons learned</li> </ul>
	<p>1.2. Support the revival and growth of agriculture and manufacturing sectors as engines through a comprehensive and holistic restructuring and reform programme</p>	<ul style="list-style-type: none"> <li>• Support the PFESP in identifying labour-intensive business opportunities in the agricultural and manufacturing sectors</li> <li>• Support the MOL in promoting cooperative development in manufacturing and agricultural sectors, including through supporting assessing the legal and economic feasibility of establishing workers' cooperatives</li> <li>• Support the developing and strengthening of existing communication and knowledge-sharing mechanisms between educational institutions (primarily polytechnics, agricultural schools and colleges, and TVET institutions) and private sector small, medium-sized and large businesses operating in the agriculture and manufacturing industries, with the dual objective of enhancing cooperation among the two stakeholders in R&amp;D and strengthening the relevance of education to the growth needs in both sectors</li> <li>• Promote entrepreneurship in agriculture and manufacturing through customising existing ILO educational and training materials to the Palestinian context, and pilot these programmes with the view of identifying ways through which they could be scaled up and integrated into school and university curricula</li> <li>• In close collaboration with UNCTAD, FAO, and UNDP, support the development of a strategy for technological development in both the agriculture and manufacturing sectors</li> <li>• In collaboration with PFESP, PFI/PUMP, PFCCIA and the Gaza CCIA, and using lessons learned from previously implemented job-insertion and apprenticeship programmes implemented post-war in Gaza, design, fund and implement a comprehensive programme to revive the manufacturing industry in Gaza</li> </ul>

OVERALL RECOMMENDATION	SPECIFIC RECOMMENDATIONS	POSSIBLE AREAS OF INTERVENTION
<p><b>2. Enhance skills, address skills mismatch, and induce the development of a market-oriented educational system.</b> Investments in knowledge, skills, and innovation are necessary for greater integration of the Palestinian economy with the regional and global economy, focusing on technology-driven entrepreneurship and high value-added services. Given the relatively small size of the Palestinian economy, future Palestinian economic growth will depend on investment in human resources, the skills of its workers, and the entrepreneurship of its business community</p>	<p>2.1. Mitigate informational constraints on workforce development needs at the national level, ensuring strong private sector involvement and feedback in the process</p>	<ul style="list-style-type: none"> <li>• Support PFESP and MoL to undertake a national assessment of workforce development needs in priority sectors, focusing on the critical nodes of priority value chains within these sectors</li> <li>• Support capacity development of PFESP for enhanced assessment of workforce development needs</li> </ul>
	<p>2.2. Promote TVET development policies</p>	<ul style="list-style-type: none"> <li>• Support the establishment of the Higher Council on Employment, planned for some time now, while continuing to capacitate the NCWE Permanent Bureau and Secretariat to integrate seamlessly into the Council once it is established</li> <li>• Provide capacity building and technical assistance to the Higher Education Council on TVET to enable it to set the strategic direction for education and workforce development in both the West Bank and Gaza</li> <li>• Support MoL to assess the technical, financial and feasibility of the proposed TVET agency</li> </ul>
	<p>2.3. Strengthen opportunities for learning outside the academic system</p>	<ul style="list-style-type: none"> <li>• Support MoL to upgrade the capacity of TVET facilities and staff to provide continuing vocational education and training, underscoring the need for such capacity to be demand-driven and geared towards private sector priorities</li> <li>• In partnership with private sector champions (CCIAs PFCCIA, PFI, etc.) in manufacturing, agriculture, banking and ICT sectors, pilot the creation of an in-house continuing vocational education and training education programme, and leverage this to inform curricula development in educational and training institutions</li> <li>• Support MoL to bridge institutional, legal and financial gaps needed for the full implementation of the National Qualifications Framework (NQF), recently finalized to create standards of workforce training and enforce TVET accreditation. This should include the introduction of vocational skills certification, and recognition of prior learning and current competencies, and skills competency standards as these are essential ingredients for the implementation of the NQF</li> </ul>

OVERALL RECOMMENDATION	SPECIFIC RECOMMENDATIONS	POSSIBLE AREAS OF INTERVENTION
<p><b>3. Develop an inclusive labour market support system that promotes equitable, job-rich growth and decent work</b></p>	<p>3.1. Strengthen the capacity of the MoL to conduct its mandated functions, particularly in areas of inspection and employment</p>	<ul style="list-style-type: none"> <li>• Develop the capacity of the research and policy department at MoL and PFESP in areas related to policy and labour market analysis, including through strengthened collaboration with PCBS</li> <li>• Developing the capacity of the employment department to enable it to deliver more effective services through its one-stop-shop networks, as well as to monitor and support the functions of the employment offices</li> <li>• Support MoL in transforming its LMIS into a comprehensive, user oriented, and self-sustaining system, including through stronger linkages with PCBS and other job advertisement platforms, as well as exploring the possibility of incentivising the private sector to invest in upgrading and operating it using mobile technology. Scope to strengthen the labour market system is considerable, from integrating the excellent LFS data PCBS collects to the use and analysis of the data, on through to integration with job advertisement mechanisms</li> <li>• Support MoL to formulate an integrated national employment policy</li> <li>• Provide support to NCWE in identifying high-impact policy recommendations for enhancing, both, the participation of women in the labour market and their productive employment. This should be done on the basis of comprehensive policy analyses, using a system assessment approach emphasizing supply and demand analysis</li> </ul>
	<p>3.2. Build the capacity of the PFESP to lead and coordinate ALMPs towards improved effectiveness and impact</p>	<ul style="list-style-type: none"> <li>• Support PFESP in leading national ALMPs planning process, ensuring that their outcomes are closely aligned with sector, cross-sector and sub-sector strategies (e.g. National Export Strategy), as well as national assessments of workforce development needs</li> <li>• Embed technical expertise within PFESP to support research and planning functions, with clear responsibility for knowledge transfer and capacity building of the Fund's staff</li> <li>• Support PFESP to assess the feasibility of the one-stop-shop model, and if it proves feasible support the piloting of between two and four such shops</li> <li>• Given the growing interest in promoting entrepreneurship and SMEs through the use of business and ICT incubators and accelerators, support PFESP in commissioning a comprehensive assessment of all business and ICT incubators, focusing on their impact and capacity to provide effective services</li> </ul>

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## 11. APPENDIX I: LIST OF STAKEHOLDERS INTERVIEWED

ORGANISATIONS	
Ministry of Labour	Samer Salameh
	Nasser Qatami
	Rami Mahdawi
The Palestinian Fund for Employment and Social Protection	Ibtisam Al Husarry
	Imad Husain
	Mahdi Hamdan
	Mohammad Z'aiter
Palestinian Federation of Chambers of Commerce, Industry and Trade	Jamal Jawabreh
Palestinian General Federation of Trade Unions	Shaher Sa'ed
	Salameh Abu Za'iter
	Yasser Jildeh
Palestinian Federation of Industries	Odeh Shihadeh
	Khader Shnaiwar
UNRWA	Maher Safi
UNDP/PAPP (DEEP Programme)	Jum'a Hammad
	Salah Al-Najjar
Welfare Association (Employment Creation Programme)	Ahmad Abu Alrub
	Ra'fat Abu Sha'ban
Leaders Organization	Ibrahim Abu Kteis
Sharek Youth Forum	Bader Zama'reh
Al-Najda Association for Social Protection	Fatima Abu Yousef
Aisha Association for the Protection of Women and Children	Reem Frainah
Female University Graduates Associaation	Widad Sourani
Belgian Technical Cooperation	Raed Rajab
	Bart Horemans
PaITel Group	Ahmad Abu Alrub
The Business Women Forum (BWF)	Jomanah Sal'ous
Al Naizak Organization for Supportive Education & Scientific Innovation	Saraj Kuhail
Arab–Americare Foundation	Amani Arouri
Palestine University	Khaled Shana'ah
University College of Applied Sciences	Said Al-Zibda
	Tariq Thabet
	Mohammad Abu Hasira
Islamic Relief	Husam Joudeh

## 12. APPENDIX II: MAIN ALMPS IN THE OPT: SERVICES AND TARGET GROUPS

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
Entrepreneurship and Small Business Assistance programmes	Pre-incubation Programmes	Excellence and Entrepreneurship Incubator – Bethlehem Ahliya College	Established in 2016 by Bethlehem Ahliya College to provide pre-incubation services for entrepreneurs and support job creation for students  The incubator has the capacity to host 10 projects on an annual basis	<ul style="list-style-type: none"> <li>• Start-up weekends</li> <li>• Business ideas competition</li> <li>• Business plans preparation</li> <li>• Linkage to other incubators (for promising business ideas)</li> <li>• Access to small finance (2,000\$)</li> </ul>	University students and youth
		Najad Zou'ni Excellence Centre (Birzeit University)	The centre was established in 2008 by the generous support of the Palestinian business man (Njad Zou'ni) as an independent centre to support ICT project and provide pre-incubation services  In 2015, the centre was merged with the Birzeit Continuous Education Centre	<ul style="list-style-type: none"> <li>• Mentoring and coaching services for entrepreneurs</li> <li>• One on one coaching by experts</li> <li>• Linkage to other incubators</li> <li>• Product development services</li> </ul>	University students and start-up business
		Polytechnic University Excellence Centre	Established in 2008 as a unit under the university excellence centre to provide pre-incubation services to ICT project  Later, the centre started targeting entrepreneurs from all sectors  Has the capacity to host 10 projects on annual basis	<ul style="list-style-type: none"> <li>• Business plans preparation</li> <li>• Linkage to other incubators (for promising business ideas)</li> <li>• Mentoring and coaching services for entrepreneurs</li> <li>• One on one coaching by experts</li> </ul>	University students
		Ibda' (Al-Najah University, American University and Alquds University)	NGO that was established in 2014 by four universities (Al-Najah, American University, Al-Quds University and Polytechnic University)  The incubator has four units, one in each university	<ul style="list-style-type: none"> <li>• Training services related to entrepreneurship and legal services</li> <li>• Preparation of feasibility studies and business plans</li> <li>• Access to finance</li> <li>• Linkage to other services</li> </ul>	University students in addition to start-ups



SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Haseeb Al-Sabagh Excellence Center American University	The centre was established in 2003 as excellence centre for the American university to support the entrepreneurship environment among students	<ul style="list-style-type: none"> <li>• Training courses focusing on areas like business development and ICT</li> <li>• One-on-one coaching by experts</li> <li>• Linkage to other incubators</li> </ul>	University students
		Korean Institute (Al-Najah University)	Established in 2004 supported by the world bank to support the creating of entrepreneurship environment among university students and provide pre-incubation services	<ul style="list-style-type: none"> <li>• Business ideas competition</li> <li>• Business plans preparation</li> <li>• Linkage to other incubators (for promising business ideas)</li> </ul>	University students in addition to start-ups
	Incubation Programmes	PICTI	Was established in 2004 as a nongovernmental organization to develop the ICT market and support entrepreneurs in the sector	<ul style="list-style-type: none"> <li>• Technical and managerial support and one-on-one coaching</li> <li>• Development of business plans</li> <li>• Seed fund</li> <li>• Linkages with investors</li> </ul>	Start-up companies and individual entrepreneurs with Focus on ICT Sector
		Bader Business Incubator	Bader incubator was established in 2015 by MASAR company to incubate start-ups with special focus on ICT and media sectors	<ul style="list-style-type: none"> <li>• Provide space and equipment to start-ups</li> <li>• Legal and accounting services</li> <li>• One on one monitoring</li> <li>• Other incubation services that extent over a period of 18 months</li> </ul>	Start-up companies

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Al-Nayzak (Made in Palestine)	<p>Non-profit organization that was established in 2004 to look for young talents in science, technology, engineering, and maths (STEM), and plants an ambitious vision in the hearts of Palestinian community:</p> <p>As of 2013, the programme is implementing the start-up methodology to incubate and scale up the enterprises until they become capable of unlocking new markets locally and internationally with competitive products labelled "Made in Palestine"</p>	<ul style="list-style-type: none"> <li>• Made in Palestine incubator provides Palestinian innovators inside and outside universities with the feasible opportunities and possibilities to achieve their hopes and aspirations which, in turn, could lead to results of practical value in developing new products or solving technical problems using creative methods and mechanisms</li> <li>• In the past four years, anywhere between 4-8 projects or prototypes were incubated on annual basis, of all incubated projects eight have been able to start their own companies and they still operating until now, the financial support provided to these companies varies according to their needs and it was between USD 6,000-40,000 for each one of the eight companies incubated by the programme</li> </ul>	All entrepreneurs who have viable business ideas
		Bethlehem Business Incubator (BBI)	<p>Established in 2016 as part of "Building Entrepreneurship Excellence And Developing Economic Enterprises" project. The incubator aims at increasing employment opportunities by incubating viable business ideas and supporting entrepreneurs to start their own businesses</p>	<ul style="list-style-type: none"> <li>• Provide space and equipment to start-ups</li> <li>• Legal and accounting services</li> <li>• One-on-one monitoring</li> <li>• Other incubation services that extend over a period of 12 months</li> </ul>	University students
		Hebron Municipality Business Incubator	<p>Established in 2016 with support of Myham Municipality in Germany. The incubator aims at supporting new graduates to start their own business</p>	<ul style="list-style-type: none"> <li>• Linkage with donors</li> <li>• Legal and financial services and one-on one coaching</li> <li>• Marketing services</li> <li>• Other incubation services that extend over a period of 12 months</li> </ul>	New graduates

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Hebron Chamber of Commerce Business Incubator	<p>Established in 2016 supported by Welfare organization who financed the incubator by USD 200,000</p> <p>The incubator aims to support start-ups to develop and sustain their businesses and encourage new graduates and university students to start their own businesses</p>	<ul style="list-style-type: none"> <li>• Business planning and feasibility studies</li> <li>• Marketing services</li> <li>• Business development services</li> <li>• Legal and financial services and one-on one coaching</li> </ul>	Start-up companies and new graduates
		Entrepreneurs Incubator	<p>Established in 2006 by the Islamic university in order bridge the gap between education derivable and labour market and encourage innovative ideas among the young generation</p>	<ul style="list-style-type: none"> <li>• Linkages with donors</li> <li>• Legal and financial services and one-on one coaching</li> <li>• Marketing services</li> <li>• Seed fund that ranges between USD 3,000-5,000</li> </ul>	University students
		UCAS Incubator	<p>Established in 2011 by UCAS university to encourage and incubate viable business ideas and start-up businesses</p>	<ul style="list-style-type: none"> <li>• Business planning and feasibility studies</li> <li>• Marketing services</li> <li>• Business development services</li> <li>• Legal and financial services and one-on one coaching</li> </ul>	University students and new graduates
	Business Accelerating Services	Fast-Forward Accelerators (Leaders organization)	<p>Leaders organization is a non-profit organization established in 2002. In 2013 Leaders established Fast-Forward Accelerator to provide start up acceleration services, this accelerator targets university students (males and females) who have business ideas and supports them to develop their ideas into a product and to establish their own companies</p>	<ul style="list-style-type: none"> <li>• One-on-one sessions with experts and access to relevant training courses funding of USD 20,000, along with office space and technology, access to highly experienced mentors. One-on-one sessions with experts from a multitude of professional sectors and relevant training courses</li> </ul>	Start-up companies and Individual entrepreneurs

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Arab Entrepreneur	Established in 2011 in Jordan before its open a new branch in Palestine in 2013 in order bridge the gap between education derivable and labour market and encourage innovative ideas among the young generation	<ul style="list-style-type: none"> <li>• Business planning and feasibility studies</li> <li>• Marketing services</li> <li>• Business development services</li> <li>• Legal and financial services and one-on one coaching</li> </ul>	Start-up companies and new graduates
		Glow	A private company that was established in 2013 to encourage and incubate viable business ideas and start-up businesses	<ul style="list-style-type: none"> <li>• Online business development services</li> <li>• Business planning and feasibility studies.</li> <li>• Marketing services</li> </ul>	University students and new graduates
	Entrepreneurship Support Programmes	Belgian Technical Cooperation (BTC)	Belgian Technical Cooperation (BTC) manages a project called BSIS (Business Start-up Incubators Support). This project focuses on capacity development for incubators and consultants, and facilitates access to finance. In order to achieve these objectives and needs, the project proposed a new approach to incubation by re-activating existing Centres of Excellence and incubation centres. It also introduced a voucher system based on a financial contribution from start-ups and SMEs		

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Koran International Cooperation Agency (PASS)	<p>The KOICA office in Palestine has launched a new project called Palestine Start-up Support (PASS) Programme that aims at creating a better environment for ICT start-ups in the West Bank and Gaza. This project is implemented through cooperation with the Ministry of Telecommunication and Information Technology (MTIT) and UNRWA.</p> <p>The main objectives of the project are to vitalize the business environment for local entrepreneurs, building capacity of the government officials and experts in the sector and supporting an ICT social enterprise (GGateway) in Gaza. In order to realize these goals, the project has supported graduates and start-ups via an incubating and accelerating programme with angel investors, while providing capacity training. The USD 1.3 million GGateway will be a social enterprise for ICT outsourcing, supported by partner UNRWA in Gaza</p>		
	MSMEs Creation and Development Programmes	Small Enterprise Centre (SEC)	Started a project for GIZ, and in 2008 was registered a non-profit organization in order to assist entrepreneurs and small projects to develop their business	<ul style="list-style-type: none"> <li>• Capacity building and training</li> <li>• Development of business plans and feasibility studies</li> <li>• Access to finance services</li> </ul>	Youth, women and unemployed persons
		Business Women Forum (Business Development Centre)	The Business Women Forum (BWF) is a national non-profit association established in 2006, to help “strengthen the role of businesswomen as leaders in the Palestinian economy through advocacy, networking, and the provision of business services	<ul style="list-style-type: none"> <li>• Support women to develop and register their own business</li> <li>• They were also guided and encouraged to register their own businesses and now around 80% of these business are formally registered</li> </ul>	Women entrepreneurs

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Arabic Centre for Agriculture Development (ACAD)	Established in 2005 as a non-governmental organization to develop the capacity of NGOs and empower women and youth. In 2015 the organization established incubation to host and develop start-ups	<ul style="list-style-type: none"> <li>• Capacity building and training</li> <li>• Development of business plans and feasibility studies</li> </ul>	Youth, women and unemployed persons
		Palestine Development Organizations (PIF)	Established in 2014 as social responsibility arm of Palestine investment fund to encourage the establishment of small and medium business	<ul style="list-style-type: none"> <li>• Access to grants and loans</li> <li>• Seed fund</li> <li>• Development of business plans and feasibility studies</li> </ul>	Start-up companies and individual entrepreneurs
		Development Centre For Working Women	NGO established in 2004; in 2008 the organisation started a programme that aims to provide employment for women and build their capacity to start their own businesses	<ul style="list-style-type: none"> <li>• Capacity building and training</li> <li>• Access to financial services / grants and loans</li> </ul>	
Public Employment Services		The Palestinian Fund for Employment and Social Protection of Workers (PFESP)	legal entity that is created to promote sustainable development in Palestine, through implementing programs aiming to generate employment opportunities	<ul style="list-style-type: none"> <li>• Entrepreneurship development through business start-up loans</li> <li>• Entrepreneurship development through business incubation and acceleration</li> <li>• Labour market training</li> <li>• Private sector employment incentives:</li> <li>• New services that will be added include the establishment of one-stop-shops for entrepreneurs. Through these one-stop-shops, which are planned to be established in close coordination with the Ministries of Labour, Finance, National Economy and Interior and – tentatively- will be hosted within MoL's own one-stop-shops</li> </ul>	Youth, graduates, entrepreneurs, women, under-privileged people, cooperatives and unemployed.

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Local Education and Training Councils	Was established by MoL with representatives from the PA, the private sector, and civil society. It has the objective of enhancing social dialogue and fostering local employment initiatives. LET's main role is to maintain links and communications between different employment stakeholders and supporting partnerships. Currently, there are 11 councils operating in the West Bank and 1 in Gaza	<ul style="list-style-type: none"> <li>• Enhancing social dialogue and fostering local employment initiatives</li> <li>• Maintain links and communications between different employment stakeholders</li> </ul>	Organisations which have employment programmes
		Employment offices	There are 16 employment offices in the West Bank <sup>22</sup> and five in Gaza, of which 8 are embedded in one-stop-shops. The offices in the West Bank <sup>1</sup> offer job placement services and provide a certificate of eligibility for free health insurance for the unemployed in the West Bank and Gaza and for short-term workers in the Israeli labour market	<ul style="list-style-type: none"> <li>• Placement services</li> <li>• Certificate of eligibility for free health insurance</li> <li>• Career guidance, vocational training-related services, job search and job application support and information and work permits to work in Israel</li> </ul>	Unemployed persons

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Labour market Information System (LMIS)	Implemented under the umbrella of the MoL, and is one of the main services of the General Directorate for Employment. The LMIS aims at creating a dynamic system for training and education in Palestine that provides precise and up-to-date data on demand and supply in the labour market to assist decision-makers, employers, and individuals in identifying the current and future needs for different skills and professions. Employment and education and training policies are supposed to be developed through the findings of the LMIS	<ul style="list-style-type: none"> <li>• Provide data on demand and supply in the labour market to inform decision makers</li> </ul>	All actors in the labour market
	On-the-job training and internship programmes	Arab AmeriCare	Arab–Americare Foundation is a U.S. based organization that was established in 2010. The organization seeks to advance the professional and economic wellbeing of young Palestinian professionals in the West Bank. The mission of the Arab-Americare Foundation, through its Palestinian Youth Leadership Programme, is to invest in the professional training of Palestinian young professionals in the West Bank and enhance their employability prospects	<ul style="list-style-type: none"> <li>• The foundation currently manage one programme (Palestinian youth leadership programme). This programme aims to connect recent Palestinian university graduates with internships for three months and provide real work experience and access to a professional mentor</li> <li>• To achieve the above objectives and to be able to connect new graduate with internships for three months in organizations, the foundation provides these graduates with intensive training over 74 training hours</li> </ul>	New graduates

22 The MOL has no control over employment offices located in Gaza due to the political and geographical separation between it and the West Bank.



SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Sharek Youth Forum	Sharek Youth Forum was originally launched as an initiative of the United Nations Development Programme/ Programme of Assistance to the Palestinian People (UNDP/PAPP) in 1996. The success of the initiative led to its institutionalization as a non-governmental organization (NGO) in 2004	<ul style="list-style-type: none"> <li>Sharek's key areas of intervention are civic, economic, social, and cultural sectors. They also focus on empowering young people economically, giving them the skills they will need to both access and succeed in the labour market that's done through several programmes and projects as follows:</li> <li>Tamayaz: The forum consider this programme as unprecedented entrepreneurial Palestinian programme aspiring to encourage exceptional entrepreneurship skills among undergraduates in an attempt to bridge the gap between educational deliverables and labor market demand</li> <li>Qualified Youth: This programme started in 2015 to target nine vocational training centres and three industrial schools in partnership with MoI</li> <li>Women empowerment: This project extended over a period of three years and finalized by the end of 2015</li> <li>Building the capacity of employment units: This project targeted the employment units in two universities (Palestine technical university and Arab American University) and extended over two years (ended in 2015)</li> </ul>	Youth, women, university students and new graduates
		Land Research Centre (LRC)	NGO established in 1986 in Jerusalem and currently the organization has four branches in Ramallah, Nablus, Hebron and Gaza	<ul style="list-style-type: none"> <li>Training for new graduates</li> <li>Employment of labours in coordination with CRS</li> </ul>	Farmers and unemployed persons

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		International Youth Foundation	International organization that started working in Palestine in 2010 implementing the “Youth Entrepreneurship Development” project which target youth entrepreneurs	<ul style="list-style-type: none"> <li>• Provide training courses that focus on life skills, entrepreneurship and vocational guidance.</li> <li>• Online job search application “ Palestine working”</li> </ul>	Youth and new graduates
		Al-Ofuk for Youth Development	NGO that was established in 2012 in Ramallah to empower youth and increase their participation in the labour market	<ul style="list-style-type: none"> <li>• Awareness programme that aims at increasing youth awareness of important issues like entrepreneurship, citizenship and media.</li> <li>• Grant soft loans to support youth establishing their own projects</li> </ul>	Youth
		Society Development Association and Continuous Education	Established in 2010 as a non-governmental organization, its offices located in the Civil Service University to provide its services to students to develop their capacity in several areas	<ul style="list-style-type: none"> <li>• Vocational training in graphic design, ICT and media technology</li> <li>• Passport to Success and start your business training courses</li> <li>• Entrepreneurship and drama training</li> <li>• From school to occupation programme</li> <li>• Self-employment and start your business programmes</li> </ul>	Youth
		Johoud for Society and Rural Development	NGO established in 2003 to empower women and youth	<ul style="list-style-type: none"> <li>• Soft skills for new graduates to improve their employability</li> <li>• Entrepreneurship and self-employment programme</li> </ul>	Youth and women
		Berzeit Friends Association	Charitable society that was established in 1993 to support the university students	<ul style="list-style-type: none"> <li>• Student employment programme which provides employment opportunity to students to work in companies (private sector and NGOs) in order to prepare them for the labour market</li> </ul>	University students

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Palestinian Farmers' Union	Established in 1973 in Syria by Palestinian Liberation Organisation (PLO) then moved to Palestine after OSLO agreement in 1993. The main objective of the union is to provide employment opportunities for farmers and labourers in Palestine	<ul style="list-style-type: none"> <li>• Training courses for farmers and agronomists</li> <li>• Training for new graduates targeting agronomists and farming technologist in order to prepare them for the labour market</li> </ul>	Farmers, labours and agronomists
		Agricultural Development Association (PARC)	<p>The Agricultural Development Association (PARC) was launched as an initiative by a small group of pioneer agronomists and farmers that emerged from the Palestinian voluntary movement in the late 1970s. In the early 1980s PARC's role and achievements were recognized throughout the Palestinian territories, aiming at filling the deliberate gap in the provision of agricultural extension and developmental services induced by the Israeli occupation authorities</p> <p>In 1983, PARC became an organization and committed itself to keep working to protect Palestinian land from confiscation through plantation of the uncultivated areas and providing vulnerable farmers with extension services. PARC has undergone a number of various phases throughout the past decades</p>	<ul style="list-style-type: none"> <li>• Luxembourg project: An employment and training project that involves theoretical training and targets new graduates. After the training, the beneficiaries have the chance to join on-job training in other NGOs and private sector companies where they also paid on monthly basis.</li> <li>• Recently, PARC established a fast- forward accelerator to host and develop agriculture start-up businesses.</li> </ul>	Agronomists, and new graduates

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Female University Graduates Association	Non-profit organization established in 1974 by a group of women graduates to in order to provide services to women graduates and empowers them in various areas. Currently, the association covers a wide spectrum of areas including education, culture, social and development. The association provides its services to new graduates (females) in all governorates in Gaza Strip	<ul style="list-style-type: none"> <li>• The association operates three programmes, including the capacity building programme of the association and its staff, while the second focuses on increasing the sensitivity towards graduates issues among society members and advocating their rights, and the third programme is channelled toward graduate empowerment in economic, cultural and political areas</li> </ul>	New female graduates
		Aisha Association for the Protection of Women and Children	The Association activities started in 1993 under the mental health programme in Gaza Strip that was operated by UNRWA. In 2009 the association was separated from the mental health programme and then registered formally in 2011 as charitable association. Currently, the association provide its services to women who experienced violation, divorced women and women heading their household	<ul style="list-style-type: none"> <li>• The association currently manages several programmes like mental and social support to women, child programme, advocacy and lobbying and capacity building. However, the main area of its focus the social and mental support programme that introduces several component for women including social, mental and legal support, economic empowerment and vocational training, empowerment and support to widowed women, in addition to the empowerment of women married to substance dependent and mentally ill husbands</li> <li>• Employment related programmes managed by the association include:</li> <li>• Economic empowerment and vocational training programme</li> <li>• Loans</li> <li>• Temporary employment programme</li> </ul>	

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Palestinian Contractors Union (PCU)	The union was established in 1994 to organize the work of contractors in Palestine	<ul style="list-style-type: none"> <li>• The union operates employment programmes with national and international organisations that targets labours and new graduates</li> <li>• Through the programme, graduate engineers have the chance to join internship programme and paid \$500 per months</li> <li>• Labourers also enjoy short-term employment opportunities that usually range 3-6 months and are paid 1200 ILS per month</li> </ul>	New graduate engineers and labourers
		Mercy Corps (ICT sector programme) Gaza	Mercy Corps established the ICT sector programme in Gaza strip to develop the ICT sector it also established a business accelerator	<ul style="list-style-type: none"> <li>• Freelancing project which encourage ICT entrepreneur to establish freelance businesses in addition to Gaza Sky Geeks an incubator that hosts entrepreneurs and provides them with the means to establish their own business</li> <li>• Mercy Corps also provide internship training programmes for new graduates in coordination with the national organisation</li> </ul>	New graduates, ICT entrepreneurs

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
	Online Job Search and Training Programmes	<p>Online job search and training programmes: Three local organisations with support from Silatech have cooperated to develop a website called "Palestine is Working." This website has enabled thousands of new graduates to establish connections with more than 2,400 organisations working in the OPT and in the Arab world, uploading their resumes and qualifications on the website. This website also allows users to see available job opportunities and access online training courses, including guidance for successful entrepreneur projects in the OPT and in the region. According to the website's management, more than 20,000 university graduates have uploaded their resumes on the website and been able to access the online training courses. A large proportion of them have found jobs through this platform</p>		<ul style="list-style-type: none"> <li>• Linkage between jobseekers and organisations and online training courses</li> </ul>	New graduates and unemployed persons

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
Private Sector Programmes	Capacity Building and Scholarship Programmes	The Arab Bank, the Bank of Palestine, Massar Group, Padico Holding and Paltel Group	<p>The primary employment programme managed by these organisations is oriented toward university students and new graduates. This programme includes a three to six month training course in which the university students have the chance to take numerous classes in life skills (like leadership skills, time management, resume preparation, dealing with customers, presentation skills, team buildings, writing skills, etc.) in addition to on-the-job-training within the companies. The beneficiaries of these programmes are also paid a monthly salary of USD 200 – 400. These training programmes usually target around 250 – 300 persons each year, of whom approximately 70 per cent get the chance to secure permanent jobs in these organisations</p> <p>In addition to the above, Paltel Group has also introduced several employment programmes that target different segments in the OPT with a scholarship programme for approximately 3,000 poor students (over the past nine years). The programme has allowed these students to attend universities to complete their higher education. Paltel Group also manages the “Decent Life” programme, which targets around 70 destitute families and provides them with the means to start their own livelihoods projects</p>		University students and new graduates

SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
Other Programmes	Poverty Alleviation Programmes	Deprived / Productive Families Economic Empowerment Programme (DEEP)	This is a UNDP project that was established in 2006 with the objective of improving the living conditions of economically deprived and socially marginalized Palestinian families and providing them with the means to becoming economically independent and productive households. It accomplished this through a package of financial and non-financial (Promotional Social Safety Net Activities) services that address families' needs. Since its establishment, the programme targeted more than 17,000 households in the West Bank and Gaza and provided them with a package of financial services (grants and loans) and business development services to start microenterprises in order to provide a sustainable source of income for the entire household		Poor families
		UNRWA - Cash for Work Programme	This programme was initiated by UNRWA in 2000 to improve the economic situation and food security of Palestinian refugees. Each year, around 8,000 poor households are provided with temporary employment for three months during which they receive USD 420 each month		Poor families



SECTOR	PROGRAMME	ORGANISATION	BRIEF PROFILE	MAIN SERVICES	TARGET GROUP
		Islamic Relief	<p>In 2008, Islamic Relief adopted the same model as a means for reducing food insecurity levels and unemployment among Palestinian households. At the beginning, the programme focused on new graduates and helped them to secure temporary employment (four to six months long) in local organisations. After that, the programme expanded to include workers, fishermen, and farmers in addition to the new graduates. In the last phase of the programme, 1,000 new graduates and 930 workers received USD 400 as a monthly salary</p>		Poor families
		Al-Najda Association for Social Protection	<p>Established in 1995 as a non-profit organization, it has three branches in Gaza Strip. The organisation's mission is to provide social protection to deprived and poor families and to empower women, since its establishment the organization managed several programmes to achieve its stated goals that cover a wide range of sectors including educational, cultural, social, awareness and health sectors</p> <p>The association is also involved in several projects and activities that provide job opportunities for different groups and facilitate access to work</p>		

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