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



International Labour Organization
Regional Office for Arab States

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Preface

Promoting employment creation is challenging under the best of circumstances, but far more so in conflict situations. Job creation is complex and takes time, and cannot be treated or monitored as easily as the delivery of humanitarian aid. Nevertheless, employment, livelihoods and decent work remain key to the successful resilience and recovery of crisis-affected people. This report has been produced within the framework of the ILO response to the effects of the Israeli military operation during the conflict in Gaza in the summer of 2014. In particular, it addresses the need for an immediate assessment of the effects of the crisis, which came in addition to the land, air and sea blockade that started in 2007 and continues to the present.

The shorter version of this report is comprised of ILO's contribution to the Detailed Needs Assessment (DNA). The DNA came about following a request from the Government of the occupied Palestinian territory (oPt) to all Tripartite partners (the European Union, the United Nations, and the World Bank) to provide support for planning the recovery. This planning is supposed to be centred on actual damages, identified by the DNA, and intended to be based on the availability of resources, pledged at the Cairo donor conference that took place in October 2014. Planning should incorporate a long-term developmental vision for Gaza. The structure of the DNA is based on 4 sectors: social, infrastructure, governance and productive. The ILO's contribution came as a subsector of the productive sector, which was led by the EU.

This report focuses on the employment situation before the Israeli bombardments and tries to assess the impact of the conflict. It provides an attempt to quantify the extent of labour displacement – referred to here as *disemployment*. The situation for the people of Gaza was already dire, but has been exacerbated by the bombardments. This report takes the situation prior to the Israeli operation as its baseline, and then attempts to assess the potential costs of employment programmes as one contribution toward economic recovery.

The report also shares ILO's recovery vision, which takes the view that all recovery efforts should attempt to maximize opportunities for job creation to the degree possible. There is a need to mobilise all actors and resources towards this common goal. Recovery efforts should address urgent immediate needs, as well as long-term sustainability. These efforts should also promote common principles related to job quality, equality of opportunity, and the provision of Decent Work.

This report was prepared under the supervision of Mary Kawar, ILO Senior Employment Specialist. The main author (Parts 1 and 2) was Salem Ajluni, ILO consultant, while part 3 was written by Mary Kawar and was part of the ILO's input towards the DNA. Very helpful technical inputs were received from Rania Bikhazi, Patrick Daru, Rasha Elshurafa, Federico Negro and Marc van Imschoot. In addition, Aya Jaafar provided overall support.

Introduction and summary

In July 2014, the Israeli military launched a sustained military operation in Gaza. For seven weeks, Israel targeted Gaza with intense aerial and navy bombardment. The human loss in the enclave was great: 2,205 Palestinians were killed, including at least 1,483 civilians, of whom at least 521 were children and 283 were women. One in four Palestinians in Gaza was forced to flee, and over 60,000 houses were partially or completely destroyed. Public services were devastated, creating a scarcity of water, energy, food and shelter. Agriculture, industry and trade remain at a standstill, leaving many residents of Gaza without a livelihood.

One of the outcomes of this operation is that a large proportion of the Gazan population lost their productive assets. According to the Palestinian Federation of Industries, 419 businesses and workshops were damaged, with 128 completely destroyed. Activities in the agriculture and fisheries sectors were almost completely paralyzed during the 50-day operation, with substantial direct damage to Gaza's 17,000 hectares of croplands, as well as much of its agricultural infrastructure, including greenhouses, irrigation systems, animal farms, fodder stocks and fishing boats. Access to the sea was mostly prohibited during the hostilities. Since then, restrictions have been restored to the six nautical mile limit. These asset losses come on top of an already fragile economy, high unemployment rates and vulnerable livelihoods that were largely a result of the border closures.

This report is comprised of three parts. The first part assesses the employment challenges before and after the July 2014 bombardments. It reveals that Gaza, over the past decade, has suffered from one of the highest rates of unemployment in the world. Youth and women experience the most severe rates. Youth in the 15-24 years group registered an unemployment rate of 57.2 per cent in 2013, and up to 86.3 per cent for young women. Quality of work indicators show that a significant proportion of the employed population of Gaza work under insecure conditions with one-quarter of the total number of employed persons in 2013 informally employed. Wages are low with more than 67 per cent of private sector workers earning less than the minimum wage in 2013. Finally, less than one quarter of all employees in the private sector has a pension fund.

This report then proceeds to gauge the extent of labour displacement – referred to here as *disemployment* – in private sector activities caused by the Israeli operation. Disemployment is defined as the temporary loss of employment caused by the destruction of the land, structures, capital equipment and/or tools normally used by people in the course of their working day. As such, disemployment, in the context of this conflict, is unemployment in excess of that which existed prior to the Israeli military operation of July-August 2014.

In order to assess the impact on the Gaza labour market, this report uses 2013–2014 survey data as a baseline reference period. Another reference is the PCBS *Economic Survey Series*, which estimates the number of establishments by economic activity and their employment levels. Preliminary estimates of physical damage to workplaces as provided by the Palestinian Authority are also used. These estimates suggest that, in the aggregate, disemployment due to the physical destruction of productive assets is around 17,200 persons. This is equal to about 6.4 per cent of all employed persons and about 11.6 per cent of the private and non-governmental sectors workforce in 2013.

As total employment in Gaza declined in the first-half of 2014 due to a blockade-induced recession, these estimates should be seen as an upper bound. Furthermore, it is assumed that nearly all public sector employees have retained their jobs, or at least retained their claim for compensation for such positions. Using 2013 labour force data, an increase by 17,200 raises the general unemployment rate from 32.6 per cent to 36.9 per cent. This is apart from the increase in unemployment that occurred in first half of 2014 and prior to the Israeli operation.

The second part of this report focuses on employment generation programmes in Gaza. At the Cairo donor conference in October 2014, the Palestinian Government indicated the need for a cash-for-work programme to address the crisis in Gaza and put forward a budget of US\$69 million, of which US\$62 million is earmarked for early recovery and US\$7 million for reconstruction.¹ These costly programmes have been in place in the occupied Palestinian territory (oPt) in some form or other since the establishment of the Palestinian Authority in 1994 to counter the effects of intensified Israeli-imposed restrictions on movement. While these programmes have actually prevented a humanitarian crisis they have, nevertheless, created a dependency among beneficiaries whereby they are unable to graduate from such programmes in terms of their poverty levels. This section attempts to calculate the funds required to augment these programmes. The intention is to highlight the fact that these high costs are not sustainable, especially as programmes remain dependent on donors. What is needed are more efficient ways for implementing these employment programmes using the lessons learnt and to institutionally frame them within a larger social protection strategy.

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

- (a) **Support immediate and longer term job creation.** Address the short-term priority to provide incomes through wages while rehabilitating, repairing and reconstructing damaged or destroyed productive assets and infrastructure. In parallel, focus on non-traditional sectors that can create job opportunities and contribute to economic transformation. This includes a focus on the green economy, jobs without borders for the ICT sector, and other potential growth sectors such as the food and pharmaceutical industries.
- (b) **Ensure the recovery of enterprises and the self-employed.** In the short term, develop wage subsidy programmes as a means to temporarily subsidize employers' wage costs to enable them to either maintain their workers or hire new workers. For the self-employed, provide small grants to regain lost productive assets (e.g. tools and equipment). In the medium term, two areas are proposed. First, for formal enterprises to develop formal demand-driven apprenticeship programmes. Second, to provide training and financial support for the self-employed (micro and small enterprises).
- (c) **Invest in skills.** In the short term, intensify accelerated short-cycle skills training in areas which have immediate labour demand, such as construction and other public investment programmes. A comprehensive package needs to be introduced, specifically for young people, at all levels of education. The package should offer short-term skills training, apprenticeship programmes, job matching and employment-intensive technologies where

¹ See State of Palestine *National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014, p. 56. The document notes that "unemployment has increased from the pre-operation 45 per cent, as a result of damage to industries and commercial enterprises. Job creation will stimulate early recovery both at the household level and in key private sector areas that can use manpower to rehabilitate and re-activate their industries. Cash-for-work (CFW) will be a key early recovery initiative, supporting other interventions, including repair and recovery, including rubble removal for temporary housing, infrastructure works related to reconstruction, labour intensive road tilling, digging ditches for water and wastewater pipes, and repairing industrial zones."

appropriate. In the medium and longer term it is proposed to develop a national skills strategy which better links education, skills development and the labour market, and which focuses on anticipating and delivering the skills that will be needed in the future at local, national, regional and international levels.

- (d) **Institutionalize employment coordination and a monitoring mechanism.** As employment and livelihoods are cross cutting objectives for the recovery plan, and include many actors and a large number of programmes, there is a need to build coherence through an institutionalized coordination mechanism. This should have high political support in order to make timely decisions, strengthen partnerships, minimize duplications and maximize job creation. Other specific functions can be to improve and coordinate labour market information and analysis in collaboration with PCBS to have systematic and nationally recognized data, promote common approaches including Decent Work principles, and establish a common evaluation and impact-assessment tools to monitor progress and adjust approaches accordingly.

PART ONE

I. Gaza Population and Demography

The total population of the Gaza Strip as of mid-2014 was estimated at 1.76 million persons with children 14 years and under accounting for 43.1 per cent of the total. Youth aged 15-29 years comprised another 30 per cent. Thus, almost three-quarters of the Gaza population were under 30 years of age. The 2007 census indicates that approximately 68 per cent of the total Gaza population consists of refugees registered with UNRWA.

Table 1: Estimates of population and age distribution for Gaza, mid-2014²

Age group	Females	Males	Total	Total age Distribution (%)
0-4	143 804	150 424	294 228	16.72
5-9	120 499	125 864	246 363	14.00
10-14	107 252	112 269	219 521	12.47
15-19	100 064	103 590	203 654	11.57
20-24	88 277	90 880	179 157	10.18
25-29	69 990	72 601	142 591	8.10
30-34	53 479	55 991	109 470	6.22
35-39	43 456	44 731	88 187	5.01
40-44	34 694	35 296	69 990	3.98
45-49	28 274	30 149	58 423	3.32
50-54	22 607	25 039	47 646	2.71
55-59	17 015	17 899	34 914	1.98
60-64	12 352	11 824	24 176	1.37
65-69	9 154	7 598	16 752	0.95
70-74	6 460	4 412	10 872	0.62
75-79	4 405	2 837	7 242	0.41
80+	4 125	2 726	6 851	0.39
Total	865 907	894 130	1 760 037	100.0
Demography				
Children 0-14	371 555	388 557	760 112	43.19%
Youth 15-29	258 331	267 071	525 402	29.85%
Working age 15-64	470 208	488 000	958 208	54.44%
Dependency ratio			83.68%	
Sex ratio			1.033	

With a working age population at only 54.4 per cent of the total, Gaza's estimated dependency ratio³ is a very high 83.6 per cent. This is compared with a West Bank dependency ratio of 68.8 per cent. The population in Gaza is currently projected to grow at about 3.5 per cent per year until 2020.

² All data in this section, unless otherwise indicated, are from the Palestinian Central Bureau of Statistics. Population and growth projections are based on the 2007 *Census of Population, Housing and Establishments*.

More than half of the Gaza population lives in Northern Gaza and governorates where population densities are the greatest. Gaza's overall population density (people per square kilometre) ranks fifth in the world for all countries and territories and is estimated at 4,726 persons per square kilometre.⁴

Table 2: Estimates of population distribution by Gaza Governorate, mid-2014

Governorate	Population	Share
North Gaza	348 808	19.8%
Gaza	606 749	34.5%
Deir Al-Balah	255 705	14.5%
Khan Yunis	331 017	18.8%
Rafah	217 758	12.4%
Gaza Strip (total)	1 760 037	100.0%

II. Gaza labour market

A. Labour force

Data for the last full year of labour force surveys, the most robust set of data available, indicate a total working-age population of about 958,200 (Table 2). The aggregate labour force participation rate (also known as the economic activity rate) is estimated at 41.2 per cent of the working-age population for 2013. Both male and female participation rates have been on the increase in the past several years but remain somewhat low by regional and sub-regional averages. The total labour force is therefore estimated at about 394,800 persons, of whom more than 81 per cent are men.

Table 2: Labour market profile for Gaza, 2013

	Total	Males	Females
Working-age population (15+)	958 208	488 000	470 208
Labour force participation rate	41.20%	65.80%	16.00%
Labour force	394 782	321 104	75 233
Employment	266 083	231 837	35 284
Unemployment	128 699	89 267	39 949
Unemployment rates	32.60%	27.80%	53.10%

In 2013, overall employment was estimated at 266,083 persons, of whom more than 87 per cent were men. Total unemployment was estimated at 128,699, of which more than 69 per cent were men. The narrowly-defined unemployment rate was estimated at 32.6 per cent with the male rate at 27.8 per cent and the female rate at 53.1 per cent, nearly double the rate for males. Using a broader definition (which includes discouraged workers), the unemployment rate is estimated at 35.7 per cent or about 147,800 persons.

³ The dependency ratio is the ratio of dependents, i.e. people younger than 15 or older than 64, to the working-age population.

⁴ <http://www.indexmundi.com/g/r.aspx?v=21000>

It should be noted that these high unemployment rates are largely due to decades of occupation and border closures that have left the people of Gaza isolated, impoverished and vulnerable. Gaza was already in the grip of a humanitarian and environmental crisis before this recent operation began. Previous military operations and a seven-year blockade had suffocated the private sector, creating widespread dependency – 80 per cent of Gaza residents were dependent on aid and 57 per cent were food insecure.⁵

B. Employment in detail

As indicated in Table 3, the vast bulk of the employed in Gaza (73.3 per cent) work as waged employees, with only about 17.4 per cent being self-employed. The prevalence of service employment in Gaza and a relatively large public sector, combined with employment in UNRWA, largely explains the disproportionate share of waged employees. So too does the relatively small share of employment in agriculture, where large numbers of engaged unpaid family members can be found. The employment structure of Gaza also reflects the fact that there are few people with assets sufficient for establishing a business to employ others, given that the private sector is constricted. By contrast, the West Bank's share of wage earners in total employment was about 66 per cent in 2013, with significantly larger shares of employers (7.1 per cent) and unpaid family workers (8.6 per cent) relative to Gaza.

Table 3: Status of employed persons in Gaza, 2013

Employment status	Males	Females	Total
Employer	10 665	318	10 909
Self employed	41 499	5 010	46 298
Wage earner	169 937	26 075	195 039
Unpaid family member	9 737	3 881	13 836
Total	231 837	35 284	266 083

	Males	Females	Total
Employer	4.6%	0.9%	4.1%
Self employed	17.9%	14.2%	17.4%
Wage earner	73.3%	73.9%	73.3%
Unpaid family member	4.2%	11.0%	5.2%
Total	100.0%	100.0%	100.0%

As noted, a relatively high portion of employed Gazans work in the public sector. According to official statistics in 2013, the public sector share of employment was 37.8 per cent, or 100,600 persons. Such a high number is a function of both the establishment of the Palestinian Authority in 1994 and the subsequent spree of hiring for newly established public institutions and security forces. Public sector employment was also exaggerated by political patronage. Public sector rolls were further augmented by the addition of Hamas employees brought on after their election and assumption of control after the strife of 2006-2007. By contrast, public sector employment in the

⁵ United Nations Office for the Coordination of Humanitarian Affairs, *The Gaza Strip: The Humanitarian Impact of Movement a Restrictions on People and Goods*.
http://www.ochaopt.org/documents/ocha_oPt_gaza_blockade_factsheet_july_2013_english.pdf

West Bank accounted for only 16.6 per cent of total employment in 2013 (keeping in mind that a similar share of employed West Bankers worked in Israel and Israeli settlements).

Table 4: Employment by sector in Gaza, 2013

Sector	Total employment	Share
Public sector	100 579	37.8%
Private sector	165 504	62.2%
Israel & settlements	0	0.0%
Total	266 083	100.0%

The share of private employment in Gaza is somewhat overstated due to the fact that, by definition, those working for international organizations such as UNRWA and foreign-based NGOs, as well as Gaza-based NGOs, are included in the private sector. UNRWA is the second largest employer in Gaza – after the government itself – with 11,842 area posts as of 1 January 2014.⁶ These alone accounted for more than 7 per cent of the estimated private sector work force. As UNRWA’s activities closely parallel those of the public sector (education, health care, relief, infrastructure), and are provided on a non-profit basis, it is somewhat misleading to include them in the private sector. The same reasoning applies to NGOs, both foreign and local, many of whose activities supplement the public sector’s service provision role.

Reflecting the preponderance of the public sector and UNRWA, as well as the weakness of productive activities paralyzed by the Israeli-imposed blockade on the territory, nearly 80 per cent of employment in Gaza was in services in 2013. The category “services and other branches” – encompassing the public sector, UNRWA, NGOs and others – accounted for more than half of the employed.

Commerce, consisting mainly of wholesale and retail trade, along with hotel and restaurant activities, engaged nearly one-fifth of all the employed. Productive activities, including agriculture, manufacturing and construction, were responsible for another one-fifth of jobs in 2013. It is important to note that all productive activities, especially manufacturing, employed significantly smaller shares of workers relative to the previous decade. This, no doubt, is the result of the increasingly debilitating Israeli closures and blockades on Gaza since 1999, especially after the Israeli withdrawal of settlements and military posts from inside Gaza in 2005. This blockade has stifled normal cross-border trade, especially of exports, upon which agriculture and manufacturing have historically relied. This has constrained private-sector growth and the free movement of goods and services.

⁶ See *UNRWA in Figures*, January 2014 at http://www.unrwa.org/sites/default/files/2014_01_uif_-_english.pdf.

Table 5: Activity employment in Gaza by sex, 2013

Activities (all persons)	Employment	Share
Agriculture, hunting & fishing	22 413	8.42%
Manufacturing, mining & quarrying	14 102	5.30%
Construction	18 551	6.97%
Commerce, hotels & restaurants	51 216	19.25%
Transportation, storage & communication	22 087	8.30%
Services & other branches	137 714	51.76%
Total	266 083	100.00%
Males		
Agriculture, hunting & fishing	15 765	6.80%
Mining, quarrying & manufacturing	13 741	5.93%
Construction	18 572	8.01%
Commerce, hotels & restaurants	49 461	21.33%
Transportation, storage & communication	21 839	9.42%
Services & other branches	112 673	48.60%
Total	231 837	100.00%
Females		
Agriculture, hunting & fishing	6 689	18.96%
Mining, quarrying & manufacturing	434	1.23%
Construction	81	0.23%
Commerce, hotels & restaurants	2 015	5.71%
Transportation, storage & communication	366	1.04%
Services & other branches	25 722	72.90%
Total	35 284	100.00%

It is noteworthy that female employment is heavily concentrated in service activities, accounting for about 73 per cent of all jobs held by women. This reflects the large number of women teachers in UNRWA schools (the vast bulk of UNRWA employees are teachers), as well as women employed in the public sector. The other concentration of working women is in agriculture, an activity that absorbed about 19 per cent of employed females in 2013.

C. Unemployment in detail

Gaza (and the West Bank) in the past decade has suffered among the highest rates of unemployment in the world,⁷ a situation that can be described as “hyper-unemployment.”⁸ The

⁷ In 2012 Gaza’s unemployment rate was an average of 31 per cent ranking it, along with Macedonia and Mauritania, in first place for country and territory unemployment rates worldwide. The oPt as a whole, at 23 per cent, was ranked with the eighth highest unemployment rate in the world in 2012. See *World Bank Development Indicators* at <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>.

⁸ The average annual unemployment rate in the oPt was 23.8 per cent during 2000-2012 (West Bank 18.2 per cent; Gaza 32.8 per cent). This was substantially greater than that of Egypt (9.7 per cent), Jordan (13.7 per cent), Syria (8.8 per cent) and Lebanon (8.4 per cent). “Hyper-unemployment” refers to a consistently above-

burden of unemployment, as indicated in Table 6, falls heaviest on young and female labour market participants. Youth (15-24 years) experienced an unemployment rate of 57.2 per cent in 2013. Women in this group suffered an incredibly high unemployment rate of 86.3 per cent. In general, women's rates of unemployment in each age group through that for 35-44 year olds are significantly higher than those for men. After 45 years of age, women's unemployment rates fall to well below those of men.

Table 6: Unemployment rates by age group and sex in Gaza, 2013

Age group	Male	Female	Total unemployment
15-24	51.76%	86.31%	57.22%
25-34	24.52%	64.34%	34.00%
35-44	13.93%	27.27%	16.30%
45-54	18.78%	11.68%	17.74%
55-64	16.63%	1.01%	13.99%
65+	6.09%	0.00%	3.95%
Total	27.77%	53.06%	32.61%

In absolute terms, of the estimated 128,700 unemployed Gazans in 2013, about 80 per cent were under 35 years of age with 42 per cent under 25 years old. A disproportionate share of the unemployed were women, who accounted for less than 19 per cent of the labour force but about 31 per cent of all unemployed persons.

Table 7: Unemployment distribution by age group and sex in Gaza, 2013

Age group	Males	Females	Total
15-24	46.50%	32.10%	42.00%
25-34	30.50%	55.10%	38.20%
35-44	11.30%	10.50%	11.00%
45-54	9.20%	2.20%	7.00%
55-64	2.50%	0.10%	1.70%
65+	0.00%	0.00%	0.10%
Total	100.00%	100.00%	100.00%

Age group	Males	Females	Total
15-24	41 509	12 824	54 054
25-34	27 226	22 012	49 163
35-44	10 087	4 195	14 157
45-54	8 213	879	9 009
55-64	2 232	40	2 188
65+	0	0	129
Total	89 267	39 949	128 699

average unemployment rate experienced by Palestinians relative to neighbouring countries with similar demographic and cultural characteristics. See ILO *Key Indicators of the Labour Market* and World Bank *Development Indicators* for these years. Such unusually high levels of unemployment are attributed to the regime of movement restrictions imposed by the Government of Israel. The IMF estimates that if these restrictions had not been imposed the level of per capita GDP would have been between 50 and 100 per cent greater than what it was in 2010. Employment levels would also have been substantially higher. See IMF, *Macroeconomic and Fiscal Framework for the West Bank and Gaza: Seventh Review of Progress*, April 13, 2010, pp. 9-10.

Labour force data (2013) suggest relatively high levels of education among the unemployed in Gaza, especially women. About 63 per cent of unemployed men and 98 per cent of unemployed women had 10 or more years of schooling. Of an estimated 40,000 unemployed women, almost 95 per cent had completed secondary school or attained some post-secondary education, a level of attainment significantly greater than that of men. Educational attainment in Gaza, on average, exceeds that in the West Bank. In part, this is due to the role that UNRWA has played in providing educational services for over 60 years.

Table 8: Distribution of unemployed persons in Gaza by years of schooling and sex, 2013

Years of schooling	Males	Females	Total
0 years	0.60%	0.10%	0.40%
1-6 years	12.90%	0.50%	9.00%
7-9 years	23.10%	1.00%	16.20%
10-12 years	35.60%	3.80%	25.70%
13+ years	27.80%	94.60%	48.70%
Total	100.00%	100.00%	100.00%

Years of schooling	Males	Females	Total
0 years	536	40	515
1-6 years	11 515	200	11 583
7-9 years	20 621	399	20 849
10-12 years	31 779	1 518	33 076
13+ years	24 816	37 792	62 676
Total	89 267	39 949	128 699

The labour force survey also indicates that about 59 per cent of those seeking work in Gaza in 2013 had worked in the past with about 41 per cent being new job market entrants who had never worked (compared with 35 per cent in the West Bank who had never previously worked). This suggests that a substantial share of the unemployed were youth without previous work experience. Among women, some 64 per cent were new to the job market, indicative of the higher rates of educational achievement – and associated higher economic activity rates – among women in Gaza in recent years. By contrast, only about 30 per cent of male job seekers were new to the job market in 2013.

As noted in a recent ILO study, a young person in the oPt may be unemployed for an extended period of time. The period of transition between unemployment (or temporary and non-satisfactory employment) and a satisfactory job is about 20 months in the oPt. Furthermore, about one-third of unemployed youth experience unemployment spells of greater than 2 years. Long-term unemployment, defined as one year or longer, impacts about 57 per cent of unemployed youth with adverse potential consequences, including a higher risk of future unemployment, a prolonged period of unstable jobs and potentially depressed income growth.⁹

⁹ Tareq Sadeq & Sara Elder, *Labour market transitions of young women and men in the Occupied Palestinian Territory*, International Labour Office, Geneva, May 2014, pp. 22, 39, 47.

D. Decent work deficits

Quality of work indicators in Gaza show that a significant proportion of the employed population of Gaza work in insecure conditions. Table 3 above suggests that, on the face of it, about one-quarter of the total number of employed persons in 2013 were informally employed. This is calculated as the share of employed persons who were employers (generally of small, family-owned businesses), self-employed, and unpaid family labourers. About three-quarters of the employed in Gaza were wage earners, among these being public sector employees who account for about half of all wage earners and who generally work under formal conditions – that is, with written contracts and some level of employee benefits.

The other half of wage earners in Gaza are in the private sector (including UNRWA). These total about 94,460 (total estimated waged employment minus public sector employment). Table 9 indicates that, while about 79 per cent of private sector employees have permanent full-time jobs, almost one-fifth work on a seasonal or casual basis – an estimated 20,000 persons. This contrasts with the West Bank where nearly all private sector wage earners work on a permanent full-time basis.

Table 9: Quality of work indicators for private sector wage workers in the West Bank and Gaza, 2013

Nature of work	Private wage employment	Share
Permanent/full time	74 812	79.20%
Temporary/part time	1 511	1.60%
Seasonal/casual	18 136	19.20%
Total	94 459	100.00%
Contract availability		
Written contract	25 693	27.20%
Oral contract	850	0.90%
No contract	67 916	71.90%
Total	94 459	100.00%
Benefits availability		
Contributions to pension fund	18 136	19.20%
Annual paid holidays	18 703	19.80%
Paid sick days	19 270	20.40%
Paid maternity leave for women	13 585	52.10%

Unlike the West Bank, where almost 55 per cent of private sector wage earners have a contract (about half of these are written, the other half oral), only about one-quarter (about 26,500 persons) of their Gaza counterparts have a contract of any type. In both Gaza and the West Bank less than one-quarter of employees have a pension fund, paid holidays and paid sick days; only about half of employed Gazan women have maternity leave benefits (probably limited mainly to UNRWA employees).

The impact of unprecedented unemployment and the higher costs of household consumption goods due to the blockade have led to downward pressure on the purchasing power of wages in Gaza. Table 10 provides average nominal and real (CPI-deflated) daily wages for the nine-year period 2005-2013. The nominal value of the average daily wage barely changed during this period, ending at NIS 63.20 in 2013 (about US\$17.50). Yet the average cost of a basket of common consumer goods and

services increased by 29 per cent. The result was a 21.4 per cent decline in the purchasing power of the average daily wage during this period. By comparison, the decline in the real average daily wage in the West Bank was about 9 per cent for this period.¹⁰ Thus, the purchasing power of the average daily wage in Gaza has fallen considerably in the past nine years.

Table 10: Average nominal and real daily wages in Gaza, 2005-2013

Year	Average daily wage (nominal NIS)	CPI Gaza (2004 =100)	Average real daily wage
2005	62.3	102.45	60.8
2006	69.1	107.2	64.5
2007	65.1	108.87	59.8
2008	60.9	124.08	49.1
2009	62.7	129.57	48.4
2010	58.2	131.79	44.2
2011	61.6	132.55	46.4
2012	64.3	133.19	48.3
2013	63.2	132.17	47.8
Changes 2005-2013	1.39%	29.01%	-21.41%

With an average of 23.7 working days per month in 2013, the average (mean) monthly wage is estimated at about NIS 1,495 (US\$414.40). The median monthly wage was considerably below that at NIS 1,185 (US\$328.40).¹¹ This is 18.3 per cent lower than the legal monthly minimum wage, legislated in late 2012¹², of NIS 1,450 (US\$375).¹³ Data from the Palestinian Central Bureau of Statistics (PCBS) indicate that more than 67 per cent of private sector wage earners in Gaza earned less than the minimum wage in 2013, as compared with about 25 per cent of such employees in the West Bank.

¹⁰It is noteworthy that the cost of living, as measured by the CPI, jumped about 14 per cent in Gaza in 2008. This year was characterized by a worldwide surge in basic food prices but it was also the first full year of the intensified Israeli blockade on Gaza after the assumption of control by Hamas. By comparison, the CPI rose by 9.8 per cent in the West Bank. CPI data is taken from the PCBS *Consumer Price Index* series with 2004 as the base year.

¹¹ The median wage is considered a better indicator of average income since, by definition, it is the wage in the middle of all wage observations. As the mean wage is considerably higher than the median, this suggests a distribution skewed by a small number of high income earners.

¹² The first minimum wage for Palestinians was passed by the Palestinian Authority in October 2012 at 1,450 shekels (US\$375) per month for both public and private sector workers. The National Committee for Wages agreed that minimum wages should guarantee decent living conditions for workers and their families without causing a negative impact on the economic development of private sector institutions. There is no information, however, on the extent to which this is complied with.

¹³ See <http://www.maannews.net/eng/ViewDetails.aspx?ID=526851>.

Table 11: Mean and median nominal daily and monthly wages in Gaza, 2013¹⁴

Mean and median monthly wages	NIS	USD
Mean daily wage	63.10	17.50
Median daily wage	50.00	13.90
Mean monthly wage	1 495.50	414.40
Median monthly wage	1 185.00	328.40

The insufficiency of wage incomes in Gaza is highlighted by their relationship to the minimum wage and the latter's relationship to measures of poverty. The legal minimum wage is well below the estimated poverty lines for Palestinians in the oPt. The PCBS estimated the 2011 poverty lines for the reference household in the oPt (consisting of two adults and three children) at NIS 2,293 (US\$637) in monthly household consumption and the deep poverty line at NIS 1,832 (US\$509).¹⁵ At NIS 1,450, the monthly minimum wage in Palestine is about 37 per cent below the estimated 2011 consumption poverty line and 21 per cent below the consumption deep poverty line for the reference household. As waged employment is the principle source of income for the vast majority of Gaza households, the foregoing wage income data is suggestive of high levels of poverty and working poverty.

Indeed, the PCBS estimated that in 2011, 38.8 per cent of individuals in Gaza (and 17.8 per cent in the West Bank) consumed at a level below the poverty line. Similarly, about 21.1 per cent of Gazans (and 7.8 per cent in the West Bank) consumed below the deep poverty line that year.

III. Gaza emergency: Estimating the damage and assessing the situation

A. Labour market developments on the eve of the Israeli military operation of 2014

After the Israeli redeployment out of Gaza in the summer of 2005, the Government of Israel imposed even greater restrictions on the movement of people into and out of Gaza and on cross-border trade. In addition to debilitating productive economic activity, particularly agriculture and manufacturing, it stimulated the development of "under border" trade, through tunnels beneath the Gaza-Egyptian frontier. It also further exacerbated unemployment conditions in Gaza and led to heightened poverty rates.

After Hamas were elected in early 2006 and assumed control of Gaza, civil strife followed, and the Israeli blockade of the territory was expanded. This paralyzed productive economic activity and created a growing reliance on the "tunnel economy" connected to Egypt for wholesale and retail trade. That economy became a lifeline for the importation of fuel, construction materials and consumer products and, to a lesser extent, the mobility of people.

The government that overthrew the elected Muslim Brotherhood Government in Egypt in mid-2013 dismantled the tunnel system connecting Gaza and the Sinai. This significantly increased

¹⁴ The average NIS/US\$exchange rate was 3.609 in 2013.

¹⁵ The definition of poverty used by the PCBS is based on a budget of basic needs for a family of 5 persons (2 adults and 3 children). The deep poverty line is calculated to reflect a budget for food, clothing and housing only. The "normal" poverty line includes health care, education, transportation, personal care and housekeeping supplies. The two lines were adjusted to reflect the different consumption needs of families based on their composition (household size and the number of children).

unemployment rates starting in the second half of 2013. **Unemployment in Gaza rose from 32.5 per cent in third-quarter 2013 to 44.5 per cent in second-quarter 2014, near its all-time highest rate.** The unemployment rate for youth aged 15-29 was estimated at 63 per cent. This was accompanied by a collapse in the share of employed persons in construction, probably due to the lack of building materials previously imported from Egypt. **Under the relaxed definition of unemployment, the PCBS estimates there were about 216,500 unemployed persons in Gaza in second-quarter 2014, of which about 30 per cent were women. Nominal wages remained relatively stable after mid-2013.**

B. A Framework for estimating damage-induced displacement of employment

The extent of the labour market dislocation caused by Israel’s operation in July-August has not been fully assessed. It is likely that the number of unemployed will rise, augmented by those “disemployed” by the actual destruction of productive physical assets, as well as the impact of continued, and perhaps heightened, restrictions on Gaza’s cross-border trade. Initial assessments by the Palestinian government¹⁶ indicate that, in addition to death, injury and destruction of housing on an unprecedented scale, the Gazan economy suffered significant damage to productive capacity. This section attempts to assess the disemployment impact of the crisis, that is, the temporary loss of employment caused by the destruction of land, structures, capital equipment and/or tools normally used by working people in the course of their day. As such, disemployment is unemployment in excess of that which existed prior to the Israeli military operation of July-August 2014.

In order to assess to the impact on the Gaza labour market, the above indicators for 2013 and 2014 can serve as a baseline reference. Another reference is the PCBS *Economic Survey Series*, which estimates the number of establishments by economic activity and their employment levels (see Table 12). Preliminary estimates of physical damage to workplaces as provided by the Palestinian Authority, together with this information and some reasonable assumptions, form the basis of this preliminary assessment of disemployment in key private sector activities.

Table 12: Private and non-governmental establishments, employment and average number of employees by economic activity, Gaza, 2013¹⁷

Economic activity	Number of establishments	Number of employed	Average employees per establishment
Agriculture	n.a.	22 413	n.a.
Manufacturing	4 532	18 224	4
Construction	162	3 796	23.4
Commerce, hotels, restaurants	22 840	55 988	2.5
Transport and storage	244	1 411	5.8
Information and communications	147	1 850	12.6
Services (non-governmental)	10 717	44 579	4.2
<i>of which: Education (UNRWA and private)</i>	<i>840</i>	<i>7 953</i>	<i>9.5</i>
<i>of which: Health (UNRWA and private)</i>	<i>1 106</i>	<i>5 028</i>	<i>4.5</i>

¹⁶ See State of Palestine *National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014.

¹⁷ PCBS *Economic Surveys Series 2013: Main Results*, Ramallah, October 2014. Data excludes public sector establishments. Thus only non-governmental and private establishments are included in this survey series. Employment estimates by activity in this series are different than those provided in the *Labour Force Survey* due to the fact that *Economic Surveys* are surveys of businesses while the *Labour Force Survey* is one of households. Agricultural data, which are also excluded from the *Economic Survey Series*, come from the *Labour Force Survey*. Value added per employee for agriculture is for the year 2012.

Total	38 642	125 848	3.3
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It is important to note that the duration of disemployment, as well as other manifestations of unemployment, is dependent in great part upon the extent to which Israeli border authorities restrict the importation of materials for reconstruction and the usual raw materials and production inputs used by farmers, manufacturers and service providers. Restrictions on cross-border trade with Gaza will constrain reconstruction, rehabilitation and recovery and prolong the period of disemployment, as well as pre-existing blockade-induced unemployment. Furthermore, if the destruction and disarray caused by the Israeli operation are allowed to fester, further dampening-effects on economic activity and employment can be expected.

C. Accounting for disemployment by activity

The following is an activity-by-activity preliminary analysis of damage-induced displacement of employment in Gaza based on available information.

1. Agriculture and fishing employed an estimated 22,400 persons in 2013 – about 15.1 per cent of all private, non-governmental employment.¹⁸ Initial estimates indicate the Israeli military operation severely damaged 30 per cent of agricultural land, including a large number of irrigation wells and systems, greenhouses, productive fruit trees, equipment and post-harvest facilities. In addition, an estimated 40 per cent of livestock (poultry, sheep, cows) were killed or died from lack of care as farmers were unable to access their lands. Fishermen were unable to access the sea during the conflict and a number of boats were damaged or destroyed by Israeli ordinance.¹⁹ Given the initial estimates of significant damage, it is not unreasonable to assume that the disemployment impact of the Israeli operation affected at least one-quarter of workers involved in these activities or about 5,600 persons.

2. Manufacturing employed an average of 18,225 persons or about 12.3 per cent of all private employment in 2013. It is estimated that about 300 of Gaza's predominantly small-scale factories and workshops were destroyed with about 700 partially damaged.²⁰ With an estimated total of about 4,500 firms in 2013 (see Table 12), 300 destroyed establishments comprises about 6.6 per cent of the total and another 700 partially damaged would account for 15.4 per cent of all manufacturers.

Given an average of four employees per firm, 300 totally destroyed businesses would result in 1,200 affected persons. Assuming the 700 partially damaged firms lost half their productive capacity on average, the result would be an additional loss of 1,400 jobs. Under this assumption, total disemployment for manufacturing is estimated at about 2,600 jobs.

3. Commerce (wholesale and retail trade), hotels and restaurants employed about 51,215 persons in 2013, about 37.7 per cent of total private employment. The *Economic Survey* for 2013 estimated a total of 22,840 enterprises engaged in these activities in Gaza. The Palestinian government estimates

¹⁸ In calculating total private employment, estimated agricultural employment from Table 5 is added to the total employment figure given in the *Economic Survey 2013*. Please note that the calculated share of employment accounted for by any given activity in the private sector will, therefore, be greater than those in Table 5, which includes public sector employment.

¹⁹ Reports of damage in agriculture and fishing are from State of Palestine, *The National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014.

²⁰ Reports of damage to manufacturing are from State of Palestine, *The National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014.

that about 1,255 establishments in these activities were destroyed and another 2,928 were partially damaged.²¹ If accurate, about 5.5 per cent of firms were destroyed and 12.8 per cent were partially damaged by military activities.

Given per firm average employment of 2.5 persons, the loss of 1,255 businesses would make idle about 3,075 persons. Assuming partially damaged commercial businesses lost an average of 50 per cent of their operating capacity, the additional disemployment effect would be 3,585 jobs. The estimated total temporary employment loss in commerce would, therefore, be about 6,665 jobs.

4. Transport and storage employed a relatively small number of people – about 1,400. Given the wide scope of damage and destruction, there are no doubt vehicles and warehouses that have been affected but there is no information specifically about these activities.

5. Information and communications employed only about 1,850. The Palestinian Government suggests that the scale of damage and destruction to telecommunications (telephony and internet) infrastructure may be significant, mainly to the fixed line network.²² The mobile communications network was seriously disrupted in a number of Gaza districts with 225 stations losing power supply and 14 stations destroyed. Assuming access to materials and parts from outside of Gaza, those employed in these activities will probably not be significantly affected.

6. Services encompass a wide spectrum of activities. Among the more significant in Gaza are UNRWA and private education and health care services.

Regarding education, the new school year start date was postponed from 24 August to 14 September, affecting more than 500,000 children's access to education. A total of 26 schools were completely destroyed with 122 schools (including 75 UNRWA schools) and 11 higher education facilities damaged to varying degrees.²³ It is anticipated that there will be no significant disemployment as a result of the physical destruction. All schools – public, UNRWA and private – will likely continue to employ their teachers and staff, although there will be higher levels of crowding due to reduced space and facilities.

Regarding health care services, at the time of the MIRA 9 September assessment, at least 17 out of 32 hospitals were damaged and six closed down (three remain closed). Of the 97 primary health centres (PHCs) monitored, 45 reported damage, four were completely destroyed and 17 were closed. The reduction in the number of operational hospitals and PHCs has exacerbated the pressure on remaining facilities, especially when receiving large numbers of casualties. As with education, there is no expectation that significant numbers of health professionals will be made idle as a result of the damage. Nonetheless, as with education, the continued employment of UNRWA, private and government health professionals depends on the continuation of donor assistance from outside Gaza.

Beyond education and health, private services include a spectrum of activities including accounting, legal and business services, repair of household items, architects, social work, tourism services, private membership organizations (including political parties), sports and recreation, and so on. These other services were provided by about 8,770 establishments employing about 31,000 persons in 2013. Given the unprecedented scope of physical destruction, it is not unreasonable to assume that the share of facilities destroyed in these other services would be similar to that suffered in

²¹ See State of Palestine *National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014.

²² See State of Palestine *National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014.

²³ See *Summary of Gaza Multi-Cluster Initial Rapid Assessment (MIRA)*, 9 September 2014.

manufacturing (6.6 per cent) and commerce (5.5 per cent). Using the average rate of physical destruction of 6 per cent yields an estimated additional 526 establishment facilities destroyed with an additional 1,895 persons made idle.

The results of these estimates are provided in Table 13. **In the aggregate, disemployment due to the physical destruction of productive assets is estimated at 17,200 persons. This is equal to about 6.4 per cent of all employed persons and about 11.6 per cent of the private and non-governmental sectors employed workforce in 2013.** As total employment in Gaza declined in the first-half of 2014, these estimates should be seen as an upper bound. Furthermore, it is assumed that nearly all public sector employees have retained their jobs or at least retained their claim for compensation for such positions.²⁴ Using the 2013 labour force data, an increase by 17,200 raises the unemployment rate from 32.6 per cent to 36.9 per cent. This is apart from the increase in unemployment that occurred in first-half 2014 and prior to the Israeli operation.

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

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

It should also be noted that there was extensive destruction and damage to housing. UNOCHA (Office for the Coordination of Humanitarian Affairs) estimates that some 13 per cent of housing units – 44,300 in all – were affected. Approximately 5 per cent of the housing stock (18,000 housing units) became uninhabitable, rendering more than 108,000 people homeless. There was also significant damage to 20-30 per cent of water and sewage networks with 30-50 per cent of household water storage capacity damaged. Electricity production and distribution were badly compromised as well and will require time to repair.²⁵ It is difficult to establish the extent to which the destruction of infrastructure and housing will affect employment, but it is clear that the lack of such basic amenities can only hinder economic recovery and the regeneration of employment for

²⁴ This does not diminish the difficulties that public sector employees, both those paid from Ramallah and those paid from Gaza, have been experiencing in receiving their salaries. The point here is that, formally speaking, they continue to be employed.

²⁵ *Summary of Gaza Multi-Cluster Initial Rapid Assessment (MIRA)*, 9 September 2014.

various groups. For example, damage to housing and associated infrastructure may disemploy home-based workers, disproportionately affecting women.

D. Accounting for damage-induced loss of value added

A measure of the lost value of GDP (value added) due to disemployment in non-governmental establishments can be approximated by first considering estimated GDP by economic activity as provided in the second column of Table 14. Average worker productivity, or value added per employee, is calculated as the ratio of GDP to total employment by activity. This yields the estimated annualized value added per employed person in each activity. The average person employed in non-governmental establishments produced an estimated US\$9,168 in added value in 2013 with a range from a low of US\$5,528 in private services to a high of US\$30,628 in construction activities.

Table 14: Value added by non-governmental establishments in Gaza by economic activity in 2013 and estimated annualized damage-induced value added losses (USD)²⁶

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

Multiplying the estimated number of disemployed persons by value added per employee yields an estimate of the GDP (value added) loss on an annualized basis. Thus, given US\$8,073 in value added per worker in agriculture and 5,603 disemployed in that activity (refer to Table 14), the estimated loss would be about US\$45.2 million during the course of the year, assuming no return to work of those disemployed. In general, the number of annual working days in Gaza, excluding Fridays and Muslim holidays is about 310.²⁷ Thus, the average working day productivity losses from disemployment in agriculture can be estimated at about US\$146,000 and for all non-governmental enterprises at about US\$508,700 per day. Since the hostilities ceased, very little in reconstruction has been allowed; thus, over the past six months (September 2014-February 2015) the losses in economic output are estimated at US\$ 80 million.

One shortcoming of this method is that it assumes GDP in the years after 2013 would be approximately what it was in 2013. This is a rather strong assumption in the context of years of

²⁶ Estimates of value added by economic activity, except for agriculture, are taken from the *Economic Survey 2013*. Value added for agriculture in Gaza for 2013 is not yet available. Thus, agricultural value added and value added per employee are for taken from the PCBS *National Accounts* for 2012.

²⁷ This methodology for estimating the actual work year was developed by UNSCO. For examples, see *The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions, 1 October 2000 – 30 September 2001*.

economic instability. Indeed, indicators suggest that the Gazan economy had taken a turn for the worse by mid-2014.²⁸ Nonetheless, as complete 2014 data are not yet available, this method is essentially sound, although results should be treated as upper bound estimates.

²⁸ Gaza's GDP was estimated to have declined 7.1 per cent in real terms between second-quarter 2013 and second-quarter 2014. PCBS *Preliminary Estimates of Quarterly National Accounts, Second Quarter 2014*, 30 September 2014.

PART TWO

Generating employment and recovery under current conditions in Gaza

The Palestinian government in its intervention at the Cairo donor conference in October 2014 indicated the need for a cash-for-work programme to address the crisis in Gaza and put forward a budget of US\$69 million, of which US\$62 million is earmarked for early recovery and US\$7 million for reconstruction.²⁹

Given the significant estimated losses in employment and output, and the severe economic and social conditions facing the people of Gaza, one important contribution to rehabilitation and recovery will be job creation or cash-for-work programmes. However, such programmes have been in place in the oPt in some form or other since the establishment of the Palestinian Authority in 1994 to counter the effects of intensified Israeli-imposed movement restrictions.³⁰ While these programmes have actually prevented a humanitarian crisis they have nevertheless created a dependency among beneficiaries whereby they are unable to graduate from such programmes. Based on this, the following section will review previous experience to try and assess the potential costs with the hope that more efficient ways for implementing these programmes using the lessons learnt from the past can be developed.

A. Employment generation programmes in Gaza: A brief history

The largest such programmes before the year 2000 were administered by the Palestinian Economic Council for Development and Reconstruction (PECDAR) with funding from and through the World Bank and the UNDP. UNRWA established a somewhat smaller programme in these years. In all cases, the programmes covered both the West Bank and Gaza. The job creation programmes were designed to combat the unemployment effects of restrictions on movement, to generate income for those directly affected, to clean up public spaces, and to rehabilitate and/or expand public infrastructure through small-scale projects all over the oPt. They were not sustainable in that they created a dependency and could not succeed in lifting people out of poverty despite being a main life line.

In general, employment consisted of 10, 18 or 26-day work cycles with the intent of distributing the work to benefit the largest number of persons possible. In general, participants earned US\$10 per day. The UNRWA programme in the mid-1990s trained or employed recent graduates in the fields of health, education, engineering, law and the sciences to build and staff schools, clinics and engage in other infrastructural and environmental projects and paid workers US\$12 per day.³¹

²⁹ See State of Palestine *National Early Recovery and Reconstruction Plan for Gaza*, International Conference in Support of the Reconstruction of Gaza, Cairo, October 2014, p. 56. The document notes, "Unemployment has increased from the pre-operation 45 per cent, as a result of damage to industries and commercial enterprises. Job creation will stimulate early recovery both at the household level and in key private sector areas that can use manpower to rehabilitate and re-activate their industries. Cash-for-work (CFW) will be a key early recovery initiative, supporting other interventions, including repair and recovery, including rubble removal for temporary housing, infrastructure works related to reconstruction, labor intensive road tilling, digging ditches for water and wastewater pipes, and repairing industrial zones."

³⁰ See UNSCO *Quarterly Report on Economic and Social Conditions and Trends in the West Bank and Gaza Strip*, 23 October 1996.

³¹ UNSCO *Quarterly Report*, 23 October 1996.

The most severe bout of movement restrictions between the establishment of the Palestinian Authority in 1994 and the outbreak of the second *intifada* in late 2000 occurred during 1996. At their height during April-December 1996, job creation programmes generated a total of about 2.3 million working day opportunities, the equivalent of about 7,900 full time annual equivalents in the oPt. This was about one-fifth the estimated job losses by Palestinians who were employed in Israel just prior to the crisis with wages at about one-quarter below the average prevailing for all oPt workers at the time. The programmes were phased out by the end of 1996 and, for the most part, had no lasting employment effects. Indeed their intention was to address crisis conditions and provide income support for those most in need. As such, they effectively served more as short-term poverty alleviation measures rather than a sustainable job creation policy.³²

With the onset of the second *intifada* in late 2000 and with far more stringent movement restrictions imposed by the Israeli military authorities, the scale and duration of the unemployment problem increased significantly. For its part, UNRWA instituted an expanded job creation programme in the oPt beginning in 2001 – one that has lasted to the present.³³ At its height, in the seven-year period 2005-2011, the Job Creation Programme (JCP) was able to create an annual average of 3.7 million daily job opportunities – the equivalent of about 12,365 annual full-time equivalents (300 work days per year) – paying an average daily wage of US\$12.75. On average, 71,325 individuals were directly hired by the programme each year, with an average of 416,000 family members benefitting indirectly. Despite its significant size, the JCP's aggregate impact was to employ the equivalent of only about 5.7 per cent of the estimated number of unemployed persons during this period and at wages that were about 35 per cent below average wages in the oPt.³⁴ The average unemployment rate in the oPt during the seven-year period was 23.3 per cent.

In Gaza, the average unemployment rate was 34.3 per cent during 2005-2011 with an annual average of 100,000 unemployed persons. There, the results of the JCP were somewhat better than usual. The programme was able to generate an annual average of about 2.3 million work day opportunities, or about 8,100 full-time equivalent positions. This equated to about 7.9 per cent of the average number of unemployed persons in Gaza during 2005-2011. However, the average duration of employment for the average participant was only 71 days and the average daily wage in the Gaza JCP was about US\$11.85 – approximately 70 per cent of the average prevailing wage. The better results in Gaza may have been due to higher budgets, greater administrative efficiency and/or better targeting of beneficiaries.³⁵

B. Generating employment and recovery under current conditions in Gaza

By comparison to the 2005-2011 period, the present situation in Gaza is significantly more dire. While the unemployment rate in 2012-2013 averaged 32 per cent, somewhat below the 2005-2011 average, rapid growth of the working age population, as well as steady growth in the labour force participation rate since 2011, has resulted in significant absolute growth in the number of

³² Samia Al-Botmeh, *Employment Generation Schemes in the WBGS*. MAS Economic Seminar Series presentation, Palestine Economic Policy Research Institute, Ramallah, 19 September, 1996.

³³ See UNRWA, *Emergency Appeals* for the period 2002-2014. The UNRWA JCP was drastically scaled back and reformulated after 2012 as a result of emergency funding cuts.

³⁴ Based on UNRWA data for the Job Creation Programme for 2005-2011. UNRWA's JCP was targeted to registered Palestinian refugees. Thus, the programme's employment impact on this subset of oPt residents was substantially larger than that suggested here. The JCP was drastically reduced due to funding shortages after 2011.

³⁵ UNRWA data on the administrative costs of the JCP vary somewhat but data for a few of the peak years indicate such costs were about two per cent of total programme costs.

unemployed. Thus, the average number of unemployed in Gaza in 2012-2013 was about 122,000 or more than one-fifth greater than their numbers during the peak of the UNRWA JCP.

With the demise of the tunnel economy and Gaza's further isolation beginning in second-half 2013, unemployment rates spiked to an average of 42.5 per cent in first-half 2014, raising the estimated number of unemployed in Gaza to 184,000 persons.³⁶ To this number can be added those disemployed by the Israeli operation in the summer of 2014, estimated above at more than 17,000 persons. Thus, in the aggregate, the number of unemployed in Gaza in the second half of 2014 may be upwards of 200,000 – twice the number at the peak of the UNRWA JCP in 2005-2011. Matters are made worse and more complicated by the extensive damage to the public infrastructure needed to conduct business in the Gaza Strip.

Based on the Palestinian Authority intervention in Cairo, it should be noted that it cost the UNRWA JCP approximately US\$4,040 in 2011 to generate one full-time equivalent position (300 days of work), including wages (98 per cent of costs), materials and operating costs (0.2 per cent of costs) and administrative costs (1.8 per cent of costs). Assuming the same wage, material, operating and administrative costs as the UNRWA JCP in Gaza, US\$69 million would support the creation of about 17,100 full-time equivalent positions over the course of one year – almost exactly the number of disemployed workers estimated in the above exercise.

Shorter contracts would allow benefits to be spread much more broadly but also more thinly. Thus, by offering 150-day work contracts (assuming costs equivalent to those of the UNRWA JCP), the number of distinct direct beneficiaries could be doubled to 34,200. With 75-day contracts, about 68,400 different people could benefit and so on. Given a fixed budgetary envelope, raising the daily wage from the rather meagre UNRWA JCP average would reduce the number of beneficiaries but provide greater income support to a smaller number of participants.³⁷

Given the extent of the prolonged unemployment crisis in Gaza, more emphasis on job creation seems in order. For example, a US\$100 million budget, as laid out in Table 15, would allow for a more robust and nuanced response. At US\$15 per day, a level of remuneration that would provide a participant working 25 days per month with about 75 per cent of the deep poverty line for a representative household, a US\$100 million cash-for-work programme could generate 6 million work day opportunities. A programme of this scale would provide for 20,000 300-day contracts (covering about 10 per cent of the currently estimated unemployed in Gaza). With 150-day contracts, a total of 40,000 participants could be accommodated (about 20 per cent of the currently unemployed). Depending on the duration of contracts (and thus the number of direct beneficiaries) and with good targeting of the poor,³⁸ such a programme could indirectly benefit hundreds of thousands of family members.

³⁶ This estimate is based on mid-2014 estimates of the working-age population from the PCBS projections combined with labour force participation and unemployment rates for the first two quarters of 2014 as provided in PCBS, *Labour Force Survey, April – June 2014; Revised Press Report on the Labour Force Survey Results*, 4 October 2014, p. 38.

³⁷ It is noteworthy that the Palestinian Ministry of Labour in its 100 Day Plan Logframe proposes a US\$20 million budget for a cash-for-work programme to generate 900,000 work days. In that proposal, the average cost for a work day would be US\$22, nearly twice the UNRWA JCP average of US\$11.85 during 2005-2011.

³⁸ The UNRWA JCP in Gaza during 2005-2011, on average, achieved close to a seven to one beneficiary-to-participant ratio through relatively good targeting of participants.

Table 15: An alternative budget and framework for a cash-for-work programme for Gaza, 2014-2015 (USD)

Total Budget	100 000 000	
of which: Wages to beneficiaries	90 000 000	
of which: Programming, materials, administration	10 000 000	
Total work day opportunities	6 000 000	
Cost per full-time equivalent	5 000	300 work days per year
Full-time equivalents	20 000	300-day contracts
Half-time equivalents	40 000	150-day contracts
Quarter-time equivalents	80 000	75-day contracts
Total beneficiaries (average 7-member households)	140 000	300-day contracts
Total beneficiaries (average 7-member households)	280 000	150-day contracts
Total beneficiaries (average 7-member households)	560 000	75-day contracts

It would inject US\$90 million in the form of direct wages to participants and provide for US\$10 million for programming, materials and administrative costs, about US\$1.67 per day per worker. Such funds could be used to enhance the programme with respect to vocational training and special sub-programmes for women and youth who represent the vast bulk of the unemployed. It would also provide for materials and equipment that would augment the productivity of participants and allow for a greater spectrum of projects to be undertaken. The types of work projects could be rehabilitating damaged agricultural lands and assets, public works such as repairing damaged roads, water networks, and other public infrastructure, supporting municipalities in rubble removal and small scale infrastructural needs.³⁹

In conclusion, cash for work programmes have been used for a long time as a social stabiliser. However, the argument often made against such programmes is that they create a dependency and do not allow people to graduate from these programmes. The argument in favour of cash for work programmes is that they give people more choice than food assistance, and evidence from other parts of the world suggests that wages are put to a wide range of uses, from purchases of food, groceries, clothes and seeds to meeting the costs of services like education and health. These complex spending patterns generate a range of benefits, as well as multiplier effects that stimulate the local economy. While these programmes may be necessary for the people of Gaza today there is

³⁹ While the size and cost of this programme might seem high, it is consistent with the scope of the unemployment and humanitarian crisis facing Gaza. It should be reiterated here that the Palestinian Government's appeal for assistance for a cash-for-work programme in Cairo was for US\$69 million. In addition, UNRWA's *Emergency Appeal*, released in early 2014, prior to the Israeli operation in the summer included a proposal for a cash-for-work programme to the amount of US\$66.2 million that would generate 5.2 million working day opportunities with daily wages ranging between US\$10-19 depending on skill and education level (see UNRWA *Emergency Appeal* 2014). While UNRWA mainly targets registered refugees – about 69 per cent of Gaza's population – the Palestinian Government's programme would presumably target non-refugees. Thus, a combined proposal for a US\$100 million job creation programme for Gaza is consistent with the assessments of both the Palestinian Government and UNRWA with respect to the scope of need.

Furthermore, in a recent iteration of the UN's proposals for funding to assist Gaza, the ILO requested US\$10 million for cash-for-work programmes; UNDP requested US\$54 million and UNRWA requested US\$27.3 million for a combined total of US\$91.3 million. See documentation from UN Gaza Response Proceedings.

a need to revisit the design of these programmes if one is looking for the development of Gaza. One way is to better institutionally frame them within a larger social protection strategy in order to reduce people's dependency over time.

PART THREE

Moving forward: Towards a response strategy for job generation

While the above sections attempted to assess the employment losses as a result of the crisis, and an emergency response to these losses, this section looks forward towards addressing the current employment challenges in Gaza. First and most importantly, it should be kept in mind that any recovery effort should lay the basis for sustained output and employment growth, a reduction in unemployment and poverty, and improvements in the quality of work.

It is thus important to ensure that recovery efforts under the National Consensus Government's 'National Early Recovery and Reconstruction Plan' provide the maximum job opportunities possible. Hence, there is a need to mobilize all actors and resources towards this common goal. This should address urgent immediate needs as well as longer term objectives, such as sustainability. Recovery efforts can also promote common principles related to job quality and equality of opportunity and provide Decent Work for those affected and for those who tend to be marginalized.

The Recovery and Reconstruction Plan looks at a future horizon alongside immediate recovery. The reconstruction, rehabilitation and recovery of social, infrastructure and productive sectors need to be viewed in the context of a longer term recovery (or transformation) of the Gaza strip.

The creation of employment and training opportunities should not be seen as an implicit consequence of the recovery process but needs to be considered a primary objective for Gaza's transformation. If not addressed explicitly through a strategic vision, there will be a lost opportunity in terms of maximizing the employment potential of the reconstruction effort, as well as the longer term development potential.

Towards a job creation strategy

The vision is, therefore, based on the fact that employment, as a cross cutting issue, has to be mainstreamed in all other recovery and reconstruction efforts. In parallel, there should be targeted interventions focusing specifically on job creation. This strategy balances emergency humanitarian needs, including the creation of immediate income opportunities, with longer term developmental needs related to the generation of sustainable decent jobs and the maintenance of livelihoods.

The following provides four interrelated levels of intervention, which are based on immediate emergency response and mid-term initiatives that aim to enhance sustainable and decent employment opportunities:

- 1. Support immediate and longer term job creation.** The Palestinian Government's National Early Recovery and Reconstruction Plan for Gaza indicated the need for cash for work programmes to address the crisis. Indeed, this should be the short-term priority that aims to provide incomes through wages, while rehabilitating, repairing and reconstructing damaged or destroyed productive assets and infrastructure vital to economic activity. The proposed strategy for this is the following: scale up existing cash for work programmes; increase the labour content in the reconstruction projects; develop a skills programme to absorb the already trained labour force that has become idle in the past 6 months; and, finally, introduce Decent Work principles through, for example, introducing minimum standards in occupational safety and health (OSH) and working conditions, and good practices in rubble removal, reconstruction and recycling.

In the medium term, the Gaza transformation process can offer the opportunity to focus on non-traditional sectors to create job opportunities and, therefore, attract young men and

women. This includes a focus on the green economy (recycling, waste management, green energy etc.), and jobs without borders for the ICT sector. There are also sectors with potential growth, such as the food and pharmaceutical industries, which can also create new jobs. Given Gaza's youthful population, it is highly pertinent to identify potential growth sectors and support them accordingly.

- 2. Ensure the recovery of enterprises and the self-employed.** The previous sections of this report highlighted the number of damaged enterprises and job losses. This includes formal enterprises that were physically damaged or affected by restrictions on essential imports for the reconstruction or due to the limited purchasing power of the Gazan population. Although data is less available, another affected segment was those self-employed who lost their productive assets, or their market, and who are vulnerable due to the informal nature of their livelihoods. In both cases there is an immediate need to restore productive assets.

In the short term it is proposed to develop wage subsidy programmes as a means to temporarily subsidize employers' costs to enable them to either maintain their workers or to hire new workers. For the self-employed, on the other hand, the proposed intervention is to provide small grants for re-establishing lost productive assets (e.g. tools and equipment). An element of retraining and other support services can also be introduced. Indeed, with the right support, there is an opportunity for the transition of informal workers and/or enterprises to formality and higher productivity.

In the medium term, two areas are proposed. First is for formal enterprises to develop formal demand-driven apprenticeship programmes. These programmes, if well designed in terms of addressing jobs needs, provide enterprises with the ability to grow through developing the right workforce and provide apprentices who learn on the job with real job opportunities. Second is to provide training and financial support for the self-employed (micro and small enterprises). Rapid market analysis will help identify specific sectors that have a concrete business development perspective. Focus will be placed on young Gazan men and women, who will be provided with the relevant business start-up training to enable them to prepare business plans and seek funding. Financial linkages with banks/micro finance institutions will also be facilitated to ensure a smooth start to their businesses.

- 3. Invest in Skills.** Skills development is an undeniable priority in any recovery and reconstruction phase. The recovery provides a unique opportunity for the construction-related sectors around which there will be opportunities for the unskilled, semi-skilled and skilled individuals. The strategic role of skills development is necessary not just for improving the employability of young people but also for increasing the productivity of enterprises. Accordingly, the economy is able to become more competitive. At the immediate level it is thus proposed to intensify accelerated short-cycle skills training in areas that have immediate labour demand, such as construction and other public investment programmes, together with focusing on providing skills development for the out-of-school youth. On-the-job training schemes are also in high demand from private entrepreneurs who are ready to "hire" young people through apprenticeship programmes (see above on apprenticeship programmes). A comprehensive package needs to be introduced, specifically for young people, at all levels of education from unskilled to young graduates. The package should offer short-term skills training, apprenticeship programmes, job matching and employment-intensive technologies where appropriate.

In the medium and longer term it is proposed to develop a national skills strategy that better links education, skills development and the labour market on the basis of demand. It is also proposed that this strategy focuses on anticipating and delivering skills that will be needed

in the future through forecasting at the local, national, regional and international level (since many Palestinians work abroad).

- 4. Institutionalize employment coordination and a monitoring mechanism.** Based on the fact that employment and livelihoods are cross cutting objectives for the recovery plan and include many actors and a large amount of programmes, the vision is to work towards building coherence among the various stakeholders through an institutionalized coordination mechanism. Indeed, many key stakeholders from the public and private sector, as well as others from civil society, already interact and coordinate. However it is important to create a common structure for decision-making and knowledge management on employment and skills-related interventions. Common approaches, such as promoting decent work principles, guidelines on employment-intensive approaches, and other procedures and tools can be also agreed upon.

It is proposed that this coordinating mechanism is anchored to high political support in order to make timely decisions, strengthen partnerships, minimize duplications and maximize job creation potentials within the reconstruction and development transformation process. Other specific functions can:

- (a) improve labour market information and analysis in collaboration with PCBS to collate systematic and nationally recognized data;
- (b) promote common approaches, including Decent Work principles; and
- (c) establish a unified monitoring, evaluation and employment impact assessment tool to monitor progress and adjust approaches accordingly.

Towards an integrated job creation strategy: A Synopsis

<p>1. Support immediate and longer term job creation</p>	<p>Short term:</p> <ul style="list-style-type: none"> • promote job creation potential in all recovery efforts and provide decent working conditions; • strengthen the productive and sustainability potentials of existing and future cash for work programmes and other social assistance/poverty alleviation programmes. <p>Medium term:</p> <ul style="list-style-type: none"> • maximize job creation in key innovative and/or potential sectors such as the green economy (recycling, waste management, green energy), food industry, pharmaceuticals, and ICT.
<p>2. Ensure the recovery of enterprises and the self-employed</p>	<p>Short term:</p> <ul style="list-style-type: none"> • implement a wage subsidy programme to allow damaged enterprises to retain their workers; • offer small grants for those self-employed who lost their productive assets. <p>Medium term:</p> <ul style="list-style-type: none"> • develop demand-driven formal apprenticeship programmes; • support self-employment, social enterprises and business start-ups, especially for young men and women through training and financial linkages.
<p>3. Invest in skills</p>	<p>Short term:</p> <ul style="list-style-type: none"> • undertake immediate and accelerated skills training programmes in construction and other public investment programmes; • engage out-of-school youth in skills development. <p>Medium to long term:</p> <ul style="list-style-type: none"> • anticipate skills needs and align skills delivery accordingly, including improving the quality of skills delivered; • develop a skills strategy; • improve synergies between education and work.
<p>4. Institutionalize a unified employment coordination and monitoring mechanism</p>	<ul style="list-style-type: none"> • establish a structure for employment coordination to improve coherence among different donors and the Palestinian Authority; • mainstream job generation within the National Recovery and Reconstruction Plan for Gaza; • improve labour market information and analysis in collaboration with PCBS; • develop and adopt common principles and guidelines including Decent Work Principles; • establish a unified monitoring, evaluation and employment impact assessment tool to monitor progress and adjust approaches accordingly.