

An analysis of this percentage by area, age, education level and gender shows great disparities. Unemployment rates are higher in the Gaza Strip than in the West Bank, with 31% and 20.3% respectively. It is also much higher among women (35.3%) than among men (21.2%). The gap is much wider in the Gaza Strip, where the unemployment rate among women reached 51.6% compared to 26.3% among men!

Unemployment in Palestine is structural and is mainly caused by factors related to the outputs of higher education that are not adapted to the requirements and needs of the Palestinian labor market in terms of skills, experience and knowledge, as well as factors associated with distortions and structural imbalances of the Palestinian economy, besides its quasi-absolute dependency on the Israeli economy.

### How do we fight unemployment??? A personal analysis

Dr. Majid Sbeih

The fight against unemployment needs to take place within the framework of an overall employment strategy that would include methods and procedures geared towards harmonizing academic and vocational programs and disciplines with developmental needs and Palestinian labor market requirements; such a strategy should also include the planning and implementation of large-sized investments in labor-intensive productive sectors, as well as encouraging and facilitating credit for small projects with easy lending terms through the Palestinian Fund for Employment and Social Protection and the Palestinian Investment Fund.

The private sector's failure to invest in productive projects that generate job opportunities and income requires a productive role from the public sector, while it should reduce its current role based on expanding employment in ministries and governmental institutions as a way to address unemployment and borrowing from domestic commercial banks to pay salaries and wages! A productive role of the public sector would not only provide jobs, but also generate revenues that would contribute in covering public expenditures and reducing the national budget deficit. Paying attention to human development and the quality of academic and vocational education would increase the capacity of graduates to integrate the labor market and find jobs. However, any successful employment strategy is linked to the ability to undertake comprehensive planning and development, which in turn is determined by the extent of achievement of national sovereignty.

### The Paris Economic Protocol of the year 1994 – A major obstacle standing in the way of the liberation and growth of the Palestinian economy.

Although there is no express provision in the Paris Protocol on the nature of the trading system that connects Israel and the Palestinian territory occupied in 1967, a thorough review of the provisions of the economic protocol indicate that it is in essence a customs union. A customs union mainly means the existence of a common or uniform tariff between the parties to this union towards the outside world or other countries outside the union. However, the Palestinian - Israeli customs union is in fact a union of one party, which is Israel, as the external tariff that is adopted is the Israeli tariff! You can find hereafter some provisions of the protocol that indicate this.

### Articles of the Paris Economic Protocol of the year 1994

Article 3 concerns import taxes, and stipulates that except for goods specified in lists A1, A2 and B, "the Israeli rates of customs, purchase tax, levies, excises and other charges, prevailing at the date of signing of the Agreement, as changed from time to time, shall serve as the minimum basis for the Palestinian Authority."

Article 6 includes indirect taxes on local production, and stipulates that the Palestinian side is committed to the Israeli policy with regard to VAT, so that the rates of value added within the jurisdiction of each tax administration are identical on locally produced goods and imported goods, while allowing the Palestinian Authority to reduce VAT by two percent!

Article 4 concerns monetary arrangements, and most importantly:

1. The establishment of a Palestinian Monetary Authority (PMA) with monetary powers that include most traditional functions of central banks, with the exception of the emission of currency, which was left to a subsequent agreement between both sides.
2. The New Israeli Shekel (NIS) will be one of the legal currencies circulated in Palestine.
3. The Palestinian Monetary Authority is responsible for determining liquidity requirements in all currencies except for NIS. The PMA must maintain liquidity requirements on the various kinds of NIS deposits (or deposit linked to the NIS) in banks operating in Palestine that are not less than 4% to 8%, according to the type of deposits. "Any changes of over 1% in the liquidity requirements on NIS deposits (or deposits linked to the NIS) in Israel will call for corresponding changes in the above mentioned rates."

### Repercussions of some of the terms of the Paris Protocol on the Palestinian economic situation

- Customs rates and taxes on domestic production and imports have not helped in supporting and protecting Palestinian domestic production and growth. They did not help either in changing the structure of imports, reducing imports to meet domestic demand, and reducing the degree of commercial dependency on Israel, which kept a monopoly on Palestinian foreign trade by virtue of its control over external borders crossings. In 2011, about 86% of total exports went to Israel or to the outside world through Israel, and about 73% of total Palestinian imports came from Israel or through it. The Palestinian trade balance is suffering from a large and growing deficit that amounted to about US\$ 5.3 billion in 2012. Commodity exports declined as a proportion of GDP from 12.5% in 2007 to 7.8% in 2010. Coverage rate of commodity imports by commodity exports is low, as it ranged between 17% in 2007 and 15% in 2010. Commodity exports are still concentrated in a limited number of low value-added commodities. The main ten goods that have been exported abroad from Palestine in 2011 accounted for 43.5% of total exported commodities, i.e. 1,241 commodities. Building stones, which accounted for 12.6% of total monitored exports, are at the forefront of exported goods, followed by alloy with 7.8%, marble with 4.5%, and nylon bags with 3.6% (Palestinian Central Bureau of Statistics, 2013, the Performance of the Palestinian Economy in 2012). These indicators reflect a decline in export capacity and the inability of the Palestinian economy to meet the domestic demand for private consumer goods, and thus its dependency on imports from abroad, especially from Israel, thereby reducing the capacity of the Palestinian economy to absorb the local labor force.

- The commitment to Israeli rates for customs and taxes on imports and domestic Palestinian production - value-added tax on imports is calculated after the addition of many of taxes and on the basis of the imported goods' value, including customs duties, purchase tax and the cost of shipping and insurance - has led to high costs of imported production inputs and high prices of domestic production. Therefore, it has weakened the competitiveness of domestic products in domestic and foreign markets, helped discourage the growth of exports,

and flooded the local market with cheap but low quality imported goods. This in turn has led to the closure of many local industries producing consumer goods, particularly clothing, footwear and food industries, while their owners have reconverted themselves into agents and importers from Southeast Asian countries, especially from China.

- Since Israel has been in charge of the collection of tax revenues and customs duties on Palestinian imports, and their transfer to the Palestinian Authority for a collection fee of 3%, the Palestinian budget has been held hostage by successive Israeli governments. These governments have often used these revenues as a means of financial pressure in order to achieve political ends! For example, revenue clearance with Israel reached US\$ 1459 million in 2012, and accounted for 70.3% of total annual revenues (Palestinian Central Bureau of Statistics, the Performance of the Palestinian Economy, 2012). Domestic revenues (tax and non-tax) formed about a third of total public revenues, which amounted to \$ 2.1 billion in that year. This indicates that the Palestinian national budget mainly relies on taxes and customs levied on imports, especially from Israel.

- The absence of a national currency and the imposition of the circulation of foreign currencies have deprived the Palestinian Monetary Authority from using money supply, interest rates and indirect monetary policy tools in order to affect investments and savings, fight recession, unemployment and inflation, and achieve full employment and economic stability that are essential for economic development.

The presence of foreign currencies in circulation has subjected the Palestinian economy to foreign exchange rate policies, especially those adopted by Israel, which affects the inflation rates and conditions of Palestinian foreign trade. A rise of NIS (New Israeli Shekel) exchange rates against foreign currencies increases imports from Israel, while a deterioration of NIS exchange rate often leads to the erosion of wages and incomes of Palestinian citizens. The price system in Palestine is affected by the price system in Israel, making the Palestinian economy vulnerable to imported inflation from Israel. In other words, **the price system in the Palestinian economy as a tool to customize and direct resources is controlled by external factors, especially by the strength of supply and demand, prices and policies prevailing in the Israeli economy, i.e. the prevalent economic and political conditions do not correspond to the conditions of a free economy adopted by the Palestinian Basic Law (Article 21), and on which developmental plans and programs of the Palestinian Authority have been based.**

Moreover, the economy is affected by the situation of fragmentation, internal division and geographical disintegration that has led to the separation of the West Bank from the Gaza Strip, cutting Jerusalem off from the West Bank, and the division under the 1995 Taba Agreement into three geographical areas (A, B, C). The Palestinian Authority had no civil or security powers in area C, which represents more than 60% of the total area of the West Bank. As a result, there is no full national sovereignty over land and resources, external border crossings and economic policies.

**This situation means the absence of a common market. There are separate markets, isolated and unconnected. Therefore, there is no freedom of circulation and movement of production elements between areas, while market signals are determined and influenced by the forces of supply and demand and prices abroad, especially in Israel!**

### "Characteristics and work conditions in informal economy establishments in Palestine"

#### Publications of the Democracy and Workers' Rights Center in Palestine

Conducted by Dr. Majid Sbeih and Mr. Mamoun Alia, this study presented a number of findings about the general characteristics of informal establishments, the reasons for their non-registration, the characteristics of their employees and their work conditions in terms of occupational safety and health, working hours, wages and vacations, etc.. It proposed a number of active interventions that would assist informal economy establishments in integrating the formal economy.

"Determinants and Consequences of Child Labor and Worst Forms of Child Labor" in the West Bank and Gaza Strip The baseline studies on child labor conducted by Adv. Karem Nashwan (still under publication) showed that in both West Bank and Gaza Strip, child work is widespread among children under the minimum working age, which is 15 years in Palestine.

#### Some characteristics of child work in the Gaza Strip:

**Children indicated that they entered the labor market for many reasons;** over half indicated that they did so to contribute to the family income, provide for their personal needs, or due to poverty and unemployment; about a third cited low academic achievement or their desire to learn a profession. A lower percentage indicated that they started working because of the desire and pressure from their parents, because they wanted to drop out of school, because of teacher violence, to imitate their friends, or due to the violence in the family.

#### The economic and social situation of the families of child workers

Families of child workers are large and have a low monthly income. Almost half the fathers are unemployed, and most mothers are housewives. The vast majority of parents have no higher education degrees.

Most occupations in which children work entail clear dangers, in particular work in the tunnels, as porters, in construction, fishing, and collecting solid waste or aggregates.

**In addition, few child workers are provided with insurance against work injuries and few undergo a medical examination. Employers do not respect occupational health and safety standards. Children also work for very low wages compared to long working hours. Most children do not obtain paid weekly, annual and sick leaves.**

**As for the role of competent authorities, the study indicated that the role played by the Ministries of Social Affairs, Education and Health is insufficient; for instance, it pointed out to the low number of labor inspectors and weaknesses of vocational training centers.**

#### Situation of child workers in the West Bank

The findings of the studies show important similarities between characteristics of child work in the Gaza Strip and the West Bank, although there are some differences in the types of occupations of child workers, in particular regarding the occupations that have emerged due to the closure and siege of the Gaza Strip, such a work in the tunnels, collection of aggregates, solid waste and demolition of buildings.

**Recommendations**

The studies proposed a number of measures and policies to fight child labor, which requires concerted efforts of official institutions such as the Ministries of Labor, Education and Social Affairs, as well as involvement from human rights organizations and trade unions. They include: amendments to the law in order to prevent the employment of children under the age of 15 years, providing social protection to poor families of child workers through a social safety net and the adoption of a law for protection from unemployment and poverty, activating the role of the Ministry of Labour in the field of labor inspection, activating the role of all Ministries involved in vocational training and education to improve these services in qualitative and quantitative terms, and activating the role of the Ministry of Education in fighting school dropout and creating a school environment that is friendly and attractive to pupils.

**Widespread poverty in Palestine: more than a fourth of the population suffer from poverty**

The definition of poverty in Palestine is based on an official definition of poverty developed in 1997. The definition included absolute and relative features based on the budget needed for meeting the basic needs for a family of reference consisting of 6 members (two adults and four children). However, from 2010, the Palestinian Central Bureau of Statistics Palestinian has size of the family of reference to 5 members (two adults and three children). Two poverty lines have been adopted based on actual consumption patterns of households, which are:

1. The deep poverty line, which reflects a budget solely for food, clothing and housing.
2. The (national) poverty line, which reflects a budget for meeting the basic needs of the family, as well as other needs such as health care, education, transportation, personal care and home accessories.

Data of the Palestinian Central Bureau of Statistics indicates that the poverty rate among the population according to actual patterns of consumption reached 25.8% in the year 2011, 17.8% in the West Bank and 38.8% in the Gaza Strip. It shows that about 12.9% of the persons in Palestine are suffering from extreme poverty, 7.8% in the West Bank and 21.1% in the Gaza Strip. The poverty line for the reference family of five members reached 2293 NIS, while the deep poverty line reached 1832 NIS.

**Poverty rate among persons based on monthly household consumption patterns in Palestine 2010-2011**

	Poverty		2011		Deep poverty		2011	
	2010	2011	2010	2011	2010	2011	2010	2011
	Percentage	Share	Percentage	Share	Percentage	Share	Percentage	Share
Palestine	25.7	100	25.8	100	14.1	100	12.9	100
West Bank	18.3	44.6	17.8	42.7	8.8	38.8	7.8	37.5
Gaza Strip	38.0	55.4	38.8	57.3	23.0	61.2	21.1	62.5

Source: Palestinian Central Bureau of Statistics, Situation of Palestinian population residing in Palestine, July 2013, Ramallah-Palestine

**More than a fifth of wage workers are poor!**

The poverty rate among wage workers in 2011 was around 22%, divided between 16% in the West Bank and 35% in the Gaza Strip

**Proposed policies to fight poverty**

1. Developing a social safety net that includes the marginalized and those outside the labor market, in particular in terms of provision of health insurance and social benefits to poor families
2. Improving labor market conditions in terms of wages and their indexation on the increase of living cost, and provision of social insurances to workers

This newsletter has been issued in cooperation and partnership with the Friedrich Ebert Stiftung. The Friedrich Ebert Stiftung is not responsible for its content, which is the sole responsibility of the Democracy and Workers' Rights Center in Palestine.



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The Democracy and Workers' Rights Center in Palestine

**Labor Bulletin**

On Socio-Economic Issues

This quarterly socio-economic bulletin published by the Democracy and Workers' Rights Center in Palestine aims to inform workers about the latest economic and social developments in the occupied Palestinian territory.

Analysis based on the PCBS Labor Force Survey Findings (January-April 2013 round)

2nd Edition 2013

**Violations of the minimum wage law**

**30.1% of wage employees in the private sector in the West Bank and 71.8% in the Gaza Strip earn less than the minimum wage!**  
**Palestinian workers are dispossessed from millions of shekels due to the private sector's lack of abidance with the minimum wage law!**  
 A simple calculation shows that the direct cash loss for wage workers due to the private sector's lack of abidance to the minimum wage law in the West Bank and the Gaza Strip is estimated at more than 64 million shekels a month, for a total of more than 192 million shekels in the first quarter of 2013, as shown in the following estimate:  
 Average monthly wage in shekels (NIS) and number of wage workers in the private sector, who are paid less than 1450 NIS (the minimum wage in the private sector in Palestine) according to area, January-March 2013

	Number of wage workers	Average monthly wage	Minimum monthly wage	Difference between real	Total loss (in NIS)
<b>West Bank</b>	<b>58,600</b>	<b>1,064</b>	<b>1,450</b>	<b>386</b>	<b>22,619.600</b>
North WB governorates	31,300	1,062	1,450	31,300	12,144.400
Middle WB governorates	9,400	1,113	1,450	9,400	3,167.800
South WB governorates	17,900	1,042	1,450	17,900	7,303.200
<b>Gaza Strip</b>	<b>63,100</b>	<b>791</b>	<b>1,450</b>	<b>659</b>	<b>41,582.900</b>
North GS governorates	36,000	818	1,450	632	22,752.000
Middle GS governorates	18,400	776	1,450	674	12,401.600
South GS governorates	8,700	710	1,450	740	6,438.000
<b>Palestine</b>	<b>121,700</b>	<b>922</b>	<b>1,450</b>	<b>528</b>	<b>64,257.600</b>

**Comments:**

1. There are minor differences in totals at the level of the various areas
2. This table does not include Palestinian workers in Israel, Israeli settlements and abroad
3. Estimations for cash losses are derived from data of the Palestinian Central Bureau of Statistics, Labor Force Survey, January-April 2013 round first quarter of 2013, Ramallah-Palestine.

Abidance with the law and respect of rights will only be achieved if deterrent penalties are imposed on those who violate the law, otherwise it will remain ink on paper.

While the ratification of a minimum wage law was important, it is now crucial to ensure its implementation!

**Only about 26.7% of private sector workers in Palestine have written work contracts, 20.2% have oral contracts and 1% are covered by collective agreements.**

This means that the majority of wage workers in the private sector lack documents and work proof, which negatively affects their rights that are already violated! In other words, a low rate of wage workers in the private sector has access to a contribution in financing pensions or severance pay.

**Vacations, severance pay, pension**

78.7% of wage workers in the private sector do not obtain pension/severance pay, 77.8% do not obtain paid annual vacations and 77.4% do not obtain paid sick leave, 60.6% of women workers in the private sector do not obtain paid maternity leave. This situation calls for a major role on part of the Ministry of Labour and the government in ensuring the application of labor law, so that workers obtain their rights. It also requires an active role of the trade unions in leading rights-based struggles on the basis of sharing burdens and profit between workers and employers, so that everyone will obtain their rightful due!

**Widespread unemployment**

**Alarming high unemployment rates among youth, university graduates and women!**

During the 1st quarter of 2013, the unemployment rate among the labor force aged 15 and above in Palestine according to ILO standards was 23.9%, which equals to 271,000 unemployed persons, 152,000 of them in the West Bank and 119,000 in the Gaza Strip.