



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.

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Minimum wage: a legal right still denied to many workers

According to the labor force survey of the Palestinian Central Bureau of Statistics for the first quarter of 2014, 35.8% of wage employees in the private sector in Palestine were paid less than the monthly minimum wage (1450 NIS). The average monthly wage for these workers reached 850 NIS, and the number of workers denied their right to a minimum wage was 110,700 (this number does not include Palestinian workers in Israel, Israeli colonies and abroad). In the West Bank, 22.1% of wage employees in the private sector were paid less than the monthly minimum wage; their number reached 48,700 wage workers, with an average monthly salary of 1,030 NIS. In the Gaza Strip, 69.7% of wage employees in the private sector (or 62,000 workers) were paid less than the monthly minimum wage, with an average wage of 708 NIS.

In the first quarter of 2014, Palestinian wage workers have incurred a direct loss of 199.5 million NIS as a result of lack of commitment by the private sector to paying the minimum wage. What role are trade unions playing in fighting for this right? Where is the role of the labor inspection department?

Based on data about the percentage of workers, who are paid less than the minimum wage, the estimated average loss for wage workers in the private sector in the West Bank as a result of non-application of the minimum wage was about 20.5 million NIS per month, and about 61.5 million NIS for the first quarter of 2014! In the Gaza Strip, wage workers have lost about 46 million NIS per month, and about 138 million NIS for the entire first quarter of 2014! This means that the total direct losses of wage workers in Palestine, as a result of lack of commitment by the private sector to paying the minimum wage, amounted to an average of 66.5 million NIS a month, and about 199.5 million NIS for the first quarter of 2014!

Decline in the average monthly wage of those paid less than the minimum wage

In comparison with the first quarter 2013, the number of wage earners in the private sector, who are paid less than the minimum monthly wage (1450 NIS), has decreased. In the West Bank, their number has decreased from 58,600 in the first quarter of 2013 to 48,700 wage workers in the first quarter of 2014. However, their average monthly wage has actually dropped from 1,064 NIS to 1,030

NIS during the same period, which represents a decline of 3.2%. In the Gaza Strip, the number of employees in the private sector, who are paid less than the minimum monthly wage, has decreased from 63,100 to 62,000 wage earners in the same period. In Gaza, their average monthly wage has decreased from 791 NIS in the first quarter of 2013 to 708 NIS in the first quarter of 2014, which represents a decline of 10.5%. In the occupied Palestinian territory as a whole, the total number of wage employees in the private sector, who are paid less than the minimum wage, has decreased from 121,700 in the first quarter of 2013 to 110,700 in the first quarter 2014. The average monthly wage of workers paid less than the minimum wage has dropped from 922 NIS to 850 NIS, which represents a decline of about 8%.

Average monthly wage in NIS and number of wage workers in the private sector, who are paid less than 1450 NIS, according to area and sex during the year 2013 – Women are more exposed to exploitation than men

The Labor Force Survey – Annual Report, 2013, issued by the Palestinian Central Bureau of Statistics showed the following:

1. In the **West Bank**, the average monthly wage of male wage workers in the private sector, who were paid less than the minimum wage, was 1,125 NIS, whereas the average monthly wage of female workers was 904 NIS. This means that men's average monthly wage exceeded women's wage by 24.4%. Furthermore, 20.5% of male wage workers in the private sector were paid less than the minimum wage, whereas this concerned 42.4% of women wage workers.

2. In the **Gaza Strip**, the average monthly wage of male wage workers paid less than the minimum wage was 817 NIS. The average monthly wage for women workers was 666 NIS. Men's average monthly wage exceeded women's wage by 22.7%. However, it should be noted that 71.8% of male wage workers in the private sector were paid less than the minimum wage, compared with 41.6% of female wage workers.

3. In the **occupied Palestinian territory**, the average monthly wage of male wage workers paid less than the minimum wage was 933 NIS, whereas it was 842 for women. The average monthly wage of male wage workers exceeded women's wage by 11%. 37% of male wage workers in the private sector were paid less than the minimum wage compared with 42.2% of women workers. Thus, women wage workers in the private sector were more exposed to exploitation than men.

Youth transition from school to work

High early school drop-out rate among youth:

The results of the "Youth School to Work Transition" survey undertaken in 2013 and issued by the Palestinian Central Bureau of Statistics showed that 55.2% of young people (15-29 years old) are no longer enrolled in educational institutions. It should be noted also that 20.9% of young people have no academic degrees whatsoever, and that 31.7% ended their education at the basic level. This means that more than half of the Palestinian youth have not reached the secondary level of education. Furthermore, school drop-out rates among young people are high, as 33.1% of male youth and 23.5% of female youth had left school before obtaining a degree. One of the main reasons that drive young people to leave school at an early age is the feeling that investing in education is not rewarding enough in terms of job opportunities. The survey results show that about 47.1% of young workers are less educated than required by the skills they need for their work. These young workers, who are not qualified enough, are concentrated in occupations such as sales, agriculture, crafts and machine operators. This has negative effects on work productivity.

Youth unemployment rate is among the highest in the region; more than half of unemployed youth face long-term unemployment:

The unemployment rate among young people in Palestine is 37%, and this percentage is higher than in Jordan (24.1%) and Tunisia (31.8%). Moreover, more than half of the young women in Palestine are unemployed, with unemployment rates reaching 54.8% among them, versus 32.4% among young men. In addition, young people are suffering from long periods of unemployment; the percentage of young people unemployed for two years or more was 32.2% of the total unemployed youth, 31% among young men and 35% among young women. 56.7% of unemployed youth are experiencing long-term unemployment (measured by those, who have been looking for work for one year or more). The longer the period of unemployment, the greater its effect on young people, not only because they are living in a state of uncertainty, but also because of the erosion of their knowledge and skills, and the difficulty of finding potential employment in the future.

Length of the transition period:

The findings of PCBS's survey on youth transition from school to work showed that 36% of the youth (15-29 years), who have completed their transition to the labor market, have moved directly from school to stable or satisfactory jobs. Another third (35.4%) witnessed a period of unemployment, before the completion of the transition process, which was of an average of 19.5 months. The average length of the transition period for those, who have not completed the transition process directly after school, was 31.8 months! Young people in the transition phase spent a long time in searching for a stable or satisfactory job, as the average length of the transition period was 55.6 months.

Unemployment is highest among university graduates, and the level of skills required in the Palestinian labor market is not high:

The unemployment rate among young university graduates is 1.5 times higher than among young people without any academic degree, reaching 47% and 31.2% respectively. This suggests that the level of skills required in the labor market is not high. However, the results also suggest that young people with higher levels of education have a better chance of good quality and stable jobs. Results show that young people with a university degree could earn at least 1.5 times the wages of young people without any academic degree. The average monthly wage for young people increases with each additional step of education or training. High academic achievement for youth increases their chances of transitioning to stable jobs in the labor market.

High competition for few good jobs; young men make a better transition to the labor market than young women:

Young men have a strong advantage over young women in the completion of the transition phase. The survey showed that 38.9% of young men have completed their transition to the

labor market, compared with only 6.6% of young women. 81.1% of the young people, who have completed their transition to work, have moved into a stable and satisfactory job, 14.4% have moved to a satisfactory but temporary job, and 4.5% have moved to satisfactory self-employment. Youth with bachelor or graduate degrees have a greater chance to achieve a transition to stable and satisfactory employment compared to less educated youth. Temporary satisfactory jobs are most prevalent among the least skilled.

A majority of young people are wage employees, and self-employment is not an attractive option for young people:

Among youth in the age group (15-29 years), only 41.8% of young men work, versus 7.1% of young women. Most of them are wage employees, with 81.8% of male youth and 84.1% of female youth workers being wage employees. Self-employment, including employers and self-employed, only formed a small percentage. The results showed that only 1.9% of young workers are employers, 6.9% are self-employed, and 8.9% are working with their family without pay.

Poor quality of jobs available to young people:

68.6% of young wage employees did not have a written work contract, while 13.1% had been working through a contract of limited duration. Only 34.3% of young wage workers have obtained paid annual leave, 33.2% had access to paid sick leave, and 29.7% had health insurance. Moreover, 37.4% of young male workers and 13.6% of young female workers had long working hours (more than 50 hours per week). These poor working conditions were reflected in the fact that 38% of young workers indicated that they would like to change jobs, because of low pay, poor working conditions and the fact that their qualifications do not match their job.

Young people's participation in the workforce is low, especially among young

women:

The results showed the existence of a wide gap in labor force participation between male youth (61.8%) and female youth (15.6%). Reasons for their lack of participation in the labor force also differ. The almost sole reason for young men not to be economically active was that they were pursuing their studies. 31% of young women were not in the labor force and were not students, and only 14.5% were not in the labor force, because of their enrollment in educational institutions. Also, more than a quarter of the female workforce was not in the labor force, because they had despaired of finding jobs, compared with 4.1% of young men.

This data clearly indicates that youth are most affected by the lack of employment opportunities, which generates serious thoughts of work-related emigration among them. This has negative social and political effects, especially since Palestine is under occupation. In addition, widespread unemployment among the educated is alarming, and poses a major challenge for policymakers. Unemployment among the educated is a waste of potential human productivity; it represents a loss of production and income that could have been generated by those unemployed. Furthermore, youth unemployment has also negative social consequences. It is also important to find jobs of good quality for young people, i.e. jobs that fit their specialties, offer appropriate wages and provide job security. The data also indicates that young people are facing major difficulties in their transition from school to work, as the transitional period averaged 55.6 months in the year 2013. It is very important for decision-makers to realize that widespread unemployment in Palestine is structural, and is caused by the imbalance of the Palestinian economy and labor market structures. This is reflected mainly in the inability of the economy and the labor market to absorb the entire Palestinian labor force. It requires drawing up plans and strategies for employment and investment that will help to reduce unemployment as much as possible, particularly among the educated labor force.

Is growth in the Palestinian economy a jobless growth?

A recent study by Dr. Majid Sbeih entitled "Labor-intensiveness of growth in the Palestinian economy for the period 2001/2010" (published in the *Jatma'a Al-Najah Journal for Research-b (Humanities)*, Vol 27 (6), June 2013) showed a fluctuation of growth rates for real GDP, and a fluctuation of employment growth rates at the level of the Palestinian economy as a whole, as well as in the different economic sectors. The study showed that real economic growth rates were not associated with similar or parallel growth rates in employment. In some years, the decline in employment rates was associated with a decline in real GDP growth rates, but in other years an increase of real GDP growth rates was accompanied by a decrease in employment growth. This phenomenon is known as "jobless growth". The study also showed that positive growth rates in real GDP were associated with positive growth rates in employment, but also with a high unemployment rate, which reflects a phenomenon of "growth paradox".

The study recommended the adoption of investment policies resulting in an increase of employment equivalent to the increased investment rate, as well as an horizontal expansion of investments through building new productive capacities, in addition to encouraging small and medium enterprises in undertaking labor-intensive activities in agriculture, industry, crafts, domestic trade and transport through tax incentives and exemptions, the provision of concessional credit facilities. The study also recommended the adoption of capital intensification method in high added-value and export-oriented activities and industries, i.e. knowledge-intensive industries, with would attract skilled workers with high productivity.

Increase of the size of the Palestinian workforce employed in Israel and Israeli colonies, mostly in construction; 35% are working without work permits

The number of Palestinian workers (all of them from the West Bank) employed in Israel and Israeli colonies increased from 104,700 workers in the fourth quarter of 2013 to 110,300 workers in the first quarter of 2014. The number of workers employed in Israeli colonies in the West Bank has also increased from 18,900 workers to 23,200 workers during the same period. (Palestinian Central Bureau of Statistics, Labour Force Survey, (January - March 2014 round), first quarter of 2014). The results of the Labour Force Survey in this quarter indicated that 55,500 workers out of the total number of Palestinian employees in Israel and Israeli colonies have work permits, while 38,600 work without permits. There are also 16,200 workers carrying an Israeli identification document or a foreign passport. Palestinian workers in the construction sector constituted 63% of the total number of Palestinian workers in Israel and Israeli colonies in the first quarter 2014. The average daily wage earned by Palestinian workers in Israel and Israeli colonies was 182.9 NIS in the first quarter 2014, which is equivalent to twice the average daily wage of wage workers in the West Bank (90.2 NIS in the same period).

Although Palestinian workers in Israel and Israeli colonies earn twice as much as their fellow workers in Palestinian establishments in the West Bank, these workers are subjected to various forms of exploitation and oppression for national, racial and ethnic reasons. In addition, those without work permits lose many of their labor rights such as end of service benefits, vacations, etc. The increase of the Palestinian workforce in Israel and Israeli colonies reflects the weakness or the inability of the Palestinian economy to absorb the labor force in the local economy. This requires developing plans and policies that will contribute in increasing the local economy's absorption capacity.

Findings of the survey on the reality of corruption and its prevalence in Palestine, 2013

Some of the main findings of the survey on the reality of corruption and its prevalence in Palestine in 2013, which was undertaken by the Palestinian Central Bureau of Statistics, were as follows: the vast majority of individuals in Palestine define negative behaviors as corruption, even if these behaviors are outside the legal definition of corruption stated in the Palestinian anti-corruption law. For example, the behavior of “a minister defaulting on a financial commitment to a merchant” has been rated as corruption by 98% of the respondents, although this is not considered as corruption by the anti-corruption law. 95% also considered that the behavior of “a private company failing to pay income tax” is corruption, which again is not considered as such by the Palestinian anti-corruption law. About 52% of individuals (18 years and above) in Palestine have no knowledge of the existence of an anti-corruption law, which means that there is a need to educate citizens not only about the existence of such a law, but also about dispositions of this law.

Nepotism and favoritism were deemed as most prevalent forms of corruption in Palestine: the percentage of individuals, who believe that there is nepotism/favoritism in the public sector was 93.2%, 86.4 % in the private sector, 86.1 % in civil society and 63.3 % in local authorities. From the standpoint of public civil servants in the West Bank, nepotism and favoritism were most prevalent forms of corruption. The percentage

of public civil servants, who believe that there was nepotism/favoritism in the public sector reached 87.5 %, 80.2 % for the private sector, 81.5 % in civil society and 51.1 % in local authorities.

Bribery: 83.1 % of people believe that there was bribery in the public sector, 73.6 % in the private sector, 74.4 % in civil society and 44.5 % in local authorities. From the standpoint of public civil servants in the West Bank, 67.3 % of public civil servants believe there was bribery in both the public sector and civil society, against 64.5 % in private sector and 32.3% in local authorities.

High cost, poor quality, time-consuming, complicated bureaucracy, corruption, and other problems in public sector services: 79 % of individuals (18 years and over) believe that there are different problems in relation with the services of the public employment sector, followed by 70.8% who believe there are problems with the health sector services, 49% who believe there are problems with public education services, and 48% with social affairs.

Exposure to corruption and reporting: 17.8% of public sector employees have been exposed to an incident of corruption during the past two years. Among them, 45.5% reported an incident of corruption.

There is no doubt that corruption in all its forms is an obstacle to growth and sustainable economic, social and political development, and that corruption is like a tax paid by the poor. Nepotism and favoritism stands for the opposite of equal opportunity and fairness. Fighting corruption requires knowing why it exists in the first place. The most important causes for corruption include a weakness of political will and reluctance to take preventive and firm measures to address it, i.e poor performance of the law, the judiciary and the separation of powers, poor performance of public and private monitoring agencies in the state and society, restrictions to freedom of the media and denial of access to data and information, weakness or lack of transparency and accountability in public sector enterprises, and weakness or absence of oversight role of civil society organizations. Second, there is a need to work on providing the necessary conditions for the realization of good governance. These include, most notably, the rule of law, a civil society, a pluralistic democratic system, activating the supervisory role of the Legislative Council, implementation of the principles of transparency and accountability in governmental procurement and tenders, and the tax system, promoting transparency and integrity in the judiciary and strengthening its independence from the influence of the executive authority, enforcing law and judicial decisions, and improving the performance of the judiciary and the application of international accounting standards. Without this, the existence of an anti-corruption law, or even the entire population’s knowledge about it, will not be enough to fight corruption. Global studies show that countries that fight corruption and work to improve governance can increase their national revenues four-fold in the long term. (Barakat, Sarah, and Zaidi Hassiba, the National Forum on corporate governance as a mechanism to reduce financial and administrative corruption, 2012)

Despite its importance, the survey undertaken by PCBS is a necessary step, but not sufficient. There is a need for more in-depth study, analysis and measurement of this phenomenon that has negative economic, social and political effects. This should be done through applying the World Bank and Transparency International standards on good governance and corruption, and then identifying Palestine’s classification among Arab countries and globally based on corruption perception indicators. However, the conditions necessary to root out corruption remain linked to the end of the occupation, national liberation and independence.

National Development Plan 2014-2016: Macroeconomic and fiscal framework

The national development plan for the years 2014-2016 is centered around four main sectors: the economic development and employment sector, the governance and institution-building sector, the protection and social development sector, and the infrastructure sector.

Challenges faced by the National Development Plan: The plan’s implementation faces a number of challenges:

- The challenge of the Israeli occupation**, represented by:
 - Control over the lives of the Palestinian people and all its resources, including borders, agricultural land and natural resources, etc ...
 - Control by the Israeli occupying power of the area classified as “C”, which is rich in natural resources, and in East Jerusalem.
 - The blockade imposed on the Gaza Strip.
 - Construction of the annexation and settlement expansion wall, with the establishment of colonies, land confiscation and house demolitions.
 - Isolation of East Jerusalem and its holy sites, judaization and depopulation.
 - Restrictions to the freedom of movement and trade of the Palestinian people, and subjugation of the Palestinian economy to the Israeli economy.
 - Violation of Palestinian human rights through murder, detention, forced displacement of populations, and destruction of property.
- Challenge of the internal political and administrative division between the West Bank and Gaza Strip**
- Deterioration of the general economic situation, and exacerbation of the financial crisis.**
- High poverty and unemployment rates, especially among women and young people.**

Scenarios: The National Development Plan is based on two scenarios for the economic and fiscal framework for the years 2014-2016. The first is the baseline scenario, and the second, an optimistic scenario.

Baseline scenario:

Gross Domestic Product (GDP) growth rates: the baseline scenario assumes the continuation of current conditions, and thus it expects a decrease of the GDP growth to reach only 1% in 2016. The fiscal framework for the baseline scenario is based on unchanged conditions, i.e. the continuation of the Israeli occupation, Israeli restrictions imposed on the movement of people and goods and on areas classified as “C” and East Jerusalem, the continuation of the blockade of the Gaza Strip, and interruption of coordination and interdependence between the West Bank and the Gaza Strip. Table (1) shows the expected growth in GDP for the years 2014-2016 according to the baseline scenario:

Table (1): GDP growth according to the baseline scenario

Years	Real			Expected			
	2010	2011	2012	2013	2014	2015	2016
GDP growth rate at stable prices	9.3	12.2	5.9	1.5	2	1.5	1

Public revenues and spending: Total expenditures, both current and developmental, are expected to reach about 13.45 billion U.S. dollars, over the three years of the plan, including 11.95 billion dollars in current expenditures, and \$ 1.5 billion US\$ in development expenses. During the plan’s period, current expenditures are expected to increase at an annual rate of 3%.

Development expenditures (within and outside the budget) are scheduled to increased from 400 million US\$ in 2014 to 501 million US\$ in 2015, and then to about 600 million US\$ in 2016. Table (2) shows the expected expenditures during the plan period, according to the baseline scenario:

Table 2: Projected expenditures as per baseline scenario (Amount in million US\$)

Years	2014	2015	2016	Total
Current expenditures and net lending	3,866	3,982	4,101	11,946
Development expenditures	400	500	600	1,500

This scenario also assumes no significant increase in government revenues from GDP, limiting projections to an expected increase that would result from the taxation system reform if the Palestinian government prepares a strategy aiming at broadening the tax base and increasing tax compliance. The baseline scenario assumes a decrease of current expenditures percentage from GDP to 32.1% in 2016, compared with 34.4% in 2012. This is based on the fact that the government plans to work on rationalizing expenditures, reducing net lending, reducing the growth of the wage bill and limiting its increase to the annual raise and the cost of living, and the implementation of governmental agreements with unions. Recruitment of governmental employees during the period 2014-2016 will be limited to replacing retiring employees. Table (3) shows net revenues and total expenditures according to the baseline scenario:

Table (3): Revenues and total spending according to the baseline scenario (% of the GDP)

Years	Real			Expected			
	2010	2011	2012	2013	2014	2015	2016
Revenues	22	20.9	20.2	20.5	22	22.2	22.7
Current expenditures and net lending	36.9	34	34.4	32.7	32.8	32.3	32.1
Current deficit before external funding	-14.9	-13.1	-14.2	-12.2	-10.9	-10.1	-9.4

External budget support: the baseline scenario also assumes that donors will continue providing their financial support to the Palestinian government's budget. It is expected that external budget support during the plan's period will remain within the level reached in 2013. However, a decline in external financing of the budget would lead to a large funding gap that would make it imperative for the government to take measures to address this deficit. Table (4) shows the external budget support according to the baseline scenario:

Table 4: External budget support according to the baseline scenario (in millions of US\$)

Years	Real			Expected			
	2010	2011	2012	2013	2014	2015	2016
External support for current expenditures	1,147	814	775	1,255	1,329	1,485	1,488
External support for development projects	131	169	156	106	300	300	300
Funding gap*	1,278	983	931	1,361	1,629	1,785	1,788

* In 2014, 2015 and 2016, total external support equals the funding gap.

Optimistic scenario: This scenario is based on several assumptions, which are that the Israeli occupying power's restrictions on the Palestinian economy will be alleviated or removed, and that the Palestinian government will be able to exploit the resources of area "C", develop the industrial zones under construction, encourage private sector investment, resume trade relations with the Gaza Strip and tax collection there, as well as governmental coordination between West Bank and Gaza Strip. This would lead to a significant growth of the gross domestic product, which is expected to reach up to 12% in 2016. According to the optimistic scenario, an increase of government revenues during the three years of the plan is also anticipated. On the other hand, a decline of current expenditures and net lending from 32.7% of GDP in 2013 to 26.7% in 2016 is expected. This would allow the government to direct more investment towards the implementation of development projects capable of creating new jobs, which would contribute to the renaissance of the Palestinian economy. These conditions would provide a favorable opportunity for the private sector to increase its contribution to gross capital formation as a percentage of GDP, from 8% in 2013 to 16% in 2016, which would contribute positively to the promotion of economic recovery and the achievement of the expected increase in GDP growth. Table No. (5) shows the growth in GDP during the years of the plan according to the optimistic scenario:

Table (5): Average growth in GDP during the years 2014-2016 according to the optimistic scenario

Years	Real			Expected			
	2010	2011	2012	2013	2014	2015	2016
GDP growth rate at stable prices	9.3	12.2	5.9	1.5	6	9	12

The macroeconomic and fiscal framework according to the optimistic scenario depends on certain assumptions in order for the Palestinian economy to achieve high growth rates in GDP of up to 12% in 2016, the last year of the plan. Some of these assumptions are the same as the World Bank's proposals concerning area (C) in terms of the removal or reduction of Israeli restrictions on the Palestinian economy, and allowing the Palestinian side to invest in area (C). It will be difficult to achieve this optimistic scenario under Israeli occupation; we have already witnessed that the assumption concerning the removal of the Israeli blockade on the Gaza Strip has been replaced by a brutal military offensive that started on July 8, 2014. The macroeconomic and fiscal framework according to the baseline scenario is far more realistic. This means that overall planning and overall development of the economy and the Palestinian society under occupation is not possible, occupation and development being opposites that do not coexist. **Thus, Palestinian planners should focus on development projects that enhance the ability of the Palestinian people to withstand and resist Israeli occupation and colonization until the achievement of national liberation, and an independent State with Jerusalem as its capital.**

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