



# The **West Bank** Labour Market in **2008**



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# THE WEST BANK LABOUR MARKET in 2008: AN OVERVIEW

## Population and Labour Force

The refugee population in the West Bank in 2008, including East Jerusalem, was estimated at 630,835 persons, representing 26.5% of the total population (2,380,513)<sup>1</sup>. Of these, 197,635 refugees were economically active (i.e. part of the labour force), including 146,275 employed refugees (74 percent) and 51,360 unemployed refugees (26 percent), according to the relaxed definition of employment.

Overall, the total West Bank labour force was estimated at 640,900 in 2008, consisting of 478,550 employed people (74.6 percent) and 162,350 unemployed people (25.4 percent), regardless of whether they were seeking work. Relative to the previous year, the number of economically active people in the West Bank grew by 2 percent in 2008, i.e. at a slightly slower rate than the population as a whole. At the same time, the number of economically active refugees grew at the much faster rate of 10 percent.

## Employment and Unemployment

Estimates indicate that the West Bank labour market needs to create and maintain an average of 20,600 additional jobs each year through 2015 just to keep unemployment rates at current levels. However, in 2008, there were only 4,400 more employed people in the West Bank relative to 2007 (a 0.9 percent increase), whilst the total number of unemployed people increased by about 8,500 (a 5.5 percent increase).

Although refugees remained more likely than non-refugees to be out of work, the gap narrowed during 2008. The broad unemployment rate in the West Bank as a whole rose from 24.5 percent in 2007 to 25.3 percent in 2008 with the refugee rate falling from 26.7 percent to 25.9 percent. The non-refugee rate increased from 23.5 percent to 25 percent.

There were 14,425 more refugees employed in the West Bank in 2008 relative to 2007 (a 10.9 percent increase), whilst the number of

employed non-refugees declined by 10,000 persons (a 2.9 percent decline). There were also 3,125 more unemployed refugees in this period (a 6.4 percent increase) and 5,400 more unemployed non-refugees (an increase of 5.1 percent).

Total West Bank employment increased by 4,400, but all net growth occurred in Israel and Israeli settlements. Overall, 12,500 more jobs were held by West Bankers in Israel and Israeli settlements (an increase of 20 percent over 2007) and 8,400 fewer jobs were located in the West Bank itself (a decline of 2 percent). Refugees accounted for 8,800 of the new jobs in Israel (70 percent of the total) – the main reason for the relative reduction in refugee unemployment during the year.

Internal job losses were in the Palestinian private sector, an indication of the debilitating effects of Israeli-imposed movement restrictions on economic activity. Non-refugees suffered all private sector job losses. Public sector employment in the West Bank was basically stagnant at about 80,000 in 2008. Refugees gained about 2,100 public sector positions while non-refugees lost a similar number.

In general, the West Bank had among the highest unemployment rates in the world in 2008. The core (ILO) unemployment rate in the Middle East and North Africa (MENA) region in 2006 was about 12 percent, the highest of any region in the world. This compares to a core unemployment rate of about 19 percent in the West Bank in 2008. The core refugee unemployment rate was higher still, at around 20.5 percent.

## Social Composition of Employment

There was a relatively rapid decline in informal types of employment and a corresponding increase in more formal types of employment in the West Bank in 2008. The number of self-employed persons and unpaid family labourers declined 14.1 and 15.8 percent respectively while the number of wage workers increased by 10.8 percent

and the number of employers grew 3.1 percent. The main factor behind this was rapid wage-employment growth in Israel. The impact of more job opportunities in Israel was much more pronounced among refugees than non-refugees. The refugee share of Palestinian employment in Israel and settlements, as a result, rebounded to its year 2000 level, before the onset of the second intifada.

Women accounted for about one-fifth of the West Bank labour force during 2008, although their labour force participation rates declined slightly compared to 2007. Employed women were concentrated in the public sector, in private services and in agriculture (largely as unpaid family labour). A major change in women's employment profile in 2008 was the decline in the numbers of self-employed women and in the numbers employed as unpaid family labour and an increase in women's wage-employment. This accompanied a sharp decline of female employment in agriculture, offset by significant increases in employment in private and public services in education, health and business.

Youth (15–24) continued to suffer higher rates of unemployment than any other age cohort. They accounted for 28.2 percent of the labour force but 42.4 percent of all unemployed persons. In total, 180,800 West Bank youth were involved in the labour force in 2008, of whom 109,600 were employed and 71,200 were unemployed. Like women, the number of economically active youth declined (by 2.1 percent relative to 2007). The number of employed youth fell 3 percent relative to 2007 while the number of unemployed declined about 1 percent. Thus, both women and youth participation in the West Bank labour force declined, while the labour force expanded in 2008. The youth unemployment rate remained much higher than average—39.3 percent in 2008—as compared to 22.7 percent for women.

## Wages

More work in Israel served to raise the average West Bank monthly wage from NIS 1,949 in 2007 to NIS 2,176 in 2008 (an increase of 11.6 percent). For refugees the increase was 18 percent, with average refugee wages outstripping those of non-refugees. This was largely the result of higher-paying employment in Israel. Accounting for higher prices paid by people in the West Bank (average inflation was 2.5 percent in 2007 but 10.1 percent in 2008), the purchasing power of monthly wages increased only 1.3 percent. For refugees the increase was 7.1 percent while for non-refugees there was a decline of 1.2 percent.

## Perspectives

Judged by the labour market, the socio-economic crisis in the domestic West Bank economy continued to deepen in 2008, largely due to debilitating movement restrictions imposed on people, vehicles and goods by the Government of Israel (GOI). Evidence of this is the lack of any significant local secondary effects from increased employment in Israel. In the past, more Palestinians working in Israel meant more spending in the local economy, spurring domestic job growth. The fact that significant employment gains in the relatively high-wage Israeli labour market was accompanied by job losses in the domestic economy is a measure of the degree to which the Palestinian private sector has been weakened by movement restrictions in the past nine years.

The recent GOI policy of increasing access of West Bank workers to jobs in Israel is subject to transient political considerations and reversals. This highlights the extreme vulnerability of the West Bank labour market to the political and policy considerations of the GOI. This is perhaps more true for refugees whose employment in Israel increased rapidly in 2008. Movement restrictions remain the key obstacle to economic growth and to long-term domestic employment generation and development.

## Looking Ahead

The West Bank experienced average annual population growth of about 2.5 percent in the decade between 1997 and 2007. The working-age population grew at a rate of about 3.5 percent on average. If the average ILO labour force participation rate in recent years (42.6 percent during 2000-2008) is projected forward, the West Bank labour force can be expected to grow by an annual average rate of about 3.7 percent through 2015. To maintain the average narrow ILO unemployment rate (20 percent during 2000-2008), an average of 20,600 new jobs will have to be created and sustained each year through 2015. This compares to only about 4,400 net new jobs in 2008. To reduce the West Bank average unemployment rate to the average rate for the MENA region (about 12 percent in recent years) would require an average of 57,000 net new jobs created and sustained each year through 2015.



## I. Introduction

The Memorandum of Understanding (MOU) between UNRWA and the Palestinian Central Bureau of Statistics (PCBS), signed in August 2007, includes guidelines for the regular exchange of data and information between the two agencies. Under the terms of the MOU, PCBS has provided UNRWA with various sets of time series data on population, labour force, national accounts and household living levels in the OPT. The labour force and living levels series include separate data for refugees.<sup>2</sup> The data generated by PCBS has been the basis for a series of UNRWA published reports and internal briefing papers since late 2006.<sup>3</sup>

The focus of this internal briefing paper is the West Bank labour force and labour market in 2008 relative to 2007. This follows on the briefing paper on the West Bank labour market in first-half 2008, released in December 2008. The aim is to provide the various departments in the WBFO with a general quantitative framework on labour market conditions, as well as relevant and timely information and analysis for purposes of planning and programming.

## II. Notes on Methodology

Estimates of the numerical size of the various components of the West Bank labour market (e.g. labour force, employed, unemployed, underemployed) in this report are based on the findings of the 2007 census. This is the first UNRWA report on the West Bank to utilize these new estimates from PCBS. All previous reports in this series were based on underlying population projections based on the 1997 census. As in the past, numerical estimates of labour force components are generated by multiplying the relevant rates by the population projections based on the new census. The results are more refined—and more accurate—estimates of the absolute size of the various components of the labour market. At the same time, readers are cautioned that the new estimates for 2007 and 2008 constitute a break with estimates in previous reports in this series.

The temporal focus of this briefing paper is 2008. Two types of comparisons will be made. First is a comparison of labour market conditions as between first-half 2008 and second-half 2008. This sequential approach places West Bank market trends into a continuum but does not correct for seasonality in labour market outcomes. Second, in order to highlight longer-term trends and to correct for seasonal influences, labour market outcomes for 2008 as a whole are compared with those for 2007 as a whole—the parallel period method.

### III. Labour Force and the Labour Market: First-Half and Second-Half 2008

#### A. Labour Force

The broadly-defined labour force includes the following three components: a) all employed persons (whether fully-employed, underemployed or temporarily absent from work); b) all unemployed persons actively seeking employment; and c) all the discouraged unemployed, i.e. those able and willing to work but not seeking employment due to a belief that no job will be found. The first two components combined constitute the narrow ILO definition of the labour force. Adding the third component yields a truer picture of the number of people able and willing to work.<sup>4</sup>

Table 1 indicates that the broadly-defined labour force increased by a robust 4.6 percent as between the two periods to an estimated 655,575 persons. The growth in the labour force was accounted for by an estimated 6.5 percent increase in the non-refugee labour force, while the refugee labour force edged up by only 0.7 percent.

#### B. Employment

Table 2 indicates that average total employment in the West Bank grew by about 2.2 percent in second-half 2008, or by about 10,735 jobs. Total refugee employment declined by an estimated 2,750 jobs or 1.8 percent while non-refugee employment grew by about 13,500 jobs or 4.1 percent; thus, all net employment gains were made by non-refugees. Absolute employment in the public sector declined by nearly 8,500 jobs or 10 percent while that in the private sector expanded by about 12,000 positions or 3.8 percent. Employment in Israel and Israeli settlements increased by an average of about 7,185 jobs as between the two halves of the year, an increase of about 10 percent.

**Table 1**  
Estimates of Average West Bank Population, Labour Force, Employment and Unemployment by Refugee Status, First-Half 2008 and Second-Half 2008<sup>5</sup>

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
<b>Labour Force (Broad Definition)</b>	<b>626,227</b>	<b>655,573</b>	<b>29,347</b>	<b>4.69%</b>
of which: refugees	196,918	198,358	1,441	0.73%
of which: non-refugees	429,309	457,215	27,906	6.50%
<b>Employment</b>	<b>473,230</b>	<b>483,844</b>	<b>10,614</b>	<b>2.24%</b>
of which: refugees	147,543	145,004	-2,539	-1.72%
of which: non-refugees	325,687	338,840	13,153	4.04%
<b>Unemployment (Broad Definition)</b>	<b>152,997</b>	<b>171,730</b>	<b>18,733</b>	<b>12.24%</b>
of which: refugees	49,375	53,354	3,980	8.06%
of which: non-refugees	103,622	118,375	14,753	14.24%

**Table 2**  
**Estimates of West Bank Employment by Sector and Refugee Status,**  
**First-Half 2008 and Second-Half 2008**

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
<b>Public Sector</b>	<b>84,656</b>	<b>76,177</b>	<b>-8,479</b>	<b>-10.02%</b>
of which: refugees	30,198	24,598	-5,599	-18.54%
of which: non-refugees	54,458	51,579	-2,879	-5.29%
<b>Private Sector</b>	<b>316,540</b>	<b>328,573</b>	<b>12,032</b>	<b>3.80%</b>
of which: refugees	92,894	95,243	2,349	2.53%
of which: non-refugees	223,646	233,329	9,683	4.33%
<b>Israel, Industrial Zones, Settlements</b>	<b>71,110</b>	<b>78,296</b>	<b>7,185</b>	<b>10.10%</b>
of which: refugees	24,451	24,946	494	2.02%
of which: non-refugees	46,659	53,350	6,691	14.34%
<b>Total Employment</b>	<b>472,307</b>	<b>483,045</b>	<b>10,739</b>	<b>2.27%</b>
of which: refugees	147,544	144,788	-2,756	-1.87%
of which: non-refugees	324,763	338,258	13,495	4.16%

**Table 3**  
**Estimates of West Bank Private Sector Employment by Economic Branch and**  
**Refugee Status, First-Half 2008 and Second-Half 2008<sup>7</sup>**

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
<b>Agriculture, Fishing</b>	<b>63,593</b>	<b>63,070</b>	<b>-523</b>	<b>-0.82%</b>
of which: refugees	12,124	10,922	-1,202	-9.91%
of which: non-refugees	51,469	52,148	679	1.32%
<b>Manufacturing, Mining</b>	<b>59,421</b>	<b>58,724</b>	<b>-697</b>	<b>-1.17%</b>
of which: refugees	13,435	13,014	-421	-3.13%
of which: non-refugees	45,986	45,710	-276	-0.60%
<b>Construction</b>	<b>34,004</b>	<b>38,114</b>	<b>4,110</b>	<b>12.09%</b>
of which: refugees	8,488	11,066	2,578	30.37%
of which: non-refugees	25,516	27,048	1,532	6.00%
<b>Commerce, Hotels &amp; Restaurants</b>	<b>84,114</b>	<b>86,078</b>	<b>1,964</b>	<b>2.33%</b>
of which: refugees	29,207	27,837	-1,370	-4.69%
of which: non-refugees	54,907	58,241	3,334	6.07%
<b>Transportation, Communication</b>	<b>18,675</b>	<b>23,620</b>	<b>4,945</b>	<b>26.48%</b>
of which: refugees	6,214	9,503	3,289	52.93%
of which: non-refugees	12,461	14,117	1,656	13.29%
<b>Other Private Services</b>	<b>57,658</b>	<b>58,968</b>	<b>1,310</b>	<b>2.27%</b>
of which: refugees	23,426	22,901	-525	-2.24%
of which: non-refugees	34,232	36,067	1,835	5.36%
<b>Total Private Sector Employment</b>	<b>317,464</b>	<b>328,573</b>	<b>11,109</b>	<b>3.50%</b>
of which: refugees	92,894	95,243	2,349	2.53%
of which: non-refugees	224,570	233,329	8,760	3.90%

As indicated in Table 3, in absolute terms, only the agriculture and manufacturing branches of the domestic private sector lost employment on a net basis in second-half 2008. All other branches added jobs. Agriculture employment was down less than one percent while manufacturing lost about 1.1 percent of its employment base. Transport and communications accounted for about 4,950 new jobs in this period, about 40 percent of net job growth, while construction accounted for another 4,100 jobs, about one-third of additional jobs during the period. The remainder of domestic employment growth was accounted for by commerce (16 percent) and private services (10.5 percent).<sup>6</sup>

There were refugee job losses in four of six private sector branches with pronounced increases in refugee employment in construction and transport/communications employment. Refugees were only about 29.2 percent of West Bank private sector employees in first-half 2008, but accounted for all job losses in agriculture and about 60 percent of those in manufacturing. Refugees also lost employment in commerce and private services while non-refugees expanded employment in those branches. At the same time, refugees dominated employment growth in construction (62 percent of total new jobs) and transport/communications (66 percent of new jobs). Overall, refugees accounted for only about one-fifth of new private sector job holders in second-half 2008, well below their share in private sector employment in first-half 2008 and their share in the labour force in general. Meanwhile, the vast bulk of job losses were borne by refugees in this period.

## C. Unemployment

Both narrow and broad unemployment rates expanded in second-half 2008. The narrow (ILO) rate in the West Bank grew by 2.6 percentage points as the total number of unemployed declined by some 21,635 or 21.3 percent, as indicated in Table 4. The broad unemployment rate rose by 1.6 percentage points to 26.1 percent in second-half 2008. Under the broad definition, there were an estimated 171,720 unemployed persons in the second half of the year, an increase of some 18,545 persons or 12.1 percent relative to first-half 2008.

The much more rapid growth in non-refugee labour force (see Table 1) translated into more rapid growth of unemployment, both with regard to core unemployment and broad unemployment. There were about 25.8 percent more unemployed non-refugees in the second half of the year relative to the first half under the narrow ILO definition and 14.1 percent more under the broad definition. The number of unemployed refugees grew 12.6 percent under the ILO definition and 7.7 percent under the broad definition. Non-refugees accounted for nearly 80 percent of all unemployed under both definitions in second-half 2008, a disproportionately high share. Refugee unemployment rates, despite the spike in non-refugee unemployment, remained somewhat higher than those of non-refugees.

**Table 4**  
**Estimates of Narrow and Broad Unemployment Rates and Unemployment in the West Bank by Refugee Status, First-Half 2008 and Second-Half 2008**

West Bank Unemployment Rates	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
<b>Unemployment Rates (ILO)</b>	<b>17.64%</b>	<b>20.24%</b>	--	<b>14.76%</b>
refugees	19.74%	21.38%	--	8.32%
non-refugees	17.58%	20.43%	--	16.22%
<b>Unemployment Rates (Broad)</b>	<b>24.46%</b>	<b>26.19%</b>	--	<b>7.09%</b>
refugees	25.14%	26.89%	--	6.98%
non-refugees	24.15%	25.88%	--	7.16%
<b>West Bank Unemployed</b>				
<b>Unemployment (ILO Definition)</b>	<b>101,145</b>	<b>122,784</b>	<b>21,639</b>	<b>21.39%</b>
of which: refugees	34,176	38,508	4,332	12.68%
of which: non-refugees	66,969	84,275	17,307	25.84%
<b>Unemployment (Broad Definition)</b>	<b>153,176</b>	<b>171,722</b>	<b>18,546</b>	<b>12.11%</b>
of which: refugees	49,499	53,340	3,841	7.76%
of which: non-refugees	103,677	118,382	14,705	14.18%

#### D. Youth in the Labour Market

**Table 5**  
**Estimates of Labour Market Conditions for West Bank Youth, First-Half 2008 and Second-Half 2008<sup>8</sup>**

West Bank Youth Labour Force Profile	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Population (15-24)	484,820	491,712	6,891	1.42%
Labour Force (Broad)	178,158	185,168	7,010	3.93%
Employed	108,127	112,132	4,005	3.70%
Unemployed (Broad)	70,032	73,037	3,005	4.29%
Labour Force Participation Rate (ILO)	27.23%	30.04%	--	10.33%
Discouraged Rate	9.52%	7.62%	--	-19.98%
Labour Force Participation Rate (Broad)	36.75%	37.66%	--	2.48%
Unemployment Rate (ILO)	29.79%	31.83%	--	6.84%
Unemployment Rate (Broad)	39.31%	39.44%	--	0.34%

Due to school and university attendance, significant shares of youth are—by definition—outside of the labour force. As a result, as noted in previous briefing papers, youth labour force participation rates are generally lower than those of older age segments. Nonetheless, youth accounted for some 185,165 persons or 28.2 percent of the total broad labour force in the West Bank (see Table 5). With about 112,130 employed youth, they accounted for only 23.1 percent of all employed persons. Simultaneously, some 73,000 unemployed youth accounted for about 42.5 percent of all the unemployed under the broad definition in second-half 2008. At 39.4 percent, the youth unemployment rate remained the highest of any demographic segment in the West Bank, more than 13 percentage points above the overall average in second-half 2008.

The broad youth labour force expanded by about 3.9 percent in the second-half 2008 relative to the first half, somewhat slower than the growth of the general labour force. Underlying that growth was a 3.7 percent increase in youth employment and a 4.2 percent increase in the number of unemployed youth. Youth employment grew more quickly than overall West Bank employment. At the same time, the number of unemployed youth grew far more slowly than in the labour force at large. The evidence suggests that youth in the labour force fared better, on average, than the labour force in general during second-half 2008. In part, this was due to the slower rate of labour force growth.

## E. Social Composition of the Employed Labour Force

The employment status of working people over long periods of time are suggestive of the social composition of the population. A growing proportion of employers among those working, for example, may suggest expanded business formation and improved economic conditions and vice versa. In the Palestinian context, a growing proportion of the self-employed—those who neither employ nor are employed by others—suggests higher levels of unemployment and/or greater informality and vice versa. Large or increased numbers of unpaid family members suggests disguised unemployment and growing informality, usually in agriculture and commerce in the Palestinian context.

Table 6 indicates that, while total net employment increased by over 2 percent in second-half 2008, the estimated number of employers increased by 15.5 percent, an indication of improved small business conditions and a sharp reversal of the trend in first-half 2008 when the number of employers declined by a similar magnitude. This also suggests seasonal influences. The increase in employers may be associated with expanded construction activity and transport/communications employment (see Table 3) where most employment growth took place. The 7.4 percent increase in unpaid family labour is also suggestive of the peak agricultural season, particularly the autumn olive harvest, and reverses the trend from the previous half of the year. The growth in wage employment of some 6.8 percent over the previous period is a function of domestic private sector employment expansion and a relatively rapid increase in the number of Palestinians working in Israel and Israeli settlements. The 15.1 percent decline in the number of self-employed persons in large part reflects employment growth in Israel (see Table 2). In the past, greater employment levels in Israel has been associated with a decline in informal labour—including self-employment—as more workers opt for relatively better paying work. In general, the trend in second-half 2008 was toward less informality.

**Table 6**  
**Social Composition of the Employed Labour Force in the West Bank**  
**by Refugee Status, First-Half 2008 and Second-Half 2008**

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
<b>Employer</b>	<b>19,909</b>	<b>22,999</b>	<b>3,090</b>	<b>15.52%</b>
of which: refugees	4,231	5,279	1,048	24.76%
of which: non-refugees	15,678	17,720	2,042	13.03%
<b>Self-Employed</b>	<b>111,534</b>	<b>94,691</b>	<b>-16,843</b>	<b>-15.10%</b>
of which: refugees	33,076	24,091	-8,985	-27.16%
of which: non-refugees	78,459	70,600	-7,858	-10.02%
<b>Wage Employee</b>	<b>294,357</b>	<b>314,404</b>	<b>20,047</b>	<b>6.81%</b>
of which: refugees	100,718	104,926	4,208	4.18%
of which: non-refugees	193,639	209,478	15,839	8.18%
<b>Unpaid Family Member</b>	<b>47,430</b>	<b>50,951</b>	<b>3,521</b>	<b>7.42%</b>
of which: refugees	9,518	10,491	973	10.22%
of which: non-refugees	37,912	40,460	2,548	6.72%
<b>Total Employment</b>	<b>473,230</b>	<b>483,045</b>	<b>9,815</b>	<b>2.07%</b>
of which: refugees	147,544	144,788	-2,756	-1.87%
of which: non-refugees	325,686	338,258	12,571	3.86%

Refugees accounted for a disproportionately large share of the decline in the number of the self-employed (53.3 percent) and this decline accounted for the net losses in total refugee employment. Along with the information from above, this indicates that refugees took up more formal work, mainly in the domestic private sector, while limiting their labour force participation in general in second-half 2008.

## F. Wage Rates and Monthly Wage Incomes

The average nominal daily wage in the West Bank declined by 1.2 percent in second-half 2008 to about NIS 98<sup>9</sup> as indicated in Table 7. The decline was due solely to the 4.7 decline in refugee average daily wage rates reducing their average wage to below that of non-refugees.<sup>10</sup> For non-refugees, there was an increase of 0.7 percent. Both refugees and non-refugees increased their labour market efforts as indicated by the growth in the average number of days worked per month. In both cases, increased labour effort almost compensated for the decline in average daily wages such that the nominal monthly wage of the average employed person in the West Bank increased by 1.6 percent.

**Table 7**  
**Nominal and Real Average Daily and Monthly Wages in the West Bank**  
**by Refugee Status, First-Half 2008 and Second-Half 2008<sup>11</sup>**

<b>Average Daily Wages (Nominal NIS)</b>	<b>First-Half 2008</b>	<b>Second-Half 2008</b>	<b>Changes</b>
All Employed Persons	99.2	98.0	-1.20%
Employed Refugees	102.5	97.7	-4.72%
Employed Non-Refugees	97.4	98.2	0.77%
<b>Average Monthly Days</b>			
All Employed Persons	21.7	22.4	2.91%
Employed Refugees	21.8	22.9	4.82%
Employed Non-Refugees	21.7	22.1	1.74%
<b>Average Monthly Wages (Nominal NIS)</b>			
All Employed Persons	2,158	2,194	1.68%
Employed Refugees	2,239	2,236	-0.12%
Employed Non-Refugees	2,114	2,168	2.52%
CPI Deflator (2004 = 1.0)	1.19	1.22	2.44%
<b>Average Monthly Wages (Real NIS)</b>			
All Employed Persons	1,807	1,794	-0.74%
Employed Refugees	1,876	1,829	-2.50%
Employed Non-Refugees	1,771	1,773	0.08%

Multiplying the average daily wage by the average number of days worked yields the nominal monthly wage income which in second-half 2008 was about NIS 2,236 for employed refugees and NIS 2,168 for non-refugees. The refugee average nominal monthly wage declined slightly over first-half 2008 while that for non-refugees increased 2.5 percent.

Factoring in consumer price inflation of about 2.4 percent between the consecutive semi-annual periods, the purchasing power of average monthly wages in the West Bank fell slightly on the whole with that of refugees down about 2.5 percent and that of non-refugees basically unchanged. The decline public sector employment may have been behind the wage stagnation, despite modest private sector employment growth and significant growth in employment in Israel.

## G. Summarising Labour Market Trends: First-Half 2008 and Second-Half 2008

The broadly-defined West Bank labour force increased by a robust 4.6 percent as between the two periods. Underlying this was a 2.2 percent increase in total employment and a 12.2 percent increase in broadly-defined unemployment. In absolute terms, the labour market grew to an estimated 655,570 persons of which 483,840 were employed and 171,730 were unemployed in second-half 2008. The refugee labour force growth was a sluggish 0.7 percent while the non-refugee labour force grew an estimated 6.5 percent increase. Refugee employment declined 1.7 percent while that of non-refugees increased 4 percent. Meanwhile, there was a 14.2 percent increase in unemployment among non-refugees with 8 percent growth of the same among refugees.

The private sector generated 63 percent of employment growth in this period with Israel and Israeli settlements accounting for 37 percent of new jobs. The public sector shed an estimated 10 percent of its employment based as between first-half and second-half 2008. Nearly three-quarters of private sector job gains were in the transport/communications and construction branches. Refugees were disproportionately affected by the job losses in the private and public sectors and underrepresented in job gains in private sector and in employment growth in Israel.

Despite employment growth in the West Bank, the broad unemployment rate rose to 26.1 percent in second-half 2008 with 171,720 unemployed persons in that period. The number of unemployed increased by 12.1 percent relative to first-half 2008. The number of non-refugee unemployed grew by more than 25 percent in the same period, accounting for nearly 80 percent of all unemployed. The youth unemployment rate was 39.4 percent, the highest of any population segment, and they accounted for about 43 percent of all unemployed persons in second-half 2008.

Self-employment declined precipitously in second-half 2008 as employment job growth in the domestic private sector and Israel with refugees accounting for more than half of this decline. The number of employers grew more than 15 percent indicating an improvement in small business conditions, perhaps in transport/communications, construction and commerce which grew significantly. Wage employment grew at a healthy pace for the same reasons. The decline in self-employment and the growth in the number of employers and wage workers suggests there was a reduced degree of

informality in the West Bank economy in second-half 2008.

Increased labour market effort in the form of more monthly days of work on average was insufficient to prevent a decline in the value of the purchasing power of the average monthly wage. That wage declined by 0.7 percent in second-half 2008 with a 2.5 percent decline in the refugee average monthly wage. Unemployment growth in excess of employment growth in this period seems to have negatively affected average real wage incomes in the West Bank.

## IV. Labour Force and the Labour Market: 2007 and 2008<sup>12</sup>

### A. Labour Force

The 2007 census results indicate that total population in the West Bank (including East Jerusalem) was an average of about 2,320,653 in 2007, rising by about 2.58 percent to an average of 2,380,513 persons in 2008.<sup>13</sup> Based on the recent census figures, the working-age population (15 years and above) is estimated to have grown by 3.61 percent from an average of about 1,370,982 in 2007 to about 1,420,523 persons in 2008. The broadly-defined labour force is estimated to have increased by about 2 percent to an average of 640,900 persons in 2008 (see Table 8), well below the growth in the working-age population. Underlying the labour force growth was a 1 percent decline—some 4,600 persons—in the non-refugee labour force and a robust 9.7 percent increase in the refugee component of the labour force.

**Table 8**  
**Estimates of West Bank Broad Labour Force, Employment and Unemployment by Refugee Status, 2007 and 2008 Averages**

Labour Force Components	2007	2008	Absolute Changes	Relative Changes
<b>Labour Force (Broad Definition)</b>	<b>627,947</b>	<b>640,900</b>	<b>12,953</b>	<b>2.06%</b>
of which: refugees	180,091	197,638	17,547	9.74%
of which: non-refugees	447,856	443,262	-4,594	-1.03%
<b>Employment</b>	<b>474,124</b>	<b>478,537</b>	<b>4,413</b>	<b>0.93%</b>
of which: refugees	131,849	146,273	14,424	10.94%
of which: non-refugees	342,275	332,263	-10,012	-2.93%
<b>Unemployment (Broad Definition)</b>	<b>153,823</b>	<b>162,363</b>	<b>8,540</b>	<b>5.55%</b>
of which: refugees	48,242	51,364	3,122	6.47%
of which: non-refugees	105,581	110,999	5,418	5.13%

## B. Employment

Relative to 2007, average employment in the West Bank in 2008 increased by less than one percent. As indicated in Table 9, all net employment growth in the West Bank was in Israel and Israeli settlements. Palestinian public sector employment was virtually unchanged while the private sector lost about 2.5 percent of its employment base—an estimated 8,400 jobs. This suggests that the private sector remained in crisis in 2008.

There were, on average, 14,425 more employed refugees in 2008 than in 2007 while there were some 10,000 fewer employed non-refugees in the same period. Refugee employment grew nearly 11 percent while non-refugees lost almost 3 percent as between the two periods. Refugee employment advanced broadly: gains were made in the public sector, the private sector and in Israel and settlements. By far, Israel and settlements were the most important sources of job growth for refugees, accounting for more than 60 percent of gains in 2008. The private sector was the source of about 24 percent of new jobs with the public sector providing 14.7 percent of new employment. Non-refugees lost employment in the public and private sectors but their employment in Israel grew by about 8 percent.

As indicated in Table 10, the domestic West Bank private sector lost about 2.5 percent of its employment base in 2008. Employment declined in four of six private sector branches: agriculture, manufacturing, construction and transport/communications, totalling 17,350 job losses. In absolute terms, agriculture experienced the biggest employment losses—some 9,000 jobs or 12.5 percent. In relative terms, construction was the big employment loser with a 14 percent decline or some 5,900 jobs. Job losses in manufacturing and transport/communications were more modest in absolute terms. Employment increased in two branches: commerce and private services, totalling some 8,950 positions. While employment growth in commerce at 1.5 percent was quite modest but that in private services was significant at 15 percent (some 7,650 jobs). It is important to note that private services include NGOs and UNRWA.

The decline in agricultural employment is particularly notable, given that the all-important olive harvest in the West Bank yielded twice the output in the 2008 season as in the 2007 season.<sup>14</sup> Labour absorption in agricultural, all other things being equal, should have been greater in 2008 to accommodate the larger harvest. Average agricultural employment in the West Bank has generally been on the increase in the

years of socio-economic crisis since 2000, as the unemployed have used existing agricultural assets to augment employment and income. Given the increasingly marginal character of agricultural employment, it seems likely that the significant growth of employment in Israel in 2008 absorbed some "excess," relatively low-productivity, rural labour.

The decline in construction employment is, no doubt, a result of depressed economic conditions in the West Bank. The bulk of construction activity is residential construction with a significant share financed from household savings. Presumably, declining incomes in recent years have made it more difficult for households put money aside for construction projects. The decline in transport/communications

employment may be due to persistent GOI-imposed movement restrictions in the West Bank, as well as the effects of stricter PA enforcement of transport regulations that effectively reduce informal transportation activities. On the other hand, the marginal increase in commerce may suggest greater informal activity and/or more household consumption spending fuelled by labour in Israel.

Non-refugees suffered 80 percent of job losses in the private sector but accounted for only 37 percent of job gains. Agriculture and construction accounted for the bulk of employment losses for non-refugees while refugee losses were concentrated in agriculture and manufacturing. Employment gains by non-refugees were mainly in private services while those for refugees were in private services and commerce.

**Table 9**  
**Estimates of West Bank Employment by Sector and Refugee Status,**  
**2007 and 2008 Averages**

Sector Employment	2007	2008	Absolute Changes	Relative Changes
<b>Public Sector</b>	<b>80,456</b>	<b>80,416</b>	<b>-40</b>	<b>-0.05%</b>
of which: refugees	25,297	27,398	2,101	8.31%
of which: non-refugees	55,159	53,018	-2,141	-3.88%
<b>Private Sector</b>	<b>331,421</b>	<b>323,018</b>	<b>-8,403</b>	<b>-2.54%</b>
of which: refugees	90,647	94,069	3,422	3.77%
of which: non-refugees	240,774	228,949	-11,825	-4.91%
<b>Israel, Industrial Zones, Settlements</b>	<b>62,182</b>	<b>74,703</b>	<b>12,521</b>	<b>20.14%</b>
of which: refugees	15,907	24,699	8,792	55.27%
of which: non-refugees	46,276	50,004	3,729	8.06%
<b>Total Employment</b>	<b>474,060</b>	<b>478,138</b>	<b>4,078</b>	<b>0.86%</b>
of which: refugees	131,851	146,166	14,314	10.86%
of which: non-refugees	342,209	331,972	-10,237	-2.99%

**Table 10**  
**Estimates of West Bank Private Sector Employment by**  
**Economic Activity and Refugee Status,**  
**2007 and 2008 Averages**

Economic Activity	2007	2008	Absolute Changes	Relative Changes
<b>Agriculture, Fishing</b>	<b>72,363</b>	<b>63,321</b>	<b>-9,042</b>	<b>-12.50%</b>
of which: refugees	13,887	11,518	-2,369	-17.06%
of which: non-refugees	58,476	51,803	-6,672	-11.41%
<b>Manufacturing, Mining</b>	<b>60,200</b>	<b>59,034</b>	<b>-1,165</b>	<b>-1.94%</b>
of which: refugees	15,003	13,232	-1,772	-11.81%
of which: non-refugees	45,196	45,802	606	1.34%
<b>Construction</b>	<b>42,014</b>	<b>36,120</b>	<b>-5,894</b>	<b>-14.03%</b>
of which: refugees	9,809	9,771	-37	-0.38%
of which: non-refugees	32,206	26,349	-5,857	-18.19%
<b>Commerce, Hotels &amp; Restaurants</b>	<b>83,811</b>	<b>85,117</b>	<b>1,306</b>	<b>1.56%</b>
of which: refugees	25,014	28,538	3,525	14.09%
of which: non-refugees	58,797	56,579	-2,218	-3.77%
<b>Transportation, Communication</b>	<b>22,357</b>	<b>21,107</b>	<b>-1,250</b>	<b>-5.59%</b>
of which: refugees	7,585	7,836	251	3.31%
of which: non-refugees	14,772	13,270	-1,501	-10.16%
<b>Other Private Services</b>	<b>50,677</b>	<b>58,319</b>	<b>7,642</b>	<b>15.08%</b>
of which: refugees	19,349	23,174	3,825	19.77%
of which: non-refugees	31,328	35,146	3,818	12.19%
<b>Total Private Sector Employment</b>	<b>331,421</b>	<b>323,018</b>	<b>-8,403</b>	<b>-2.54%</b>
of which: refugees	90,647	94,069	3,422	3.77%
of which: non-refugees	240,774	228,949	-11,825	-4.91%

### C. Underemployment

The underemployed—defined as those working for less time than desired, those working below their skill level and/or for less pay than desired—are included among the employed in the standard ILO methodology adopted by the PCBS.<sup>15</sup>

As already noted, total average employment increased by less than 1 percent in the

West Bank in 2008. At the same time, underemployment declined sharply with absolute number of the underemployed falling by about 15,000 or 27.4 percent (see Table 11). Just under 40,000 employed persons—8.3 percent of all the employed—were underemployed in 2008 relative to 2007. The number of the underemployed among refugees fell even more sharply, by a rate of 32.8 percent.

**Table 11**  
**Estimates of West Bank Underemployment by Refugee Status,**  
**2007 and 2008 Averages**

Underemployment	2007	2008	Absolute Changes	Relative Changes
<b>Employment</b>	<b>474,124</b>	<b>478,537</b>	<b>4,413</b>	<b>0.93%</b>
of which: refugees	131,849	146,273	14,424	10.94%
of which: non-refugees	342,275	332,263	-10,012	-2.93%
<b>Of Which: Underemployment</b>	<b>54,981</b>	<b>39,899</b>	<b>-15,081</b>	<b>-27.43%</b>
of which: refugees	16,823	11,292	-5,531	-32.88%
of which: non-refugees	38,158	28,607	-9,550	-25.03%
<b>Underemployment Rate</b>	<b>11.60%</b>	<b>8.34%</b>	--	<b>-28.10%</b>
refugees	12.76%	7.72%	--	-39.50%
non-refugees	11.15%	8.61%	--	-22.77%

The precipitous decline in underemployment came in the context of job losses in the private sector, especially in agriculture and construction, as well as significant growth of Palestinian employment in Israel and settlements (see Table 9). Underemployment tends to be greatest in the private sector where unpaid family labour in agriculture and commerce, as well as other informal labour participation, is more significant. On the other hand, employment in the public sector and in Israel tends to be full-time in nature. The decline in underemployment can be explained by the decline in private sector employment and the increase in employment in Israel.

## D. Unemployment

As illustrated by Table 12, both the core ILO and broadly defined unemployment rates in the West Bank increased in 2008 and remained among the highest in the world.<sup>16</sup> The core unemployment rate rose from an average of 17.7 percent in 2007 to 18.9 percent in 2008 while the broad rate increased from 24.4 percent to 25.3 percent in the same interval. In both cases, refugee unemployment rates declined while those of non-refugees increased as between the two periods. Refugee unemployment rates nonetheless remained above those of non-refugees.

**Table 12**  
**Estimates of Narrow and Broad Unemployment Rates and Unemployment in the West Bank by Refugee Status, 2007 and 2008 Averages<sup>17</sup>**

Unemployment Rates	2007	2008	Relative Changes	
<b>Unemployment Rates (ILO Definition)</b>	<b>17.72%</b>	<b>18.96%</b>	<b>6.98%</b>	
refugees	21.19%	20.55%	-3.00%	
non-refugees	17.27%	19.05%	10.31%	
<b>Unemployment Rates (Broad Definition)</b>	<b>24.49%</b>	<b>25.33%</b>	<b>3.43%</b>	
refugees	26.78%	25.99%	-2.94%	
non-refugees	23.58%	25.04%	6.20%	
Unemployed Persons			Absolute Changes	Relative Changes
<b>Unemployment (ILO Definition)</b>	<b>102,136</b>	<b>111,964</b>	<b>9,829</b>	<b>9.62%</b>
of which: refugees	33,103	36,342	3,240	9.79%
of which: non-refugees	69,033	75,622	6,589	9.54%
<b>Unemployment (Broad Definition)</b>	<b>153,887</b>	<b>160,643</b>	<b>6,756</b>	<b>4.39%</b>
of which: refugees	48,240	51,114	2,874	5.96%
of which: non-refugees	105,647	109,530	3,883	3.68%

In absolute terms, there were some 9,825 more unemployed persons in the West Bank using the core ILO definition, an increase of 9.6 percent, for an average of about 112,000. Under the broader definition of unemployment, there were some 6,750 more unemployed persons, an increase of 4.3 percent to about 160,640. The more rapid growth of core unemployment means more of the unemployed actively sought work, rather than dropping out of the labour force. This suggests greater urgency and perhaps greater hardship among the unemployed.

While refugees accounted for all employment growth in 2008, in absolute numbers there was roughly equal proportional growth in unemployment among refugees and non-refugees. On average, the refugee share of the unemployed was roughly proportional to their weight in the broad labour force in 2008.

The extent of the impact of unemployment can be estimated by multiplying the number of unemployed by the average household size. With an average of 160,640 unemployed persons in 2008, an average household size

of 6.4 persons (based on the PECS 2007) and, assuming only one breadwinner per household, more than 1 million persons—about 42 percent of the population—were affected by unemployment. The West Bank dependency ratio, total population divided by the total number of employed persons, stood at about 4.97 in 2008 as compared to about 4.75 in 2000.

## E. Youth in the Labour Market<sup>18</sup>

The youth population aged 15-24 years old is estimated to have grown by about 2.9 percent in 2008, somewhat more rapidly than the West Bank population as a whole.<sup>19</sup> As noted above, despite lower labour force participation rates, youth account for a significant portion of the West Bank labour force and experience the highest levels of unemployment of any labour force segment. As indicated in Table 13, the youth broad labour force declined by an estimated 2.1 percent in 2008 relative to 2007, to about 180,815 persons and accounted for an average of 28.2 percent of the West Bank labour force.

**Table 13**  
**Estimates of Labour Market Conditions for West Bank Youth,**  
**2007 and 2008 Averages**

Youth Labour Force Profile	2007	2008	Absolute Changes	Relative Changes
<b>Population (15-24)</b>	472,762	486,542	13,780	2.91%
<b>Labour Force (Broad)</b>	184,818	180,813	-4,005	-2.17%
<b>Employed</b>	112,907	109,591	-3,315	-2.94%
<b>Unemployed (Broad)</b>	71,911	71,222	-689	-0.96%
<b>Labour Force Participation Rate (ILO)</b>	28.64%	28.68%	--	0.15%
<b>Discouraged Rate</b>	10.45%	8.48%	--	-18.88%
<b>Labour Force Participation Rate (Broad)</b>	39.09%	37.16%	--	-4.94%
<b>Unemployment Rate (ILO)</b>	28.46%	30.91%	--	8.62%
<b>Unemployment Rate (Broad)</b>	38.91%	39.39%	--	1.23%

Youth employment declined 2.9 percent—an estimated 3,315 jobs—while the number of unemployed declined about 1 percent. Thus, decline in youth employment translated, on balance, into an exit from the labour force. The decline in youth employment and the size of their labour force parallels that of non-refugees (see Table 8), suggesting that many or most of employment losses were among non-refugee youth. Employed youth were only 23 percent of all employed persons in the West Bank in 2008.

On the other hand, while youth employment declined in this period, so too did youth unemployment. On average, there was an estimated 71,200 unemployed youth in 2008, down about 1 percent from the previous year. Youth therefore accounted

for about 43.8 percent of the unemployed in the West Bank, far in excess of their share of the total labour force. The average youth unemployment rate was 39.3 percent in 2008, slightly above its 2007 rate.

## F. Women in the Labour Market

Women's average labour force participation rate in 2008 was 18.7 percent, a decline of 3.5 percentage points relative to 2007 (see Table 14). Even at the higher 2007 broad participation rate of 22.2 percent, women's rates were 17-18 percentage points below those of youth and less than half the overall rates during the period under study. Still, women comprised about one-fifth of the broad labour force in the West Bank in 2007 and 2008.

**Table 14**  
**Estimates of Labour Market Conditions for**  
**West Bank Women, 2007 and 2008 Averages**

West Bank Female Labour Force Profile	2007	2008	Absolute Changes	Relative Changes
<b>Female Population (15+ Years)<sup>20</sup></b>	661,296	685,192	23,896	3.61%
<b>Labour Force (Broad)</b>	128,695	125,147	-3,548	-2.76%
<b>Employed</b>	100,131	96,678	-3,453	-3.45%
<b>Unemployed (Broad)</b>	28,565	28,469	-95	-0.33%
<b>Labour Force Participation Rate (ILO)</b>	20.37%	17.09%	--	-16.12%
<b>Discouraged Rate</b>	1.91%	1.61%	--	-15.32%
<b>Labour Force Participation Rate (Broad)</b>	22.28%	18.70%	--	-16.05%
<b>Unemployment Rate (ILO)</b>	15.28%	16.70%	--	9.32%
<b>Unemployment Rate (Broad)</b>	22.20%	22.75%	--	2.49%

Women's broad unemployment rate averaged 22.7 percent in 2008, up slightly from 2007, but about 3 percentage points below the average rate and 17.2 percentage points below that of youth. Unemployed women thus accounted for 17.5 percent of all unemployed persons in 2008, somewhat less than their share of the labour force, while employed women accounted for 20.2 percent of all employed persons, slightly more than women's share in the West Bank labour force.

As indicated in Table 14, the size of the women's broad labour force declined by about 2.7 percent in 2008. Underlying this was a 3.4 percent decline in the number of employed women and a slight decline in the total number of unemployed women. This closely parallels the changes observed for youth (see Table 13). Thus, both women and youth (and, presumably, young women) retreated from the labour force in 2008, while the general labour market expanded.

Employed women are concentrated in the public sector (education, health and administration), in private services (education, health, business services) and in agriculture, largely as unpaid family labour.<sup>21</sup> Female unpaid family labour declined by almost one-fifth between 2007 and 2008

while female agriculture employment declined by 21.7 percent.<sup>22</sup> This suggests that the contraction in female employment in 2008 was due mainly to developments in agriculture. It also noteworthy that women's real average daily wage declined by 5.5 percent in 2008, despite the fact that most employment losses were in unpaid family labours.

## G. Social Composition of the Employed Labour Force

A parallel year-on-year comparison of employment status in the West Bank indicates rapid declines in informal—and significant increases in formal—types of employment. Both self-employed persons and unpaid family labourers are far more likely to be engaged in informal activity than employers and wage-employees. The number of self-employed persons fell by an estimated 17,000 persons, some 14.1 percent in relative terms, as indicated in Table 15. Likewise, the number of unpaid family members dropped by 9,250 persons or 15.8 percent. On the other hand, there was significant growth—an estimated 29,700 persons, some 10.8 percent in relative terms—in the number of wage employees and more modest, but noteworthy, growth in the number of employers of about 3 percent.

**Table 15**  
**Social Composition of the Employed Labour Force in the West Bank**  
**by Refugee Status, 2007 and 2008 Averages**

Employment Status	2007	2008	Absolute Changes	Relative Changes
<b>Employer</b>	<b>20,790</b>	<b>21,454</b>	<b>664</b>	<b>3.19%</b>
of which: refugees	5,052	4,755	-296	-5.87%
of which: non-refugees	15,739	16,699	960	6.10%
<b>Self-Employed</b>	<b>120,136</b>	<b>103,113</b>	<b>-17,024</b>	<b>-14.17%</b>
of which: refugees	30,637	28,583	-2,053	-6.70%
of which: non-refugees	89,500	74,529	-14,970	-16.73%
<b>Wage Employee</b>	<b>274,681</b>	<b>304,380</b>	<b>29,700</b>	<b>10.81%</b>
of which: refugees	83,710	102,822	19,112	22.83%
of which: non-refugees	190,971	201,558	10,587	5.54%
<b>Unpaid Family Member</b>	<b>58,452</b>	<b>49,190</b>	<b>-9,262</b>	<b>-15.84%</b>
of which: refugees	12,453	10,005	-2,448	-19.66%
of which: non-refugees	45,999	39,186	-6,813	-14.81%
<b>Total Employment</b>	<b>474,060</b>	<b>478,138</b>	<b>4,078</b>	<b>0.86%</b>
of which: refugees	131,851	146,166	14,314	10.86%
of which: non-refugees	342,209	331,972	-10,237	-2.99%

In the context of negligible employment growth, the decline in informal types of employment (about 26,285 persons) and the growth of more formal types (about 30,350 persons) mirror one another. The two main factors in rapid wage employment growth seem to have been: a) employment in Israel and settlements, the only source of net employment growth in the West Bank in 2008 (refer to Table 9) and; b) employment in private services, the main source of job growth in the domestic economy (refer to Table 10).

This was combined with marginal growth in the number of employers, reflective perhaps of better small business conditions generated by increased consumer spending in the local economy fuelled by higher wages earned in Israel, as well as public sector spending.<sup>23</sup> The growth of more formal and, in the case of Israel, much higher-paying, wage-employment opportunities had the effect of drawing in the marginally employed, whether from among the self-employed or unpaid family labour.

Refugees experienced a notable decline in the number of employers in 2008 while the number of employers among non-refugees increased. On the other hand, the decline in the number of self-employed non-refugees was much more rapid than for refugees; refugees accounted for only 12 percent of the total contraction in self-employment. This may indicate that refugees clung to informal self-employment more tenaciously than non-refugees, in the context of the rapid growth of the refugee labour force. On the other hand, refugees accounted for 26.4 percent of the decline in unpaid family labour. More importantly, refugees made disproportionately large gains in wage employment. This was due to their vastly disproportionate employment growth in Israel relative to non-refugees and to refugee gains in private and public sector employment. Non-refugees lost employment in those two sectors (see Table 9).

## H. Wage Rates and Monthly Wage Incomes

Table 16 presents annual average data on wages and monthly days worked for all employed persons in the West Bank. The average daily wage in nominal terms increased 9.9 percent in 2008 to NIS 98.6 (about USD 27 at the average 2008 USD/NIS exchange rate of 3.65).

The average employed person worked 1.5 percent more days per month in 2008 which, when combined with the increase in the average daily wage, resulted in an 11.6 percent increase in the average nominal monthly wage in the West Bank to NIS 2,176 (about USD 595.3). The refugee nominal average monthly wage, below that of non-refugees in 2007, surged past the non-refugee wage in 2008. This resulted from an average daily wage increase that was twice as rapid as that of non-refugees and from a bigger increase in the average number of days worked per month. This also pushed the refugee average monthly wage past that of non-refugees. The average refugee monthly wage rose by 18 percent in nominal terms, while that of non-refugees rose only 8.7 percent in 2008. This raised refugee wages to 4.6 percent above non-refugee rates in 2008.

The acceleration in consumer prices in 2008—10.1 percent on average as compared to 2.5 percent in 2007—cut into the real purchasing power of West Bank workers. On average, real monthly wages increased by only 1.3 percent. Refugee average monthly wages increased 7.1 percent while that of non-refugees fell 1.2 percent as indicated in Table 16.

The vast difference in the progression of real wages as between refugees and non-refugees stems from one central phenomenon: the much more rapid incorporation of refugees into the Israeli labour market in 2008 as noted above. Despite much more rapid growth in private sector average daily wages, both public sector wages and daily wages in Israel remained higher than those in the private sector (see Table 17). More than half of refugee employment gains were in Israel, followed by the private sector and the public sector (see Table 9). Non-refugee employment gains were restricted to Israel but these were smaller in magnitude than for refugees and more than offset by non-refugee job losses in both the public and private sectors in 2008. That average wages in Israel were 54-68 percent greater than in the domestic public and private sectors, respectively, explains the much better performance of refugee wages.

**Table 16**  
**Nominal and Real Average Daily and Monthly Wages in the West Bank by Refugee Status, 2007 and 2008 Averages<sup>24</sup>**

	2007	2008	Relative Changes
<b>Average Daily Wages (Nominal NIS)</b>			
All Employed Persons	89.7	98.6	9.92%
Employed Refugees	86.7	100.2	15.59%
Employed Non-Refugees	91.1	97.8	7.42%
<b>Average Monthly Days</b>			
All Employed Persons	21.7	22.1	1.58%
Employed Refugees	21.9	22.4	2.14%
Employed Non-Refugees	21.6	21.9	1.21%
<b>Average Monthly Wages (Nominal NIS)</b>			
All Employed Persons	1,949	2,176	11.66%
Employed Refugees	1,898	2,241	18.06%
Employed Non-Refugees	1,971	2,143	8.72%
CPI Deflator (2004 = 1.0)	1.10	1.21	10.14%
<b>Average Monthly Wages (Real NIS)</b>			
All Employed Persons	1,776	1,801	1.37%
Employed Refugees	1,730	1,855	7.19%
Employed Non-Refugees	1,796	1,773	-1.29%

**Table 17**  
**Nominal Average Daily Wages in the West Bank by Sector, 2007 and 2008 Averages**

Sector Average Daily Wages (NIS)	2007	2008	Relative Changes
Public Sector Employment	85.4	90.3	5.75%
Private Sector Employment	73.8	82.9	12.23%
Israel, Industrial Zones and Settlements	131.1	139.7	6.56%
Average Daily Wage (All Sectors)	89.7	98.6	9.92%

## I. Summarising Labour Market Trends in 2008

The broadly-defined West Bank labour force grew by about 2 percent, rather slowly relative to the experience of recent years. Slower growth was based on a 1 percent decline in the non-refugee labour force but a nearly 10 percent increase in the refugee labour force relative to 2007. This continued the trend noted in 2007: refugee labour force growth in excess of that of non-refugees.<sup>25</sup> A major reason behind the decline in the non-refugee labour force was shrinkage in the youth segment of the labour force.

Average West Bank employment increased by less than 1 percent relative with all net employment growth accounted for by a 20.1 percent increase in employment in Israel. Domestic private sector employment contracted 2.5 percent, while that in the public sector was virtually unchanged. Except for private services and commerce, there were employment declines in every private economic activity.

Refugee employment expanded by more than 10 percent in 2008, while non-refugee employment declined almost 3 percent. Refugees made employment gains in the private and public sectors where non-refugees lost employment. Moreover, in absolute terms, refugee employment gains in Israel and settlements were more than twice those of non-refugees.

The rate of underemployment continued to decline in the West Bank, consistent with slower labour force growth, the decline in employment in the privates sector where underemployment tends to be highest, and the growth of employment in Israel and settlements where underemployment tends to be lowest.

Both the core ILO and broadly defined unemployment rates increased in the West Bank in 2008. In broad terms, about 25.3 percent of the labour force was unemployed and the total number of unemployed increased by 4.3 percent to an estimated 160,640. Youth accounted for 44.3 percent of total unemployment. Both unemployment rates and total

unemployment among refugees fell during this period, while those of non-refugees increased. The significant improvement in the refugee labour force profile in this period stems from the contraction in the size of the refugee labour force and the increase in employment in Israel and settlements. While there was considerable convergence in unemployment rates (with the refugee rates falling and the non-refugee rates rising), the broad refugee unemployment rate (25.9 percent) remained somewhat above that of non-refugees (25 percent).

The size of the women's broad labour force declined by about 2.7 percent in 2008 due mainly to the decline in the number of employed persons. This closely paralleled changes observed for youth and indicates that newly unemployed women and youth pulled back from the labour market, rather than actively sought other work. At 22.7 percent, women's broad unemployment rate was higher in 2008 than in 2007 but about 3 percentage points below the average rate and 17.2 percentage points below the youth unemployment rate.

Employed women remained concentrated in the public and private education and health services, in public administration, private services and in agriculture, largely as unpaid family labour. Women's unpaid family labour declined by almost one-fifth in 2008 as women's agriculture employment declined by 21.7 percent, suggesting that the contraction in women's employment was due mainly to developments in agriculture.

There was a relatively rapid decline in informal types of employment and a corresponding increase in more formal types of employment in the West Bank in 2008. The number of self-employed and unpaid family labourers declined 14.1 and 15.8 percent respectively while the number of wage workers increased by 10.8 percent and the number of employers grew 3.1 percent. The main factors behind this were rapid employment growth in Israel—the only source of net job growth in the West Bank and the growth in private services employment—the main source of job growth in the domestic economy. The impact of more job opportunities in Israel was much more pronounced among refugees than non-refugees.

This was manifested not only in lower unemployment rates among refugees but also in improved nominal and real wages. In general the average nominal monthly wage of an employed person rose 11.6 percent in 2008 while for refugees the increase was 18 percent. The acceleration of inflation cut into the purchasing power of all wages such that, in inflation-adjusted terms, real monthly wages increased only 1.3 percent. For refugees the increase was 7.1 percent while for non-refugees there was a decline of 1.2 percent in real monthly wages. While refugee unemployment remained slightly higher than non-refugees, refugee average wages surpassed those of the non-refugees, mainly the result of higher-paying employment in Israel.



## V. Looking Ahead

The most recent year-on-year data suggest continued weakness in the West Bank private sector where employment fell 2.5 percent. Public employment was essentially stagnant in 2008 due to fiscal austerity measures.<sup>26</sup> Israel was the only source of employment growth. The GOI's politically-determined policy of expanding Palestinian employment in Israel and settlements should not be seen as permanent in light of the longer-term commitment to the policy of "separation" imposed with progressively greater effect beginning in the early 1990s.

While labour force growth slowed considerably in 2008, the longer term trend remains labour force growth in excess of job creation. Estimates indicate that the West Bank labour market will need to produce and maintain nearly 20,000 additional jobs each just to maintain the present broad unemployment rate.<sup>27</sup> This compares to about 4,000 net new jobs created in 2008. Reducing the unemployment rate will require even more robust job creation.

Public sector hiring is expected to remain strictly limited in the future due to the PA's commitment to reduce the size of fiscal

deficits. The private sector will remain the only source of significant and sustained job creation in the West Bank. But the private sector will not be able to meet this challenge in the context of severe and debilitating movement restriction on people, vehicles and goods within the West Bank and between the West Bank and Gaza and the rest of the world. Such obstacles have, on the whole, gotten worse in the past year,<sup>28</sup> a main reason behind the deterioration of the Palestinian private sector in 2008.

As noted in previous briefings, Israeli-imposed movement restrictions on the West Bank and Gaza have seriously debilitated private sector development. If such restrictions are eased even in part, the expectation is that economic growth rates will accelerate from their presently dismal lows.<sup>29</sup> In addition to removing movement restrictions, the institutions, governance and infrastructure of the Palestinian public sector require significant improvements to encourage and enable higher levels of employment-generating private investment. These challenges will also require the continued support of the international community.

# Appendix

## A Glossary of Terms

**Labour Force:** The labour force as defined by the ILO is the sum of two components: a) all employed persons (whether fully-employed, underemployed or temporarily absent from work); and b) all unemployed persons actively seeking employment.

**Labour Force (Broad Definition):** The broad labour force is defined as the sum of three components: a) all employed persons (whether fully-employed, underemployed or temporarily absent from work); b) all unemployed persons actively seeking employment and; c) all discouraged unemployed, i.e. those able and willing to work but not seeking employment due to a conviction that no job will be found.

**Employment:** The ILO definition of employment includes the fully-employed, the underemployed and the temporarily absent from work.

**Unemployment:** The ILO definition of unemployment includes those who did not work for pay during the reference period and who were actively seeking work during that period.

**Unemployment (Broad Definition):** The broad definition of the unemployed is the sum of two components: a) those who did not work for pay during the reference period and who were actively seeking work during that period and; b) all discouraged unemployed, i.e. those able and willing to work but not seeking employment due to a conviction that no job will be found.

**Underemployment:** The ILO defines underemployment as one or more of the following: 1) working for less time than desired; 2) working below one's skill level; 3) working for less pay than desired or in harsh conditions. The underemployed are included among the employed in the standard ILO methodology adopted by the PCBS. Data presented in this briefing do not distinguish between "quantitative" underemployment (less than desired hours and/or wages) and "qualitative" underemployment (underutilization of skills).

# Endnotes

1. This includes both registered and non-registered refugees. A detailed analysis of census findings as they relate to refugees will be included in a future briefing note.
2. PCBS defines refugees as those persons who identify themselves as such in PCBS field surveys and are not necessarily registered with UNRWA. However, PCBS reported that about 93 percent of those who identified themselves as refugees in the 1997 census were also registered refugees.
3. These include: a) Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Impacts (Gaza, November 2006); b) Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Developments (Gaza, November 2007); c) internal socio-economic briefing papers for each of the West Bank and Gaza Strip covering the period 2005-2006 released in November 2006; d) internal socio-economic briefing papers for each of the West Bank and Gaza Strip covering the period 2006-2007 released in January 2008; e) The West Bank Labour Market in 2007 (May 2008); f) The Gaza Strip Labour Market in 2007 (May 2008); g) Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Developments in 2007 (Gaza, July 2008); h) Living Levels, Poverty and Social Safety Net Assistance in the Occupied Palestinian Territory, 2007: A Briefing Paper, November 2008; i) UNRWA Social Safety Net Assistance Note, November 2008; j) The Gaza Labour Market in 2008 (June 2009).
4. See Appendix for definitions of labour market components analysed in this briefing paper.
5. All population and labour force component estimates in this report include Arab East Jerusalem. In the absence of separate population projections for Palestinian refugees in East Jerusalem, two simplifying assumptions are used in estimating the average size of the refugee and non-refugee labour forces. First, that refugee and non-refugee age structures are similar. Second, that refugee and non-refugee population growth rates are similar.
6. Other private services include real estate, business and personal services as well as employment in UNRWA and NGOs.
7. Employment in Israel is excluded from the estimates in Table 3. In separating domestic employment from employment in Israel, and lacking separate data for refugees, the branch distribution of West Bank refugee employment in Israel was assumed to be the same as that for non-refugees.
8. Separate estimates for the refugee youth population and refugee youth labour force were not available from PCBS. Therefore, estimates in this briefing are for the entire youth segment in the West Bank. The youth population is estimated using the end-2007 census count of 479,652 and a 2.87 percent growth rate, the average annual youth population growth rate between 1997 and 2007.
9. At the average NIS/USD exchange rate of 3.65 in second-half 2008, the average daily wage in the West Bank was about USD 26.81.
10. Average daily wages of non-refugees had been consistently higher than those of refugees in every semi-annual period since at least 2005, according to PCBS data.
11. CPI deflator (with 2004 base year) is from PCBS consumer price surveys for the respective periods. Average monthly wages (in real NIS) are derived by dividing the average monthly wages (in nominal NIS) by the CPI deflator and reflect the purchasing power of wages.
12. Comparing changes in average annual labour market conditions provides better insights into underlying trends because it largely eliminates fluctuations in the data caused by seasonality.
13. These estimates are derived at by using the end-2007 census count of 2,350,583 (including PCBS estimates of the East Jerusalem population) and the average annual population growth rate of the West Bank in the decade between the 1997 and 2007 censuses (2.54 percent).
14. PCBS reports that the quantity of pressed olives in 2008 was 76,387.8 tonnes with 17,584 tonnes of extracted oil. This compares to 36,033 tonnes of pressed olives in 2007 with a yield of 8,870 tonnes of extracted oil. See PCBS Press Release on Olive Presses in the Palestinian Territory, 2008, 15 April 2009. A main feature of West Bank agricultural is the significant biennial fluctuation in olive output.
15. See PCBS Labour Force Survey; Annual Reports for a more detailed definition of underemployment. The data presented here includes all types of underemployment without distinction.

16. The West Bank's ILO unemployment rate was almost 50 percent higher than the average in the MENA region. The MENA region unemployment rate average of about 12 percent was the highest of any region in the world. See World Bank Economic Developments and Prospects for the MENA Region, 2007, August 2007.

17. The broad definition of unemployment combines the ILO definition with discouraged workers, i.e. those who have given up searching for work due to a belief that none can be found.

18. Separate estimates for the refugee youth population and refugee youth labour force are not available from PCBS. Estimates here are for the entire youth segment of the West Bank labour force.

19. The youth population is estimated using the end-2007 census count of 479,652 and a 2.87 percent growth rate, the average annual youth population growth rate between 1997 and 2007.

20. The female working age population is estimated on the basis of end-2007 census figure (673,244) and the average growth rate of the working age population as a whole (3.5 percent) during the decade between the 1997 and 2007 censuses.

21. See PCBS Labour Force Survey Annual Report: 2008, Table 30, p. 90.

22. Based on PCBS data provided by special request.

23. It should be noted that the PA in 2008 repaid all outstanding wage arrears to public sector employees dating back to the GOI and donor-country boycott between early 2006 and mid-2007, as well as about NIS 250 million in arrears to the private sector. See World Bank Palestinian Economic Prospects: Gaza Recovery and West Bank Revival, Economic Monitoring Report to the AHLC, 8 June 2009, p. 14. These liquidity injections were no doubt significant in easing small business conditions in the West Bank.

24. CPI deflator (with 2004 base year) is from PCBS consumer price surveys for the respective periods. Average monthly wages (in real NIS) are derived by dividing the average monthly wages (in nominal NIS) by the CPI deflator and reflect the purchasing power of wages.

25. See The West Bank Labour Market in 2007, May 2008.

26. See IMF Macroeconomic and Fiscal Framework for the West Bank and Gaza: Third Review of Progress, Staff Report, February 2009. The report indicates a net decline in number of public sector workers in 2008.

27. See Prolonged Crisis in the Occupied Palestinian Territories: Recent Socio-Economic Impacts in the West Bank, November 2006.

28. See UN Office for the Coordination of Humanitarian Affairs occupied Palestinian territory, West Bank Movement and Access Update, May 2009.

29. See IMF Macroeconomic and Fiscal Framework for the West Bank and Gaza: Third Review of Progress, Staff Report, February 2009, p. 9.



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