



The **Gaza** Labour Market in **2008**



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THE GAZA STRIP LABOUR MARKET in 2008: AN OVERVIEW

Population and Labour Force

The refugee population in the Gaza Strip is estimated at 980,400 in 2008, representing 67.9 percent of the total population (1,443,882)¹. Of these, 201,000 refugees were economically active, including 103,800 who were employed (51.7 percent) and 97,200 who were unemployed (48.3 percent), according to the relaxed definition of employment.

Relative to the previous year, the number of economically active people in Gaza grew 3.6 percent in 2008 while for refugees such growth was slightly higher, at 3.7 percent.

Employment and Unemployment

Labour force results for 2008 reflected the first full-year effect of the heightened siege on Gaza that began in mid-2007. This period, leading up to the most destructive military operation in Gaza's history, witnessed dramatic increases in unemployment in a territory where rates of joblessness were already amongst the very highest in the world. Both refugees and non-refugees were affected, with the latter hardest hit. Indeed, during 2008 non-refugees were more likely to be out of work than their refugee counterparts, reversing the results of the 2007 labour force surveys.

Overall, the adjusted broad unemployment rate² in Gaza rose to 49 percent from about 38 percent in 2007, with the refugee rate growing from 38.8 percent to 48.3 percent and the non-refugee rate increasing from 36.4 percent to 50.2 percent. The core (ILO) unemployment rate in the Middle East and North Africa region in 2006 was about 12 percent, the highest of any region in the world. This compares to a core unemployment rate of about 40.6 percent in Gaza in 2008.

In Gaza, population growth averaged 3.8 percent per year between 1997 and 2007. At the same time, the labour force participation rate averaged 36.4 percent during 2000-2008, while core unemployment averaged

32.3 percent during the same period. To maintain such an unemployment rate through the year 2015, the Gaza job market would have to create and sustain an average of 13,300 jobs each year throughout that period. To reduce core unemployment to the Middle East and North Africa average of about 12 percent would require the creation of an average of more than 76,000 additional and sustainable jobs each year by 2015.

To put this into perspective, in Gaza in 2008, the number of employed persons actually decreased by 27,000³ (a drop of 14.7 percent), whilst the number of unemployed increased by about 37,800 relative to 2007 (a 33.7 percent increase). There were 14,740 fewer employed refugees relative to 2007 (a 12.4 percent decline) and 22,000 more unemployed refugees (a 29.2 percent increase). Meanwhile, the number of employed non-refugees fell by 12,200 (a 19 percent drop) and the number of unemployed non-refugees increased by 15,800 (up 42.7 percent).

All net employment losses in 2008—27,000 positions—were in the private sector, and non-refugees were disproportionately affected. That sector lost 23.2 percent of its employment base relative to 2007, with every branch shedding employment during 2008, an outcome unmatched since 2001, the first full year of the second intifada and a period of severe dislocations. The public sector, on the other hand, added an average of 4,000 positions, with refugees benefiting almost exclusively. Public sector hiring, various job creation programmes and the tunnel economy were unable to compensate for private sector job deterioration.

This quantitative leap in unemployment was accounted for by the Israeli-imposed siege of Gaza and, in particular, the effects of the siege on private businesses. Agriculture, manufacturing and construction accounted for about 70 percent of the decline in private sector employment—the economic branches most susceptible to the siege-induced shortages of fuels, raw materials

and other inputs, as well as the inability to export final goods. These results reflected the first full-year effect of the heightened siege on Gaza that began in mid-2007.

Social Composition of Employment

Unlike the experience of the past few years, when informal types of employment (e.g. self-employment and unpaid family labour) generally expanded as the economy deteriorated, the labour market in 2008 shed informal types of employment far more rapidly. Thus the declines in the numbers of unpaid family labour (37.2 percent) and self-employment (23.4 percent) in Gaza were far sharper than the decline in the number of wage-employees (4.3 percent) and employers (3.5 percent). This suggests that crisis facing Gaza has reached a level of severity in which even informal low-paying types of employment are no longer sustainable. With about half the economically active population unemployed, the implication is that a very large segment of the Gaza population requires humanitarian assistance to survive.

Although women's labour force participation rates remained far below regional and international averages, the number of economically active women in Gaza grew rapidly in 2008—three times faster than the labour market as a whole. There were 48,600 economically active women in Gaza in 2008—about 15.8 percent of the labour force—and an increase of 4,600 or 10.4 percent relative to 2007. Refugee women accounted for a disproportionate amount of this growth. Substantial labour force growth by women was associated with a 10.1 percent decline in employment and a massive 44.5 percent increase in the number of unemployed women in 2008 relative to 2007. UNRWA, the public sector and NGOs remained a key source of employment for women, including temporary job creation programmes, as did agriculture (largely as unpaid family labour). Employment gains for women—an estimated 2,350 jobs—were concentrated in private services (which includes UNRWA and NGOs) while employment losses—and estimated 5,125 jobs—were overwhelmingly in agriculture. Some 77 percent of women's job losses

were among non-refugees, while 70 percent of the increase in the number of unemployed female job seekers was among refugee women.

A major change in women's employment profile in 2008 was a very rapid increase in the number of employers and self-employed among them as well as significant growth in wage-employment. Men, on the other hand, had net declines in each of these categories. The number of women employed as unpaid family labour fell sharply, accompanied by a sharp decline of female employment in agriculture.

Youth (15 – 24) continued to suffer the highest rates of unemployment of any age cohort. They accounted for around 28 percent of the labour force but 40 percent of all unemployed persons. In total, there were 85,900 youth participants in the labour force in 2008, of whom 54,600 or 63.5 percent were unemployed. The youth labour force grew by less than 2 percent, much slower than that of women and below the regional average. The number of employed youth fell by 17.2 percent in 2008, while the number of unemployed youth increased by a similar margin.

Wages

Labour market deterioration, falling wage rates and accelerating inflation combined to produce an 11 percent decline in the purchasing power of the average monthly wage in Gaza in 2008. The average nominal monthly wage was about NIS 1,504 (USD 418 at average NIS/USD exchange rate of 3.6). At the macro level, employment losses (including unpaid absentees) and consumer inflation resulted in a nearly 25 percent drop off in the purchasing power of wage incomes in the Gaza Strip with dire implications for living levels and poverty in 2008.

Looking Ahead

Labour market conditions in Gaza in 2008 were arguably the worst in its history. The intensified Israeli siege on the territory choked off economic activity, especially in the private sector. The rise of

unemployment and the drop in real wages were sharp and dramatic and reflect a full-year's impact of the Israeli siege of Gaza. The rapid increase in women's labour force participation is also indicative of the degree to which households are exerting efforts to stem the decline in household incomes.

Perhaps the worst year in economic terms in Gaza's history ended with the most destructive military assault ever experienced in the territory. The ensuing death and destruction has broadened and deepened the economic and labour market crises by destroying physical productive capacity of businesses and farms, including farmland and livestock. This displaced employment and has delayed the recovery of the affected enterprises over the short and medium terms.

As the severity of the Israeli siege has increased, the acquisition of imported inputs and the export of outputs remain severely constrained and the high levels of private sector unemployment documented in this briefing paper are likely to persist. The situation is made worse to the extent that it dissuades local businesses from maintaining investment levels.

The significant destruction of public infrastructure—including government buildings, schools, clinics, roads, bridges, electricity, water and sewer lines—constrains the delivery of essential public services. In addition to the hardships imposed on those in need of health and social services, a degraded infrastructure negatively affects the private sector by shifting costs of the enabling environment to private enterprises, rather than the public sector. To the extent that the public sector is not able to provide infrastructure, services and a healthy and well-educated

workforce, private businesses, in order to remain viable and competitive, will have to absorb some or all of these costs. This in turn, reduces the rate of economic growth and development and, other things being equal, slows the absorption of labour in both the public and private sectors in the short and medium terms.

In the context of rapid population and labour force growth, the short and medium-term outlook is for persistently high unemployment and poverty, despite relatively high levels of external assistance. Indeed, higher levels of social safety net assistance in Gaza in recent years have not reduced the extent of household poverty. Private sector employment, which has deteriorated at an accelerated rate in the past year, cannot be seriously addressed in the context of a political and economic siege of Gaza. Likewise, the ability of the public sector to absorb labour will likely remain constrained due to the lack of fiscal resources and the constraints imposed on the Hamas administration in Gaza. Job creation programmes and the tunnel economy have been unable to provide sufficient jobs to counter the decline in private sector employment. One cannot expect such irregular employment to be sustainable in the longer term.

The isolation and destruction imposed on Gaza by the GOI does not bode well for private sector activity and, therefore, for the development and growth of sustainable private employment. Unless Gaza is allowed to develop normal economic activity, unemployment, falling wages and deeper poverty will remain serious problems. Easing restrictions to allow for normal economic activity, on the other hand, will go much further than humanitarian assistance in relieving the hardship.



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.⁴ The data generated by PCBS has been the basis for a series of UNRWA published reports and internal briefing papers since late 2006.⁵

The focus of this internal briefing paper is the Gaza Strip labour force and labour market in the 2008 relative to 2007. This follows the briefing paper on the Gaza Strip labour market in first-half 2008 released in March 2009. The aim is to provide the various departments in the GFO 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 Gaza Strip 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 to utilize the 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 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 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 conviction that no job will be found. The sum of the first two components yields the narrow ILO definition of the labour force. Adding the third component yields what is referred to here as the broad labour force, a better estimate of the number of people working or available for work.

Table 1 indicates that, with an average estimated population of 1.44 million in 2008,⁶ the broad labour force was about 311,350 persons in the second half of 2008, up about 3.4 percent—an estimated 10,500 persons—relative to the first half of the year.

Refugees accounted for all this growth; the estimated refugee labour force increased 5.9 percent while that for non-refugees declined 1 percent during this period.

Employment is estimated to have declined some 5.7 percent, a loss of nearly 10,000 jobs, as between the first and second halves of the year. Employment stood at an average of some 163,500 persons suggesting an average dependency ratio of about 9 in Gaza in second-half 2008 (total population divided by total employment). Non-refugees accounted for more than 90 percent of the employment decline, losing more than 15 percent of their employment base, while refugees lost less than 1 percent of theirs.

Unemployment increased by some 16 percent or by more than 20,000 persons. Refugees accounted for about 60 percent of unemployment growth, somewhat below their share in the broad labour force. Thus, non-refugees suffered a disproportionate increase in unemployment.

Table 1
Estimates of Average Gaza Strip Labour Force, Employment and Unemployment by Refugee Status, First-Half 2008 and Second-Half 2008

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Labour Force (Broad Definition)	300,855	311,349	10,494	3.49%
of which: refugees	195,286	206,836	11,550	5.91%
of which: non-refugees	105,569	104,512	-1,056	-1.00%
Employment	173,459	163,533	-9,926	-5.72%
of which: refugees	113,298	112,615	-683	-0.60%
of which: non-refugees	60,161	50,918	-9,243	-15.36%
Unemployment (Broad Definition)	127,396	147,816	20,420	16.03%
of which: refugees	81,988	94,221	12,233	14.92%
of which: non-refugees	45,408	53,594	8,187	18.03%

It is important to note the significant increase in the phenomenon of workers “temporarily” absent from their jobs since second-half 2007.⁷ Such persons are considered employed and receiving their salaries in the standard ILO definitions used in the labour force surveys. The growth of the phenomenon coincided with the assumption of power by Hamas. Given the lack of more detailed data, it is presumed that a significant portion—perhaps a majority—of absentees were paid PA security personnel who stayed away from their usual places of work per the instructions of PA officials in the West Bank. Another portion of absentees is assumed to be unpaid private sector employees absent from work due to the lack of inputs (e.g. raw materials, parts, fuel, etc.) necessary for production and construction activities but blocked from entry into Gaza by the Israeli siege. The estimated total number of absentees in the second half of 2007 rose to about 27,000 from about 6,325 in first-half 2007 and averaged about 25,000 in each half of 2008.

If the assumption is made that half the absentees are, effectively, unemployed and

unpaid and their numbers are subtracted from the estimates of the employed and added to the ranks of the unemployed, then total adjusted employment in second-half 2008 would be only about 157,350 persons. This would constitute an employment decline of about 9,850 jobs or 5.8 percent relative to first-half 2008 (see Table 1.A). Likewise, total adjusted unemployment in second-half 2008 would be about 160,150, an increase of about 20,275 or 14.4 percent.

Non-refugees experienced a 15.8 percent decline in adjusted employment, while refugees are estimated to have lost less than 1 percent of the jobs they held in first-half 2008. Without more detailed data, it is difficult to assess the meaning of these differences with respect to changes in the public and private sectors. However, more rapid non-refugee job losses suggests that the private sector—where non-refugees are disproportionately represented—may have been more severely impacted by worker absenteeism in absolute terms. It is noteworthy that the estimated adjusted number of unemployed in second-half 2008 exceeded the estimated number of the employed.

Table 1.A
Estimates of Adjusted Employment and Adjusted Broad Unemployment in the Gaza Strip by Refugee Status, First-Half 2008 and Second-Half 2008⁸

	First-Half 2008	Second-Half 2008	Absolute Change	Relative Change
Adjusted Employment	167,220	157,367	-9,853	-5.89%
refugees	104,209	103,408	-802	-0.77%
non-refugees	56,772	47,794	-8,979	-15.82%
Adjusted Unemployment	139,873	160,147	20,274	14.49%
refugees	91,077	103,428	12,352	13.56%
non-refugees	48,796	56,719	7,923	16.24%

B. Employment

Using the standard ILO definition, average total employment in Gaza fell by more than 10,000 persons in second-half 2008 (5.8 percent), as indicated in Table 2. The private sector shed nearly 20,000 jobs while the public sector added nearly 10,000 positions. The main factor behind private sector job losses was the harsh siege and blockade of Gaza imposed by the Government of Israel (GOI) that has severely affected economic activity.⁹ The growth of the public sector is indicative of the ability of the Hamas government to add employment, despite the isolation imposed on Gaza since their assumption of power. This is also indicative of some amount of external support for the Hamas administration, given limited domestic fiscal resources. Net job losses were therefore about 10,000 jobs in second-half 2008.

Non-refugees accounted for 56 percent of private sector employment losses but less than 20 percent of job gains in the public sector. The data suggests continued and significant growth in public sector employment in second-half 2008. Public sector employment in the Table 2 includes absentees, i.e. PA employees who are paid but who do not report to work in conformity with the directive from the PA leadership in the West Bank.

As indicated in Table 3, there were employment declines in every private sector activity in second-half 2008 relative to first-half 2008. This contrasts with previous periods in which one or more economic activity experienced employment growth (refer to previous briefing papers). There were disproportionately large job losses in manufacturing, construction and agriculture, activities particularly sensitive to the siege-induced lack of fuel, raw materials and other inputs.

Table 2
Estimates of Gaza Strip Employment by Sector and Refugee Status,
First-Half 2008 and Second-Half 2008

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Public Sector	73,943	83,694	9,751	13.19%
of which: refugees	53,924	61,810	7,885	14.62%
of which: non-refugees	20,019	21,885	1,866	9.32%
Private Sector	99,516	79,594	-19,922	-20.02%
of which: refugees	59,374	50,596	-8,779	-14.79%
of which: non-refugees	40,142	28,999	-11,143	-27.76%
Israel, Industrial Zones, Settlements	0	0	n.a.	n.a.
of which: refugees	0	0	n.a.	n.a.
of which: non-refugees	0	0	n.a.	n.a.
Total Employment	173,459	163,289	-10,171	-5.86%
of which: refugees	113,298	112,405	-893	-0.79%
of which: non-refugees	60,161	50,884	-9,277	-15.42%

Table 3
Estimates of Gaza Strip Private Sector Employment by Refugee Status,
First-Half 2008 and Second-Half 2008

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Agriculture, Fishing	21,487	14,431	-7,056	-32.84%
of which: refugees	10,111	5,447	-4,664	-46.12%
of which: non-refugees	11,376	8,983	-2,393	-21.03%
Manufacturing, Mining	8,804	6,144	-2,660	-30.21%
of which: refugees	6,018	4,235	-1,782	-29.62%
of which: non-refugees	2,786	1,909	-877	-31.48%
Construction	1,849	1,193	-657	-35.51%
of which: refugees	1,462	765	-698	-47.71%
of which: non-refugees	387	428	41	10.60%
Commerce, Hotels & Restaurants	34,419	28,186	-6,234	-18.11%
of which: refugees	18,407	17,358	-1,049	-5.70%
of which: non-refugees	16,012	10,828	-5,184	-32.38%
Transportation, Communication	9,317	8,288	-1,029	-11.04%
of which: refugees	5,468	5,089	-379	-6.93%
of which: non-refugees	3,849	3,199	-650	-16.89%
Other Private Services	23,639	21,387	-2,251	-9.52%
of which: refugees	17,908	17,701	-207	-1.15%
of which: non-refugees	5,731	3,686	-2,045	-35.68%
Total Private Sector Employment	99,516	79,629	-19,887	-19.98%
of which: refugees	59,374	50,596	-8,779	-14.79%
of which: non-refugees	40,142	29,034	-11,108	-27.67%

Non-refugees, who were about 40 percent of private sector employees in first-half 2008, suffered 56 percent of the job losses there. (The lack of sufficient data on absenteeism in specific economic activities, makes it impossible to estimate adjusted employment levels in these activities.)

C. Unemployment

The intensification of the Israeli siege of Gaza produced an acceleration of unemployment rates and the level of unemployment in Gaza in second-half 2008. The standard ILO unemployment rate rose by 5.7 percentage points to 43.3 percent. The total number of unemployed increased by nearly 20,000 or

about 19 percent (see Table 4). The broad unemployment rate in Gaza increased by more than 5.1 percentage points to 47.4 percent in second-half 2008 with about 20,000 more unemployed in absolute terms.

Under both the ILO and broad definitions of unemployment, non-refugees experienced a more rapid increase in the unemployment rate and in the number of unemployed. Both the ILO non-refugee unemployment rate and broad unemployment rate increased by 8.7 percentage points. As indicated above, the more severe effects on non-refugees is probably due to their disproportionate representation in the private sector that contracted under the weight of the Israeli siege and blockade.

Taking account of employees who were “absent from usual work,” and assuming half of these were paid PA security personnel and the other half were unpaid private sector workers, the unemployment picture in Gaza looks even more dire, as indicated in Table 4.A.

Removing half the absentees from the employed column and adding these to the ranks of the broad unemployed results in adjusted broad unemployment of more than 160,000 persons or 51.4 percent of the Gaza labour force in second-half 2008, with the non-refugee rate estimated at 54.2 percent. This is about 3.2 percentage points above the non-refugee broad unemployment rate calculated in Table 4.

Table 4
Estimates of ILO and Broad Unemployment Rates and Unemployment in the Gaza Strip by Refugee Status, First-Half 2008 and Second-Half 2008

Gaza Strip Unemployment Rates	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Unemployment Rates (ILO)	37.65%	43.35%	--	15.15%
refugees	36.94%	41.25%	--	11.68%
non-refugees	38.72%	47.45%	--	22.54%
Unemployment Rates (Broad)	42.30%	47.45%	--	12.18%
refugees	42.05%	45.55%	--	8.33%
non-refugees	42.53%	51.25%	--	20.50%
Gaza Strip Unemployed				
Unemployment (ILO Definition)	105,240	125,179	19,939	18.95%
of which: refugees	66,292	79,093	12,801	19.31%
of which: non-refugees	38,948	46,086	7,138	18.33%
Unemployment (Broad Definition)	127,395	147,816	20,421	16.03%
of which: refugees	81,988	94,221	12,233	14.92%
of which: non-refugees	45,407	53,594	8,187	18.03%

Table 4.A
Estimates of Adjusted Broad Unemployment in the Gaza Strip by Refugee Status, First-Half 2008 and Second-Half 2008¹⁰

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Adjusted Broad Unemployment	139,872	160,147	20,275	14.50%
of which: refugees	100,166	112,635	12,470	12.45%
of which: non-refugees	39,707	47,512	7,805	19.66%
Adjusted Broad Unemployment Rates	46.49%	51.44%	--	10.65%
of which: refugees	51.29%	50.00%	--	-2.51%
of which: non-refugees	37.61%	54.27%	--	44.30%

D. Youth in the Labour Market

Youth aged 15-24 tend to have lower labour force participation rates than the rest of working age population because many in this age group remain in school or university. In second-half 2008, youth accounted for about 28 percent of the broad labour force in the Gaza Strip. Their unemployment rates remain the highest of any demographic segment, with their broad rate some 20 percentage points above the overall rate in second-half 2008 when they accounted for about 40 percent of all unemployed. By comparison, youth aged 15-24 accounted for around 28 percent of the labour force in Gaza during this period.

Table 5
Estimates of Labour Market Conditions for Gaza Strip Youth,
First-Half 2008 and Second-Half 2008¹¹

Gaza Strip Youth Labour Profile	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Population (15-24)	292,849	297,907	5,058	1.73%
Labour Force (Broad)	85,738	85,946	208	0.24%
Employed	34,834	28,104	-6,730	-19.32%
Unemployed (Broad)	50,904	57,842	6,938	13.63%
Labour Force Participation Rate (ILO)	23.67%	24.35%	--	2.89%
Discouraged Rate	5.61%	4.50%	--	-19.80%
Labour Force Participation Rate (Broad)	29.28%	28.85%	--	-1.46%
Unemployment Rate (ILO)	53.76%	62.80%	--	16.81%
Unemployment Rate (Broad)	59.37%	67.30%	--	13.35%

The estimated broad youth labour force grew slightly—about 0.2 percent—in second-half 2008. At the same time the number of employed youth declined by an estimated 19.3 percent while the number of unemployed youth increased by some 13.6 percent. Thus, youth accounted for about two-thirds of job losses in second-half 2008 relative to the first half of the year and about one-third of the growth in the number of unemployed.

E. Social Composition of the Employed Labour Force

Changes in the employment status of working people are suggestive of socio-economic conditions. A growing proportion of employers among those working, for example, suggests 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.

Table 6 indicates there were about 10,125 net job losses in second-half 2008 relative to first-half 2008, a decline of about 5.8 percent. In absolute terms, self-employment and unpaid family labour accounted for a loss of 24,385 jobs between the first and second halves of the year. Each type of employment declined more than 42 percent. This is consistent with the large absolute losses in employment in commerce and agriculture where the self-employed and unpaid family labour is concentrated (see Table 3). By contrast, the number of wage workers expanded by nearly 13,000—some 11.6 percent—this being consistent

Table 6
Social Composition of the Employed Labour Force in the Gaza Strip
by Refugee Status, Second-Half 2007 and First-Half 2008

	First-Half 2008	Second-Half 2008	Absolute Changes	Relative Changes
Employer	5,322	6,608	1,286	24.15%
of which: refugees	3,220	4,518	1,298	40.33%
of which: non-refugees	2,103	2,090	-13	-0.60%
Self-Employed	39,412	22,634	-16,778	-42.57%
of which: refugees	20,438	12,970	-7,468	-36.54%
of which: non-refugees	18,974	9,663	-9,310	-49.07%
Wage Employee	111,399	124,364	12,965	11.64%
of which: refugees	79,551	90,364	10,813	13.59%
of which: non-refugees	31,848	34,000	2,152	6.76%
Unpaid Family Member	17,326	9,718	-7,608	-43.91%
of which: refugees	10,090	4,553	-5,537	-54.88%
of which: non-refugees	7,236	5,165	-2,071	-28.63%
Total Employment	173,459	163,323	-10,136	-5.84%
of which: refugees	113,298	112,405	-893	-0.79%
of which: non-refugees	60,161	50,918	-9,243	-15.36%

with expanded public sector employment (see Table 2). There was also an estimated increase of 1,280 in the number of employers—a 24.1 percent increase—probably due to the growth of the tunnel economy in the southern area of Gaza and/or to microenterprise development.

As already noted above, non-refugees accounted for a disproportionate share of job losses in second-half 2008 (about 56 percent of losses in the private sector). With respect to social composition of employment, job losses by non-refugees were disproportionately large among the self-employed (55.4 percent of the total), while their job gains were disproportionately small among wage employees (only 27.2 percent of the total). Refugees accounted for all the growth in the number of employers, as the estimated number of non-refugee employers declined.

F. Wage Rates and Monthly Wage Incomes

The average nominal daily wage in Gaza declined by 5.3 percent in second-half 2008 relative to first-half 2008 to an average of NIS 59.2 (see Table 7). (It is important to note that nominal wage declines in Gaza are a relatively recent phenomenon.) The average daily wage of refugees declined by an estimated 6.9 percent, reflective of dismal labour market conditions, while that for non-refugees fell about 1 percent. Refugee wages remained above those of non-refugees in both periods reflecting the preponderance of refugees in the public sector and in UNRWA where wages are above average.

Table 7
Nominal and Real Average Daily and Monthly Wages in the Gaza Strip
by Refugee Status, First-Half 2008 and Second-Half 2008¹²

	First-Half 2008	Second-Half 2008	Relative Change
Average Daily Wages (Nominal NIS)			
All Employed Persons	62.6	59.2	-5.36%
Employed Refugees	66.0	61.4	-6.90%
Employed Non-Refugees	54.8	54.2	-1.05%
Average Monthly Days			
All Employed Persons	24.4	24.9	1.96%
Employed Refugees	24.6	25.3	2.93%
Employed Non-Refugees	24.1	24.0	-0.49%
Average Monthly Wages (Nominal NIS)			
All Employed Persons	1,530	1,477	-3.51%
Employed Refugees	1,622	1,555	-4.17%
Employed Non-Refugees	1,323	1,303	-1.54%
CPI Deflator (2004 = 1.0)	1.21	1.27	4.89%
Average Monthly Wages (Real NIS)			
All Employed Persons	1,263	1,162	-8.00%
Employed Refugees	1,339	1,224	-8.64%
Employed Non-Refugees	1,092	1,025	-6.12%

The average number of days worked each month in second-half 2008 rose nearly 2 percent. Multiplying the average daily wage by the average number of days worked yields the nominal monthly wage income. In second-half 2008, the average nominal monthly wage was about NIS 1,555 for refugees and NIS 1,303 for non-refugees. The refugee average monthly wage declined by an estimated 4.1 percent while that for non-refugees fell 1.5 percent.

Gaza average consumer prices increased about 4.8 percent as between the first and second halves of the year. Factoring in these price increases, the average real monthly wage of employed refugees dropped 8.6 percent, while that for non-refugees

declined 6.1 percent. The continuing crisis in the labour market thus resulted in an 8 percent decline in the purchasing power of the average employed person in Gaza as between the first and second halves of the year.

If average employment, including absentees, is multiplied by the average monthly wage and then multiplied by six (months), we arrive at the nominal NIS value of total average wage income in Gaza in each of the two periods. In line 1 of Table 7.A, this is estimated at NIS 1.59 billion in first-half 2008, falling to NIS 1.44 billion in the second half of the year, a decline of about 9 percent. Factoring inflation into the calculation yields a real total wage income decline of 13.2 percent (line 2).

Table 7.A
Total and Adjusted Total Nominal and Real Wage Income
in the Gaza Strip, First-Half 2008 and Second-Half 2008¹³

	First-Half 2008	Second-Half 2008	Absolute Change	Relative Change
1. Total Wage Income (nominal)	1,592,577,028	1,448,763,102	-143,813,926	-9.03%
2. Total Wage Income (real)	1,314,820,857	1,140,363,920	-174,456,937	-13.27%
3. Adjusted Wage Income (nominal)	1,478,018,648	1,339,516,459	-138,502,189	-9.37%
4. Adjusted Wage Income (real)	1,220,242,231	1,054,372,684	-165,869,547	-13.59%

Assuming half of absentee workers were unpaid private sector employees, then aggregate nominal wage income falls to NIS 1.47 billion in first-half 2008 and to NIS 1.33 billion in second-half 2008—a decline of 9.3 percent. If line 3 figures are deflated to reflect the constant purchasing power of money, then the real decline in wage income in Gaza is estimated at 13.5 percent as between the first and second halves of 2008.

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

The Gaza Strip labour market continued to lose jobs in the second half of 2008. Nearly 10,000 positions or 5.7 percent of the employment base that existed in first-half 2008 were lost in the second half of the year. Private sector losses of about 20,000 positions were partly offset by about 10,000 additional public sector jobs. Broadly defined unemployment rose to an estimated 147,800 persons, an increase of 20,400 persons relative to first-half 2008. Factoring in absentee workers, adjusted unemployment is estimated at 160,150 persons, a 14.5 percent increase relative to first-half 2008.

The adjusted unemployment rate in Gaza in second-half 2008 is therefore estimated at 51.4 percent of the labour force. The refugee unemployment rate stood at 50.0 percent while that for non-refugees was 54.2 percent.

While refugee rate of unemployment was greater in the first half of the year, non-refugees were disproportionately affected by both job losses in the contracting private sector in second-half 2008. Moreover, about two-thirds of job losses fell on youth while youth accounted for about one-third of the increase in the total number of unemployed. The loss in employment was concentrated almost exclusively among the self-employed and unpaid family labour.

Unlike previous reporting periods, there were job losses in every private sector activity. There were particularly large declines in employment in agriculture, manufacturing and construction, the branches most susceptible to the siege-induced shortages of fuels, raw materials and other inputs, as well as the inability to export finished products. The steep decline in employment during this period must be seen in the context of the GOI-imposed siege of the Gaza Strip, a siege whose severity has increased since the assumption of power by Hamas in mid-2007.

The second-half of 2008 witnessed continued deterioration in both average nominal and real wages, suggestive of the depth of the labour market crisis. In inflation-adjusted terms, the average monthly wage of an employed person fell 8 percent relative to first-half 2008. Real total wage income, the purchasing power of all wages paid in Gaza in the second half of 2008, declined an estimated 13.5 percent relative to first-half 2008.

IV. Labour Force and the Labour Market: 2007 and 2008¹⁴

A. Labour Force

The broad labour force—those working and seeking work—in Gaza in 2008 grew by about 3.6 percent to an average of about 306,100 persons. Labour force growth was, therefore, somewhat below average population growth.¹⁵ The share of labour force growth accounted for by refugees was roughly proportionate to their weight in the labour force. In all, there was an average of about 10,780 new labour force entrants in 2008, about two-thirds of whom were refugees.

Under the ILO definition, there were about 22,945 less people employed in Gaza in 2008 than there were in 2007, a decline of about 11.9 percent. At the same time,

the number of unemployed surged by some 33,735 people or about 32.4 percent. On average, there were some 137,600 unemployed persons in Gaza in 2008 under the broad definition of unemployment (which combines the ILO definition with discouraged workers).

As already noted, there was a dramatic increase in the number of workers “temporarily” absent from their jobs in second-half 2007, the result of PA employees staying away from work and disruptions in the private sector caused by the Israeli blockade. High levels of absenteeism continued throughout 2007 and 2008. On average, there were about 24,800 absentees in 2008, 48.1 percent more than in 2007, as indicated in Table 8.A.

Table 8
Estimates of Gaza Strip Broad Labour Force, Employment and Unemployment by Refugee Status, 2007 and 2008 Averages

	2007	2008	Absolute Changes	Relative Changes
Labour Force (Broad Definition)	295,320	306,102	10,782	3.65%
of which: refugees	193,819	201,061	7,243	3.74%
of which: non-refugees	101,502	105,040	3,539	3.49%
Employment	191,441	168,496	-22,945	-11.99%
of which: refugees	124,478	112,956	-11,522	-9.26%
of which: non-refugees	66,963	55,540	-11,423	-17.06%
Unemployment (Broad Definition)	103,866	137,606	33,739	32.48%
of which: refugees	69,340	88,105	18,764	27.06%
of which: non-refugees	34,526	49,501	14,975	43.37%

Table 8.A
Estimates of Absenteeism from Usual Work in the Gaza Strip, 2007 and 2008 Averages

Absent from Usual Work	2007	2008	Absolute Changes	Relative Changes
Total	16,747	24,809	8,062	48.14%
refugees	11,854	18,296	6,441	54.34%
non-refugee	4,892	6,513	1,621	33.13%

Table 8.B
Estimates of Adjusted Employment and Unemployment in the Gaza Strip by Refugee Status, 2007 and 2008 Averages

	2007	2008	Absolute Change	Relative Change
Adjusted Employment	183,068	156,092	-26,976	-14.74%
refugees	118,551	103,808	-14,743	-12.44%
non-refugees	64,516	52,283	-12,233	-18.96%
Adjusted Unemployment	112,240	150,010	37,770	33.65%
refugees	75,267	97,253	21,985	29.21%
non-refugees	36,972	52,757	15,785	42.69%

By using the same methodology used above (see Table 1.A)—i.e. subtracting half of absentee workers from the employed and adding them to the broad unemployed—results in an estimated total adjusted employment decline of about 26,975 in 2008, a 14.7 percent decline relative to 2007 (see Table 8.B). The ranks of the broad unemployed, using the adjusted definition, are estimated to have grown by some 37,770 persons, an increase of 33.6 percent relative to 2007. Adjusting the number of employed and unemployed by this method suggests greater job losses and higher numbers of unemployed than the definitions used in Table 8.

Table 8.B suggests that the number of employed persons in Gaza in 2008 was only slightly greater than the number of unemployed persons. Moreover, while the crisis in the labour market is severe, non-refugees seem to have suffered the brunt of the deterioration in the past year. The negative impacts of political changes and the Israeli siege, as noted above, have been more pronounced in the private sector, a sector in which non-refugees are disproportionately represented.

B. Employment

Average employment in Gaza—by the standard ILO definition—declined by an estimated 23,000 jobs in 2008 relative to 2007, a 12 percent rate of decline (see Table 9). The private sector shed an estimated 27,000 (a loss of 23.2 percent of the employment base), while the public sector added an average of 4,000 jobs (a 5.3 percent rate of growth). Employment losses among non-refugees were proportionally greater than their share in the labour force. Non-refugees accounted for more than 40 percent of employment losses in the private sector and—because they lost ground in the public sector—about 50 percent of total job losses. It is important to note that, if data on “temporary” absenteeism on a sector basis were available, it would probably indicate much greater unpaid absenteeism in the private sector where non-refugees are disproportionately represented. Thus, absentee-adjusted employment losses would likely be greater for non-refugees than indicated by Table 9.

Table 9
Estimates of Gaza Strip Employment by Sector and Refugee Status,
2007 and 2008 Averages

Economic Sector	2007	2008	Absolute Changes	Relative Changes
Public Sector	74,816	78,819	4,003	5.35%
of which: refugees	53,769	57,867	4,098	7.62%
of which: non-refugees	21,047	20,952	-95	-0.45%
Private Sector	116,625	89,555	-27,070	-23.21%
of which: refugees	70,710	54,985	-15,725	-22.24%
of which: non-refugees	45,915	34,570	-11,345	-24.71%
Israel, Industrial Zones, Settlements	0	0	0	--
of which: refugees	0	0	0	--
of which: non-refugees	0	0	0	--
Total Employment	191,441	168,391	-23,050	-12.04%
of which: refugees	124,478	112,852	-11,627	-9.34%
of which: non-refugees	66,963	55,540	-11,423	-17.06%

As indicated in Table 10, the private sector lost about 23.2 percent of its employment base in 2008. On an activity basis, construction employment was the most negatively effected with an 81.4 percent decline in 2008 relative to 2007. This was followed by a 41.1 percent decline in manufacturing employment, a 33 percent employment decline in transportation and communication and a 28.6 percent decline in agricultural employment. In absolute terms, agriculture shed more employment—some 7,200 jobs—than any other activity. There were net losses in every private sector activity in 2008, the first time this has occurred since 2001, the first full year of the second intifada.

Of some 27,000 lost private sector jobs, agriculture and construction accounted for about one-half of these, while manufacturing accounted for about one-fifth of losses. Transportation and communications accounted for 16 percent of total job losses in the private sector,

while commerce accounted for about 13 percent of losses. The main reason for the precipitous decline in private sector employment was the Israeli siege since mid-2007 that has prevented fuels, raw materials and machinery from entering Gaza and prevented goods produced in Gaza from getting to markets in the West Bank, in Israel and in other countries. This has been regularly documented.¹⁶ That the decline in agricultural employment wasn't greater may be due to increasing use of agricultural land and labour for home and domestic production, taking up some of the slack produced by the loss of the commercial agriculture market in Israel and abroad.

Employment losses by refugees and non-refugees were roughly proportional to their shares in the overall labour force. However, branch specific data on absentee workers is not available. Such data would probably show non-refugees suffered relatively large employment losses due to their greater representation in the private sector.

Table 10

Estimates of Gaza Strip Private Sector Employment by Economic Activity and Refugee Status, 2007 and 2008 Averages

Economic Activity	2007	2008	Absolute Changes	Relative Changes
Agriculture, Fishing	25,152	17,959	-7,193	-28.60%
of which: refugees	12,391	7,779	-4,612	-37.22%
of which: non-refugees	12,761	10,180	-2,581	-20.23%
Manufacturing, Mining	12,702	7,474	-5,228	-41.16%
of which: refugees	8,169	5,127	-3,042	-37.24%
of which: non-refugees	4,534	2,348	-2,186	-48.22%
Construction	8,177	1,521	-6,656	-81.40%
of which: refugees	4,474	1,114	-3,361	-75.11%
of which: non-refugees	3,703	407	-3,296	-89.00%
Commerce, Hotels & Restaurants	34,824	31,303	-3,522	-10.11%
of which: refugees	20,085	17,882	-2,202	-10.97%
of which: non-refugees	14,739	13,420	-1,319	-8.95%
Transportation, Communication	13,140	8,803	-4,338	-33.01%
of which: refugees	7,354	5,279	-2,075	-28.22%
of which: non-refugees	5,787	3,524	-2,262	-39.10%
Other Private Services	22,641	22,513	-128	-0.57%
of which: refugees	18,237	14,860	-3,377	-18.52%
of which: non-refugees	4,404	7,653	3,249	73.77%
Total Private Sector Employment	116,638	89,573	-27,065	-23.20%
of which: refugees	70,710	52,040	-18,669	-26.40%
of which: non-refugees	45,928	37,532	-8,396	-18.28%

C. Employment Generation in Gaza C.1. The Tunnel Economy¹⁷

The loss of employment in Gaza would have been even more precipitous were it not for two phenomena. First, the “underground economy” connected to the construction, maintenance and use of tunnels connecting the Rafah area of Gaza with the Egyptian Sinai has generated a significant amount of employment. Some of these tunnels, associated with the smuggling of goods, have existed for years but the majority of the hundreds of existing tunnels were built after 2005. Second, the job creation programmes of UNRWA, other UN agencies, NGOs and the Hamas administration in Gaza have also served to marginally mitigate unemployment.

In first-half 2008, UNRWA staff, based on field interviews, estimated that there may be as many as 5,000 workers involved in construction and maintenance of the tunnels with another 5,000 involved in trade through the tunnels. In addition, there may be as many as 10,000 involved in tunnel related downstream economic activities (from large merchants and traders to petty street vendors). It is estimated that about 90 percent of labourers involved in the tunnel activities are youth aged 18-25. The vast majority comes from Rafah or Khan Yunis but, more recently, labourers are migrating from the middle area and, to a lesser extent, from the far north of Gaza. It is estimated

that tunnel labourers earn between NIS 40-80 per hour in shifts (compared to the Gaza average daily wage of about NIS 61). “Crossers” or those who go to Egypt and return with goods through the tunnels—more dangerous work—are presumably paid a percentage of the proceeds, instead of a wage, or a lump sum of about USD 100 per cargo. Anecdotal information suggests that employment in the tunnel economy has grown substantially in the past two years.¹⁸

C.2. Job Creation Programmes

In late 2007, the Hamas government in Gaza initiated a programme for university and college graduates whereby 4,000 graduates are hired for two-month periods.¹⁹ In addition, UNRWA has, since the beginning of the second intifada, responded with a job creation programme that in 2008 employed the equivalent of 6,220 persons on a full time basis (about one third of them women). This was a 19.4 percent decline relative to 2007 when an average of 7,719 full-time job equivalents were generated in the UNRWA programme.²⁰ Other UN agencies and NGOs also engaged in job creation schemes but none of the size and significance of that of the government and of UNRWA.

While the “underground” economy on the Gaza-Egypt border and job creation schemes undertaken by the Hamas government and by UNRWA and others have generated a significant amount of employment, these were unable to offset the more significant decline in private sector employment. Nonetheless, these initiatives were important in mitigating unemployment during this period.

D. Unemployment

Both the ILO and more broadly defined unemployment rates in Gaza in both periods remained among the highest in the world.²¹ The average ILO unemployment rate increased from about 29.6 percent in 2007 to about 40.6 percent in 2008 (see Table 11). The broad rate of unemployment increased from 35.1 percent to 44.9 percent. In both cases, unemployment rates for non-refugees rose much more rapidly.

There was a 42.6 percent increase in the core number of unemployed persons in Gaza in 2008 relative to 2007 and a 32.4 percent increase in the number of broadly unemployed. There was an estimated average of 137,600 unemployed persons in 2008. The number of non-refugee unemployed surged more rapidly than that of refugees, accounting for more than 44 percent the newly unemployed under the broad definition. Non-refugee unemployment rates overtook those of refugees in 2008, mainly due to their greater representation in the private sector which accounted for all job losses.

The growth in unemployment raised the estimated dependency ratio²² to more than 8.5 in 2008. The implication is that each additional unemployed person affects the well being and living level of 7.5 others. Thus, the social impact of some 137,600 unemployed persons is felt by more than 1 million others—about 70 percent of the Gaza population in 2008. This suggests that 2008 was a period of rapidly increasing unemployment and poverty.

Table 11
Estimates of Narrow and Broad Unemployment Rates and Unemployment in the Gaza Strip by Refugee Status, 2007 and 2008 Averages

Unemployment Rates	2007	2008	Absolute Changes	Relative Changes
Unemployment Rates (ILO Definition)	29.66%	40.61%	--	36.90%
refugees	30.16%	39.16%	--	29.84%
non-refugees	28.73%	43.36%	--	50.91%
Unemployment Rates (Broad Definition)	35.16%	44.95%	--	27.87%
refugees	35.78%	43.82%	--	22.48%
non-refugees	34.02%	47.13%	--	38.54%
Unemployed			Absolute Changes	Relative Changes
Unemployment (ILO Definition)	80,791	115,209	34,419	42.60%
of which: refugees	53,788	72,692	18,904	35.15%
of which: non-refugees	27,002	42,517	15,515	57.46%
Unemployment (Broad Definition)	103,866	137,605	33,739	32.48%
of which: refugees	69,340	88,105	18,765	27.06%
of which: non-refugees	34,526	49,501	14,974	43.37%

Table 11.A
Estimates of Adjusted Broad Unemployment in the Gaza Strip by Refugee Status, 2007 and 2008 Averages²³

	2007	2008	Absolute Changes	Relative Changes
Adjusted Broad Unemployment	112,240	150,010	37,770	33.65%
of which: refugees	75,267	97,253	21,985	29.21%
of which: non-refugees	36,972	52,757	15,785	42.69%
Adjusted Broad Unemployment Rates	38.01%	49.01%	--	28.94%
of which: refugees	38.83%	48.37%	--	24.56%
of which: non-refugees	36.43%	50.23%	--	37.89%

The phenomenon of significant numbers of absentee workers adds nearly 12,400 unemployed persons to the broad definition of unemployment as indicated in Table 11.A.

This raises the average real unemployment rate of 49 percent for 2008 with the non-refugee rate overtaking the refugee unemployment rate.

E. Youth in the Labour Market²⁴

Despite lower labour force participation rates, youth account for a significant portion of the Gaza labour force and experience the highest levels of unemployment of any labour force segment. As indicated in Table 12, the youth labour force is estimated to have stagnated in 2008 relative to 2007 at an average of about 85,250 persons or about 27.8 percent of the broad labour force.

Relative to 2007, youth employment declined by about 7,000 jobs, some 18.5 percent while the total number of unemployed youth increased by an estimated 7,140 persons or 15.1 percent.

Table 12
Estimates of Labour Market Conditions for Gaza Strip Youth,
2007 and 2008 Averages²⁵

Youth Labour Force Profile	2007	2008	Absolute Changes	Relative Changes
Population (15-24)	283,996	294,113	10,117	3.56%
Labour Force (Broad)	85,205	85,289	84	0.10%
Employed	38,165	31,106	-7,059	-18.50%
Unemployed (Broad)	47,040	54,183	7,143	15.19%
Labour Force Participation Rate (ILO)	23.32%	24.03%	--	3.06%
Discouraged Rate	6.69%	4.97%	--	-25.69%
Labour Force Participation Rate (Broad)	30.00%	29.00%	--	-3.34%
Unemployment Rate (ILO)	48.52%	58.56%	--	20.69%
Unemployment Rate (Broad)	55.21%	63.53%	--	15.07%

Thus employment loss was more rapid than in the general population while the growth in the number of unemployed was less rapid. The broad unemployment rate among youth—including discouraged workers—averaged 63.5 percent in 2008. Unemployed youth—an average of more than 54,000 persons in 2008 under the broad definition—accounted for nearly 40 percent of all unemployed persons. (Due to the lack of data on the age distribution of worker absentees, it is difficult to assess the degree to which absenteeism has affected youth.)

F. Women in the Labour Market

Women's labour force participation rates in Gaza in 2008 remained well below those of youth and below those of women in the West Bank. The broad participation rate for women in Gaza was about 13.4 percent (see Table 13)—more than 10 percentage points below that of women in the West Bank, less than half the rate for Gaza youth and only about one-third the overall participation rate. Women accounted for just under 16 percent of the broad labour force in Gaza in 2008. Employed women accounted for 14.6 percent of all the employed and for 17.4 percent of the unemployed in broad terms.

The women's labour force grew by an estimated 10.4 percent in 2008 relative to 2007, well above overall broad labour force growth of 3.6 percent. The data indicate that the female refugee labour force grew at a rate of 13.8 percent while that of non-refugee females grew at a rate of 0.8 percent. This suggests that women's labour force growth was due overwhelmingly to increased refugee women's participation in Gaza.

Table 13
Estimates of Labour Market Conditions for Gaza Strip Women,
2007 and 2008 Averages²⁶

Female Labour Force Profile	2007	2008	Absolute Changes	Relative Changes
Population (Females)	685,620	710,044	24,424	3.56%
Labour Force (Broad)	44,001	48,590	4,589	10.43%
Employed	27,444	24,658	-2,786	-10.15%
Unemployed (Broad)	16,557	23,932	7,375	44.54%
Labour Force Participation Rate (ILO)	10.98%	11.74%	--	6.86%
Discouraged Rate	1.55%	1.68%	--	8.49%
Labour Force Participation Rate (Broad)	12.53%	13.42%	--	7.06%
Unemployment Rate (ILO)	29.64%	42.84%	--	44.51%
Unemployment Rate (Broad)	37.56%	49.25%	--	31.13%

Women's substantial labour force growth was associated with a 10.1 percent decline in employment and a massive 44.5 increase in the number of unemployed women in 2008 relative to 2007. Employment declined by about 2,785 persons while unemployment grew by an estimated 7,375 persons. Refugee women's employment declined by an estimated 3.2 percent while that of non-refugee women declined by 27.4 percent. Likewise, the number of unemployed non-refugee women increased 62.8 percent while that for refugee women grew 39.5 percent. Thus, non-refugee women were far more likely to lose jobs and to become unemployed (rather than exit the labour market) relative to refugee women in 2008.

About 67.3 percent—more than two-thirds—of employed women in Gaza in 2008 were working in public and private services, mainly education, health and administration. Another 24 percent were engaged in agricultural activities, whether paid or as unpaid family members, while about 5 percent of women were employed in commerce (petty retail trade presumably).²⁷ Women's unpaid family labour declined by about 53.3 percent in 2008 relative to 2007—or about 5,800 persons—while women's agricultural employment declined by 45.2 percent or by nearly 6,000 persons.²⁸ This evidence strongly suggests that the net contraction in women's employment in 2008 was due mainly to developments

in agriculture. Women's employment in public and private services increased by about 2,100 positions (14.6 percent) while that in manufacturing grew by about 225 jobs. At the same time, the value of women's inflation-adjusted average daily wage declined by an estimate 18.9 percent in 2008 relative to 2007, eliminating nearly one-fifth of women workers' purchasing power. The rate of loss was considerably more rapid than for the employed as a whole, who lost about 11.8 percent of the purchasing power value of daily wages in 2008 relative to 2007.

G. Social Composition of the Employed Labour Force

In the context of an intensified economic crisis, there were losses in every type of employment in 2008 relative to 2007 (see Table 14). While overall employment fell some 12 percent, the number of self-employed fell at twice this rate, while the number of unpaid family members fell at three times the rate. The rate of loss of jobs among employers and wage workers—at 3.5—4.3 percent was far less severe than for the self-employed and unpaid family labour. The "informal sector," which is dominated by self-employment and unpaid family labour, seems to have contracted sharply in 2008 after significant growth in 2007.²⁹

Table 14
Social Composition of the Employed Labour Force in the Gaza Strip by Refugee Status, 2007 and 2008 Averages

Employment Status	2007	2008	Absolute Changes	Relative Changes
Employer	6,182	5,965	-217	-3.51%
of which: refugees	3,849	3,869	19	0.50%
of which: non-refugees	2,333	2,097	-236	-10.12%
Self-Employed	40,531	31,023	-9,509	-23.46%
of which: refugees	22,403	16,704	-5,699	-25.44%
of which: non-refugees	18,128	14,319	-3,810	-21.02%
Wage Employee	123,196	117,882	-5,315	-4.31%
of which: refugees	86,608	84,958	-1,651	-1.91%
of which: non-refugees	36,588	32,924	-3,664	-10.01%
Unpaid Family Member	21,544	13,522	-8,022	-37.24%
of which: refugees	11,618	7,322	-4,296	-36.98%
of which: non-refugees	9,926	6,200	-3,726	-37.54%
Total Employment	191,454	168,391	-23,062	-12.05%
of which: refugees	124,478	112,852	-11,627	-9.34%
of which: non-refugees	66,975	55,540	-11,436	-17.07%

On the other hand, the number of employers appears to have stabilized somewhat after a steep decline in 2007 while the number of wage employees contracted after modest growth in 2007.²⁹

Non-refugees bore the brunt of employment losses across the board. This was especially true in the formal sector where the number of non-refugee employers fell about 10 percent while that of refugee employers rose slightly. At the same time more than two-thirds of wage employment losses fell on non-refugees. Non-refugees were also disproportionately affected by the losses of employment among the self-employed and the unpaid family labour.

More than three-quarters of job losses were among unpaid family labour and the self-employed in 2008—a total of 17,500 positions. The fact that agriculture, commerce and transport accounted for about 55 percent of employment losses (about 15,000 jobs) largely explains the precipitous decline in unpaid family labour and the self-employed (see Table 10).

H. Wage Rates and Monthly Wage Incomes

Table 15 presents average data on wages and monthly days worked for all employed persons in the Gaza Strip using the ILO definition. The average daily wage in nominal terms declined an estimated 5.9 percent in 2008 relative to 2007 to under NIS 60.9.³⁰

Table 15
Nominal and Real Average Daily and Monthly Wages in the Gaza Strip by Refugee Status, 2007 and 2008 Averages³¹

Average Daily Wages (Nominal NIS)	2007	2008	Changes
All Employed Persons	64.7	60.9	-5.91%
Employed Refugees	68.1	63.6	-6.65%
Employed Non-Refugees	57.1	54.7	-4.20%
Average Monthly Days			
All Employed Persons	23.3	24.7	6.10%
Employed Refugees	23.6	25.0	5.95%
Employed Non-Refugees	22.7	24.1	6.31%
Average Monthly Wages (Nominal NIS)			
All Employed Persons	1,507	1,504	-0.17%
Employed Refugees	1,605	1,587	-1.09%
Employed Non-Refugees	1,294	1,318	1.85%
CPI Deflator (2004 = 1.0)	1.11	1.24	12.17%
Average Monthly Wages (Real NIS)			
All Employed Persons	1,362	1,212	-11.01%
Employed Refugees	1,451	1,279	-11.82%
Employed Non-Refugees	1,170	1,062	-9.20%

At the same time there was 6.1 percent increase in the average number of monthly work days. The combined effect was a 0.1 percent decline in the average nominal monthly wage of working people in Gaza to NIS 1,504 (about USD 418). It is notable that both refugees and non-refugees increased their work effort (in terms of the average number of monthly days worked per month) as their average daily wage rates declined. In the case of refugees, the added effort did not maintain nominal daily wages. Non-refugees, on the other hand, were able to increase the nominal value of the average monthly wage through added work effort. The gap between average refugee and non-refugee monthly wages—about 24 percent in favour of refugees in 2007—narrowed to about 20.3 percent in favour of refugees in 2008.

When consumer price inflation is factored into the calculation, real average monthly wages in Gaza declined 11 percent in 2008 relative to 2007. Employed refugees had an 11.8 percent decline while non-refugees lost 9.2 percent. The surge in unemployment in 2008 coincided with a significant decline in

the real purchasing power of the average monthly wage in Gaza.

Table 15.A provides estimates of total nominal wage income for all employed people in Gaza in 2007 and 2008. In 2007, total wage income was an estimated NIS 3.4 billion, falling to about NIS 3 billion or 12.1 percent (line 1). Adjusting for inflation indicates that the purchasing power of total wage income declined 21.6 percent during the same period (line 2).

Adjusting for absentee workers—and assuming half of these continue to receive their wages—the nominal annual decline in wage incomes is estimated at 14.8 percent (line 3) while the real decline is estimated at 24.1 percent (line 4). This suggests that the vast bulk of households who depend on wages as the main source of their income suffered a significant decline in resources during this period, nearly one-quarter on average. Given this evidence, and all else being equal, it is expected that household poverty rates and/or the intensity of household poverty would have also increased.

Table 15.A
Estimates of Total and Adjusted Total Nominal and Real Average Wage Income in the Gaza Strip, 2007 and 2008 Averages (NIS)³²

	2007	2008	Relative Change
1. Total Wage Income (nominal NIS)	3,462,177,036	3,041,901,747	-12.14%
2. Total Wage Income (real NIS)	3,129,797,166	2,451,476,533	-21.67%
3. Adjusted Wage Income (nominal NIS)	3,310,746,110	2,817,961,176	-14.88%
4. Adjusted Wage Income (real NIS)	2,992,904,084	2,271,002,245	-24.12%

I. Summarising Labour Market Trends: 2007 and 2008

Labour force growth was more or less in line with population growth in 2008. In broad terms, the estimated average 10,780-person increase in the Gaza labour force was the product of a 22,945-person decline in the number of employed and a 33,740-person increase in the number of unemployed. The broad unemployment rate—excluding absentees—rose to 44.9 percent as the number of unemployed rose to an average of 137,600 persons.

The newly unemployed were disproportionately young and non-refugee in 2008. (Non-refugee unemployment rates surpassed those of refugees in 2008.) When adjustment is made for absentee workers, the number of the unemployed rose to about 150,000, with the unemployment rate rising to an annual average of 49 percent. Broad unemployment among youth rose to 63.5 percent.

The female labour force expanded at about three times the rate of the overall labour force. This was accounted almost entirely by a particularly rapid increase in the refugee women's labour force. Nonetheless, non-refugee women accounted for more than 77 percent of job losses in the female labour force. On the other hand, about 70 percent of the increase in unemployed women was among refugees.

The private sector lost more than 23 percent of its employment base in 2008, accounting

for all net job losses. Not a single branch of the private sector added employment in 2008, an outcome unmatched since 2001, the first full year of the second intifada. The public sector managed to add about 4,000 jobs on average or about 5.3 percent to its 2007 employment base. However, public sector hiring, job creation programmes and the tunnel economy were unable to compensate for private sector job deterioration in Gaza in 2008. The agriculture, manufacturing and construction branches of the Gaza economy accounted for about 70 percent of the decline in private sector employment. These branches are particularly sensitive to shortages of inputs caused by the intensified Israeli siege on Gaza's imports and exports beginning in mid-2007. Agriculture and manufacturing in recent decades depended to a large extent on exports to the Israeli market. But between mid-2007 and end-2008, there were no recorded exports from Gaza.³³ The full-year effect of the heightened siege was felt more in 2008 than in 2007.

The absolute decline in agricultural employment—some 7,200 jobs—was greater than for any other activity. It is likely that the decline was due to the complete loss of commercial markets (e.g. for cut flowers and strawberries) in Israel and, via Israel, in Europe in 2008 as Israel completely blocked exports from Gaza. On the other hand, the fact that the relative decline in agricultural employment was not greater suggests that the activity remains a source of marginal employment in the context of severe unemployment in the region.

Unlike the experience of the past few years when informal types of employment (e.g. self-employment and unpaid family labour) were generally expanding, the labour market in 2008 shed these types of employment far more rapidly than in the past. At the same time, the declines in formal types of employment were relatively small in 2008.

The surge in unemployment produced an almost 6 percent decline in the nominal value of daily wages in 2008. It also produced a 6

percent increase in the number of monthly days worked by the average employed person in Gaza. The relatively rapid increase in consumer prices, however, resulted in an 11 percent decline in the purchasing power of the average monthly wage. In the aggregate, employment losses, the unpaid absentee phenomenon and consumer inflation resulted in a nearly one-fourth decline in the purchasing power of wage incomes in the Gaza Strip with dire implications for living levels and poverty.



V. Looking Ahead

Labour market conditions in Gaza in 2008 were arguably the worst in its history. The intensified Israeli siege on the territory choked off economic activity, especially in the private sector. The worst year in economic terms ended with the most destructive military assault in Gaza's history. The death and destruction wrought by the Israeli attack during 27 December 2008–17 January 2009 resulted in the deaths of some 1,300 persons with another 5,400 injured (400 of which were serious injuries).

The costs of rehabilitating the injured and providing income support to families who lost breadwinners are estimated at USD 31.5 million for 2009 alone.³⁴ More than 22,000 buildings (some 14 percent of all buildings and establishments) are estimated to have been partially or totally destroyed in Gaza. Estimates of repair and replacement costs total some USD 498 million (of which USD 200 million for the replacement of 4,100 totally destroyed housing units), with an additional USD 600 million to remove rubble and debris from destroyed structures. The lost economic output and income over the 22-day period of the assault were estimated at USD 86.7 million with reduced output and income during 2009 estimated at USD 717.3 million. In all, the rehabilitation and care of the injured, income support to the families of the killed and the reconstruction of destroyed structures in 2009 were estimated at USD 1,934.3 million.

Israel's war has, no doubt, broadened and deepened the economic and labour market crises facing Gaza by destroying physical productive capacity of businesses and farms. The damage to private productive physical assets is estimated at USD 140 million.³⁵ In addition, a significant portion of agricultural land, as well as livestock, irrigation networks and water wells, were destroyed totalling USD 180 million.³⁶ This displaced some amount of employment and has delayed the recovery of the affected enterprises over the short and medium terms.

As the severity of the Israeli siege has increased, the acquisition of imported inputs and the export of outputs remain severely constrained and the high levels of private sector unemployment documented in this briefing paper are likely to persist. The situation is made worse to the extent that the situation dissuades local businesses from maintaining investment levels. Furthermore, to the extent that the Israeli attacks on the Gaza-Egypt border destroyed tunnels and dissuaded some from engaging in the tunnel economy, the resulting employment displacement could affect thousands directly and indirectly.

The significant destruction of public infrastructure—including government buildings, schools, clinics, roads, bridges, electricity, water and sewer lines—constrains the delivery of public services.³⁷ In addition to the hardships imposed on those in need of health and social services, a degraded infrastructure negatively affects the private sector by shifting costs of the enabling environment to private enterprises, rather than the public sector. To the extent that the public sector is not able to provide infrastructure, services and a healthy and well-educated workforce, private businesses, in order to remain viable and competitive, will have to absorb some or all of these costs. This in turn, reduces the rate of economic growth and development and, other things being equal, slows the absorption of labour in both the public and private sectors in the short and medium terms.

In the context of rapid population and labour force growth, the short and medium-term outlook is for persistently high unemployment and poverty, despite relatively high levels of external assistance. Indeed, higher levels of social safety net assistance in Gaza in recent years have not reduced the extent of household poverty.³⁸ Private sector employment, that has deteriorated at an accelerated rate in the past year, cannot be seriously addressed in the context of a political and economic siege of Gaza. Likewise, the ability of the

public sector to absorb labour will likely remain constrained due to the lack of fiscal resources and the constraints imposed on the Hamas administration in Gaza. Evidence presented in this report also suggests that job creation programmes and the tunnel economy were unable to provide sufficient jobs to counter the decline in private sector employment. One cannot expect such irregular employment to be sustainable in the longer term.

The isolation and destruction imposed on Gaza by the GOI does not bode well for private sector activity and, therefore, for the development and growth of sustainable private employment. Unless Gaza is allowed to develop normal economic activity, unemployment, falling wages and deeper poverty will remain serious problems. Easing restrictions to allow for normal economic activity, on the other hand, will go much further than humanitarian assistance in relieving the hardship.



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.

Absentee Workers: The ILO definition of absentee workers are those absent from their usual work during the reference period for one or more of the following reasons: a) illness; b) holiday; c) strike; d) lock-out; e) temporary work stoppage; f) curfew; or some other reason. Under the ILO definition, such workers are considered employed and paid during the reference period.

Adjusted Employment: In the context of conditions in Gaza during 2007 and 2008, the following assumptions are made: 1) half of absentee workers are paid PA security personnel who do not report for work in accordance with directives issued by the PA leadership in the West Bank; 2) half of absentee workers are unpaid private sector workers sent home due to the lack of raw materials, fuel and other inputs needed to produce goods and services at the enterprises at which they are normally employed. The assumption is that these absentees do not work as a result of the Israeli siege on Gaza and are also unpaid by their employers.

Adjusted employment is therefore defined as the ILO definition of employment minus half the absentee workers (i.e. the absentees assumed to be unpaid).

Adjusted Unemployment (Broad Definition): The definition of adjusted broad unemployment consists of two components: a) the unemployed under the broad definition; and b) half the absentee workers (i.e. the absentees assumed to be unpaid).

Endnotes

1. According to the results of the 2007 census, as per the PCBS press release of 15 February 2009.
2. The 'adjusted broad unemployment rate' includes an estimate of private sector employees who were 'absent from usual work' and did not receive their salaries. In normal conditions, such employees would be considered as employed, on the basis that they were in receipt of salaries. UNRWA estimates that this was not the case for an estimated 50 percent of absent workers in Gaza during 2007 – 2008; as such, they have been added to the ranks of the unemployed.
3. Figures reflect the adjusted broad rates of employment and unemployment.
4. 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. In Gaza, the ratio was about 98 percent.
5. 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, December 2008; j) The West Bank Labour Market, First-Half 2008 (December 2008); The Gaza Strip Labour Market, First-Half 2008 (March 2009).
6. This is estimated by using the end-2007 Gaza census count of 1,416,543, assuming 3.5 percent population growth in 2008 and averaging the end-2007 count and end-2008 population estimate.
7. "Absence from usual work" is defined as all those reporting they were away from work due to illness, holiday, labour strike, curfew, lock-out, temporary work stoppage or some other reason. See PCBS Labour Force Survey Annual Report, 2007, April 2008, p. 27. PCBS adds that absentees are assumed to be paid their normal wages during their absence. Revised data from PCBS on this phenomenon indicates that, in proportional and absolute terms, worker absenteeism more than quadrupled between first-half and second-half 2007.
8. Adjusted employment is calculated by subtracting half of workers absent from usual work during the relevant period from total employment. Adjusted unemployment is calculated as the sum of broad unemployment and half of workers absent from usual work during the relevant period.
9. The extent and economic impact of the blockade are widely documented. See, for example, World Bank West Bank and Gaza Update, September 2008. This does not take into account the additional destruction and dislocation resulting from the Israeli attack on Gaza during the last week of 2008 and the first two weeks of 2009.
10. Adjusted broad unemployment in this table is defined as broad unemployment plus half those absent from their usual work (those assumed to be unpaid but counted as employed in the standard ILO definitions). Based on PCBS survey data for 2007, the assumption is made here that three-quarters of all public sector workers were refugees.
11. PCBS has not yet provided age-specific data on the Gaza population from the 2007 census—only a total population figure of 1,416,543. The youth populations used in this table were estimated using the ratio for the 15-24 segment for the West Bank as applied to total Gaza census population for end-2007. A population growth rate of 3.5 percent was used to project the youth population backward to end-2006 and forward to end-2008. Separate estimates for the refugee youth population and refugee youth labour force are not available from PCBS. Estimates provided here are therefore for the entire youth segment in the Gaza Strip.
12. CPI deflator (with 2004 base year) is from PCBS consumer price surveys for the respective periods. Real average monthly wages are calculated by dividing nominal average monthly wages by the CPI deflator and reflect the purchasing power of wages.
13. Adjusted total wage income (real)—line 3 of this table—expresses the 2004 constant purchasing power of the NIS.
14. 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.
15. Comparing the 1997 census population for Gaza (1,001,569) with that for 2007 (1,416,543)

- implies an average annual population growth rate of 4.1 percent in the intervening decade.
16. PalTrade and the Palestinian Federation of Industries in Gaza have produced numerous surveys and statistical series on the effects of the Israeli siege on private enterprise. UNSCO have produced various data series that shed light on private sector conditions.
 17. Information in this section was provided by Sebastien Trives, November 2008 and by colleagues in the MMD Gaza, May 2008. The situation was substantially the same until the Israeli assault on Gaza in late December 2008.
 18. One source estimates the value of imports from Egypt through the tunnels at USD 30-40 million per month in October 2008. See Toni O'Loughlin " Hamas exploits boom in Gaza smuggling tunnels," The Guardian, 22 October 2008.
 19. Information provided by PCBS, May 2008.
 20. Internal GFO JCP data for 2007 and 2008. Full-time equivalents are calculated as the total number of job days worked by JCP participants divided by 288, the average number of work days in a normal work year.
 21. Only seven countries in the world had narrow unemployment rates above 30 percent, and only 10 countries had unemployment rates above 20 percent, in 2006. The average narrow (ILO) unemployment rate in the Middle East and North Africa region in 2006 was about 12 percent, the highest of any region in the world. See ILO Key Indicators of the Labour Market 4, June 2007. Gaza's narrow unemployment rate was more than twice the average (about 12 percent) in the region. See World Bank Economic Developments and Prospects for the MENA Region, 2007, August 2007.
 22. The dependency ratio is defined here as total population divided by the number of employed persons.
 23. Adjusted broad unemployment is defined as broad unemployment plus half the absentee workers.
 24. Separate estimates for the refugee youth population and refugee youth labour force are not available from PCBS. Thus estimates here are for the entire youth segment in the Gaza Strip.
 25. For an explanation of youth population estimates in Table 12, refer to the footnote for Table 5 above.
 26. The total female populations used in this table are based on the end-2007 census number 697,832. A population growth rate of 3.5 percent was used to project the female population backward to end-2006 and forward to end-2008. The 2007 figure is the average of the end-2006 estimate and end-2007 census population. The 2008 figure is the average of the end-2007 census population and end-2008 estimate.
 27. These are annual averages for 2008. See PCBS Labour Force Survey Annual Report: 2008, Table 31, p. 92.
 28. PCBS data by special request.
 29. See the UNRWA briefing paper The Gaza Strip Labour Market in 2007 (May 2008).
 30. This was the equivalent of about USD 17 at the average USD/NIS exchange rate of 3.6 for 2008.
 31. CPI deflator (with 2004 base year) is from PCBS consumer price surveys for the respective periods. Real average monthly wages are calculated by dividing the average monthly wages (in nominal NIS) by the CPI deflator and reflect the purchasing power of wages.
 32. Adjusted total wage income (real)—line 3 of this table—expresses the 2004 constant purchasing power of the NIS.
 33. See UNSCO Socio-Economic Reports for the period 2007-2008.
 34. All estimates of deaths, destruction, rehabilitation, income support and reconstruction costs in this section are taken from the PCBS press release: "Preliminary estimate for economic losses in the Gaza Strip caused by Israeli aggression" 20 January 2009.
 35. Palestinian Private Sector Coordinating Council Gaza Private Sector: Post-War Status and Needs; Preliminary Assessment Report, 25 February 2009, pp. 1-2. This report provides some preliminary estimates of damages to various economic branches and activities in Gaza as well as some of the requirements for their rehabilitation. Some additional information on various branches and activities is provided by Palestinian Federation of Industries and Konrad Adenauer Stiftung Overview and Analysis of Industrial Damage and Its Grave Consequences, March 2009.
 36. Ibid, p. 5.
 37. See World Bank Palestinian Economic Prospects: Gaza Recovery and West Bank Revival (Economic Monitoring report to the AHLIC), June 2009, p. 19.
 38. See UNRWA Living Levels, Poverty and Social Safety Net Assistance in the Occupied Palestinian Territory, 2007: A Briefing Paper, November 2008





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