International Labour Organization

Palestinian Central Bureau of Statistics

ILO brief

Impact of the war in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory:[1]

Bulletin No. 4

June 2024

Key points

- Eight months have elapsed since the outbreak of war in Gaza, with reverberations felt across the broader Occupied Palestinian Territory (OPT).[2]
- Beyond its humanitarian impact, the economic toll of the war in the OPT is immense. Real GDP has contracted by 32.8 per cent during the first eight months of the war, with an estimated 83.5 per cent contraction in the Gaza Strip and a 22.7 per cent contraction in the West Bank.
- During the ongoing war period, the unemployment rate in the OPT surged to 50.8 per cent, with particularly alarming figures in the Gaza Strip (79.1 per cent). Meanwhile, in the West Bank, the unemployment rate is estimated at nearly 32 per cent.
- Looking ahead, labour force participation rates are projected to decline for both men and women, coupled with unprecedented spikes in unemployment. With the ongoing war, projections suggest an increase in the annual unemployment rate in the OPT to 47.1 per cent, if the war continues until August 2024.
- According to the ILO/ FPCCIA employers' survey, 98.8 per cent of enterprises in the West Bank faced adverse effects from the war in Gaza, experiencing challenges that affected their operations, production capacity, and ultimately, sales and profits. Of the surveyed enterprises, 65.3 per cent reported a reduction in their workforce, with many resorting to permanent and/or temporary layoffs. Additionally, 73.3 per cent of surveyed businesses reduced the working hours of some employees to manage costs.
- The ILO/ PGFTU workers' survey highlights the challenges workers face, including significant job losses and reduction in full-time employment. Among those still employed, 51.0 per cent faced reduced hours of work, and 62.8 per cent experienced reduction in wages. Of those who have lost their jobs, only 31.4 per cent reported having already received end-of-service entitlements from their employers.
- Beyond the immediate repercussions on workers and businesses, households have also felt the effects of the war, with 87.2 per cent reporting a decrease in income. Many have resorted to various coping strategies such as reducing entertainment expenses, scaling back on essentials, and sending children to work.

[1] This fourth technical bulletin, prepared by the International Labour Organization (ILO) in partnership with the Palestinian Central Bureau of Statistics (PCBS), presents an updated assessment of the impact of the ongoing war in the Gaza Strip on the economy and labour market in the Occupied Palestinian Territory (OPT). It relies on descriptive analysis of secondary data, forecasting model simulations from the econometric model developed by PCBS, ILO, and MAS in 2018, as well as the surveys conducted by the ILO targeting workers and employers in the West Bank. These surveys were carried out in partnership with the Palestinian General Federation of Trade Unions (PGFTU) and the Federation of Palestinian Chambers of Commerce, Industry, and Agriculture (FPCCIA).

[2] Unless otherwise stated, figures and estimates for the West Bank and the OPT more generally do not include East Jerusalem, for which data are not available.

Update on the socio-economic impact of the war in Gaza on the OPT

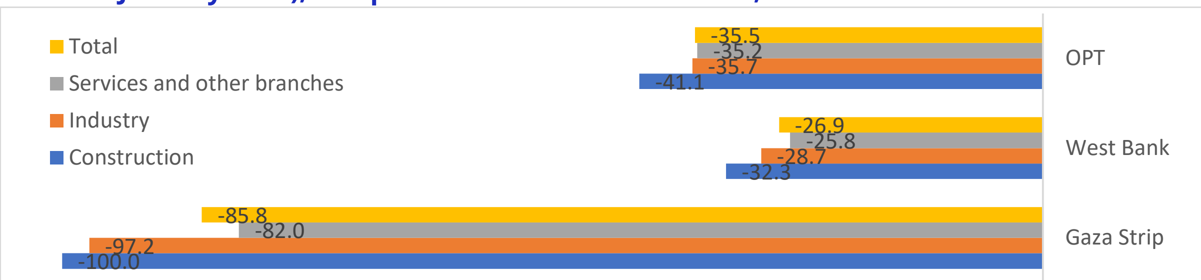
The war in Gaza, now in its eighth month, is continuing to lead to devastating losses in terms of lives, livelihoods, displacement, and destruction of infrastructure. As of May 29, 2024, the toll stands at a staggering 36,171Palestinians killed and 81,420 Palestinians injured.[3] Half of the population confronts catastrophic levels of food insecurity.[4] This grim toll of human suffering, displacement and famine is paralleled by widespread devastation of economic activities and livelihoods. Virtually every sector of Gaza's economy bears scars of physical destruction, with the housing sector bearing the brunt. According to the Gaza Strip Interim Damage Assessment report jointly issued by the World Bank, EU, and UN, as of January 2024, direct damages totalling around USD 18.5 billion have ravaged Gaza's built infrastructure.[5]

The West Bank has not been spared, with movement restrictions, settler attacks, detentions, and incursions into Palestinian communities continuing. Since October 7, 502 Palestinians have lost their lives, and over 5,100 individuals have been injured, in the West Bank, including East Jerusalem.[6]

These circumstances have triggered a severe economic crisis across the OPT, particularly impacting the private sector. Between October 2023 and January 2024, approximately half of the private sector establishments in the OPT—29 per cent in the West Bank and 100 per cent in the Gaza Strip—experienced either complete cessation or reduced production. The private sector in Gaza has borne the brunt, losing 85.8 per cent of its production value during the initial four months of the conflict, amounting to an estimated loss of USD 810 million. Meanwhile, the private sector in the West Bank suffered a 27 per cent reduction in production value during the same period, equivalent to USD 1.5 billion. Overall, the OPT incurred an estimated loss of USD 2.3 billion in private sector production value during the first four months of the war, equating to USD 19 million per day, excluding losses in properties and fixed assets.[7]

The private sector production witnessed its most significant decline in "Construction" (-41.1 per cent), followed by "Industry" (-35.7 per cent) and "Services and other branches" (-35.2 per cent). The Gaza Strip experienced notably more severe deterioration compared to the West Bank, with the "Construction" and "Industry" in the Strip nearly collapsing. Construction declined by 100 per cent, while industry plummeted by 97.2 per cent, compared to the no-war baseline.

Figure 1: Decline in the value of private sector production by region and sector (October 2023 – January 2024), compared to the no-war baseline, in %



Source: PCBS (2024). Press Release on the Losses of Private Sector in Palestine due to the Israeli occupation Aggression on Gaza Strip.

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[3] Hostilities in the Gaza Strip and Israel | Flash Update #172 | OCHA (unocha.org)
[4] IPC Global Initiative – Special brief. *IPC Acute Food Insecurity Analysis -15 February - 15 July 2024*. 18 March 2024.
[5] World Bank, EU and UN (2024). Gaza Strip Interim Damage Assessment. Summary Note. 29 March 2024
[6] Hostilities in the Gaza Strip and Israel | Flash Update #172 | OCHA (unocha.org)
[7] PCBS. Press Release on the Losses of Private Sector in Palestine due to the Israeli occupation Aggression on Gaza Strip. 10 March 2024

With the prolonged duration of the war, ILO-PCBS estimates suggest a decline in real GDP by 32.8 per cent during the first eight months of the war, i.e., between October 2023 and the end of May 2024, compared to the corresponding period pre-war. This reflects an 83.5 per cent contraction of GDP in the Gaza Strip and a 22.7 per cent contraction in the West Bank. Notably, Gaza's economy has undergone a significant contraction, now representing 4.1 per cent of the total Palestinian economy, down from its original share of 16.7 per cent.[8]

In addition to these economic losses, the Palestinian labour market has also endured severe impacts. During the initial eight months of the war, estimates based on PCBS projections indicate a rise in the unemployment rate to an average of 50.8 per cent in the OPT. This reflects a 31.9 per cent unemployment rate in the West Bank and a staggering 79.1 per cent in the Gaza Strip.[9]

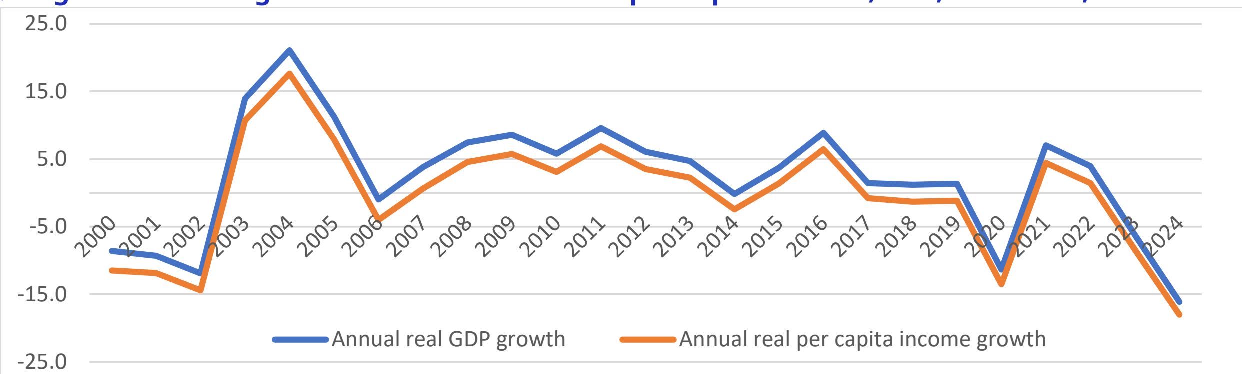
These challenges are further compounded by inflationary pressures, which erode individuals' purchasing power and their ability to meet their most basic needs, particularly amid increased job losses and reduced incomes. In April 2024, year-on-year inflation reached 33.5 per cent in the OPT, soaring to a staggering 153.3 per cent in the Gaza Strip, while remaining comparatively lower at 4.2 per cent in Jerusalem (J1) and 2.5 per cent in the West Bank excluding J1.[10]

▶ Forecasting economic and labour market trends in the OPT for 2024

Further to investigating the impact of the war on the economy and labour market in the OPT during the first eight months of the conflict, this bulletin utilizes the same PCBS forecasting model used in previous editions to offer revised projections regarding the impact of the war in Gaza on the OPT economy and labour market for the whole year of 2024. With the war still ongoing, a new scenario is analysed, assuming the war would continue until the end of August 2024.[11]

Under this new scenario, GDP (at 2015 constant USD prices) for 2024 is projected to decline by 16.1 per cent, compared to 2023, alongside an 18.0 per cent projected decline in per capita income. These figures mark the most significant decline in growth rates for both indicators in over two decades, as shown in Figure 2 below.

▶ Figure 2: Annual growth in real GDP and real per capita income, OPT, 2000-2024, in %

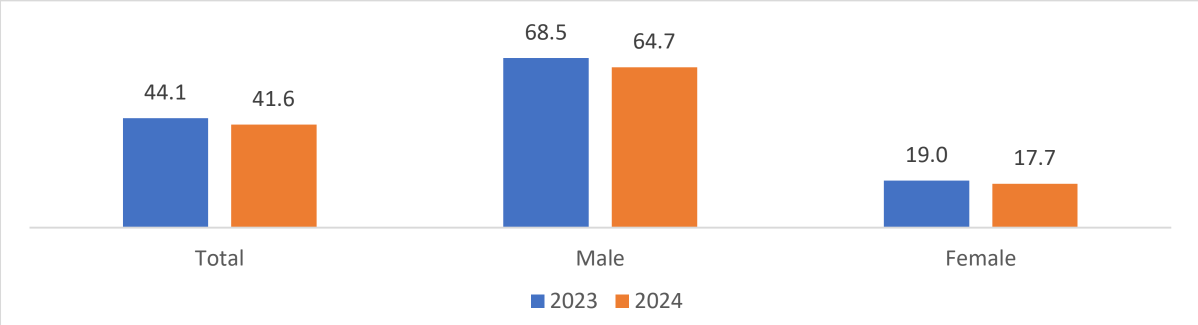


Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of August 2024.
Source: PCBS forecasting model.

[8] These figures compare Gaza's share of GDP in the total Palestinian economy for the period October 2023 - May 2024, compared to the corresponding period before the war.
[9] These are estimates calculated by PCBS for the 8-month period of the war between October 2023 and end of May 2024.
[10] Consumer Price Index in Palestine (pcbs.gov.ps)
[11] A previous edition of the bulletin analysed two other scenarios, one assuming the war would end in March 2024 and the other assuming it would end in June 2024.

The model also predicts a decline in the labour force participation rate in the OPT by 2.5 percentage points in 2024 compared to 2023. For men, the participation rate is projected to decline by 3.8 percentage points, while for women, the projected decrease is 1.3 percentage points (Figure 3). This decline in labour force participation rates suggests a potential increase in jobseeker discouragement. For men, this trend is further influenced by individuals previously employed in Israel, who, despite having lost their jobs in the Israeli labour market, are not necessarily actively seeking work in the Palestinian economy, awaiting instead opportunities to return to employment in Israel. The situation is particularly concerning for women, given the already exceptionally low female labour force participation rate.

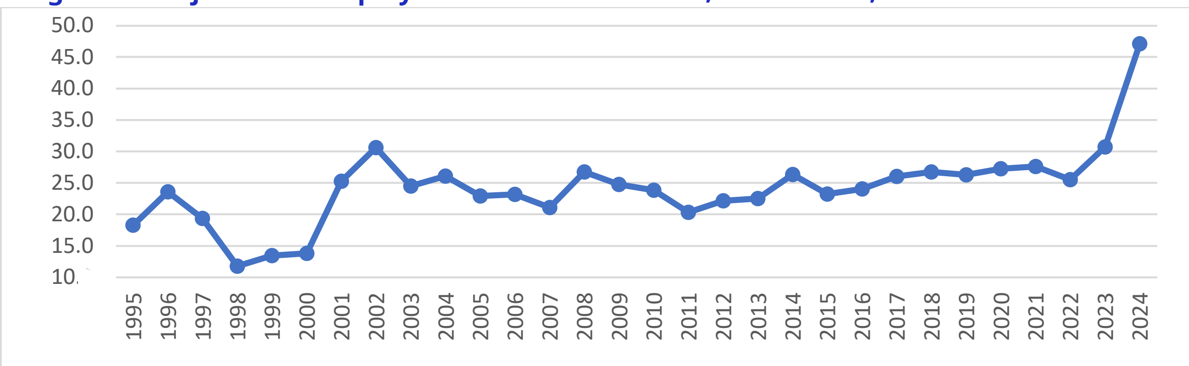
▶ Figure 3: Projected labour force participation rate by sex, 2024 Vs 2023, in %



Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of August 2024.
Source: PCBS forecasting model.

In tandem with this decline in labour force participation rates, the unemployment rate in the OPT is projected to increase significantly in 2024, registering 47.1 per cent in the event where the war continues until August 2024. The projected unemployment rates for the past politically turbulent 29 years (1995 – 2024), show that the unemployment rate for the year 2024 under the new scenario is unprecedented, exceeding by far the unemployment rate registered in the OPT at the height of the second intifada in 2002. In total, the model projects total unemployment to stand at 668,000 in 2024, representing an increase of 222,000 compared to 2023.

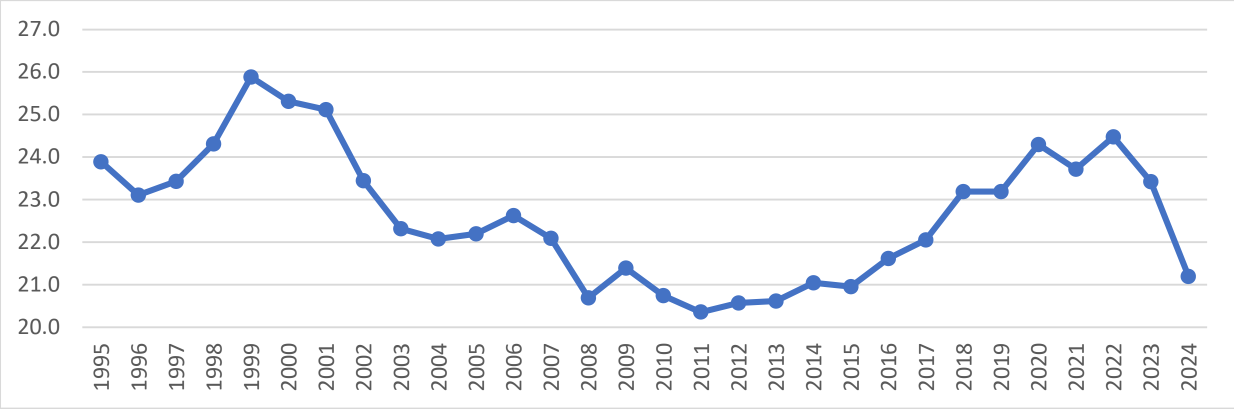
▶ Figure 4: Projected unemployment rates in the OPT, 1995 – 2024, in %



Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of August 2024.
Source: PCBS forecasting model.

These rising unemployment levels are likely to put downward pressure on local daily wages, with projections indicating a 9.5 per cent decline in 2024 compared to 2023, if the war continues until the end of August 2024. Should this scenario unfold, wage rates in 2024 are anticipated to be among the lowest in the post-Oslo Accords period, resembling the wage levels seen in 2009 (Figure 5). With the average daily wage in the Israeli economy estimated at USD76.6 in 2024- 3.6 times higher than the daily wage in the local economy- Palestinians' motivation to seek employment in the Israeli economy remains strong.

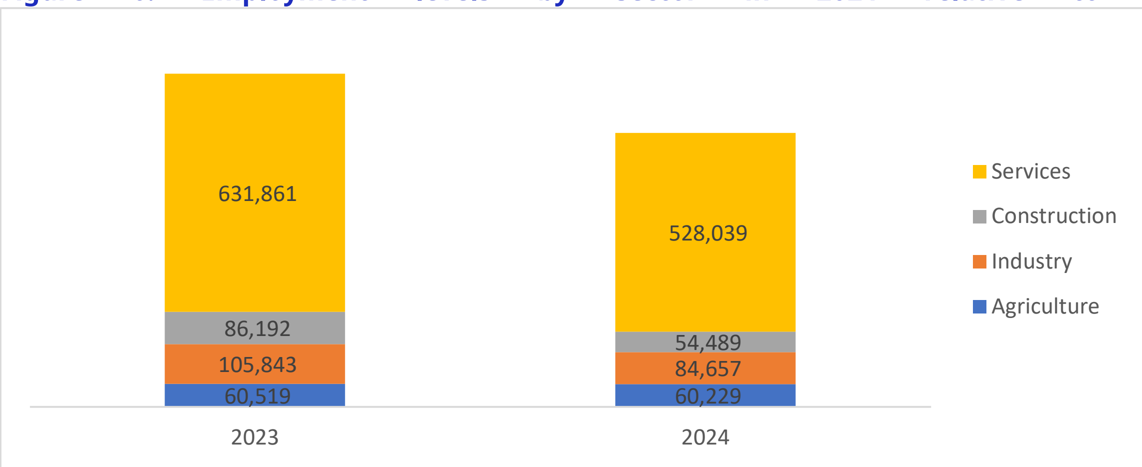
▶ Figure 5: Projected local daily wage rates in the OPT, 1995 – 2024, (constant 2015 USD prices)



Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of August 2024.
Source: PCBS forecasting model.

Moving beyond the aggregate-level impact outlined above, Figure 6 illustrates the sector-specific employment projections of the model. Across all sectors, employment levels are forecast to dip below their 2023 levels, underscoring a significant erosion of the resilience of the Palestinian economy and capacity to withstand shocks, and reflecting the high vulnerability of all sectors. As the war prolongs, no sector appears poised to offer a cushioning effect to mitigate the war's impact on workers' livelihoods.

▶ Figure 6: Employment levels by sector in 2024 relative to 2023



Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of August 2024.
Source: PCSB forecasting model.

In relative terms, the construction and industry sectors are the hardest hit, with construction projected to shed 36.8 per cent of its workforce, while industry faces a 20 per cent decrease. This is not surprising given the complete cessation of construction activities in the Gaza Strip and the destruction of production enterprises and industries in the area. Meanwhile, in the West Bank, construction investments have dwindled, as businesses and families perceived such ventures as risky under the prevailing circumstances.[12] Additionally, disruptions to supply chain networks and transportation routes in the West Bank, due to closures by Israel, movement restrictions, and settler attacks have severely affected the industry sector. Notably, even if recovery efforts begin promptly following the conclusion of the war, both sectors will require considerable time to restore their pre-war employment levels.

[12] ILO, "Impact of the War in Gaza on Private Sector Workers and Businesses in the West Bank", forthcoming.

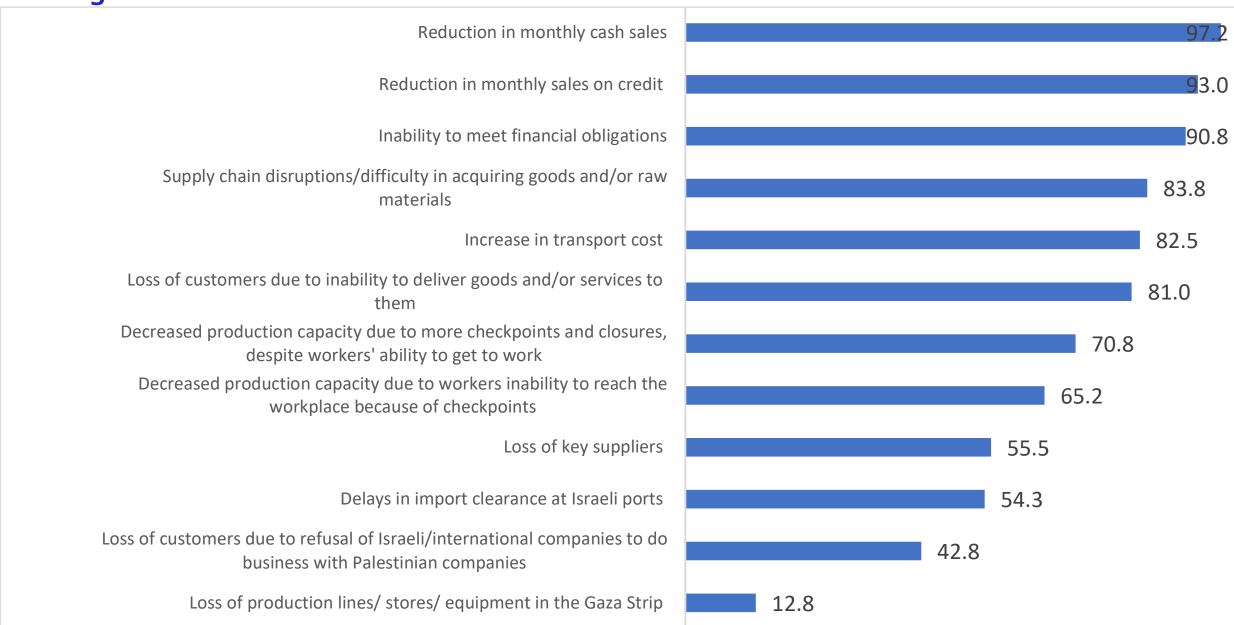
▶ A closer look at the employment landscape in the West Bank: impacts on workers and employers

The war in Gaza is having wide ranging repercussions on workers and employers in both the West Bank and the Gaza Strip. While data collection and access to the Gaza Strip were restricted, the ILO in partnership with the Palestinian General Federation of Trade Unions (PGFTU), and the Federation of Palestinian Chambers of Commerce, Industry, and Agriculture (FPCCIA) conducted surveys among employers and workers in the West Bank, revealing a substantial impact of the war in this area.[13]

Impact on businesses in the West Bank

Starting with the impact on employers, the survey, targeting 700 companies across various sectors in the West Bank, painted a bleak picture, with an overwhelming 98.8 per cent of enterprises confirming that they have been negatively affected. These businesses encountered a myriad of challenges brought about by the war, ranging from reduced monthly sales and the loss of customers or suppliers, to decreased production capacity, supply chain disruptions and heightened transportation costs, amongst others (Figure 7).

▶ Figure 7: Challenges faced by businesses in the West Bank as a result of the war in Gaza and rising hostilities in the West Bank



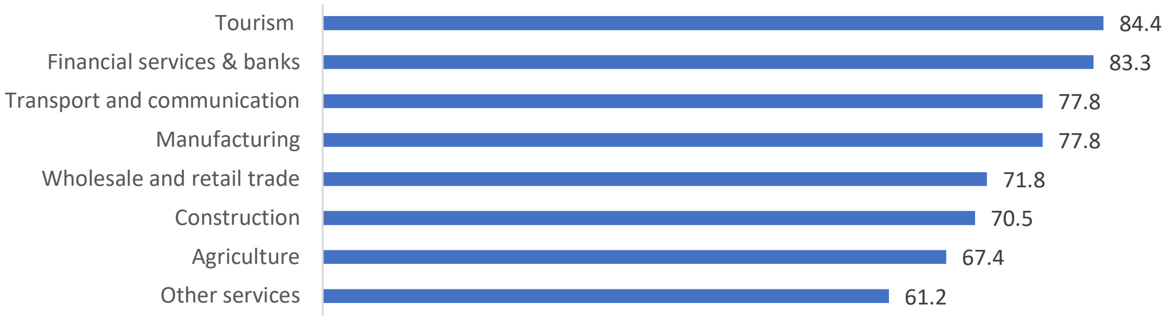
Source: ILO/FPCCIA survey on the impact of the war in Gaza on West Bank businesses.

To mitigate the adverse impacts of the war, businesses implemented different measures, including reducing workforce size, hours of work and wages. Of the surveyed businesses, 65.3 per cent reported a reduction in their workforce; 1.7 per cent reported an expansion in staff; and 33.0 per cent maintained their pre-war workforce. Importantly, 52.7 per cent of surveyed enterprises reported temporary dismissals until conditions improve; 39.9 per cent resorted to permanent layoffs but provided due entitlements to affected employees; and a significant share of enterprises (27.5 per cent) dismissed workers permanently without having yet paid them their entitlements (true as of the date the survey was conducted) due to financial constraints.

[13] ILO, “Impact of the War in Gaza on Private Sector Workers and Businesses in the West Bank”, forthcoming.

In addition to layoffs, companies in the West Bank also resorted to reducing their employees' hours or days of work to manage costs. Notably, 73.3 per cent of surveyed businesses reported cutting work hours or workdays of at least some of their employees because of the war. Across sectors, companies in the tourism sector were the most likely to reduce hours/ days of work of their employees (84.4 per cent) followed by those in finance and banking (83.3 per cent) and transport and communication (77.8 per cent). On average, before the war started, companies worked 25.1 days per month, this was reduced to an average of 17.1 working days post October 7th, which is the equivalent of a loss of 8 working days per month.

▶ Figure 8: Share of surveyed companies that have reduced hours of work for some or all of their employees, by sector, in %

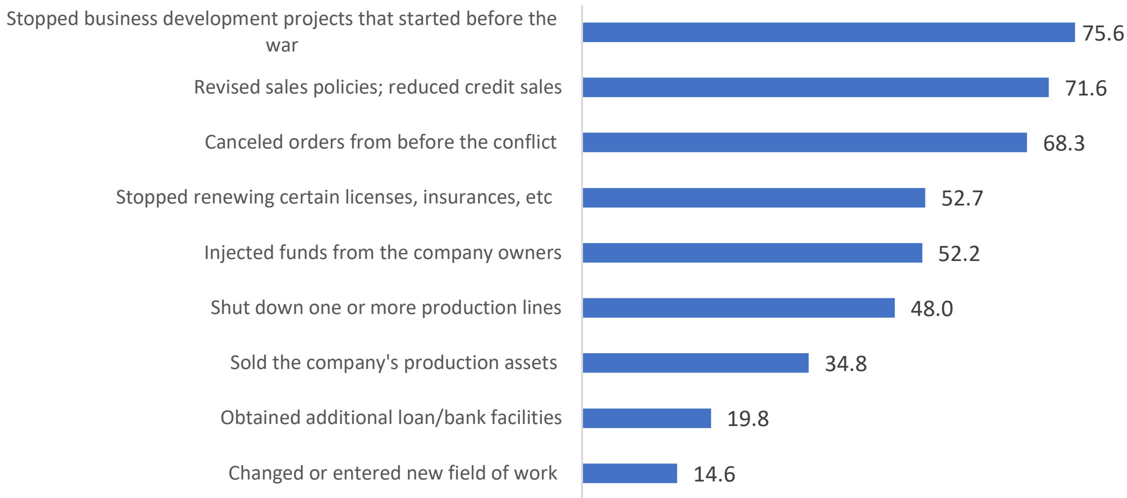


Source: ILO/FPCCIA survey on the impact of the war in Gaza on West Bank businesses.

To cut costs, companies have also taken measures with respect to over-time work and paid annual leave benefits. Among companies that previously offered paid annual leave, 37.1 per cent discontinued such payments; and 80.8 per cent of companies that permitted overtime work ceased the practice.

Beyond these direct labour-related measures, enterprises have resorted to various other coping mechanisms aimed at mitigating the impact of the war. These measures, presented in Figure 9 below, range from halting development projects that had started before the war (75.6 per cent) to the less common practice of seeking additional loans or bank facilities (19.8 per cent). Notably, 14.6 per cent of surveyed enterprises reported having changed their field of work or entered a new one, suggesting adaptability and a proactive approach to exploring new business opportunities.

▶ Figure 9: Share of surveyed enterprises resorting to non-labour oriented coping mechanisms to mitigate the impact of the war, by type of intervention, in %



Source: ILO/FPCCIA survey on the impact of the war in Gaza on West Bank businesses.

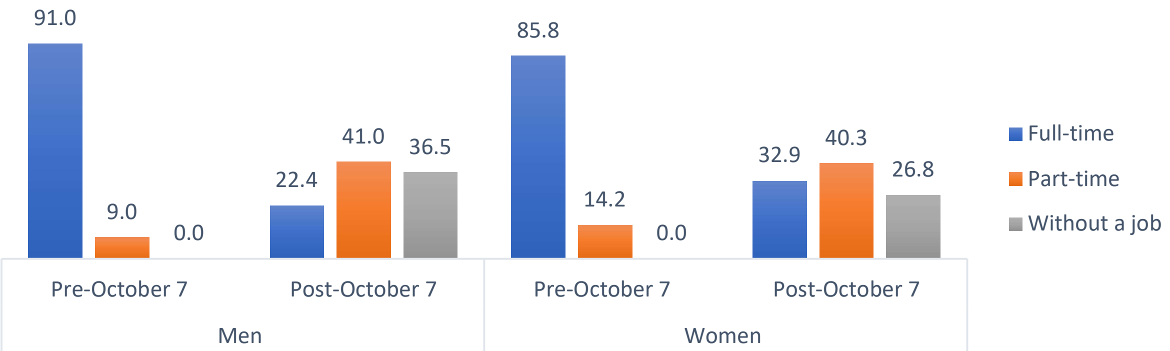
Impact on workers and their households in the West Bank

Current hostilities in the West Bank are amplifying pre-existing labour market challenges, including through the abrupt loss of some 160 thousand jobs in the Israeli economy and the settlements due to revoked workers' permits, as well as job losses in the local economy stemming from movement restrictions across West Bank governorates. These trends are clearly reflected in the ILO/ PGFTU workers' survey which covered 463 waged employees across West Bank governorates. While the survey is not representative due to the small sample size, it gives a sense of the orders of magnitude of impact on workers.

Before the conflict, 22.2 per cent of surveyed workers were employed in Israel and the settlements, but by January 2024, this figure plummeted to 2.3 per cent.

The survey indicates that 33.5 per cent of interviewed workers experienced job loss. Conversely, 58.5 per cent managed to retain their pre-war positions with the same employer, while 8 per cent transitioned to new jobs. Significantly, there has been a noticeable shift between part-time and full-time employment for both men and women. Part-time arrangements have become more common after the war started, with the proportion of part-time workers rising from 9.0 per cent to 41.0 per cent for men and from 14.2 per cent to 40.3 per cent for women, compared to the pre-war situation.

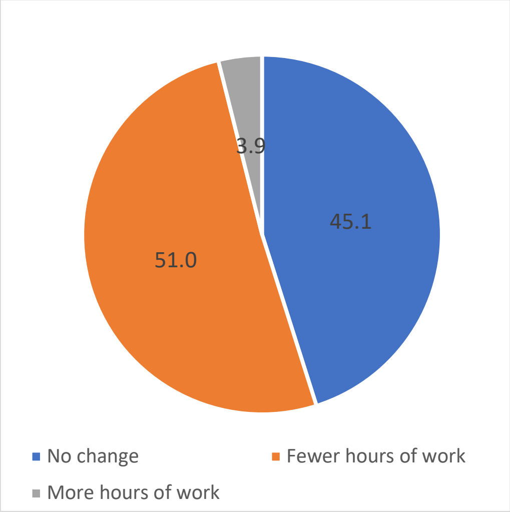
▶ Figure 10: Distribution of surveyed workers by sex and labour force status, pre- and during the war, in %



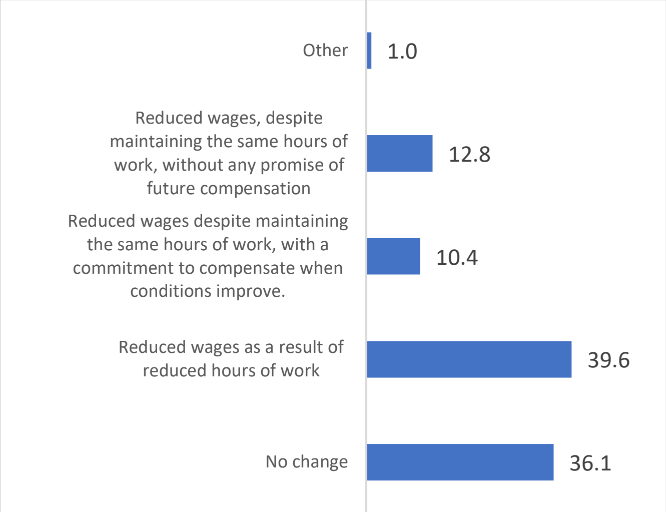
Source: ILO/ PGFTU survey on the impact of the war in Gaza on West Bank workers.

In addition to shifts in employment status, the war has also impacted the income and work hours of those who remained employed. The survey indicates that over half of the interviewed workers who continued working post-October 7th, experienced a decrease in their weekly work hours compared to before the war (Figure 11). Reduced wages have also emerged as another notable challenge. Among private sector workers who continued working post-October 7th, 39.6 per cent reported a wage decrease directly resulting from the reduction in hours of work. Interestingly, however, reduction in wages is not solely attributed to reduced work hours; more than a fifth of workers who continued to work during the war experienced a drop in wages, despite maintaining full-time hours, as shown in figure 12 below.

▶ Figure 11: Impact of the war on workers' weekly hours of work, in %



▶ Figure 12: Impact of the war on wages, in %



Source: ILO/ PGFTU survey on the impact of the war in Gaza on West Bank workers.

Overall, the war has had varying impacts on workers, with many losing their jobs and, unfortunately, a significant number not even receiving their entitled end-of-service entitlements. While far from ideal, ensuring that affected workers receive their entitlements is critical to help them navigate the challenging conditions until they secure new employment opportunities. According to the ILO/ PGFTU workers' survey, less than a third of those who lost their jobs (31.4 per cent) had received their end-of-service entitlements. In the meantime, 36.0 per cent were promised payment once economic conditions improved, 17.4 per cent were still negotiating with their employers, and 15.1 per cent were already engaged in labour disputes over their entitlements.[14]

With workers striving to overcome the repercussions of the war, households are struggling equally. Due to job losses, reductions in hours of work, and other conflict-related factors, 87.2 per cent of interviewed workers reported a decline in their household income since October 2023, compared to only 11.1 per cent that managed to maintain pre-war income levels. Such income losses can have extensive implications for inequality and poverty, contributing to long-term multidimensional poverty by also affecting education outcomes and health indicators, among other factors.

Palestinian households have resorted to an array of coping mechanisms, demonstrating varying degrees of resilience. Entertainment expenses, being highly elastic to income reductions, were nearly universally reduced among surveyed workers' households (see Figure 13). Households have also cut back on spending for essentials such as food, healthcare, and education. A significant share of respondents further resorted to utilizing personal savings (71.1 per cent), delaying loan payments (48.5 per cent) and selling financial assets (26.6 per cent) to cope with economic deterioration.

Notably, a smaller proportion of surveyed workers reported adopting more structural coping mechanisms, with some individuals for instance pursuing training to access alternative professions (16.8 per cent), while others turned to subsistence farming (9.7 per cent). "Sending children to work" a particularly concerning coping mechanism, was reported by 7.4 per cent of workers, highlighting the severe economic challenges certain families face. If left unaddressed, this phenomenon can have severe and lasting adverse effects on children and their prospects for the future.

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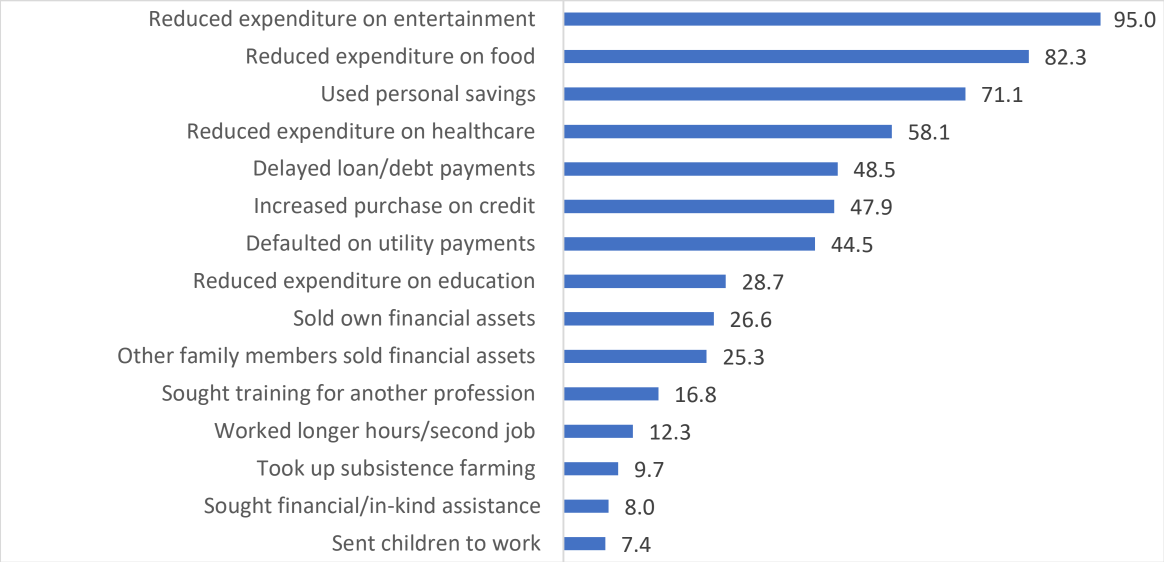
[14] ILO/ PGFTU survey on the impact of the war in Gaza on West Bank workers.

▶ **Figure 13: Households coping mechanisms since October 7th, as reported by surveyed workers, in %**



Source: ILO/ PGFTU survey on the impact of the war in Gaza on West Bank workers.

▶ Concluding remarks

The ongoing war in Gaza continues to underscore the vulnerability of the economy in the OPT, with profound labour market implications, not only in the Gaza Strip but also in the West Bank.

Immediate and long-term support is crucial, encompassing financial assistance for reconstruction, business recovery support, social protection measures and income generation schemes, among others. As we look towards the recovery of the Palestinian economy and labour market, structural reforms are essential to reduce dependence on external factors, including primarily the Israeli economy. Instead, fostering a diversified economy with fair and decent wages is imperative. This calls for governmental commitment and reforms, including a comprehensive suite of policies that not only build upon but also adapt the current Palestinian National Employment Strategy to reflect the changing realities in the OPT.[15] Efforts on both the demand and supply sides are vital, entailing measures to promote market diversification, retain workers, and invest in skills development to meet evolving market demands, boost productivity and create a more resilient labour market. Given the constraints of limited financial resources within the Palestinian economy, external support is of critical importance in driving recovery efforts, emphasizing clear and targeted policies to assist employers, workers (including the self-employed), and those grappling with unemployment or job insecurity.

Above all, the Gaza Strip urgently requires a ceasefire, alongside a significant scale-up in humanitarian assistance. As recovery and eventual reconstruction efforts commence in due course, it becomes imperative to prioritize safe working conditions guided by the principles of occupational safety and health. Another factor of critical importance is the establishment of a fair wage system based on the principles of decent work, which would need to be applied throughout the reconstruction process and beyond. Emphasizing an employment-intensive approach to the recovery and reconstruction of the Strip is also critical. This would not only facilitate economic recovery but also generate much needed employment opportunities for the local labour force. Engaging Palestinian small and medium-sized enterprises to the fullest extent possible and offering targeted short-term skills training to individuals are essential aspects of such efforts.

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[15] The full text of the Palestinian National Employment Strategy (2021-2025) is available here.

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