International Labour Organization

ILO Emergency Response Plan for the Occupied Palestinian Territory

Introducing the ERP Recovery Pillar/Programme

Summary

Updated 10 May 2024

At a glance

Partners
Ministry of Labour, Ministry of Social Development, Ministry of National Economy, Palestinian Central Bureau of Statistics, Palestinian General Federation of Trade Unions (PGFTU), Federation of Palestinian Chambers of Commerce and Industry, UN agencies, donors

Duration
12 months (first phase)

Budget required
US$20 million

ERP funding modality
The ERP will be funded through a multi-donor pooled funding arrangement to allow for maximum flexibility and adaptive programming. The funding will be co-mingled and not earmarked to specific outcomes. Partners contributing to the pooled fund will receive annual narrative and financial reports covering the overall ERP Recovery Pillar/Programme, and accumulated income and expenditures.

The ILO has developed an **Emergency Response Plan (ERP)** to mitigate the impact of the war on Palestinian workers and employers, based on the decision of the ILO Governing Body in November 2023, and in accordance with its mandate under the defined priorities of the Decent Work Programme for the Occupied Palestinian Territory (2023–25). The ERP's overarching objective is to support national systems and strengthen the role of tripartite constituents in mitigating the impact of the ongoing crisis. In line with the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205), the ERP builds on the ILO's comparative advantage in post-disaster labour market recovery programmes, and in integrating decent work principles into emergency relief and early recovery efforts. It recognizes how vital it is to work closely within the wider context of the United Nations' relief and recovery programming to address the emerging immediate needs of the Palestinian labour market.

The ERP maps out a series of interventions across **three interconnected pillars of Relief, Review and Recovery**. Implementation of the Relief and Review Pillars is underway, with several activities completed. Since November 2023, the ILO has disbursed more than US$2 million from its own resources for these pillars, enabling urgent relief efforts. These include supporting over 9,000 Gazan workers stranded in the West Bank, and facilitating the transportation of 130 containers, owned by businesses in Gaza and held at Israeli ports since October, to the West Bank. It also involves vital data collection and analysis on the impact of the war on the Palestinian labour market.

The ERP's **Recovery Pillar/Programme** aims to restore jobs and businesses in the West Bank and Gaza through the coordinated implementation of three interlinked components: **Employment Promotion, Social Protection, and Business Recovery.**

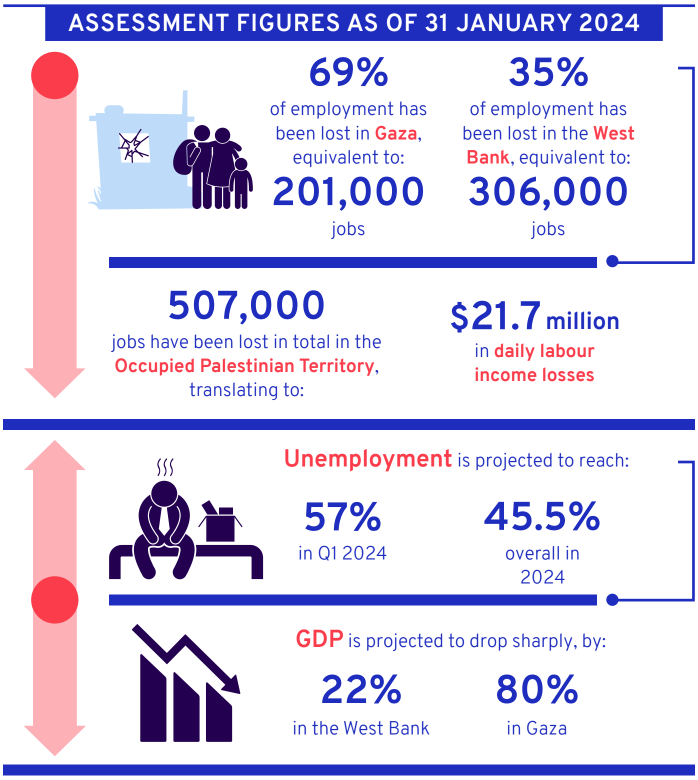
Building on evidence and information from the Relief and Review Pillars, and the ILO's expertise in labour market recovery, a range of interventions have been designed for the Recovery Pillar/Programme, in partnership with key stakeholders. These include early recovery work in Gaza, as well as recovery and resilience-building in the West Bank.

The context

The war in Gaza and surge of violence in the West Bank are **decimating Palestinian lives, livelihoods and the economy**. Gaza is in the midst of a humanitarian catastrophe, with more than 34,300 Palestinians killed, 77,000 injured, 1.7 million displaced, basic services devastated and infrastructure in ruins.[1] The West Bank is reeling from the continued occupation and expansion of settlements, violent attacks by settlers, restrictions on the movement of people, goods and services, and growing financial hardship. Between October 2023 and March 2024, more than half a million jobs have been lost in the Occupied Palestinian Territory according to estimates by the ILO and the Palestinian Central Bureau of Statistics (PCBS).[2] Both public sector employees and a large proportion of workers in the private sector are facing salary cuts as employers struggle to meet the wage bill. The loss of income from job losses translates into colossal daily labour income losses of US$21.7 million, which increases to US$25.5 million per day when combined with the loss of income due to the partial payment of wages and reduced incomes.

The implications of the war on the Palestinian economy are grave. A sharp contraction in gross domestic product (GDP) is being driven by a contraction in value added in all sectors, with severe repercussions for living standards and labour market outcomes, including employment, working hours and incomes. Workers and businesses, especially small and medium-sized enterprises (SMEs) are struggling to cope. Already high levels of poverty and vulnerability are expected to rise ever higher.

ILO research, conducted with the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) and Palestinian General Federation of Trade Unions (PGFTU),[2] shows that 98.8 per cent of surveyed businesses in the West Bank are affected by the war. Over 97 per cent are facing a drop in monthly turnover and nearly half have had to temporarily lay off workers. SMEs are especially hard-hit, with more than 40 per cent forced to permanently lay off workers.



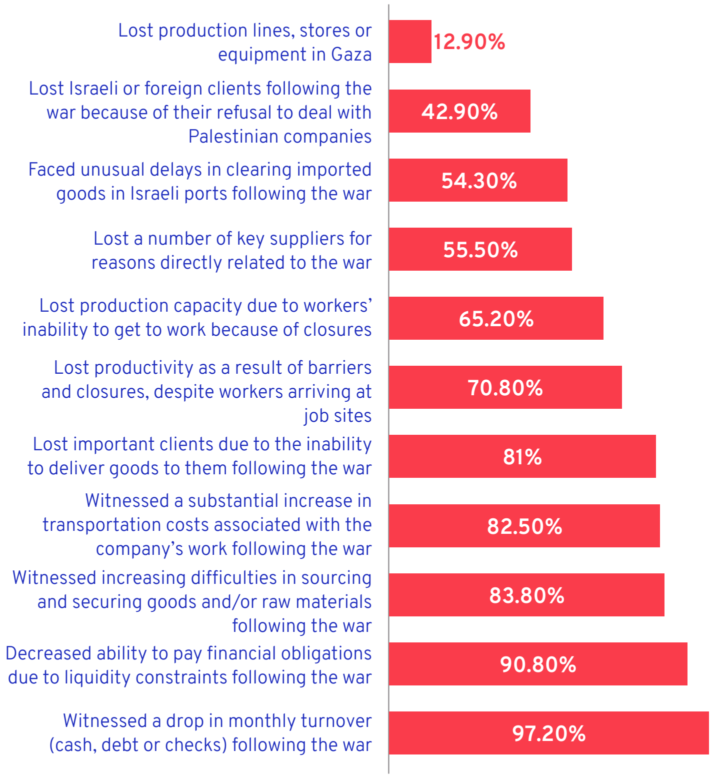
Data source: ILO and PCBS, *Impact of the escalation of hostilities in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory: Bulletin No. 3*, March 2024.

[1] UNOCHA, "Hostilities in the Gaza Strip and Israel: Day 201", 24 April 2024.
[2] ILO and PCBS, *Impact of the escalation of hostilities in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory: Bulletin No. 3*, March 2024.
[3] The report is based on focus group discussions with businesses in seven sectors and a survey of 701 West Bank companies across different governorates.

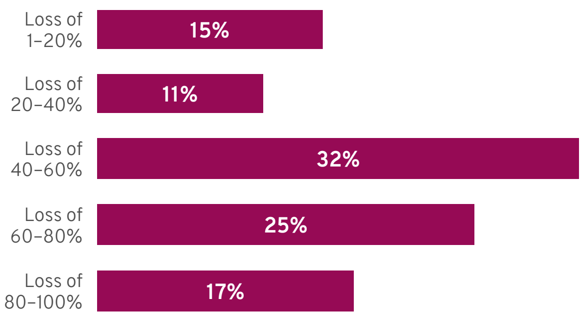
Firms are grappling to survive by reducing working hours or days to cut costs, closing production lines, cancelling orders, and laying off employees – sometimes without even being able to pay their complete wages or end-of-service indemnities. This has led to a reduction in the average workforce across sectors, with the total average workforce decreasing by 18 per cent. This will have an onward adverse impact in the form of decreased purchasing power – a fall of 70 per cent, according to UNIDO estimates – and a further contraction of the economy in the West Bank.

The impact on workers is equally clear and alarming. An overwhelming majority of respondents report experiencing a 40–100 per cent decline in their household income due to the loss of jobs, receiving only partial wages, and a shift to part-time work. These patterns are fairly similar for women and men.

IMPACT OF THE WAR ON BUSINESSES IN THE WEST BANK

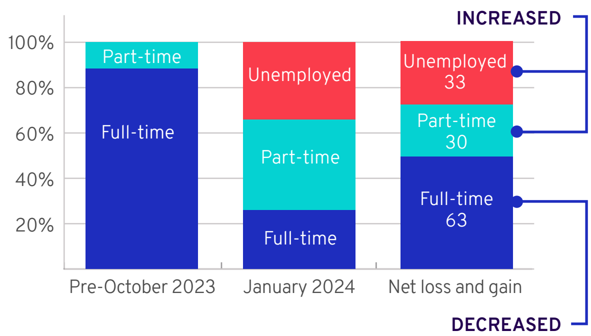


HOUSEHOLDS THAT HAVE LOST INCOME



Data source: FPCCIA, 2024.[3]

CHANGES IN WORKING PATTERNS



ERP Pillars and the Recovery Programme's outcomes and outputs

PILLAR 1. RELIEF | Displaced workers and affected employers from Gaza have access to immediate relief measures through a coordinated mechanism

Relief Output 1.1. Displaced workers from Gaza in the West Bank have access to basic needs

Relief Output 1.2. Displaced workers from Gaza stranded in the West Bank have immediate income support

Relief Output 1.3. Employers from Gaza are provided immediate support to manage shipments

PILLAR 2. REVIEW | Data and analysis supports the understanding of the conflict's immediate impact on the labour market, and the design of subsequent interventions

Review Output 1.1. Qualitative analysis provides an understanding of the conflict's impact on workers and employers in the West Bank and Gaza

Review Output 1.2. Monthly bulletins on the impact of the hostilities on employment and the labour market in the OPT

Review Output 2.3. Technical support is provided to the Palestinian Central Bureau of Statistics on the regular Labour Force Survey

PILLAR 3
RECOVERY
PROGRAMME

The labour market in the Occupied Palestinian Territory begins recovering from the impact of the war through the revival of jobs and businesses, and the expansion of social protection

OUTCOME
EMPLOYMENT PROMOTION

BUDGET: US$6.5 MILLION

Recovery Output 1.1. Employment-intensive investment programmes (EIIP) generate decent work, infrastructure and essential services

Recovery Output 1.2. Access to decent work is supported through job placements and accelerated apprenticeship schemes

Recovery Output 1.3. Workers' apex organizations provide information, legal services and advocacy to improve industrial relations, and to protect and create jobs

OUTCOME
SOCIAL PROTECTION

BUDGET: US$6.5 MILLION

Recovery Output 2.1. The coherence and coordination of social assistance programming is improved across the nexus

Recovery Output 2.2. Social allowances are established for vulnerable groups most affected by the crisis

Recovery Output 2.3. A temporary unemployment benefits scheme is established for the most affected workers

OUTCOME
BUSINESS RECOVERY

BUDGET: US$4 MILLION

Recovery Output 3.1. Businesses and social enterprises are supported with access to finance, business inputs and new markets

Recovery Output 3.2. Employers' organizations support affected businesses in critical economic sectors

Recovery Output 3.3. MSMEs are strengthened through value chain development in priority sectors

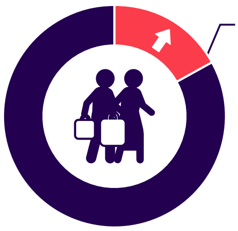
▶ ERP Recovery Outcome 1. Employment Promotion

Unemployment, already a major challenge in the Occupied Palestinian Territory before the war, has skyrocketed and is expected to rise ever higher – with over half a million jobs lost between October 2023 and March 2024, and unemployment expected to rise to throughout 2024. Labour force participation rates are projected to decline by 3.6 percentage points for men and 1.2 percentage points for women between 2023 and 2024 if the hostilities continue until June 2024. To weather the current crisis and recover from it, workers clearly need support to restore and secure decent work.

This outcome aims to restore lost jobs, create new employment opportunities, and ensure the swift reintegration into the workforce of workers who have been adversely affected by the crisis – all with a view to fostering economic recovery and stability. A range of inter-related interventions will be implemented under this outcome to create new jobs through emergency employment schemes designed to provide incomes for women and men, as well as provide critical services and infrastructure essential to recovery; match job-seekers with new opportunities through upskilling, job placements and apprenticeships; and strengthen the role of workers' organizations to protect labour rights.

507,000 Palestinians have already **lost their jobs** since the war began

Most workers who have lost their jobs **remain unemployed and incomeless**

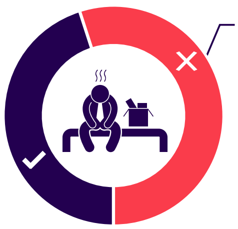


16.9% of all employed **Palestinians worked in Israel** and the settlements before the war (2022)

135,000 Palestinians employed in Israel &

25,300 employed in the settlements

face losing their jobs due to movement restrictions placed by Israel, and the revocation of work permits



57% **unemployment** is expected in the Occupied Palestinian Territory in Q1 2024 (and 45.5% overall in 2024)

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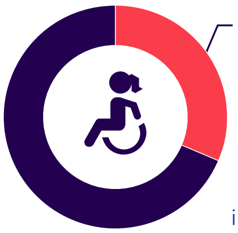
ERP Recovery Outcome 2. Social Protection

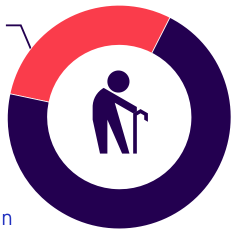
The overwhelming majority of Gazans are now estimated to be living in multidimensional poverty. Socio-economic vulnerability is also on the rise in the West Bank. People who were already likely less resilient to income shocks, such as older persons or persons with disabilities, are disproportionately affected by the impact of the war. There is an urgent need to support social assistance for Palestinians – which protects individuals and families against vulnerability, and enables them to retain a measure of economic stability while conditions improve. It is far more difficult and costly to pull people out of poverty than it is to prevent them – through social protection – falling into poverty in the first place.

Under this outcome, the ILO will support recovery and stabilization by providing direct financial assistance to those most in need, while strengthening national social protection systems. This will include enhancing coordination in the social protection sector by building on the ILO's leading role in improving coherence across the humanitarian-development-peace (HDP) nexus in the Occupied Palestinian Territory; delivering social allowances to support the most vulnerable groups (older persons, persons with disabilities, women and children) whilst strengthening national systems; and providing unemployment benefits – linked to revitalizing important social security reforms – coupled with support for workers to transition back to the labour market.



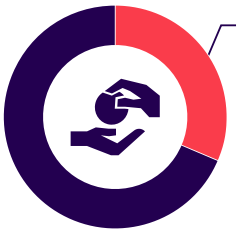
40% of **persons with disabilities**

27% of **older persons**



live in poverty

in the Occupied Palestinian Territory making them less resilient to shocks than other groups



40% of Palestinian households in 2022 received at least **one type of social protection transfer**

Coverage rates were **highest in Gaza:**

35% of families received a governmental benefit &

70% of families received a non-governmental benefit

Humanitarian assistance programmes have remained **misaligned** from governmental schemes like the **National Cash Transfer Programme**

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ERP Recovery Outcome 3. Business Recovery

Palestinian businesses are struggling to cope with the impact of the current crisis, with monthly turnover dropping and the vast majority forced to take desperate measures, including laying off workers. In the medium-term, prolonged reductions in expenditure and consumption can lead to a demand-side recession and permanent closure of businesses. Just as it is more than twice as expensive to lift a household out of poverty than it is to prevent them falling into poverty in the first place, equally for businesses, it is more cost-effective to retain existing workers, leading to a faster recovery and eliminating lay-off and re-hiring costs. Small and medium-sized enterprises and cooperatives are the entities worst affected by the crisis, as well as the entities who can propel social and economic recovery. With the right support, they will not only survive, but thrive and lead the way to recovery.

This outcome will advance business recovery by supporting businesses to access the finance, inputs and new markets they need to recover from the crisis. This includes providing employers with wage subsidies to retain workers (a win-win scenario, helping businesses to continue operating while securing workers' jobs); enabling employers' organizations to better assist affected businesses in critical economic sectors; and strengthening micro, small and medium-sized enterprises and cooperatives through value chain development.

97.2% of surveyed businesses in the West Bank have had their **monthly turnover drop** following the war

90.8% of surveyed businesses have a decreased ability to pay financial obligations due to **liquidity contraints**

40% of surveyed SMEs have been forced to **permanently lay off workers**

74% of surveyed households report a **loss of 40% to 100% of their income**

70% decrease in purchasing power in the OPT is estimated by UNIDO)

ILO Representative Office in Jerusalem
https://www.ilo.org/occupied-palestinian-territory
T: +972-2-6260212
Email: jerusalem@ilo.org