International Labour Organization

Palestinian Central Bureau of Statistics

ILO brief

Labour market update and recovery outlook in the Occupied Palestinian Territory [1]

July 2026

Key points

- The war in the Gaza Strip, from its eruption in October 2023 to the announcement of a ceasefire in October 2025, has left deep economic scars and long-lasting labour market disruptions across the Occupied Palestinian Territory (OPT) in both Gaza and the West Bank.
- During the assessed period from the third quarter of 2023 to the third quarter of 2025, real GDP in the OPT fell by 26.4 per cent, driven by an 89.0 per cent contraction in the Gaza Strip and a 14.2 per cent contraction in the West Bank. Real value added declined across all sectors, except in agriculture and manufacturing in the West Bank where some positive trends were recorded.
- Labour force participation rates declined by 12.2 percentage points in Gaza and by 1.2 percentage points in the West Bank. The unemployment rate reached 85.1 per cent in Gaza (81 per cent for men and 92 per cent for women) and 28.5 per cent in the West Bank.
- Average real daily wages declined sharply, from US$16.0 to US$2.1 in Gaza, and from US$47.1 to US$38.1 in the West Bank. Inflation was significantly higher in Gaza.
- Despite these conditions, gross domestic product (GDP) is projected to increase by 4.1 per cent in 2026 compared to 2025, registering a modest recovery compared to the 26.4 per cent loss between the third quarters of 2023 and 2025. Growth is expected to be driven mainly by construction, followed by manufacturing and agriculture, with slower expansion in services.
- According to the forecasting model, labour force participation in 2026 is projected to remain unchanged in the West Bank for both men and women, while in Gaza it is projected to increase slightly (by 0.4 per cent for men and 0.2 per cent for women).
- In the West Bank, unemployment is projected to decline in 2026 by 1.5 percentage points for men and 1.6 percentage points for women, bringing down the overall rate from 27.7 per cent in 2025 to 26.1 per cent in 2026.
- Similarly, projections for Gaza indicate some improvement, particularly given the exceptionally high unemployment rates in the Strip. Unemployment among both men and women is expected to decline by 5.0 percentage points between 2025 and 2026, bringing the overall rate down from 77.9 per cent to 72.9 per cent. This anticipated decrease is largely attributed to the potential impact of the ceasefire on labour market mobility and job creation.
- The war in the Gaza Strip has devastated livelihoods across both Gaza and the West Bank. Addressing this crisis requires urgent, coordinated action: ending occupation measures; supporting inclusive employment and enterprise recovery; strengthening social protection; advancing structural reforms; and ensuring a participatory, inclusive recovery led by the Palestinian Authority and social partners, with strong external support.

[1] This brief was prepared by the International Labour Organization (ILO) in collaboration with the Palestinian Central Bureau of Statistics (PCBS). It provides an updated assessment of the economic and labour market situation in the West Bank and Gaza Strip following the October 2025 ceasefire, and offers projections for the year 2026. The analysis draws on primary and secondary data, as well as on projections generated by an econometric forecasting model jointly developed in 2018 by PCBS, the ILO and the Palestine Economic Policy Research Institute (MAS). The model-based projections were produced prior to the eruption of the conflict in Iran and across the Arab States region. Given the high level of uncertainty surrounding these developments, the model predictions cannot take into account potential effects of this development on the situation in the Occupied Palestinian Territory.

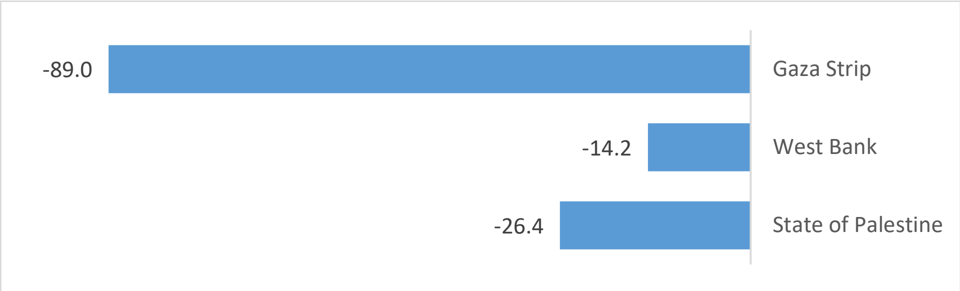
▶ The economic situation in the OPT

The war in Gaza has significantly affected lives and livelihoods across the Occupied Palestinian Territory (OPT). The scale of devastation in the Gaza Strip has been colossal. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), Israeli airstrikes, shelling and gunfire continued to be reported across the Gaza Strip despite the declaration of a ceasefire in October 2025. The Israeli military remains deployed in more than 50 per cent of the Strip, beyond the so-called "yellow line", the military demarcation separating Israeli-controlled zones from the rest of the Gaza Strip. In the Israeli-controlled zones, Gaza residents are prohibited from accessing agricultural land, homes and public infrastructure.[2]

In the West Bank, an increasingly dense system of movement and access restrictions, a surge in demolitions and settler attacks, continued confiscation of land and settlement expansion, and limited employment opportunities for Palestinian workers in Israel directly impact the Palestinian economy and labour market. The withholding by Israel of Palestinian customs clearance revenues has also contributed to a further deepening of economic crisis. At the same time, restrictions on transferring surplus cash in Israeli shekels to Israel have limited the ability of Palestinian banks to support economic activity.[3]

Palestinian Central Bureau of Statistics (PCBS) estimates suggest a decline in real GDP (constant 2015 US$ prices) by 26.4 per cent between the third quarters of 2023 and 2025, driven by a 14.3 per cent contraction in the West Bank and a devastating 89 per cent contraction in the Gaza Strip. While the decline in Gaza was far more severe, UN Trade and Development (UNCTAD) notes that, in the West Bank, accelerated settlement expansion and restrictions on worker mobility decimated the economy, resulting in the worst economic decline since UNCTAD began to maintain records in 1972.[4]

▶ **Figure 1: Change in real GDP (constant 2015 US$ prices), Q3 2023 - Q3 2025, in %**



Source: PCBS estimates based on national accounts.
The data excludes those parts of Jerusalem which were annexed by Israeli Occupation in 1967 (J1).

A closer examination of economic sectors, as presented in Table 1 below, reveals that all sectors in the Gaza Strip experienced either full or near collapse, with the least decline witnessed in the services sector, which continued to partially function, driven particularly by health services.

In the West Bank, agriculture and manufacturing were the only sectors to record growth, while all others declined. The most affected sectors included transport and storage, custom duties and VAT on imports, wholesale and retail trade, household activities, and services. These sectors registered sharp declines in growth, reflecting their dependence on political stability and access to resources. For example, transport and trade rely heavily on freedom of movement, which has been severely constrained by restrictions across the West Bank. In addition, revenues from customs duties and value added tax (VAT) on imports fell sharply due to Israel's withholding of Palestinian clearance

[2] OCHA, "Humanitarian Situation Update # 353, Gaza Strip", Jan 14, 2026. https://www.ochaopt.org/content/humanitarian-situation-update-353-gaza-strip
[3] ILO, The situation of workers of the occupied Arab territories, Report of the Director-General, Appendix, International Labour Conference 114th Session, 2026.

[4] UNCTAD, Developments in the economy of the Occupied Palestinian Territory - Report on UNCTAD assistance to the Palestinian people, November 2025. https://unctad.org/system/files/official-document/tdb72_d3_en.pdf

revenues. According to the Palestinian Ministry of Finance, Israel has continued to withhold all trade tariffs and VAT revenues, which amount to US$6,740.6 million, since October 2023.[5]

▶ Table 1: Change in value added by economic sector in the West Bank and the Gaza Strip, Q3- 2025 compared to Q3 2023, in %

	West Bank	Gaza Strip
Agriculture, forestry and fishing	19.2	-93.2
Manufacturing, mining, electricity and water supply	5.5	-94.7
Construction	-12.6	-98.6
Wholesale and retail trade	-16.5	-90.0
Transportation and storage	-32.2	-94.8
Financial and insurance activities	-15.3	-98.8
Information and communication	-8.8	-90.9
Services	-16.1	-76.3
Public administration and defense	-2.1	-93.7
Households' activities	-17.6	-100.0
Custom duties and VAT on imports, net	-32.1	-100.0

Source: PCBS national accounts data.
The data excludes those parts of Jerusalem which were annexed by Israeli Occupation in 1967 (J1).

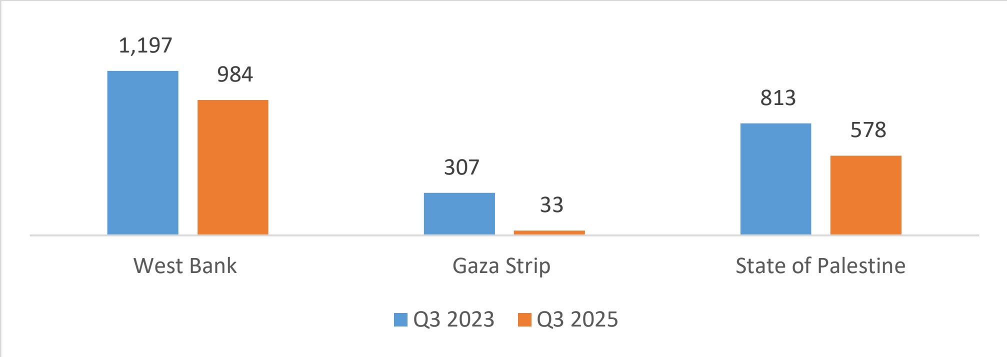
In contrast, the manufacturing sector in the West Bank grew by 5.5 per cent over the assessed period, driven by increased local production in food and beverage (particularly dairy products and fruit juices), as well as in textiles and chemicals.[6] This growth comes in response to the rising demand for locally produced goods amid restrictions on imports after October 2023.

While the agricultural sector in the West Bank recorded some growth, this does not indicate recovery or improved productivity. Rather, it reflects worsening conditions, as displaced workers, particularly those previously employed in Israel, turned to subsistence farming as a coping strategy.[7] Agriculture has historically played a cushioning role during crises in the OPT, absorbing workers into own production or low-paid farm labour with significantly lower returns than their previous employment, as seen during the first and second Palestinian uprisings – or "intifadas" – from 1987 to 1993 and from 2000 to 2005 respectively. Accordingly, despite severe constraints on Palestinian access to land and movement restrictions, agricultural value added increased amid deteriorating economic conditions.

Overall, the sharp drop in real GDP had a devastating impact on living standards, as real per capita GDP decreased substantially over the assessed period (see figure below). By the third quarter of 2025, real per capita GDP in the Occupied Palestinian Territory had declined by 28.9 per cent compared to two years previously. The collapse was most pronounced in Gaza, where per capita GDP fell by 89.2 per cent, compared to a 17.7 per cent decline in the West Bank.

[5] According to the Ministry of Finance, Israel unliterary decided to deduct US$4,360.3 million from this amount to cover the cost of Palestinian utility bills, including electricity.
Although Israel has been withholding Palestinian custom duties and VAT since 2021, the data provided here covers the period post October 2023.
[6] Mostly cleaning products.
[7] PCBS labour force data for the West Bank, 2025.

▶ Figure 2: Real per capita GDP in the Occupied Palestinian Territory, West Bank and the Gaza Strip (constant 2015 US$ prices), Q3 2023 – Q3 2025



Source: PCBS national accounts data.
The data excludes those parts of Jerusalem which were annexed by Israeli Occupation in 1967 (J1).

As a result of the severe security crisis and economic contraction in the Gaza Strip, and to a lesser extent in the West Bank, hardship dramatically escalated across the OPT. According to the World Bank, nearly 100 per cent of the population in Gaza now lives in poverty. Across the OPT, poverty rates increased from 29 per cent in 2023 to 40 per cent in 2025.[8] This has prompted the UN World Food Program (WFP) to provide food vouchers, in-kind support and cash assistance not only to people in Gaza but to nearly 210,000 individuals in the West Bank during year 2025.[9]

▶ Paving the way towards recovery: labour market trends

The devastation brought upon the economy of the Gaza Strip, as well as the disruption to the West Bank's everyday economic life, led to severe losses in employment and livelihoods. Job shortages in the private sector were further exacerbated by declining public sector incomes, driven by large-scale job losses in Gaza and the payment of only partial salaries, typically around 60 per cent, to those still employed in both Gaza and the West Bank. According to the Ministry of Finance, over the period from October 2023 until the end of 2025, civil servants in the OPT were owed just over US$4,7 billion in wages and other forms of compensation, which limited the income of employed workers.[10]

Based on the latest PCBS data, labour force participation rates in the OPT declined in the third quarter of 2025 compared to two years previously by 1.2 percentage points in the West Bank and 12.2 percentage points in the Gaza Strip. This decline is not entirely unexpected: while economic hardships during times of war can sometimes increase labour force participation rates, unsuccessful job searches and the lack of job opportunities may also push workers out of the labour force, reflecting the fundamental imbalance between supply and demand imposed by the war.

Given the severe conditions and lack of job opportunities in Gaza, discouragement was the primary reason workers left the labour force. In third quarter of 2025, 74.8 per cent of those who were not working nor actively seeking work, but still wanted a job, reported having no hope of finding one.[11] In contrast, in the West Bank, remaining outside the labour force was mainly associated with a lack of education credentials and engagement in unpaid care work or domestic responsibilities.

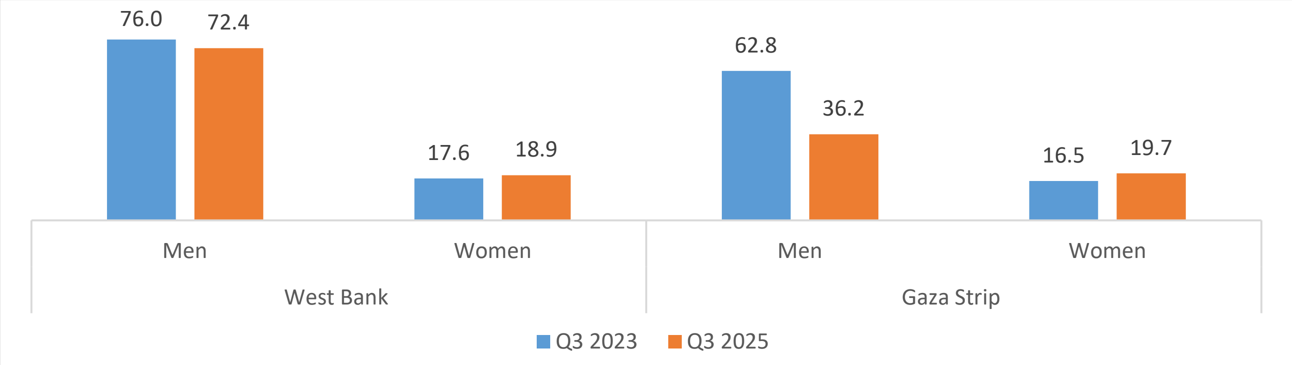
A closer examination of labour force participation rates along gender lines reveals noteworthy developments. The deterioration in socio-economic and political conditions, lack of work and high unemployment rates particularly among men seem to have pushed a small fraction of women to join the labour force in both the West Bank and Gaza, in an attempt to make up for the loss of male employment and decline in household incomes. However, most of these

[8] World Bank. 2025. Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy – September 2025.
[9] WFP Palestine Emergency Response, External Situation Report 59, June 30, 2025. https://www.un.org/unispal/document/wfp-state-of-palestine-state-of-palestine-external-situation-report-59/
[10] Figures from Palestinian Ministry of Finance.
[11] PCBS: Labour Force Survey in Gaza Strip during aggression, September-October 2025

new entrants to the labour force are likely to find themselves either unemployed, as reflected in the sharp rise in unemployment rates discussed below, or in informal employment.[12]

Notably, the rise in female labour force participation is slightly larger in the Gaza Strip compared to the West Bank, which reflects the exceptionally severe economic conditions in Gaza as well as the fact that a significant proportion of male breadwinners have either been killed or become disabled, thus pushing more women in the labour force in an attempt to mitigate the adverse impacts on households incomes.

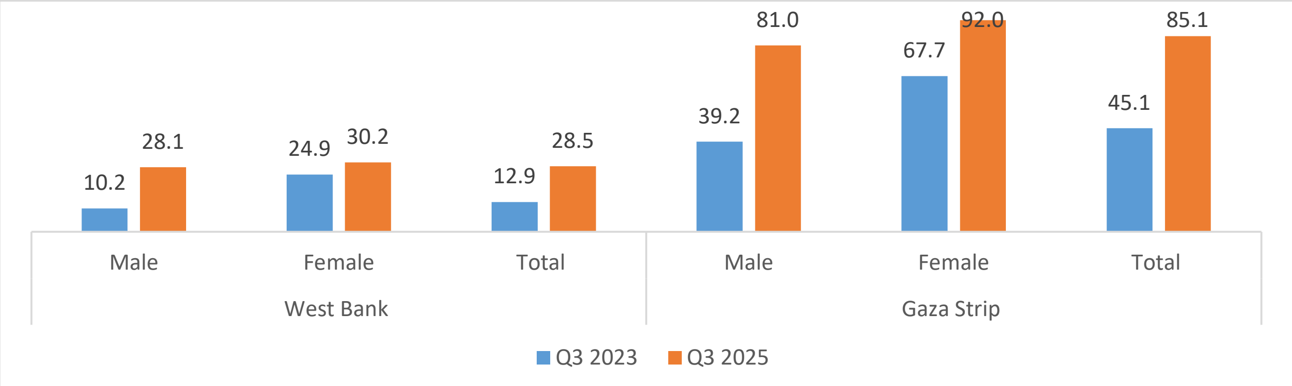
▶ Figure 3: Labour force participation rates in the West Bank and Gaza Strip, by sex, Q3 2023- Q3 2025, in %



Source: PCBS labour force surveys, Q3 2023 and Q3 2025.

Looking at unemployment rates, data suggest substantial increases in both the West Bank and the Gaza Strip. By the third quarter of 2025, the unemployment rate reached 28.5 per cent in the West Bank and 85.1 per cent in Gaza (see Figure 4), marking a substantial increase compared to two years previously, before the war erupted, and highlighting the severe deterioration in labour market conditions. Unemployment rates reached particularly alarming levels among women, especially in the Gaza Strip, where losses in public sector employment were especially devastating.

▶ Figure 4: Unemployment rates in the West Bank and Gaza strip by sex, Q3 2025 compared to Q3 2023, in %



Source: PCBS labour force surveys, Q3 2023 and Q3 2025.

According to the recent Rapid Damage and Needs Assessment (RDNA), supported by the ILO, a total of 252,000 jobs were lost in Gaza between the third quarters of 2023 and 2025.[13] This reflects an 82.4 per cent loss of employment compared to pre-war employment rates, with the highest share of losses recorded in the public sector (91 per cent) and among those working in Israel (100 per cent). The largest absolute number of employment losses occurred in the private sector, where, despite a minor rebound in activity since the adoption of the ceasefire, 147,600 jobs were lost. The impact of the war led to the closure of most enterprises and to disruptions to supply chains and the flow of goods. In addition, the continued forced displacement of large segments of the population made it difficult to sustain employment.

[12] ILO (2024) Impact of the war in Gaza on private sector workers and businesses in the West Bank. https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank

[13] World Bank, European Union & United Nations: Gaza Strip Rapid Damage and Needs Assessment, April 2026.

As a result, cumulative income losses in Gaza between the third quarters of 2023 and 2025 came to US$2.77 billion, of which 87.6 per cent were accounted for by men. The largest part of income losses – around 55 per cent – stemmed from losses of employment among workers who worked in the private sector in Gaza and in Israel. Meanwhile, the public sector accounted for 38 per cent of income losses, higher than the 26 per cent accounted for by private sector employment in Gaza and reflecting, at least in part, the higher wages earned by public sector employees. Importantly, losses of employment and income affected not only individual workers but entire families, many of which have lost all sources of income. With over 90 per cent of households now dependent on humanitarian aid, consumption patterns shifted drastically, with severe reductions in household expenditure compared with pre-war levels.

Turning to employment, a sectoral breakdown in the West Bank and Gaza reveals mixed trends (see Table 3). In the West Bank, construction investments dwindled, as businesses and families perceived such ventures as risky under the prevailing circumstances. Additionally, disruptions to supply chain networks and transportation routes in the West Bank, due to closures by Israel, and settler attacks severely affected supplies for the construction sector. On the other hand, the share of agriculture in total employment rose slightly in the West Bank, with the sector providing a cushioning effect in times of crisis. In the Gaza Strip, the share of jobs provided by the construction sector also declined, with Gaza experiencing a near full cessation of construction activities. At the same time, the relative weight of the health sector in total employment increased in the Gaza Strip, due to the essential nature of this sector during the war.

▶ **Table 3: Employment distribution by sector in the West Bank and Gaza Strip, in**

	West Bank		Gaza Strip	
	Q3-2023	Q3-2025	Q3-2023	Q3-2025
Agriculture, fishing and forestry	5.8	6.4	6.3	4.5
Mining, quarrying and manufacturing	14.5	14.3	8	11.2
Construction	14.5	12.4	6.2	2.6
Commerce, restaurants and hotels	24.2	25.6	23	25.4
Transportation, storage and communication	6.3	6.4	9.1	9
Education	10.7	10.8	10.6	10.5
Health	4.5	4.6	5.9	12.5
Services and other branches	19.5	19.5	30.9	24.3

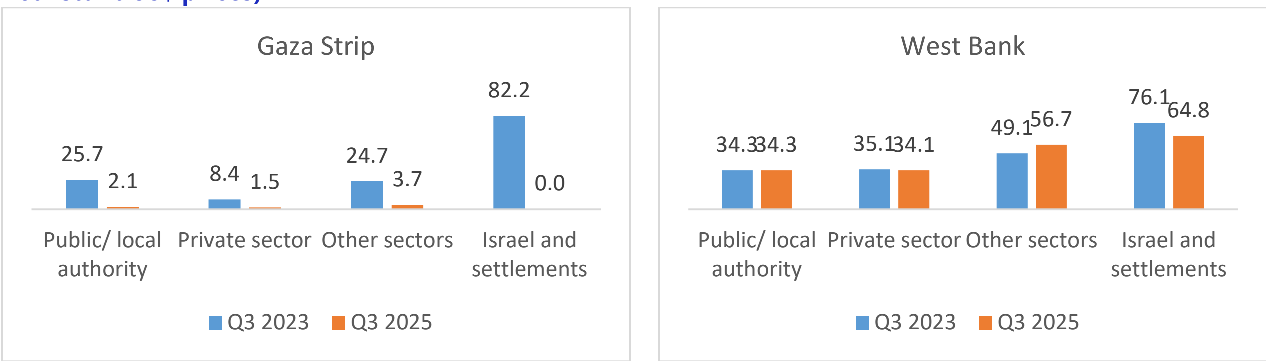
Source: PCBS labour force surveys, Q3 2023 and Q3 2025.
Excludes workers in the Israeli labour market.

Real average daily wages in Gaza declined sharply, from US$16.0 to US$2.1 between the third quarters of 2023 and 2025. Gaza workers who used to work in Israel before the war lost their jobs and incomes completely, which is one factor contributing to the overall decline of real wages, as their wages were much higher than those of workers in Gaza. Meanwhile, workers employed in the local economy witnessed a sharp decline in their real wages as a result of very high inflation rates in Gaza mainly due to restrictions imposed by Israel on the entry of supplies, thus pushing prices to unprecedented high levels.[14] As a result, real average daily wages in Gaza lost 86.9 per cent of their value, with private sector workers' real wages declining by 81.9 per cent, while public sector workers' real wages declined by 91.9 per cent and wages of workers in 'other sectors'[15] have lost 85.1 per cent of their value (see figure 5). Across gender lines, women in Gaza lost 93.5 per cent of their average daily real wages compared to a loss of 87.5 per cent of men's wages over the course of the period from 3rd quarter 2023 and 3rd quarter 2025, driven partially by their higher presence in public sector jobs.

[14] Gaza CPI based on 2018 constant prices stood at 106.2 in 3rd quarter 2023 to increase to 683.3 in 3rd quarter 2025. In the West Bank, CPI in 3rd quarter 2023 stood at 111.8 compared to 113.4 in 3rd quarter 2025.

[15] Includes workers in international organizations, the UN system, local and international non-governmental organizations.

▶ Figure 5: Average real daily wages in the West Bank and Gaza - 3rd quarter 2023 and 3rd quarter 2025 (2015 constant US$ prices)



Source: Derived from PCBS labour force surveys, Q3 2023 and Q3 2025 and inflation figures from PCBS CPI reports. An average exchange rate of 3.45 was used to convert the data from NIS to USD.

In the West Bank, where inflation rates were more moderate, the picture was mixed. Average real daily wages declined from US$47.1 in the third quarter of 2023 to US$38.1 in the third quarter of 2025. This was driven by the decline in the average daily wages of workers in the Israeli labour market, which contracted by about 14.9 per cent, while the wages of workers in the West Bank private sector declined by 15.5 per cent. The contraction is mainly due to inflation but also to a general decline in wages as a result of the unavailability of work in the West Bank, which pushed many employers to reduce wages while maintaining the same working hours after October 2023.[16] Yet, wages of workers increased by 15.5 per cent in "other sectors,", which includes those working in international organizations such as UN agencies, as well as international non-governmental organizations and local NGOs. Wages of workers in such organizations witnessed a compensation for the rise in inflation, as well as regular rises in their annual wages, which explains the positive increase.

Along gender lines, real average daily wages for women in the West Bank witnessed a slight rise by 3.3 per cent while men's wages declined by 20.2 per cent. Again, the decline in men's wages stems from the contraction in wages for workers in Israel and the local private sector whereby many workers had to continue working the same hours for less wages to remain in their jobs.[17] The situation for women differs, as they are more likely to be employed in more stable professional occupations, particularly in the public sector: around 63.4 per cent of women are employed within the category of "professionals, technicians and clerks" compared to only 29.9 per cent of men.[18]

▶ Forecasting 2026 economic and labour market trends in the Occupied Palestinian Territory

To generate a labour market outlook for the Occupied Palestinian Territory for the entire year of 2026, an extended version of the PCBS forecasting model was utilized, in line with the methodology used in previous bulletins.[19] Given the fragile nature of the ceasefire in place in Gaza, projections for the OPT suggest a minimal improvement in conditions in 2026 compared to 2025. These projections are based on the following assumptions: (1) Slightly more aid

[16] ILO (2024) Impact of the war in Gaza on private sector workers and businesses in the West Bank. https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank

[17] ILO (2024) Impact of the war in Gaza on private sector workers and businesses in the West Bank. https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank

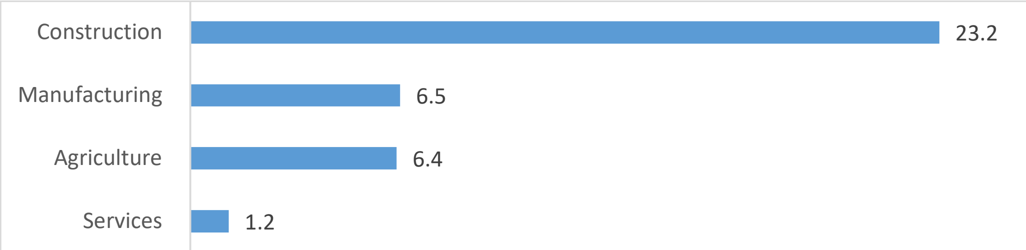
[18] PCBS (2025) Palestinian Labour Force Survey – Annual Report – West Bank: 2024. https://www.pcbs.gov.ps/Downloads/book2717.pdf

[19] The model, which was developed in 2018, through joint collaboration between PCBS, the ILO and MAS, is based on time series data and divides the economy into 4 sectors, including agriculture, manufacturing, construction and services (broken down into 3 sub-sectors). The model is specifically structured to project annual forecasting of national accounts and labour market outcomes. However, the model is demand driven, where most economic fluctuations are driven by aggregate demand changes, yet the model performs well for the labour market outcomes. The model data excludes those parts of Jerusalem which were annexed by Israeli Occupation in 1967 (J1).

and supplies are to be allowed into the Gaza Strip as stipulated in the ceasefire agreement; (2) Movement restrictions including checkpoints and gates in place in the West Bank will remain at 2025 levels; (3) Palestinian clearance revenues will continue to be held by Israel, with tax receipts remaining at their 2025 levels; (4) Foreign aid to the OPT will remain unchanged from 2025 levels; (5) Constraints on the OPT monetary sector will remain unchanged in the absence of a response from the Central Bank of Israel to requests to transfer excess Israeli currency from Palestinian to Israeli banks ; and (6) The number of West Bank workers in the Israeli labour market will rise modestly and gradually.[20]

Based on the model's projections, real GDP in the OPT is expected to improve by 4.1 per cent in 2026 compared to 2025. As shown in Figure 7, the improvement is primarily driven by the construction sector, followed by manufacturing and agriculture. The services sector is also projected to record positive, albeit modest, growth. The improvement is forecasted to mainly originate in Gaza, with the ceasefire expected to facilitate the entry of more supplies needed for the rehabilitation of public infrastructure and housing.

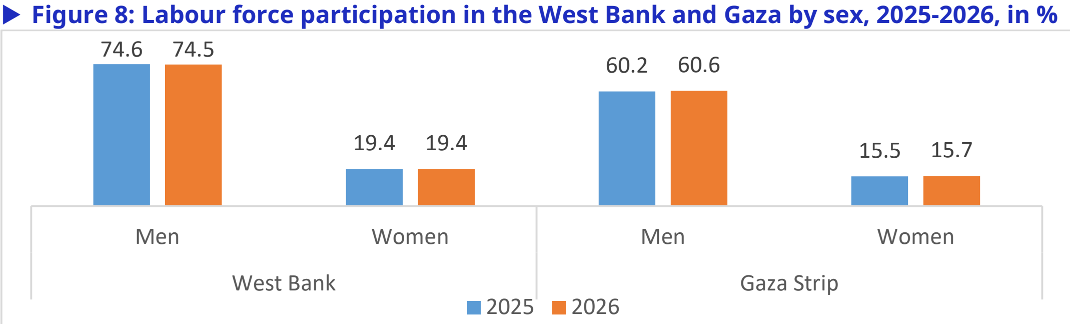
▶ Figure 7: Percentage increase in real value added in the Occupied Palestinian Territory by sector, 2026, in %



Source: PCBS projections based on forecasting model.

According to the model's projections presented in figure 8, the labour force participation rate in the West Bank is expected to remain largely unchanged in 2026 for both men and women compared to 2025. In the Gaza Strip, projections expect a slight increase in labour force participation for both men and women, rising by 0.4 percentage points for men and 0.2 percentage points for women. This is mainly based on the assumption that the agreed ceasefire will bring about better mobility for the population, thus encouraging more men and women to engage in economic activity. In addition, the projections assume that more supplies will be allowed into Gaza, generating increased economic activity and more employment prospects for the population. However, the overall increase in labour force participation is expected to remain limited. While improved conditions may encourage some individuals to enter the labour force, the bulk of the adjustment is expected to take place within it, hence improving employment rates and reducing the unemployment rate.

▶ Figure 8: Labour force participation in the West Bank and Gaza by sex, 2025-2026, in %



Source: PCBS projections based on forecasting model.

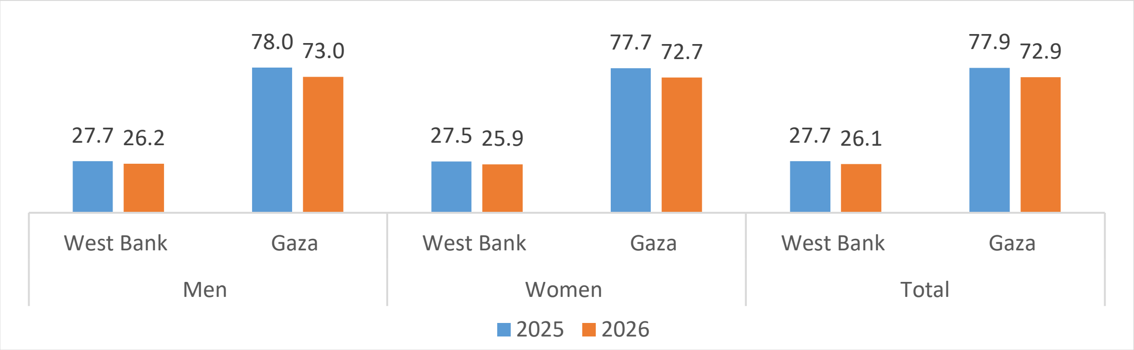
Notably, in the West Bank, unemployment is projected to decline by 1.5 percentage points for men and 1.6 percentage points for women between 2025 and 2026, with the overall rate falling from 27.7 per cent in 2025 to 26.1 per cent in 2026. In Gaza, projections are more pronounced, with unemployment rates for both men and women expected to decrease by 5.0 percentage points over the same period, bringing the overall rate down from 77.9 per cent in 2025 to

[20] While Palestinians working in Israel and the settlements are accounted for in the aggregate projections for the OPT and the West Bank, they are excluded from the sectoral employment distributions presented later this section. Finally, the West Bank data excludes those areas in Jerusalem that were occupied in 1967.

72.9 per cent in 2026 (see figure 9). This would bring the total unemployment rate in the OPT to 43.1 per cent in 2026, down from 45.8 per cent in 2025, while the total number of employed individuals is projected to rise to 899,549 - an increase of 63,540 jobs.

The projected improvement in employment prospects in the Gaza Strip is expected to be mainly driven by reconstruction of public and private infrastructure. In addition, an expected gradual return of services, including in education, health care and other sectors, promises to return more women to employment. In the West Bank, the slight projected decline in unemployment may partly reflect expectations that more Palestinians will enter the Israeli labour market, despite continued movement restrictions. This assumption projects an increase of around 4,000 Palestinian workers in Israel, driven by worsening economic conditions that may push individuals to seek work there, including without permits. Notably, of the 40,000 Palestinians who were working in the Israeli labour market in the third quarter of 2025, only 13,400 had permits, while 20,000 worked without permits, with the remaining 10,600 Palestinians carrying Israeli identification cards that eliminated their need to obtain a permit.[21]

▶ Figure 9: Unemployment rates in the West Bank and Gaza by sex, 2025-2026, in %



Source: PCBS projections based on forecasting model.

With overall employment projected to increase, the economic dependency ratio, defined as the number of non-working individuals supported by each employed person, is expected to decline from 5.2 in 2025 to 4.9 in 2026 signalling a slight improvement, with more earners supporting fewer dependents.[22]

Importantly, beyond the aggregate impact, the model provides projections on the composition and distribution of employment by sex and sector, as illustrated in table 4.

In the West Bank, employment in the manufacturing sector is projected to increase by 7.9 per cent in 2026. This growth is expected to be driven in part by a shift toward local production, as imports from Israel have declined since the onset of the war and reliance on domestically produced goods has increased. Key subsectors contributing to this expansion include food and beverage, textiles and chemicals. The construction sector is projected to pick up too, by about 8.5 per cent for both men and women since prospects for political stability may induce investors to return to this sector. In the services sector, employment is expected to increase by 1.6 per cent, a slower pace than in other sectors. This more modest growth reflects at least in part the sector's relatively limited contraction in recent years, leaving less room for rebound compared to others. Notably, this sector is likely to experience an increase in self-employment, as displaced workers from other sectors, along with workers formerly employed in Israel, increasingly join its ranks. Agricultural employment is also forecast to rise by 7.5 per cent in 2026 compared to 2025. This is a reflection of the harsh economic reality rather than an improvement; Palestinians tend to take up farming as a last resort. With the Israeli labour market expected to remain largely closed to Palestinians, more men and women are expected to join the agricultural sector.

In the Gaza Strip, the ceasefire is expected to improve workers' mobility. Given the extensive destruction across Gaza, construction activity, including repair and rehabilitation, is projected to begin in 2026. As a result, an additional 5,402 men and women are expected to join this sector, representing substantial growth compared to 2025. Other sectors are likely to expand, albeit at a slower pace, suggesting that the ceasefire may support a gradual restoration of

[21] PCBS (2025) Labour force indicators in the West Bank (July-September round).

[22] Total population estimates excluding Jerusalem were taken from PCBS: https://pcbs.gov.ps/statisticsIndicatorsTables.aspx?lang=ar&table_id=676

production and services.

▶ Table 4: Projected employment by sex and sector, in the West Bank and the Gaza Strip, 2025-2026

	Gaza Strip				West Bank			
	2025		2026		2025		2026	
	Men	women	Men	women	Men	women	men	women
Agriculture	2,887	531	3,103	571	39,976	7,354	42,974	7,906
Manufacturing	2,475	255	2,671	275	83,195	8,571	89,768	9,248
Construction	1,766	11	7,134	45	77,817	492	84,466	534
Services	67,616	47,736	71,632	50,571	266,598	188,215	270,897	191,250
Work in Israel					40,513	-	47,049	-
Total	74,744	48,533	84,540	51,462	508,099	204,632	535,154	208,938

Source: PCBS projections based on forecasting model.

▶ Towards a sustainable labour market recovery

Labour market conditions in the West Bank and Gaza Strip remain dire, although they differ in nature between the two areas, requiring context-specific responses. Recovery efforts should be guided by the Humanitarian-Development-Peace Nexus (HDPN) and the National Labour Sector Strategy 2025–2027 developed by the Ministry of Labour of the State of Palestine with the ILO and social partners. Guided by the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205), the overall approach must address urgent needs while strengthening institutions and ensuring inclusive recovery, with a focus on youth, women and persons with disabilities. Notably, efforts should recognize that durable labour market recovery ultimately hinges on addressing underlying structural constraints, including the occupation, and on adequate international support to enable economic revival and job creation.

Employment promotion, skills development and enterprise recovery are central to rebuilding livelihoods and social cohesion. In Gaza, this requires coordinated interventions combining employment-intensive public works, wage support, care economy investment and skills development, alongside support for enterprises to restart and create jobs. In the West Bank, priorities include market diversification, investment in skills and support to productive sectors (including for the priority sector of information and communication technology), particularly for MSMEs and cooperatives, to drive job creation. Across both areas, targeted business recovery measures and investments in the care and digital economies are critical to stimulate employment, strengthen enterprise resilience and expand women's participation. These efforts must ensure decent, formal employment and be complemented by adequate social protection.

Strengthening labour market governance and tripartite institutions is equally essential for effective recovery. In Gaza, public employment programmes, coordinated by the Ministry of Labour and implemented in collaboration with workers' and employers' organizations, will play a key role in generating jobs. Strengthening the capacity of labour market institutions – including labour administration, public employment services and social dialogue mechanisms – will therefore be key. In the West Bank, ensuring the functioning of public institutions, including through the release of clearance revenues, is similarly vital to sustain employment services and broader economic demand.

Social protection also stands as a critical pillar of the recovery plan. While tax-financed programmes form the core of the current system, the absence of a comprehensive contributory social insurance system represents a major structural gap, undermining the resilience of workers and enterprises and leaving many unprotected against life-cycle risks such as unemployment, sickness, disability, old age and death. That said, advancing a coherent social protection system, expanding both coverage and adequacy, should be prioritized, guided by international labour standards, including ILO Conventions and Recommendations. Additionally, stronger linkages between social assistance and labour market activation are key to support both immediate relief and long-term reintegration. Importantly, humanitarian and recovery interventions must avoid fragmented or short-term approaches that risk reinforcing informality or undermining labour standards.

Today, given the scale, depth and complexity of the crisis, **inclusive social dialogue and effective labour market governance** are more vital than ever, both in the West Bank and the Gaza Strip. Ongoing uncertainty regarding governance and institutional arrangements in Gaza continue to impede coordination, planning and implementation of early recovery and reconstruction efforts. In this context, strengthening the capacity of workers' and employers' organizations is essential to ensure meaningful representation, reinforce accountability and coherence across interventions, while anchoring recovery processes in nationally-owned and socially legitimate frameworks. Notably, updating Labour Law No. (7) of 2000 alongside renewed efforts to operationalize a credible social security system constitute critical dialogue-based reform priorities, particularly in view of the evolving labour market realities, and the rising phenomena of informality and non-standard forms of work.

Equally critical is the need to improve access to labour justice and dispute resolution mechanisms to protect rights, ensure compliance with labour standards and promote stable labour relations in a context of crisis and recovery. This would also require improved awareness of rights and strengthened institutional capacity within labour administration and dispute resolution bodies to address violations and support compliance with labour legislation.

ILO. *Labour market update and recovery outlook for the Occupied Palestinian Territory*, ILO brief, Geneva: International Labour Office, 2026. © ILO. https://doi.org/10.54394/00034950

Contact details
International Labour Organization
Regional Office for the Arab States
Aresco Centre - Justinien Street – Kantari
Beirut – Lebanon

T: +961-1-752400
E: beirut@ilo.org