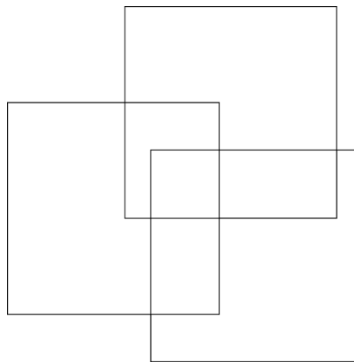




International
Labour
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Labour Market Conditions in Gaza, 2013-2014: A Briefing Note



**International Labour Organization
Regional Office for Arab States**

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A Briefing Note

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Preface

This Labour market briefing has been prepared in tandem with ILO's more analytical report on *The 'Disemployment' Impact of the 2014 Conflict in Gaza: An ILO Damage Assessment and Recovery Strategy* and which provides detailed and accessible statistical labour market overview of Gaza.

The report covers key labour market developments in the Gaza Strip in 2013 and 2014. It compares the basic aggregates using both standard and broad measures. It also provides absolute estimates of population, labour force, employment and unemployment as well as a treatment of the level and progression of real wages.

The objective of this briefing is to provide users of data with the most recent and easily accessible labour market data which is based on available official Palestinian Bureau of Statistics (PCBS) sources. It is hoped that this will facilitate the work of all stakeholders, national and international alike, as well as researchers on the labour market conditions of Gaza.

This Report was prepared by Dr. Salem Ajluni, ILO consultant and senior economist, and who is particularly knowledgeable on the Palestinian economy. The International Labour Organization wishes to extend its gratitude for his valuable contribution and which was prepared at a short notice.

Summary

This briefing covers key labour market developments in the Gaza Strip in 2013 and 2014, a period of extreme political, military and economic turbulence. In addition to Israeli military operation in July-August 2014, Gaza effectively lost use of the tunnel economy connecting it to Egypt and the broader region. In broad terms, the labour force of Gaza expanded rapidly in this period with a notable increase in the labour force participation rate. The year 2014 witnessed net employment losses estimated at more than 6 per cent of the employment base and a surge of more than 40 per cent in the number of unemployed persons. The average standard (43.8 per cent) and broad (46.2 per cent) unemployment rates for 2014 were the highest on record for Gaza.

Women's labour force participation jumped significantly in 2014 as the total estimated female labour force increased by nearly 30 per cent, as compared to less than 8 per cent for men. Employment losses were suffered by men, who lost more than 10 per cent of the jobs they held in 2013, while women's employment actually increased by almost 20 per cent as compared to 2013. The number of unemployed men rose more than 55 per cent, as the number of unemployed women increased about 40 per cent. While women's unemployment rate remained well above that of men's, the rate of increase of those rates moderated for women but increased for men. Unemployment rates among youth 15-24 years of age remained the highest of any demographic group.

Public sector employment continued to expand in 2014 although only modestly in comparison to recent years. All net employment losses were in the private sector, estimated at more than 17,000 positions. Especially hard hit were activities associated with the tunnel economy connecting Gaza to Egypt. Employment in construction and in transport and communications absorbed the largest hits with the two accounting for about 8 in 10 job losses during this period. Only private services—a category that includes UNRWA, other multilaterals and NGOs—witnessed an increase in employment.

The average monthly wage of employed Gazans in real purchasing power terms was largely unchanged. The median monthly wage in real terms, which is more representative of wage trends, increased by 8.7 per cent. This apparent paradox is explained by the fact that those who gained employment had relatively high wage rates relative to those who lost employment. The improvement in real wage rates in 2014, however, stands in marked contrast to their decline in recent years. The purchasing power of the average wage in Gaza lost more than 20 per cent of its value between 2005 and 2013.

Closely related to the crisis in the labour market is the likely trajectory of poverty in Gaza. Political and economic shocks in the recent past have resulted in jumps in the standard poverty rate by some two-thirds and in a doubling of the deep poverty rate in Gaza. Given the latest available poverty and deep poverty rate estimates (38.8 per cent and 21.1 per cent respectively) for 2011, it is entirely reasonable to expect at least equal proportional jumps in poverty rates given the conditions that prevailed in 2014.

1. Political Developments and Labour Market Impacts in Gaza, 2013-2014

The Gaza labour market in 2013 and 2014 experienced more turbulence than any period since 2001, when Gazan workers were permanently barred from working in Israel for the first time since the late 1960s. Since then, the Government of Israel's air, land and sea blockade of the Palestinian territory has debilitated economic activity and led to unprecedented rates of unemployment and poverty. The blockade was intensified after the 2005 Israeli redeployment out of Gaza and again after the rise of Hamas as the dominant political force in 2006-2007. The Israelis since 2008 have also engaged in several bouts of widespread and destructive military operations that have contributed to economic dislocation, unemployment and immiseration.

To survive the blockade, both public and private sector actors turned to "under border" trade with and through the Egyptian Sinai to secure sufficient supplies of construction materials, fuels, capital goods, household and consumer goods, food stuffs, etc. During the period 2005-2013, the "tunnel economy" became a lifeline, partly compensating for supply shortages arising out of the situation on the Israeli border. It also became a source of employment and income-generation, mitigating somewhat the extent of unemployment.

The existence of the tunnel economy required the acquiescence on the part of the Egyptian authorities. The overthrow of the elected Muslim Brotherhood government in Egypt in mid-2013 resulted in a government committed to eliminating the tunnel system connecting Gaza and the Sinai. This significantly increased unemployment rates beginning in the second half of 2013. The situation was exacerbated by a major Israeli military operation in July-August 2014, the most violent and destructive operation against the territory and its people in living memory. The result was widespread death, injury and destruction of housing and productive assets resulting in further losses in employment, as well as significantly greater amounts of unemployment.

2. Gauging the Impact

A. Standard ILO Measures of Labour Force and Unemployment

In measuring the labour market effects of the turbulence in Gaza, it is necessary to distinguish between narrower and broader definitions of labour market variables. The standard practice is to use the narrow ILO definitions of labour force, employment and unemployment which yield the following results:

Table 1

Labour Market Developments in Gaza, 2013-2014¹
(Standard ILO Definition)

Labour Market Aggregates	2013	2014	Absolute Changes	Relative Changes
Total Population	1,701,437	1,760,037	58,600	3.44%
Working Age Population (15-64)	921,997	958,208	36,211	3.93%
Labour Force Participation Rate ²	41.20%	44.43%	3.23 pp.	7.83%
Labour Force ³	379,863	425,684	45,821	12.06%
Employment ⁴	256,028	238,915	-17,112	-6.68%
Unemployment ⁵	123,835	186,769	62,934	50.82%
Unemployment Rates ⁶	32.60%	43.88%	11.28 pp.	34.59%

Thus, there was estimated total population growth of about 3.4 per cent in 2014 relative to 2013 with nearly 4 per cent growth in the working age segment of that population (15-64 years of age). The share of the working age population that was employed or actively seeking employment rose 3.2 percentage points to 44.4 per cent. This ratio, multiplied by the total working age population yields the labour force which grew by more than 12 per cent in 2014 or about 45,820 persons. The change in labour force growth is accounted for by the change in employment (a decline of some 17,110 working people) plus the change in unemployment (an increase of about 62,935 people). **The standard unemployment rate rose an estimated 11.2 percentage points to an average of 43.8 per cent in 2014, the highest annual reading on record for Gaza.**⁷

It is noteworthy that the labour force participation rate in Gaza jumped by more than 3 percentage points in 2014, an indication of increasing numbers of people entering the labour market in search of work. Employment declined by an estimated 6.6 per cent or by about 17,100, probably the combined effect of the demise of the tunnel economy and “disemployment” caused by the destruction of agricultural land, work places, capital equipment and tools and raw materials needed for the production

¹ Population data are from PCBS projections based on the 2007 census of population. All 2013 labour force data in this briefing, unless otherwise specified are from PCBS *Labour Force Survey Annual Report: 2013*, April, 2014. All 2014 data are, unless otherwise noted, unweighted averages from the PCBS *Press Report on the Labour Force Survey Results* series for the four survey rounds for that year.

² **Labour force participation rate** is defined as the share of the working age population that is either employed or actively seeking work.

³ **Labour force** is the sum of two components: a) all employed persons of working age (15-64 years of age) and; b) all unemployed persons of working age.

⁴ **Employment** consists of all persons of working age who worked at least one hour in the survey reference week. These include the fully-employed, the underemployed and the temporarily absent from work.

⁵ **Unemployment** consists of all persons of working age who did not work in the survey reference week, were available for work and were actively seeking work.

⁶ **Unemployment rates** are calculated as the ratio of unemployment to the total labour force.

⁷ See PCBS *Press Report on the Labour Force Survey Results, Fourth Round (October-December 2014)*, p. 41.

of goods and services.⁸ The number of unemployed increased by more than 50 per cent in 2014 relative to 2013, an almost unprecedented increase in such a short period of time.

B. Broad Measures of Labour Force and Unemployment

The ILO advises that in countries where unemployment is persistently high, and/or where there is significant informal economic activity, the broad definition is more relevant in assessing the true extent of unemployment.⁹ Unusually high unemployment rates have characterized the Gaza labour market since the mid-1990s, some two decades. Thus, a broader definition of unemployment is relevant. How different countries arrive at broader measures of unemployment varies depending on their own circumstances and inclinations.

In the context of Palestine, the Palestinian Central Bureau of Statistics (PCBS) produces an additional, broader measure of the labour force and unemployment by relaxing one of the conditions of unemployment. In particular, as noted above, one of the conditions for unemployment in the narrow ILO definition is that the survey respondent *must be actively seeking work in order to qualify as unemployed*. Thus, those who were unemployed but did not seek employment—for whatever reason—are excluded from the narrow definition of unemployment. The broad definition of unemployment relaxes this condition. **Under the broad definition, an unemployed person is one who did not work in the reference week, was available for work but who either searched for work or did not search because of his/her belief that no work can be found.** Effectively, the broad measure as defined by PCBS redefines unemployment to include **discouraged workers**, *i.e. those who believe, for whatever reason, that no work can be found and have, therefore, given up active search for work.*

One result of broadening the definition of unemployment is to expand the size of the labour force. As one component of the labour force, the expanded number of unemployed increases the number of people in the labour force. This also increases the *labour force participation rate* which is the portion of the working age population that is either employed or unemployed. Yet another outcome of broadening the definition is, expectedly, to increase the *unemployment rate*. Applying the broad definition of unemployment yields the results in Table 2.

⁸ In a forthcoming report, the ILO has estimated the number of job losses attributable to the “disemployment” effects of the July-August 2014 Israeli military operation against Gaza.

⁹ See ILO *Beyond Unemployment: Measurement of Other Forms of Labour Underutilization*, 18th International Conference of Labour Statisticians Geneva, 24 November–5 December 2008; Room Document: 13, p. 18; Ralf Hussmanns *Measurement of employment, unemployment and underemployment—Current international standards and issues in their application*, ILO Bureau of Statistics, n.d., pp. 16-17.

Table 2

Labour Market Developments in the Gaza Strip, 2013-2014
(Broad Definitions)

Labour Market Aggregates	2013	2014	Absolute Changes	Relative Changes
Total Population	1,701,437	1,760,037	58,600	3.44%
Working-Age Population (15-64)	921,997	958,208	36,211	3.93%
Labour Force Participation Rate ¹⁰	43.20%	46.38%	3.18 pp.	7.35%
Labour Force ¹¹	398,303	444,369	46,066	11.57%
Employment ¹²	256,109	238,848	-17,260	-6.74%
Unemployment ¹³	142,194	205,521	63,327	44.54%
Unemployment Rates ¹⁴	35.70%	46.25%	10.55 pp.	29.55%

Including discouraged workers in the definition of unemployment raises the labour force participation rate by about 2 percentage points, expands the number of unemployed by about 18,500 persons and increases the unemployment rates by 2.5 - 3 percentage points. The broad unemployment rate in 2014 — 46.2 per cent — is also the highest annual rate on record. **The estimated total number of unemployed persons in Gaza — 205,520 — is likewise a record high and gives policymakers a truer picture of the degree of unemployment in Gaza.**

3. Labour Market Dynamics

A. Men and Women in the Labour Market

A deeper look at labour market developments in Gaza reveals that the women's labour force grew by nearly 30 per cent in 2014 relative to 2013, as compared to a 7.8 per cent growth rate for men (refer to Table 3). Underlying this was a significant jump in the women's labour force participation rate which rose from about 16 per cent to about 20 per cent of working age women, a 25 per cent relative increase as compared to a 3.7 per cent relative increase for men.

¹⁰ **Labour force participation rate** is defined as the share of the working age population that is either employed, actively seeking work or discouraged.

¹¹ **Labour force** is the sum of three components: a) all employed persons of working age (15-64 years of age); b) all unemployed persons of working age seeking work; and c) discouraged workers.

¹² **Employment** consists of all persons of working age who worked at least one hour in the survey reference week. These include the fully-employed, the underemployed and the temporarily absent from work.

¹³ **Unemployment** consists of all persons of working age who did not work in the survey reference week, were available for work and were wither actively seeking work or discouraged.

¹⁴ **Unemployment rates** are calculated as the ratio of the broad defintion of unemployment to the broad defintion of the labour force.

Table 3

Labour Market Developments in Gaza for Men and Women, 2013-2014
(Standard ILO Definition)

Labour Market Aggregates	2013	2014	Absolute Change	Relative Change
Working Age Population (15-64)	921,997	958,208	36,211	3.93%
Males	469,533	488,000	18,467	3.93%
Females	452,464	470,208	17,744	3.92%
Labour Force	379,863	425,684	45,821	12.06%
Males	307,750	331,954	24,204	7.86%
Females	72,112	93,729	21,617	29.98%
Employment	256,028	238,915	-17,112	-6.68%
Males	222,203	198,675	-23,529	-10.59%
Females	33,824	40,421	6,597	19.50%
Unemployment	123,835	186,769	62,934	50.82%
Males	85,547	133,280	47,733	55.80%
Females	38,288	53,309	15,020	39.23%
Unemployment Rates	32.60%	43.88%	--	34.59%
Males	27.77%	40.15%	--	44.60%
Females	53.06%	56.88%	--	7.19%

Men accounted for all net job losses and the bulk of the increase in unemployment. Meanwhile, women's employment actually increased in this period by an estimated 6,595 positions. The total number of unemployed men rose by 55.8 per cent (about 47,730 men) while unemployment among women rose by 39.2 per cent (about 15,000 women). While women's unemployment rates remained considerably higher than men's, the latter experienced an 11.3 percentage point increase — a 44.6 per cent increase in relative terms — as compared to a 3.8 percentage point increase for women. **The evidence suggests that the negative impact of the labour market crisis in 2014 has disproportionately affected men of working age.**

B. Youth in the Labour Market

As indicated by Table 4, while labour force participation among Gaza youth aged 15-24 is, on average, below that of the working age population as a whole, they accounted for about one-quarter of the total labour force. At the same time, youth in the labour force faced average unemployment rates that were 24 percentage points higher than the already high average rates of unemployment. Female youth faced unemployment even higher rates.

Table 4

Gaza Youth Labour Market Developments, 2013-2014
(Standard ILO Definition)

Youth (15-24)	2013	2014	Absolute Change	Relative Change
Labour Force Participation Rate (ILO)	25.50%	28.83%	3.3 pp.	13.06%
Labour Force	94,983	110,368	15,385	16.20%
Unemployment Rate (ILO)	57.22%	67.98%	10.7 pp.	18.80%
Total Unemployed	54,349	75,023	20,674	38.04%

C. Public and Private Sector Employment

As total employment in Gaza shrank by about 6.6 per cent, public sector employment actually increased by 2.7 per cent, or an estimated 2,670 jobs (refer to Table 5). This partially explains the growth in female employment as women are disproportionately employed in the public sector—mainly as teachers and in health care professions. Because the private sector is defined to include UNRWA and non-governmental organizations, both important sources of women’s employment in Gaza, it appears most female employment growth was accounted for by those organizations. On the other hand, average employment in the private sector plunged 12.4 per cent, a loss of an estimated 19,780 jobs.

Table 5

Employment by Sector in Gaza, 2013-2014
(Standard ILO Definition)

Sector	2013	2014	Absolute Changes	Relative Changes
Public Sector	96,778	99,448	2,670	2.76%
Private Sector	159,249	139,467	-19,782	-12.42%
Israel, Settlements	0	0	0	--
Total	256,028	238,915	-17,112	-6.68%

D. Private Sector Activity Employment

On a net basis, the Gaza private sector lost about 19,780 jobs in 2014 with about 23,285 losses in five major economic activities and a 3,500 gain in private services, which include employment in UNRWA, other multilateral organizations and in NGOs (see Table 6). In absolute terms, construction accounts for about 56 per cent of all job losses as employment in that activity shrank by 73 per cent. This was followed by transport and communications in which 23 per cent of all job losses occurred. Employment in that activity fell by 25 per cent relative to its 2013 level. The remaining 20 per cent of job losses were distributed among commerce, manufacturing and agriculture that collectively lost about 4,900 positions

relative to 2013. The only gains came in private services which include multilateral organizations, foreign organizations and domestic and international NGOs.

Table 6

**Employment by Private Sector Activity in Gaza, 2013-2014
(Standard ILO Definition)**

Private Sector Activity	2013	2014	Absolute Changes	Relative Changes
Agriculture, fishing	21,566	20,839	-727	-3.37%
Manufacturing, mining	13,569	12,004	-1,565	-11.54%
Construction	17,850	4,814	-13,037	-73.03%
Commerce, restaurants, hotels	49,280	46,674	-2,606	-5.29%
Transport, communication	21,252	15,903	-5,349	-25.17%
Private services	35,732	39,233	3,501	9.80%
Total	159,249	139,467	-19,782	-12.42%

The disproportionate and negative on impact on construction and transport stems from the sensitivity of those activities to the demise of the tunnel economy. That economy was the key source of construction materials during the years of blockade after 2005. In addition, building and maintaining the tunnels themselves accounted for a portion of construction employment. Likewise transporting and storing imports through Egypt became an important source of employment in the years after 2005.

E. Daily and Monthly Wages

Wages in Gaza in 2014 improved somewhat relative to 2013 as indicated in Table 7. Average daily wage rates in nominal terms rose 2.5 per cent, while the median wage rose 10.9 per cent in nominal terms. The average number of days worked per month rose marginally. The result was a 3.4 per cent increase in the nominal monthly average wage (to NIS 1,545 or USD 432.7) and an 11.8 per cent increase in the nominal monthly median wage (to NIS 1,324 or USD 371).¹⁵ Including the effects of Gaza consumer price inflation of 2.85 per cent, the purchasing power of the average monthly wage increased by 0.58 per cent relative to 2013. The median wage rose 8.7 per cent in real terms as between 2013 and 2014.

¹⁵ The average NIS/USD exchange rate in 2013 was 3.61 and in 2014 was 3.57.

Table 7

Nominal and Real Wages in Gaza, 2013-2014
(in New Israeli Shekels)

Daily and Monthly Wages	2013	2014	Change
Nominal Average Daily Wage	63.07	64.70	2.59%
Nominal Median Daily Wage	50.00	55.48	10.95%
Monthly Days	23.68	23.88	0.83%
Nominal Monthly Average Wage	1,493	1,545	3.44%
Nominal Monthly Median Wage	1,184	1,324	11.87%
Deflator (base year 2010 = 100)	100.29	103.14	2.85%
Real Monthly Average Wage	1,489	1,498	0.58%
Real Monthly Median Wage	1,181	1,284	8.77%

Thus, average real wages for employed Gazans were nearly unchanged in a year that witnessed the most severe unemployment crisis in the history of the region. Likewise, and oddly, the median wage, *that is a better gauge of central tendency with respect to wage dynamics*, increased significantly in this environment. This reflects the fact that those who retained or gained employment had relatively high wage rates relative to those who lost employment. Thus, private services which experienced an expansion in employment in 2014, had the highest wage rates of the six activities listed in Table 6. Construction and transport and communications, the two activities with the largest employment losses, had the second and third highest daily wage rates.¹⁶ The improvement in real wage rates in 2014 stands in marked contrast to their secular decline in recent years. For example, the purchasing power of the average wage in Gaza lost more than 20 per cent of its value between 2005 and 2013.¹⁷

4. Measuring the Poverty Impact

The two definitions of poverty (poor and deep poor) and the two poverty lines (poverty line and deep poverty line) developed by the PCBS in the late 1990s are based on household consumption and expenditures.¹⁸ The *representative household* is currently defined as a household consisting of two adults and three children based on prevailing demographic conditions in 2010.¹⁹

The **poverty line** is established taking into account nine categories of goods and services consumed by Palestinian households: a) food; b) clothing; c) housing; d) utensils and bedding; e) housekeeping supplies; f) health care; g) personal care; h) education; and i) transportation. Adjusting for household

¹⁶ See PCBS *Labour Force Survey Annual Report: 2013*, April, 2014.

¹⁷ The trajectory of real wages is covered in the forthcoming ILO report on the labour market impact of the July-August 2014 Israeli military operation against Gaza.

¹⁸ See PNA National Commission for Poverty Alleviation *Palestine Poverty Report*, 1998.

¹⁹ See PCBS Press Release *Poverty in the Palestinian Territory, 2009-2010*, 10 April 2011, p. 1. Originally the representative household was determined to consist of two adults and four children but this was revised after the 2007 census that revealed smaller households had become more predominant in the country.

size, households were then ranked from highest to lowest on the basis of monthly expenditures for these items. Those households whose consumption of these nine items was below the average household in the 30th per centile (from the lowest per centile) were defined as **poor**. **Adjusting for household size, households or individuals living below this consumption level were considered to lack some of the material requirements for a minimally dignified life.**

The **deep poverty line** is calculated with consideration for household consumption levels in only three basic categories of goods and services: a) food; b) clothing; and c) housing. Households are ranked from highest to lowest with respect to monthly expenditures for these basic sets of items. After adjusting for household size, households whose consumption of the basics is below the average household in the 30th per centile (from the lowest per centile) are defined as **deep poor**. **Adjusting for household size, households or individuals living below this consumption level were considered to lack the most basic material requirements.**

In 2010, the revised **poverty line** for the representative household was estimated at NIS 2,237 (USD 609) in monthly consumption expenditures. The **deep poverty line** was estimated at NIS 1,783 (USD 478). On this basis, the PCBS estimated that in 2010, 38 per cent of the Gaza population was living below the poverty line (as compared to 18.3 per cent in the West Bank). It also estimated that 23 of the Gaza population (about 60 per cent of the total poor) lived in deep poverty (as compared to 8.8 per cent in the West Bank).²⁰ Likewise, the poverty gap—the average distance between poor household consumption levels and the poverty line—was noticeably greater in Gaza as compared to the West Bank. This indicates that poverty was and is more severe in Gaza.

Serial data on poverty in Gaza suggest there are significant jumps in poverty rates resulting from political and economic shocks. In part this is due to the fact that there are concentrations of households whose consumption levels lie just above the poverty line. Thus, the civil strife between Fateh and the Hamas movement in 2007 resulted in an increase in the overall poverty rate from 30 per cent to an estimated 49.5 per cent between 2006 and 2007. **This amounted to an increase of about two-thirds in the poverty rate.** At the same time the estimated deep poverty rate **about doubled** from 16.9 per cent to 32.8 per cent in the same period.²¹ Given the latest available poverty and deep poverty rate estimates for Gaza (38.8 per cent and 21.1 per cent) for 2011,²² it is entirely reasonable to expect at least equal proportionate jumps in poverty rates given the conditions that prevailed in 2014.

²⁰ Data in this paragraph are from PCBS Press Release *Poverty in the Palestinian Territory, 2009-2010*, 10 April 2011, p. 2.

²¹ PCBS Press Release *Poverty in the Palestinian Territory, 2009-2010*, 10 April 2011, p. 3.

²² See <http://www.pcbs.gov.ps/site/881/default.aspx>.

Appendix: Methodological Notes on Measuring Unemployment in Gaza

The unprecedented level of unemployment in Gaza in 2014 is a product of extreme circumstances. First, the effective banning of Gazans from the Israeli labour market in 2001 fundamentally elevated the “core” rate of unemployment. After more than a quarter-century of “exporting” a major portion of its male labour force to Israel, Gaza was left to try to absorb these workers on its own. This would have been an easier task if private manufacturers and farmers were able to develop their export capacity through the use of the then more abundant local labour supply. But Israeli movement restrictions continued to constrain exports after 2001. This was further exacerbated by the Israeli-imposed blockade in 2005 which coincided with the Israeli “redeployment” out of the Gaza Strip. This constrained Gaza imports and further reduced exports. Israeli border control measures were further restricted after the assumption of power by Hamas in 2007. While public sector hiring by both the Palestinian Authority and Hamas have partially offset the higher levels of unemployment, the effect has been marginal.

More generally, the Oslo arrangements between the Government of Israel (GoI) and the Palestinian Authority (PA) regarding fiscal matters, as well as the use of mobility constraints by the GoI as a means of gaining advantage in negotiations, have reduced economic growth and raised unemployment rates in the occupied Palestinian territory relative to neighboring countries. The effect of the GoI “separation policy” combined with movement restrictions was to significantly dampen economic growth.²³ One of the results is that Gaza (and the West Bank) in the past decade has suffered among the highest rates of unemployment in the world, a situation that might be described as “hyper-unemployment.”²⁴

Another result of the Oslo arrangements is that the GoI retains effective control over most PA fiscal resources. The GoI has intermittently stopped the flows of fiscal transfers on which the PA depends to pay public employees. This has introduced several unusual anomalies in the Palestinian labour market and has created some confusion as to how to define and measure their impacts. Below are listed some of the key anomalies affecting the Gaza labour market and suggestions on methods to measure these in terms of standard ILO definitions.

²³ The IMF estimates that if these restrictions had not been imposed the level of per capita GDP would have been between 50 and 100 per cent greater than what it was in 2010. Employment levels would also have been substantially higher. See IMF, *Macroeconomic and Fiscal Framework for the West Bank and Gaza: Seventh Review of Progress*, April 13, 2010, pp. 9-10.

²⁴ In 2012 Gaza’s unemployment rate was an average of 31 per cent ranking it, along with Macedonia and Mauritania, in first place for country and territory unemployment rates worldwide. The oPt as a whole, at 23 per cent, was ranked having the eighth highest unemployment rate in the world in 2012. See *World Bank Development Indicators* at <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>.

The average annual unemployment rate in the oPt was 23.8 per cent during 2000-2012 (West Bank 18.2 per cent; Gaza 32.8 per cent). This was substantially greater than that of Egypt (9.7 per cent), Jordan (13.7 per cent), Syria (8.8 per cent) and Lebanon (8.4 per cent). “Hyper-unemployment” refers to the above-average unemployment rates in the oPt relative to neighbouring countries with similar demographic and cultural characteristics. Comparative data here are from ILO *Key Indicators of the Labour Market* and World Bank *Development Indicators* for the years 2000-2102.

Unpaid Public Sector Workers

Public sector workers in Gaza (and in the West Bank) have been subjected to bouts of non-payment of salaries. After the election of Hamas in early 2006, the GoI confiscated transfer payments owed to the Palestinian Authority creating the first public employee salary crisis.²⁵ The vast bulk of public employees continued to report for work even though they were *not paid fully* for an extended period of time. The PA, with the assistance of donors, created bridging methods to partially compensate public employees during this period. Thus, there was no direct increase in unemployment of public sector workers.

However, public employees' lower salaries temporarily reduced their own household incomes and, as a secondary effect, reduced demand for goods and services in the broader economy leading to some amount of unemployment, or slower employment growth, in the private sector. Reduced wage incomes in the society as a whole would induce more unemployment that would be captured in the standard labour force surveys. Thus, the standard ILO unemployment definition, and the broad unemployment measure, remain relevant and useful. The loss of income and its secondary effects, moreover, would be detected at the level of household income and consumption and, therefore, **be reflected in higher rates of poverty**. Under conditions prevailing in Gaza in 2014, this anomaly is again relevant.

Paid But Absent Public Sector Workers

Beginning in the latter half of 2007, a significant portion of PA employees in Gaza, especially in the security forces, were directed to not report to work by the PA authorities in Ramallah. Effectively, some portion of persons on the public payroll stopped working under the new Hamas government. Yet these employees, tens of thousands of them, continued to receive their full salaries. Technically, these workers could be considered *absentee workers*, defined by the ILO as workers away from their usual place of work 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. If for whatever reason, there had been an irretrievable loss of income resulting from their absence, then the effect would have been similar to a higher level of unemployment induced by lower spending levels on the part of worker households.²⁶

Disemployed Private Sector Workers

In addition to the two above cases, there have been recurring instances of “disemployed” private sector workers in Gaza, i.e. those unemployed due to the destruction of agricultural land, workplaces, tools and capital equipment, raw materials, etc. The disemployed have included significant numbers of workers unable to work for extended periods due to a lack of readily available inputs after military

²⁵ For a discussion of this period and its impact on economic outcomes, see UNRWA *Prolonged Crisis in the Occupied Palestinian Territories: Socio-Economic Impacts of the New Phase on Refugees and Non-refugees*, Gaza, November 2006, pp. 26-28. Available at: www.unrwa.org/resources/reports/prolonged-crisis-occupied-palestinian-territory-recent-socio-economic-impacts.

²⁶ For a discussion of this period, see UNRWA *Prolonged Crisis in the Occupied Palestinian Territory: Socio-Economic Developments in 2007*, Gaza, July 2008, pp. 30-32. Available at www.unrwa.org/resources/reports/prolonged-crisis-opt-socio-economic-developments-2007.

operations directed against the population. These include manufacturing and construction workers in particular. The difference between the disemployed and the cases discussed above is that the disemployed are usually not paid.

By ILO definition, such workers should be considered absentee workers, as they are presumably away from work due to extraordinary conditions. Yet disemployment has occurred during several *extended periods* since at least 2005 and has served to elevate the *effective* unemployment rates, especially after the three main military operations against Gaza since 2008. Over time, some of this unemployment would be captured in the standard labour force surveys, but some portion would be hidden under the “absentee worker” category. Disemployment as a phenomenon is relevant to conditions in the aftermath of the July-August Israeli military operation against Gaza.²⁷

²⁷ See forthcoming ILO report on measurement of the “disemployment” effect in light of the recent history of Gaza.