



► Impact of the escalation of hostilities in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory:¹ Bulletin No. 2

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- The escalation of hostilities in Gaza is continuing to have grave repercussions on lives and livelihoods in the Gaza Strip, with cascading implications for the labour market, not only in Gaza but also in the West Bank.
- Revised estimates suggest that a minimum of 66 per cent of employment has been lost in Gaza Strip, equivalent to 192,000 jobs. The continuing hostilities in the Gaza Strip are exacerbating the spillover effects in the West Bank, where revised estimates now indicate that around 32 per cent of employment has been lost, equivalent to 276,000 jobs.
- In total, as of 30 November 2023, around 468,000 jobs are estimated to have been lost in the Occupied Palestinian Territory (OPT), compared to the earlier estimate of 390,000.
- These job losses in Gaza Strip and the West Bank translate into daily labour income losses of USD 20.5 million.
- As a result of the escalation of hostilities in Gaza and the devastating humanitarian crisis, the unemployment rate in the OPT is projected to increase from 24 per cent in the 4th quarter 2022 to 46.1 per cent in the 4th quarter 2023.
- Employment in all economic sectors is projected to decline with the exception of the agricultural sector, where employment is forecast to remain stable. This sector provides a cushioning effect from the loss of employment from other sectors. Yet, a replacement process is predicted to be taking place within this sector, whereby men take over women's agricultural jobs.

¹ This second technical bulletin has been prepared by the International Labour Organization (ILO) (Regional Economic and Social Analysis Unit of the ILO Regional Office for Arab States and the ILO Employment Policy, Job Creation and Livelihoods Department), in partnership with the Palestinian Central Bureau of Statistics (PCBS). It offers an updated assessment of the impact of the ongoing hostilities in Gaza on employment and incomes in the Occupied Palestinian Territory (OPT), building on descriptive analysis of secondary labour force survey data, as well as forecasting model simulations provided by the econometric model developed jointly by the PCBS, ILO and MAS in 2018.

► Employment and labour market context pre-conflict

The occupation of the West Bank and Gaza Strip since 1967 has led to an erosion of the productive base of the Palestinian economy, coupled with the confiscation of resources essential for growth and development.² Since 2007, Israel has imposed a tight siege on the Gaza Strip, maintaining control over its borders and regulating the movement of the population as well as goods and commodities. The current escalation of hostilities in Gaza not only exacerbates pre-existing challenges but has led to a profound destruction of all aspects of life in the Strip, rendering it essentially uninhabitable, as described by the Palestine Economic Policy Research Institute (MAS) in November 2023.³

Before the onset of the present crisis, the most recent labour force survey conducted by the PCBS, covering the third quarter of 2023 (July-September), reveals a challenging labour market in the OPT, with a notably dire situation in the Gaza Strip. The employment-to-population ratio in the West Bank (41.2 per cent) was nearly double that in Gaza Strip (21.9 per cent). On the other hand, the economic dependency ratio, which refers to the number of persons supported per worker, was more than double in the Gaza Strip (6.4 individuals per worker) compared to the West Bank (2.7 individuals per worker). At the same time, the unemployment rate was four times higher in the Gaza Strip (45.1 per cent) compared to the West Bank (12.9 per cent). There have also been wide variations in unemployment rates by sex, with the female unemployment rate in the OPT (40.8 per cent) twice as high as that of males. Average daily wage levels in the Gaza Strip (NIS 50.6) are little more than a third of those in the West Bank (NIS 138.9).

In general, the elevated unemployment rates and higher economic dependency ratios, combined with the lower wage rates in the Gaza Strip compared to the West Bank, reveal the harsh economic reality and significant strain on livelihoods in the Gaza Strip even before the current crisis.

► Revised estimates of the impact of hostilities in Gaza on employment and the labour market in the OPT

According to the PCBS, the crippling destruction of all aspects of life in Gaza Strip has resulted in the loss of 84 per cent of the Strip's usual monthly production in October and November 2023, with an estimated monthly loss of USD 200 million. The remaining productive capacity of 16 per cent is made up of vital sectors that did not stop production completely, including the health sector, bakeries and part of the internal trade sector to meet people's food and medicinal needs. This is in addition to USD 2.5 billion of losses in fixed assets and property.⁴

Beyond Gaza Strip, violence has also escalated in the West Bank. Israeli authorities are continuing their incursions into Palestinian cities, villages and camps and have imposed tighter movement restrictions between and within governorates, which has led to the severe disruption of trade routes, supply chain networks and workers' mobility. These measures are in addition to the closure

² UNCTAD (2017). UNCTAD Assistance to the Palestinian People: Developments in the Economy of the Occupied Palestinian Territory. Available at: https://unctad.org/system/files/official-document/tdb64d4_embargoed_en.pdf

³ MAS (November 2023). Israel's War: Making Palestine Unlivable for Palestinians - Gaza War Economy Brief #6. Available at: <https://mas.ps/en/publications/9514.html>

⁴ PCBS (2023). Production paralysis in the majority of establishments due to the Israeli occupation aggression on Gaza Strip. Available at: https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_PrivateSectorsLos2023E.pdf

of the Israeli labour market to Palestinian workers as well as the withholding of Palestinian custom duties collected by Israel. In view of these challenges, PCBS preliminary estimates indicate that 37 per cent of the value of monthly production of economic sectors in the West Bank in October and November 2023 have been lost compared to the usual monthly production value. This translates into an estimated loss of about USD 500 million per month. Across the OPT, the cumulative estimated losses in production value for October and November 2023 have surpassed USD 710 million monthly, equivalent to nearly USD 24 million per day. These figures, again, do not encompass losses in fixed assets and property in Gaza.

The devastation brought upon the economy of Gaza Strip, as well as the disruption to the West Bank's everyday economic life, have led to crushing losses in employment and livelihoods. Based on more updated PCBS data and further anecdotal evidence, it is now estimated that, as of end-November, a minimum of 66 per cent of total employment in Gaza Strip has been lost relative to the pre-conflict level, equivalent to around 192 thousand jobs (Table 1). This new estimate continues to reflect an assumed reduction of private sector employment in Gaza by 85 per cent (given that 84 per cent of production has ceased as noted above), a reduction in public sector employment by 15 per cent and the loss of employment for the 20,000 Gazans previously employed in Israel. These new estimates are an upward revision to the job loss estimates in Bulletin No. 1. As the intensity of the conflict spreads to southern Gaza, job losses are expected to grow further.

In addition to the impact on workers from Gaza, some 171 thousand workers from the West Bank who previously worked in Israel and the settlements have lost or have been at risk of losing their jobs. Of these, 10,000 individuals were reported to have worked in the Israeli economy in November 2023, according to the Palestinian Ministry of Labour. This amounts to around 6 per cent of the total number of West Bank Palestinians who worked in Israel and the Settlements pre-conflict. Given the escalating violence in the West Bank and its impacts on supply chains, production capacities and workers' access to their workplaces, losses in private sector employment in the West Bank are revised upward to 20 per cent, equivalent to 115 thousand jobs. This translates into total loss of 276 thousand jobs in the West Bank or a 32 per cent decline in employment compared to the pre-conflict level. In total, some 468 thousand jobs, or 40 per cent of total employment, is estimated to have been lost in the OPT as of the end of November 2023.

► **Table 1. Summary of employment losses, previous and current estimates**

Loss in jobs (by region)	Estimates as of 31 October 2023	Estimates as of 30 November 2023	Change
From Gaza			
In numbers	182,000	192,000	10,000
In %	61%	66%	
From the West Bank			
In numbers	208,000	276,000	68,000
In %	24%	32%	
Total from the OPT			
In numbers	390,000	468,000	78,000
In %	33%	40%	

Source: ILO estimates based on PCBS data.

In line with these revised estimates of employment losses, we have also revised our estimates of daily labour income losses, which are now estimated at USD 20.5 million (table 2).

► **Table 2. Estimates of daily labour income losses, in millions**

Loss in daily incomes		October 2023	November 2023
From Gaza Strip	From job losses in private sector (NIS)	4.8	4.9
	From job losses in public sector (NIS)	1.2	1.2
	From job losses in Israel and the settlements (NIS)	5.8	5.9
	Total daily labour income losses (NIS)	11.8	12.0
	Total daily labour income losses (USD)	2.9	3.2
From the West Bank	From job losses in private sector (NIS)	7.5	15.8
	From job losses in Israel and the settlements (NIS)	43.9	48.1
	Total daily labour income losses (NIS)	51.4	63.9
	Total daily labour income losses (USD)	12.8	17.3
Total daily labour income losses in the OPT (NIS)		63.2	75.9
Total daily labour income losses in the OPT (USD)		15.7	20.5

Note: Average wages of wage employees are used as a proxy of labour income.

Source: ILO estimates based on PCBS data.

► Projections of labour market outcomes in the OPT in the fourth quarter of 2023

In order to project the impact of the escalation of hostilities in Gaza on the labour markets of the OPT in the fourth quarter of 2023, an extended version of a PCBS forecasting model was utilized. The model has the capacity to forecast outcomes for the OPT as one unit, but not for the West Bank and Gaza Strip separately. To capture usual seasonality effects, comparisons are carried out with the modelled estimates for the fourth quarter of 2022.

According to the model's projections, the unemployment rate in the OPT in the fourth quarter of 2023 will almost double to 46.1 per cent compared to 24.4 per cent in the same quarter of 2022. As a result of the loss of employment in Israel, the compression of the private sector production in the West Bank and the near total collapse of all economic sectors in the Gaza Strip, the number of unemployed in the last 3 months of 2023 is forecast to grow by 75 per cent compared to the last quarter of the previous year.

The model results also indicate changes to the sectoral employment structure in the OPT, *excluding workers in Israel and the settlements*, in the fourth quarter of 2023 compared to the previous year. The share of employment in agriculture has been projected to increase while the size of employment in this sector remains relatively stable. This is the only sector that is projected not to face substantial employment losses as workers either remain and/or enter this sector during economic crunch periods as a coping mechanism. This was also the case during the first and second intifadas. At the same time, the industry, construction and services sectors are projected to experience significant employment losses during the fourth quarter of 2023 compared to the same period last year.

► **Table 3. Change in sectoral employment share and size between Q4 2022 and Q4 2023, OPT**

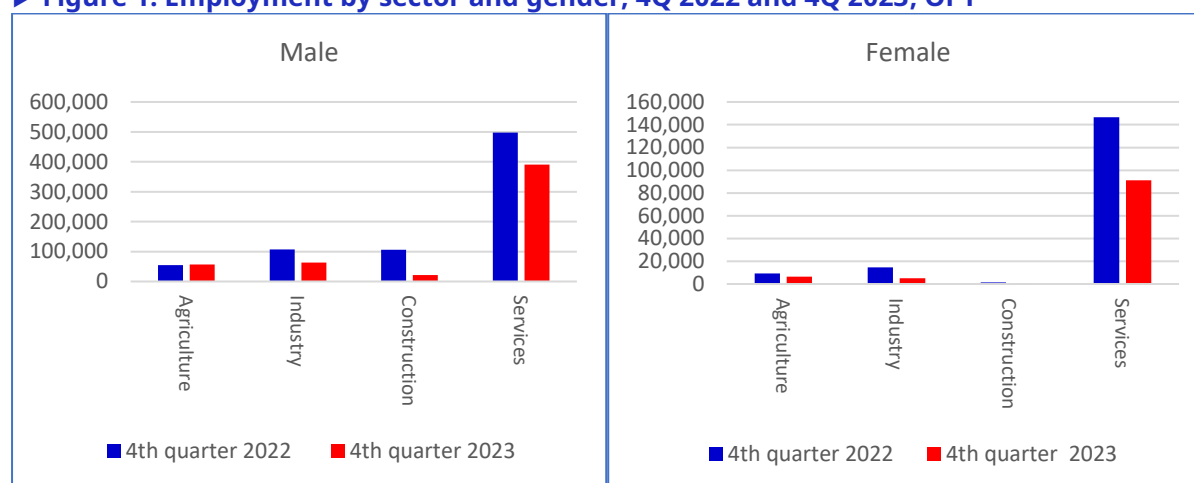
	Q4 2022		Q4 2023		Overall loss in employment
	Employment in numbers	Percentage distribution	Employment in numbers	Percentage distribution	
Agriculture	63,000	7%	63,000	10%	-
Industry	121,000	13%	68,000	11%	53,000
Construction	107,000	11%	21,000	3%	85,000
Services	644,000	69%	482,000	76%	162,000
Total	937,000		635,000		301,000

Note: Totals may not add up exactly due to rounding. Workers in Israel and the settlements are excluded from these numbers.

Source: PCSB forecasting model.

By gender, the projected estimates indicate a possible replacement of women by men in the agricultural sector, with a slight increase in the number of male workers in the agricultural sector and a decline in the number of female workers. Since many women work in this sector as subsistence workers, the rise in male unemployment may lead to men pushing out women in the sector (figure 1). Wages have also been affected. Average real daily wages are also projected to decline from USD 24 in 2022 to USD 23 in 2023. While this represents only a 4 per cent decline, it is significant in terms of value since it measures the impact on the average real daily wages for the entire year and not just for a particular quarter.

► **Figure 1. Employment by sector and gender, 4Q 2022 and 4Q 2023, OPT**



Source: PCSB forecasting model.

► Concluding remarks

The impact of the ongoing hostilities in Gaza is incomparable to previous ones, as the destruction brought upon lives and livelihoods has been colossal. The spillover effects of these hostilities on the West Bank's economy through the tightening of movement restrictions, closure of the Israeli labour market to Palestinian workers and disruptions to supply chain networks, have also been significant.

While Gaza Strip has experienced a loss of nearly two-thirds of its employment, the West Bank has also suffered, albeit to a lesser extent, with approximately a third of its employment lost. However, due to the larger size of the West Bank's economy, the absolute number of job losses there is considerably higher, underscoring the far-reaching economic consequences of the conflict across the entire Palestinian territory.

Job and wage losses have already reshaped the labour market, causing shifts in the distribution of workers across sectors and altering gender patterns within those sectors. While these changes may be temporary during the ongoing crisis, their potential long-term impact becomes more pronounced if the post-conflict reconstruction process in Gaza is sluggish or if Israel maintains its restrictions on the West Bank.

Overall, the economic recovery of the OPT remains intricately tied to political outcomes, including bringing the ongoing hostilities in Gaza to an end and lifting Israeli restrictions on the West Bank. Once reconstruction efforts start, they must extend beyond restoring Gaza's infrastructure and institutions. It is crucial to steer the Palestinian economy towards sustainable growth, reducing its dependence on external sources, including the Israeli economy and international aid. This strategic approach will be vital for ensuring resilience and self-sufficiency in the face of future challenges.