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labour market in the west bank briefing on first-half 2011

**Labour Market in the West Bank
A Briefing on First-Half 2011**

December 2011

West Bank Labour Market A Briefing on First-Half 2011

Summary

There was continued and moderate employment growth in the West Bank in the first half of 2011. Overall employment increased at a rate of 4.3 percent relative to first-half 2010 with the private sector accounting for more than 90 percent of growth and with construction activity responsible for 70 percent of private sector job gains. The public sector shed jobs in this period. Indicators suggest an acceleration in economic activity in first-half 2011 relative to second-half 2010.

Unemployment grew at an even more rapid pace—8.3 percent on a year-on-year basis—with the broad unemployment rate rising marginally from 21.7 percent to 22.4 percent as labour force growth continued to outpace employment growth. Despite employment growth, and a marginally higher work effort on the part of the employed persons, the purchasing power of average monthly wages declined by 2.8 percent in this period. The persistence of historically high levels of unemployment continued to depress average real wages in the West Bank.

Refugees, in general, fared less well than non-refugees. Non-refugee employment, in the year-on-year comparison, increased by 5.2 percent, with the number of unemployed non-refugees rising 7.5 percent. By contrast, refugee employment grew only 1.5 percent, while the number of unemployed among them rose by 10.3 percent. The average refugee unemployment rate in first-half 2011 was 27.4 percent, up from 25.5 percent in first-half 2010. In the same period, the non-refugee unemployment rate rose marginally from 20.4 percent to 20.9 percent. Average monthly wages in inflation-adjusted terms declined 2.3 percent for non-refugees and by 4.8 percent for refugees in this period. The average monthly non-refugee wage in real terms remained significantly higher than that of refugees.

A summary of trends in the West Bank labour market as a whole, and for refugees and non-refugees separately, is provided below. Section 1 provides overall findings regarding labour force participation, employment by sector and activity, unemployment and wages in the West Bank; Section 2 presents results for refugees and; Section 3 shows the findings for non-refugees.

The reference period is the first half of 2011. *Sequential changes* compare first-half 2011 with second-half 2010 and oftentimes includes significant seasonal fluctuations. *Parallel changes* compare first-half 2011 with first-half 2010 (a year-on-year comparison). The latter comparison largely eliminates seasonal fluctuations in the data.

1. West Bank Labour Market in General

A. Population and Labour Force

The average working-age population (15 years of age or older) in the West Bank (including East Jerusalem) is estimated to have grown by about 1.7 percent as between second-half 2010 and first-half 2011. The broad labour force participation rate, that is the proportion of the working-age population that was either employed, actively seeking employment or willing to work—rose slightly to 47.7 percent in first-half 2011.¹ The broad labour force—calculated as the product of the working age population and the labour force participation rate—increased 2.1 percent to an estimated 746,460 persons. There were about 30,850 more persons employed in first-half 2011, an increase of 5.6 percent relative to second-half 2010. The broad unemployment rate declined about 2.5 percentage points to 22.4 percent and the number of unemployed fell 8.3 percent to an average of 167,680.²

West Bank

	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Broad Labour Market Aggregates					
Working-Age Population (15+)	1,509,273	1,536,510	1,563,619	1.76%	3.48%
Labour Force Participation Rate	46.86%	47.57%	47.74%	0.35%	1.84%
Labour Force	707,255	730,933	746,459	2.12%	5.25%
Employment	553,588	547,919	578,776	5.63%	4.35%
Unemployment	153,667	183,014	167,683	-8.38%	8.36%
Unemployment Rates	21.74%	25.07%	22.49%	-10.28%	3.37%

On a year-on-year basis, the broad labour force grew by an estimated 5.2 percent or about 39,200 persons. Employment grew by about 25,175 persons or 4.3 percent, while the number of unemployed increased by 8.3 percent or about 14,000 persons. The unemployment rate in first-half 2011—22.4 percent—was about 0.75 percentage points above that in first-half 2010.

B. Employment by Sector

The increase in employment in the first half of 2011 was composed of an 8.6 percent increase in employment in the private sector, a 5.5 percent increase in Israel and settlements and 5.7 percent drop in public sector employment relative to second-half 2010. In absolute terms, there were 32,600 more private sector jobs; 4,225 more Palestinians working in Israel and settlements and about 5,255 fewer public sector jobs in the sequential period.

¹ The broad definition of labour force participation, broad unemployment and broad unemployment rates used throughout this briefing include the narrow ILO definition *plus* an estimate of the proportion of the working-age population that has stopped searching for work due to their belief that no work can be found, i.e. “discouraged workers.”

² The sequential and parallel changes in the labour force participation *rates* and unemployment *rates* in this briefing are *relative changes* in those rates—not absolute changes.

West Bank

	First-Half	Second-Half	First-Half	Sequential	Parallel
Employment by Sector	2010	2010	2011	Change	Change
Public Sector	88,342	91,498	86,243	-5.74%	-2.43%
Private Sector	384,703	378,359	410,968	8.62%	6.39%
Israel, Settlements	79,619	76,723	80,949	5.51%	1.64%
Total	553,588	547,919	578,776	5.63%	4.35%

Comparing first-half 2011 with first-half 2010, total employment growth was about 25,185 positions or 4.3 percent. The public sector shed about 2,100 jobs on average or 2.4 percent. Private sector employment grew by about 26,265 jobs or 6.3 percent, accounting for more than 90 percent of net employment gains in the West Bank in the year-on-year comparison. Employment in Israel and settlements grew 1.6 percent or about 1,325 jobs in the parallel comparison. The more rapid rates of job growth in the sequential period comparison suggest an acceleration in job creation in first-half 2011.

C. Private Sector Employment³

Domestic private sector employment in the West Bank grew by 8.6 percent in the sequential period or about 32,600 jobs. Agricultural employment fell by about 9,140 or 13.9 percent relative to second-half 2010, while private services shed more than 16,140 jobs, a loss of 22.1 percent. Construction employment grew by 81.1 percent, a gain of 41,515 jobs on average, accounting for more than 70 percent of all private sector employment growth in first-half 2011 relative to the previous semi-annual period. This was accompanied by a 14.2 percent increase in manufacturing jobs, about 9,000 in absolute terms, which accounted for another 15.5 percent of all jobs created in this period.⁴ Commerce and restaurants employed 4 percent more people for a total estimated gain of 4,000 positions, while transport and communications expanded some 13.2 percent or by 3,365 jobs.

West Bank

	First-Half	Second-Half	First-Half	Sequential	Parallel
Private Sector Employment	2010	2010	2011	Change	Change
Agriculture, fishing	68,073	65,593	56,451	-13.94%	-20.59%
Manufacturing, mining	67,566	63,290	72,292	14.22%	6.54%
Construction	56,157	51,148	92,663	81.17%	39.40%
Commerce, restaurants, hotels	93,407	100,036	104,047	4.01%	10.23%
Transportation, communication	27,908	25,371	28,739	13.27%	2.89%
Private services	71,591	72,921	56,777	-22.14%	-26.09%
Total	384,703	378,359	410,968	8.62%	6.39%

³ Employment data for the private sector throughout this briefing include domestic employment only, i.e. those employed in the West Bank, including East Jerusalem, and exclude employment in Israel, settlements and Israeli industrial zones.

⁴ Manufacturing activity has close linkages with construction activity, e.g. metal, wood and plastic products such as doors and door frames, windows and window frames, wrought iron fixtures for stairs, plastic tubes for plumbing, etc.

In the parallel period comparison, there were about 26,265 more private sector jobs, a growth rate of 6.3 percent. Construction contributed nearly 70 percent of these gains, adding some 36,500 additional jobs, 39.4 percent more than in first-half 2010. Commerce added 10,640 new jobs, accounting for about 20 percent of the gains, while manufacturing added some 4,725 additional positions and accounting for about 9 percent of employment growth. On the other hand, private services (which include employment in UNRWA and NGOs) shed about 14,815 jobs in the year-on-year comparison, a decline of 26 percent and accounting for 56 percent of all job losses. Agriculture dropped some 11,620 jobs or about one-fifth relative to first-half 2010.

D. Wages Rates and Monthly Wages

Significant levels of long-term unemployment in the West Bank continued to undermine wages in both period comparisons. The average nominal daily wage in the West Bank fell 1.2 percent in first-half 2011 relative to second-half 2010 to NIS 101.2 (about USD 28.6).⁵ The employed in the West Bank worked an average of 21.9 days per month, unchanged from second-half 2010. The combined effect 1.1 percent decline in the average nominal monthly wage to NIS 2,220 (about USD 628.8). Consumer price inflation of 1.3 percent in the sequential period further eroded the average real monthly wage which fell 2.4 percent relative to second-half 2010.

West Bank

	First-Half	Second-Half	First-Half	Sequential	Parallel
Average Wages (NIS)	2010	2010	2011	Change	Change
Daily Wage	101.5	102.5	101.2	-1.23%	-0.34%
Monthly Days	21.7	21.9	21.9	0.09%	1.15%
Monthly Wage	2,202	2,245	2,220	-1.14%	0.81%
Deflator (2004=1.00)	1.25	1.28	1.30	1.31%	3.56%
Real Monthly Wage	1,759	1,752	1,710	-2.41%	-2.85%

In the parallel period, nominal daily wages fell 0.3 percent with the average monthly wage rising 0.8 percent relative to first-half 2010. Year-on-year consumer inflation of 3.5 percent resulted in a 2.8 percent decline in the purchasing power of the average West Bank monthly wage. Despite a 6.3 percent increase in employment and slightly higher number of days worked per month in the year-on-year period, real wages continued to deteriorate. Even marginal growth in the number of Palestinians working in relatively high wage jobs in Israel, persistently high levels of unemployment, and relatively low private sector wages, continued to depress average real wages in the West Bank.

⁵ The average NIS/USD exchange rate in first-half 2011 was 3.53 based on data from PCBS and the Palestine Monetary Authority. That rate is used in all calculations in this briefing.

2. Refugees in the West Bank Labour Market

A. Refugee Population and Labour Force⁶

The estimated refugee working-age population in the West Bank was about 450,800 persons in first-half 2011. The broad refugee labour force participation rate rose by about 0.5 percentage points relative to second-half 2010. This resulted in 2.9 percent increase in the refugee labour force to 182,730, about 5,250 more than in second-half 2010. Refugee employment in the West Bank rose 3.7 percent in first-half 2011, while the number of unemployed refugees grew 0.9 percent to 50,055 persons, as unemployment generally in the West Bank declined (see above). The average broad refugee unemployment rate declined by about 0.5 percentage points to 27.4 percent, about 5 percentage points above the average for the West Bank as a whole.

West Bank Refugees

	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Broad Labour Market Aggregates					
Working-Age Population (15+)	435,139	442,991	450,807	1.76%	3.48%
Labour Force Participation Rate	40.34%	40.06%	40.53%	1.17%	0.47%
Labour Force	175,547	177,482	182,734	2.96%	3.93%
Employment	130,683	127,898	132,678	3.74%	1.50%
Unemployment	44,864	49,584	50,056	0.95%	10.37%
Unemployment Rates	25.56%	27.95%	27.42%	-1.90%	6.77%

In the parallel period comparison, there was a 3.9 percent increase in the refugee labour force relative to first-half 2010. In absolute terms, there were about 7,200 more refugees economically engaged in first-half 2011 relative to the parallel period in 2010. This consisted of about 2,000 more employed refugees and about 5,200 more unemployed ones (those seeking work or willing to work but not actively searching), as the unemployment rate rose about 2 percentage points. The much higher rate of employment growth in the sequential period as compared to the parallel period suggests an acceleration of employment growth in 2011. At the same time, **it is noteworthy that the number of unemployed refugees increased about 2.5 times more than the number of employed ones in this period.**

B. Refugee Employment by Sector

In the context of 3.7 percent overall employment growth, refugees lost ground in the public sector, where their employment declined 2.9 percent in the sequential period. At the same time, refugee employment grew 9 percent in the private sector and 13.4 percent in Israel and settlements. The private sector provided some 8,325 more positions for refugees while Israel and the settlements about 1,535 more jobs. Thus, the private sector accounted for 84.4 percent of job net employment gains for refugees in the sequential period.

⁶ Estimates of the refugee population—and therefore the non-refugee population—in the West Bank are based on the results of the 2007 census. The ratio of refugees in the total population in the years after 2007 is assumed to be the same as that given in the census—27.3 percent. Population growth rate after 2007 is assumed to be the annual average during the 1997-2007 period—2.54 percent—applied to both refugees and non-refugees.

West Bank Refugees

	First-Half	Second-Half	First-Half	Sequential	Parallel
Employment by Sector	2010	2010	2011	Change	Change
Public Sector	25,278	24,769	24,039	-2.95%	-5.15%
Private Sector	91,317	91,667	99,994	9.08%	8.68%
Israel, Settlements	13,969	11,394	12,931	13.49%	-8.03%
Total	130,683	127,898	132,678	3.74%	1.50%

In the parallel period comparison, refugees gained employment only in the private sector where total job growth was 8.6 percent or 8,675 positions. Refugee employment in the public sector declined even more rapidly than in the sequential period comparison, 5.1 percent or a loss of about 1,240 jobs. Employment of refugees in Israel and settlements fell even more sharply, down 8 percent or about 1,035 jobs. **Total employment growth of refugees was about 1.5 percent year over year, well below the overall rate of job growth for non-refugees in the West Bank (see below).**

C. Refugee Private Sector Employment

Refugee private sector employment grew about 9 percent, adding 8,325 jobs in the sequential period comparison. There were declines in employment in commerce and restaurants and in transportation and communication, but growth in the other four of main activities. There was a particularly sharp rise in construction employment of 63.6 percent entailing a gain of 8,140 jobs.

West Bank Refugees

	First-Half	Second-Half	First-Half	Sequential	Parallel
Private Sector Employment	2010	2010	2011	Change	Change
Agriculture, fishing	11,761	10,881	12,211	12.23%	3.69%
Manufacturing, mining	13,322	12,039	12,313	2.28%	-8.19%
Construction	13,726	12,786	20,925	63.66%	34.40%
Commerce, restaurants, hotels	23,836	27,976	24,883	-11.05%	4.21%
Transportation, communication	6,029	6,586	5,824	-11.58%	-3.52%
Private services	22,644	21,399	23,838	11.40%	5.01%
Total	91,317	91,667	99,994	9.08%	8.68%

In the parallel period comparison, job creation totaled 8,675 or 8.6 percent relative to first-half 2010. Manufacturing employment was down 8.1 percent or 1,000 positions, while transportation and communication jobs were down 3.5 percent or a loss of 205. Construction led the way in job growth for refugees with about 7,200 new jobs relative to first-half 2010, accounting for nearly 73 percent of net new private sector positions in the year-on-year comparison.

D. Refugee Wages Rates and Monthly Wages

The average nominal daily wage fell 2.3 percent for employed refugees in first-half 2011 relative to second-half 2010. At NIS 91.2 (about USD 25.8) it was 14.4 percent below that of non-refugees (see below). With the average number of days worked per month falling 1.1 percent, the average nominal monthly wage declined 3.4 percent to NIS 1,996 (USD 565.4), 14.8 percent below that of non-refugees. After factoring consumer inflation into the calculation, the

purchasing power of the average real monthly wage for refugees fell 4.7 percent, as compared to a 1.6 percent decline for non-refugees.

West Bank Refugees

	First-Half	Second-Half	First-Half	Sequential	Parallel
Average Wages (NIS)	2010	2010	2011	Change	Change
Daily Wage	92.5	93.5	91.2	-2.38%	-1.33%
Monthly Days	21.8	22.1	21.9	-1.12%	0.23%
Monthly Wage	2,018	2,068	1,996	-3.47%	-1.09%
Deflator (2004=1.00)	1.25	1.28	1.30	1.31%	3.56%
Real Monthly Wage	1,612	1,614	1,538	-4.72%	-4.83%

In the parallel period comparison, average nominal daily wages for refugees fell 1.3 percent offset somewhat by a 0.2 percent increase in monthly days worked. This resulted in a 1 percent decline in the average nominal monthly wage. After the effects of inflation are accounted for, real monthly wages were down 4.8 percent, compared to a 2.3 percent decline for non-refugees (see below).

3. Non-Refugee Labour Market

A. Non-Refugee Population and Labour Force

The non-refugee working age population is estimated at about 1.1 million persons in first-half 2011. An estimated 50.6 percent of that population participated in the labour market resulting in a labour force of some 563,725. (By comparison, the refugee broad participation rate was only 40.5 percent in the same period, about 10 percentage points below that of non-refugees.) A slightly higher labour force participation rate, coupled with population growth, resulted in a 1.8 percent increase in the size of the non-refugee labour force in first-half 2011. In absolute terms there were about 10,275 more non-refugees in the labour force relative to second-half 2010. Non-refugee employment grew 6.2 percent relative to second-half 2010, about 26,075 positions. At the same time, the number of broadly unemployed non-refugee fell by 15,800 or about 11.8 percent. The average unemployment rate fell 3.2 percentage points to 20.9 percent. **Both job growth and unemployment reduction were far more robust for non-refugees as compared to refugees in this period.**

West Bank Non-Refugees

	First-Half	Second-Half	First-Half	Sequential	Parallel
Broad Labour Market Aggregates	2010	2010	2011	Change	Change
Working-Age Population (15+)	1,074,134	1,093,518	1,112,811	1.76%	3.48%
Labour Force Participation Rate	49.50%	50.61%	50.66%	0.09%	2.28%
Labour Force	531,708	553,451	563,725	1.86%	5.68%
Employment	422,905	420,021	446,098	6.21%	5.20%
Unemployment	108,803	133,430	117,627	-11.84%	7.50%
Unemployment Rates	20.47%	24.15%	20.90%	-13.46%	2.04%

In the parallel period comparison, the non-refugee labour force grew by 5.6 percent or about 32,000 persons. This consisted of approximately 23,200 more employed persons (a 5.2 percent increase) and 8,825 more unemployed ones (a 7.5 percent increase relative to a year earlier). This contrasted with a 3.9 percent increase in the refugee labour force; a 1.5 percent increase in

refugee employment and; a 10.3 percent increase in refugee unemployment. The average broad unemployment rate among non-refugees in first-half 2011 stood at 20.9 percent—about 0.5 percentage points above its rate a year earlier but 6.5 percentage points below that of refugees.

B. Non-Refugee Employment by Sector

Like refugees, non-refugees lost employment in the public sector, down 6.7 percent or 4,525 jobs in first-half 2011 relative to second-half 2010. Private sector employment grew 8.4 percent or 24,280 positions, while that in Israel and settlements grew 4.1 percent, about 2,685 jobs. By contrast, and in proportional terms, refugee losses in the public sector were smaller, their gains in the private sector were larger and their gains in Israel and settlements were much greater in this period.

West Bank Non-Refugees

	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Employment by Sector					
Public Sector	63,064	66,729	62,204	-6.78%	-1.38%
Private Sector	293,385	286,692	310,974	8.47%	5.66%
Israel, Settlements	65,650	65,329	68,017	4.12%	3.48%
Total	422,905	420,021	446,098	6.21%	5.20%

Comparing first-half 2011 with first-half 2010 indicates a 1.3 percent decline in public sector (860 jobs), a 5.6 percent increase in private sector employment (17,585 positions) and a 3.4 percent increase in employment in Israel and settlements (2,365 jobs). By comparison, refugees saw steeper cuts in public sector employment, larger gains in private sector employment and a decline in jobs in Israel and settlements. About 88 percent of non-refugee employment growth was in the domestic private sector. **Overall, non-refugees gained jobs at a rate more than three times the rate for refugees in this period.**

C. Non-Refugee Private Employment

Non-refugees witnessed a 8.4 percent increase in private sector employment, some 24,280 jobs in net terms. There were significant job losses in agriculture (10,470 jobs) and private services (18,580 positions). These were offset by 33,375 more construction jobs, an 87 percent jump; 8,725 more manufacturing positions, up 17 percent; 7,100 more jobs in commerce and restaurants, an increase of 9.8 percent and; 4,130 more transportation or communications positions, up 21.9 percent. By comparison, refugees gained employment in agriculture and private services but lost ground in commerce and transportation and communications.

West Bank Non-Refugees

	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Private Sector Employment					
Agriculture, fishing	56,312	54,712	44,240	-19.14%	-27.29%
Manufacturing, mining	54,245	51,251	59,979	17.03%	9.56%
Construction	42,431	38,362	71,738	87.00%	40.85%
Commerce, restaurants, hotels	69,571	72,061	79,164	9.86%	12.12%
Transportation, communication	21,879	18,785	22,915	21.99%	4.52%
Private services	48,947	51,522	32,939	-36.07%	-48.60%

Total	293,385	286,692	310,974	8.47%	5.66%
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In the parallel period comparison, there were about 17,585 more non-refugees employed in the private sector, 5.6 more than in first-half 2010. There were significant losses in agriculture, some 12,000 jobs or a decline of 27.2 percent, and in private services (which include UN and NGO positions), some 16,000 jobs or a 48.6 percent decline relative to first-half 2010. On the positive side, construction added 29,300 jobs for a gain of 40.8 percent; commerce employed 9,590 more non-refugees for a gain of 12.1 percent; manufacturing employment grew by 5,735 jobs for a gain of 9.5 percent and; transport and communications added 1,030 jobs or 4.5 percent more. Construction accounted for about 64.1 percent of all new jobs held by non-refugees in the year-on-year period. Refugees, by contrast, lost employment in manufacturing and transport and communications but gained in agriculture and private services (see above).

D. Non-Refugee Wages Rates and Monthly Wages

The average daily nominal wage rate for non-refugees fell 0.7 percent in first-half 2011 relative to the second-half 2010 to NIS 104.4 (about USD 29.5). That wage was about NIS 13.2 more than the average for refugees indicating a 14.4 percent advantage in favour of non-refugees. The average number of days worked per month rose by 0.4 percent to 22. The result was a 0.3 percent decline in the average monthly wage for employed non-refugees to NIS 2,293 (USD 649.5). In purchasing power terms, the average monthly wage of non-refugees fell 1.6 percent relative to second-half 2010 due to inflation. This compares to a 4.7 percent decrease for refugees.

West Bank Non-Refugees

	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Average Wages (NIS)					
Daily Wage	104.6	105.3	104.4	-0.79%	-0.16%
Monthly Days	21.6	21.8	22.0	0.48%	1.46%
Monthly Wage	2,263	2,300	2,293	-0.32%	1.30%
Deflator (2004=1.00)	1.25	1.28	1.30	1.31%	3.56%
Real Monthly Wage	1,807	1,795	1,766	-1.61%	-2.35%

Relative to the first-half of 2010, non-refugee average daily wages were down by 0.1 percent, monthly days worked were up 1.4 percent and the average nominal monthly wage was up about 1.3 percent. In real purchasing power terms, the average monthly wage was down 2.3 percent on average in first-half 2011 relative to first-half 2010. Thus, non-refugees were working more days per month but this was insufficient to raise the real purchasing power of their monthly wages on average. This paralleled the experience of refugees but, in the latter case, average daily wages fell by more and monthly days worked grew by less.

This briefing was prepared by Salem Ajluni.