Labour Market in the Gaza Strip: A Briefing on First-Half 2011

Summary

In an economy severely depressed for most of the past decade, developments in the first half of 2011 provided some marginal relief. The Gaza labour market in first-half 2011 was characterized by relatively significant growth in employment and an equally significant decline in unemployment relative to the same period in 2010. Total employment grew by 21 percent in the year-on-year comparison, with about 41,270 more people working, with refugees accounting for about half this growth. While the public sector continued to expand employment—particularly among non-refugees—private sector employment grew by more than 50 percent, accounting for the vast bulk of growth. Construction, commerce and agriculture accounted for more than 70 percent of all new job opportunities in this period.

The broad refugee labour force participation rate continued to decline, albeit at a slower rate, and averaged 37.2 percent while that of non-refugees rose to 46.4 percent in the first half of 2011. Both refugees and non-refugees made employment gains with non-refugee experiencing both more rapid growth and more rapid reductions in unemployment. On the other hand, real wage gains were greater for refugees in this period. The broad refugee unemployment rate fell from 41 percent in first-half 2010 to 33.8 percent in first-half 2011. In the same period broad unemployment for non-refugees declined from 43.7 percent to 31.6 percent.

The main factor in the surge in private employment was expanded activity in the tunnel economy resulting in expanded importation of much needed building materials and other productive inputs. This allowed for the reactivation of long-dormant construction and related activities. While the informal economy provided for wider imports, the blockade continues to restrict exports, which today stand at just over three per cent of pre-blockade levels, preventing sustainable economic growth.

Indicators suggest an acceleration in economic activity in first-half 2011 relative to second-half 2010. Employment gains and declining unemployment were also associated with a partial reversal of the real wage deterioration witnessed in Gaza since 2008. In inflation adjusted terms, the average monthly refugee wage increased by 14.5 percent in first-half 2011 relative to first-half 2010 while that for non-refugees grew only 0.5 percent. Despite significant gains, unemployment in Gaza, as well as poverty, remain among the most severe in the world. Furthermore, the Israeli-imposed blockade continues to impede Gaza exports, without which there can be no sustainable private sector growth and development.

The details on these trends for the Gaza Strip labour force as a whole, and separately for refugees and non-refugees are presented below. Section 1 provides overall findings regarding labour force participation, employment by sector and activity, unemployment and wages in Gaza; Section 2 presents results for refugees and; Section 3 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 are subject to seasonal fluctuations. Parallel changes compare first-half 2011 with first-half 2010. The latter comparison largely eliminates seasonal fluctuations in the data.

1. Gaza Labour Market in General

A. Population and Labour Force

The average working-age population (those 15 years of age or older) in the Gaza Strip is estimated to have grown by 2 percent in first-half 2011 relative to second-half 2010.[1] The proportion of that population that was employed, actively sought employment or who were willing to work during this interval—i.e. the broad labour force participation rate—declined marginally to 40.25 percent.[2] The resulting labour force increased by some 1.9 percent to an estimated 354,155 persons. Employment jumped by more than 47,000 jobs in first-half 2011, or 24.7 percent to an estimated 237,475. The broad unemployment rate declined to 32.9 percent from 45.2 percent in second-half 2010, as the number of unemployed fell 25.7 percent to an estimated 116,675.[3]

Gaza Strip Broad Labour Market Aggregates	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Working-Age Population (15+)	844,394	862,004	879,859	2.07%	4.20%
Labour Force Participation Rate	40.10%	40.32%	40.25%	-0.16%	0.37%
Labour Force	338,614	347,541	354,156	1.90%	4.59%
Employment	196,206	190,367	237,479	24.75%	21.04%
Unemployment	142,408	157,175	116,677	-25.77%	-18.07%
Unemployment Rates	42.03%	45.23%	32.98%	-27.08%	-21.53%

In the parallel period comparison, the labour force grew by 4.5 percent or about 15,540 persons. Employment grew by about 41,270 persons, while unemployment fell by about 25,730 in first-half 2011 relative to first-half 2010. The average broad unemployment rate in first-half 2011 was about 9 percentage points below that for first-half 2010.

B. Employment by Sector

The private sector accounted for 90 percent of all job gains in first-half 2011 relative to second-half 2010 as it added 42,450 positions.[4] In proportional terms, private sector employment jumped by 42.4 percent in the sequential period comparison. Public sector employment grew by 4,660 jobs or 5.1 percent in the same period.

Gaza Strip					
Employment by Sector	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Public Sector	87,905	90,465	95,127	5.15%	8.22%
Private Sector	108,301	99,901	142,352	42.49%	31.44%
Israel, Settlements	0	0	0	--	--
Total	196,206	190,367	237,479	24.75%	21.04%

In the parallel period comparison, the private sector added an average of 34,000 jobs, an increase of 31.4 percent in first-half 2011 relative to first-half 2010, accounting for about 82.5 percent of total job growth in this period. The public sector expanded employment by about 7,200 positions or 8.2 percent. The private sector grew by nearly four times the rate of the public sector in this period, reversing the pattern seen in second-half 2010 when the public sector employment accounted for about 70 percent of job gains.

C. Private Sector Employment

With about 42,450 additional jobs, there was growth in every one of the six main economic activities in first-half 2011. Agriculture and commerce each accounted for about one-quarter of the job growth in the sequential period comparison, with private services contributing about 17 percent of new employment. Construction produced a further 13 percent of the job gains. Agriculture employment nearly doubled relative to the second half of 2010 with construction employment rising nearly 72 percent.

Gaza Strip					
Private Sector Employment	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Agriculture, fishing	17,371	12,390	23,761	91.79%	36.79%
Manufacturing, mining	9,765	8,908	12,786	43.54%	30.94%
Construction	3,741	7,663	13,174	71.91%	252.11%
Commerce, restaurants, hotels	34,319	32,588	43,133	32.36%	25.68%
Transportation, communication	12,159	13,497	17,530	29.89%	44.18%
Private services	30,946	24,856	31,967	28.61%	3.30%
Total	108,301	99,901	142,352	42.49%	31.44%

Relative to the first half of 2010, private sector employment grew 31.4 percent, adding some 34,000 jobs. Construction jobs grew by more than 9,400, increasing by 3.5 times or 252.1 percent relative to first-half 2010. This accounted for 27.7 percent of all job growth in the year-on-year period.[5] This was followed by commerce, which added some 8,800 positions and accounted for 25.8 percent. There were nearly 6,400 more jobs in agriculture, contributing to 18.7 percent employment gains with transportation and communications adding 5,370 positions and accounting for 15.7 percent of total job growth. Manufacturing employment expanded by more than 3,000, contributing only 8.8 percent of the growth.

The surge in construction employment, in particular, and employment in general, is the result of the increased availability of building materials and other productive inputs relative to 2010. This, in turn, seems mainly to be due to the expanded tunnel trade.[6] To some extent, the marginally reduced restrictions on the Israeli side of the Gaza border also contributed to employment growth in this period. The fact that the rate of private employment growth in the sequential period was greater than that in the parallel period suggests acceleration of economic growth.[7]

D. Wage Rates and Monthly Wages

Nominal and real wage wages rose in the sequential period. The average nominal daily wage rose about 7.4 percent to NIS 63.2 (USD 17.9)[8] in first-half 2011 relative to second-half 2010. The average number of work days per month for the employed in Gaza grew slightly to 23.5 days. Higher daily wages and increased work days produced a 7.7 percent increase in the average monthly wage to NIS 1,487 (about USD 42.1). With consumer price inflation of about 0.67 percent cut, the purchasing power of the average monthly wage rose 7 percent in the sequential period.

Gaza Strip					
Average Wages (NIS)	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Daily Wage	57.5	58.8	63.2	7.40%	9.87%
Monthly Days	23.4	23.5	23.5	0.29%	0.63%
Monthly Wage	1,345	1,380	1,487	7.71%	10.55%
Deflator (2004=1.00)	1.31	1.32	1.33	0.67%	1.68%
Real Monthly Wage	1,025	1,042	1,115	7.00%	8.73%

In the parallel period, the nominal daily wage rose 9.8 percent, while average days worked per month grew 0.6 percent. The result was a 10.5 percent increase in the average monthly nominal wage. Consumer inflation of 1.6 percent resulted in an average 8.7 percent increase in the purchasing power of monthly wage relative to first-half 2010. Significant growth in employment in the first half of 2011—despite persistently high levels of unemployment—was accompanied by a reversal of the real wage erosion characteristic of the Gaza labour market since 2006. Nonetheless, the **average real monthly wage in Gaza in first-half 2011 was still 11.3 percent below its level in first-half 2006.**

2. Refugees in the Gaza Labour Market

A. Refugee Population and Labour Force[9]

The average Gaza refugee working-age population is estimated at about 587,920 persons in first-half 2011, a 2 percent increase over the second half of 2010. The broad refugee labour force participation rate rose slightly to 37.2 percent relative to second-half 2010. The size of the refugee labour force in this interval increased by about 5,200 to 218,785 persons. The number of employed refugees surged by about 28,000, or 24 percent, to 144,900 in the sequential period comparison. The number of unemployed dropped by 22,825 persons or 23.6 percent. The average broad refugee unemployment rate fell 11.5 percentage points from 45.3 percent to 33.8 percent.

Gaza Strip Refugees

Broad Labour Market Aggregates	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Working-Age Population (15+)	564,223	575,990	587,921	2.07%	4.20%
Labour Force Participation Rate	37.6%	37.1%	37.2%	0.37%	-0.91%
Labour Force	211,894	213,566	218,786	2.44%	3.25%
Employment	124,811	116,863	144,911	24.00%	16.10%
Unemployment	87,083	96,702	73,875	-23.61%	-15.17%
Unemployment Rates	41.0%	45.3%	33.8%	-25.31%	-17.61%

Comparing first-half 2011 with first-half 2010 indicates a decline in the refugee labour force participation rate but, due to robust growth in the working-age population, a 6,890-person increase in the size of the refugee labour force, about 3.2 percent. This was manifested as a 20,100-person increase in employment (16.1 percent) and a 13,200-person decline in the number of unemployed (a 15.1 percent decline). The result was 7.2 percentage point decline in the unemployment rate which averaged 33.8 percent in first-half 2011. With employment increasing—and unemployment falling—at more rapid rates in the sequential period comparison is suggestive of the emergence of a positive trend in the refugee labour market. This was accompanied by a small increase in the refugee labour force participation rate, a reversal of a trend that emerged in second-half 2008.

B. Refugee Employment by Sector

The sector distribution of refugee employment in first-half 2011, given in the table below, indicates a 51.2 percent jump in average private sector employment, some 28,000 more jobs relative to second-half 2010. This was combined by a slight decrease in estimated refugee employment in the public sector. This reversed the trend of the previous sequential period that saw growth in public sector employment with a significant decline in private sector employment (see Gaza labour market briefing for second-half 2010). While the public sector accounted for 53 percent of all refugee employment in Gaza in second-half 2010, this ratio fell to only 42.7 percent in first-half 2011.

Gaza Strip Refugees

Employment by Sector	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Public Sector	60,458	61,962	61,888	-0.12%	2.37%
Private Sector	64,353	54,901	83,023	51.22%	29.01%
Israel, Settlements	0	0	0	--	--
Total	124,811	116,863	144,911	24.00%	16.10%

In the parallel period comparison, total refugee employment rose an estimated 16.1 percent. This consisted of a 2.3 percent increase in public sector employment and a 29 percent jump in private sector jobs. In the year-on-year period, there were some 1,430 more refugees employed in the public sector and about 18,670 more in the private sector for a net gain of about 20,100 jobs. Refugees accounted for less than 20 percent of job growth in the public sector and about 55 percent of private employment growth in the parallel period comparison. Given that refugees accounted for nearly 62 percent of the Gaza labour force in this period, these gains are less than proportional, particularly in the case of the public sector.

C. Refugee Private Sector Employment

Of the more than 28,100 new private sector jobs for refugees in first-half 2011, some 7,100 or about one-quarter, were in private services,[10] the largest area of employment growth in absolute terms. This was followed by commerce in which refugees gained about 6,700 jobs (23.8 percent of growth) and agriculture where there were about 6,000 more refugees employed in this period (21.5 percent of growth). Transport and communication activities provided some 3,475 more jobs for refugees (12.3 percent of growth) while construction offered 3,100 more positions (11.1 percent of growth). In proportional terms, agricultural and construction employment grew the fastest in the sequential period comparison.

Gaza Strip Refugees

Private Sector Employment	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Agriculture, fishing	7,697	4,980	11,052	121.92%	43.60%
Manufacturing, mining	5,612	5,595	7,216	28.98%	28.58%
Construction	1,947	3,260	6,382	95.78%	227.86%
Commerce, restaurants, hotels	18,808	15,353	22,071	43.75%	17.35%
Transportation, communication	6,845	7,021	10,495	49.49%	53.33%
Private services	23,445	18,692	25,806	38.06%	10.07%
Total	64,353	54,901	83,023	51.22%	29.01%

On average, there were an estimated 18,670 more jobs for refugees in the private sector in first-half 2011 relative to first-half 2010. In the parallel period, construction, transport and communication and agriculture were the most important sources of additional employment for refugees in absolute terms. These activities accounted, respectively, for 23.7, 19.5 and 17.9 percent of job gains. These were followed by commerce and private services with

17.4 and 12.6 percent of total employment growth.

D. Refugee Wage Rates and Monthly Wages

Average daily wages for refugees rose 8.8 percent to NIS 69.4 (USD 19.6) in first-half 2011 relative to second-half 2010, well above the NIS 54.0 (USD 15.3) average for non-refugees (see below). The average number of work days per month for employed refugees fell 0.4 percent to 23.9. These combined to produce an 8.3 percent increase in the average nominal monthly wage to NIS 1,659 (USD 469.9), as compared to NIS 1,238 (USD 350.7) for non-refugees. When consumer inflation of 1.33 percent in the sequential period is included, average refugee monthly wages grew 7.6 percent in purchasing power terms.

Gaza Strip Refugees

Average Wages (NIS)	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Daily Wage	60.8	63.7	69.4	8.85%	14.06%
Monthly Days	23.4	24.0	23.9	-0.46%	2.09%
Monthly Wage	1,425	1,531	1,659	8.35%	16.45%
Deflator (2004=1.00)	1.31	1.32	1.33	0.67%	1.68%
Real Monthly Wage	1,086	1,156	1,244	7.63%	14.53%

Relative to first-half 2010, refugee average nominal daily wages were 14 percent greater in first-half 2011. Monthly days grew 2 percent which, when combined with a significantly higher daily wage rate, resulted in a 16.4 percent increase in the value of the average monthly wage in nominal terms. Consumer price inflation of 1.6 percent as between the parallel periods resulted in a net increase of 14.5 percent in the purchasing power of the average monthly wage of Gaza refugees.

3. Non-Refugees in the Gaza Labour Market

A. Non-Refugee Population and Labour Force

The broad non-refugee labour force participation rate fell an estimated 0.4 percentage points to 46.4 percent—about 9.2 percentage points above that of refugees in the same period. The non-refugee labour force therefore grew by only about 1 percent to an estimated 135,370 persons. Non-refugee employment grew by nearly 26 percent, somewhat faster than the 24 percent growth rate for refugees in first-half 2011—about 19,000 jobs in absolute terms. The number of unemployed non-refugees fell an estimated 29.2 percent in absolute terms, an estimated 17,670 persons as compared to a 23.6 percent reduction for refugees. The non-refugee broad unemployment rate dropped 13.6 percentage points to 31.6 percent—about 2.2 percentage points below that of refugees in that period. Thus, non-refugees gained employment and reduced unemployment more rapidly than refugees in the sequential period comparison.

Gaza Strip Non-Refugees

Broad Labour Market Aggregates	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Working-Age Population (15+)	280,171	286,014	291,938	2.07%	4.20%
Labour Force Participation Rate	45.2%	46.8%	46.4%	-1.01%	2.52%
Labour Force	126,720	133,976	135,370	1.04%	6.83%
Employment	71,395	73,503	92,568	25.94%	29.66%
Unemployment	55,324	60,472	42,802	-29.22%	-22.63%
Unemployment Rates	43.7%	45.2%	31.6%	-30.08%	-27.67%

Relative to first-half 2010, the non-refugee labour force grew by 6.8 percent or about 8,650 persons. Non-refugee employment rose by 29.6 percent or about 21,170 persons while unemployment fell 22.6 percent or about 12,520 persons. In absolute terms, non-refugees gained more jobs than refugees in the parallel period comparison, although they accounted for only 38.2 percent of the total labour force in Gaza. The average broad unemployment rate among non-refugees in first-half 2011 was estimated at 31.6 percent as compared to 33.8 percent for refugees.

B. Non-Refugee Employment by Sector

Non-refugees gained some 4,735 jobs in the public sector in the first half of 2011 relative to the second half of 2010, an increase of about 16.6 percent. At the same time refugees lost ground in the public sector. In the private sector, non-refugees acquired 14,325 new positions, an increase of 31.8 percent. This compares to 28,000 more jobs—a 51.2 percent increase—in private sector jobs for refugees in the same period.

Gaza Strip Non-Refugees

Employment by Sector	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Public Sector	27,448	28,503	33,239	16.62%	21.10%
Private Sector	43,948	45,000	59,329	31.84%	35.00%
Israel, Settlements	0	0	0	--	--
Total	71,395	73,503	92,568	25.94%	29.66%

In the year-on-year comparison, non-refugee public sector employment was up by 21.1 percent for an average gain of 5,790 jobs. By contrast, refugee employment in the public sector grew by only 2.3 percent or 1,430 job. Private sector employment gains for non-refugees were estimated at 15,380 positions, an increase of 35 percent while refugees added 18,670 jobs, a 29 percent increase. Thus, in proportional terms, employment gains in the both the public and private sectors in the parallel period comparison were greater for non-refugees than for refugees.

C. Non-Refugee Private Employment

Of the 14,325 new private sector jobs held by non-refugees, 5,300 or about 37 percent were in agriculture. Another 3,825 or 26.7 percent were in commerce; 2,390 or 16.6 percent were in construction; 2,255 or 15.7 percent were in manufacturing. Non-refugee private service employment was essentially stagnant in first-half 2011. This contrasts with the results for refugees whose most important source of new employment was private services, followed by commerce and agriculture in the first half of 2011.

Gaza Strip Non-Refugees

Private Sector Employment	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Agriculture, fishing	9,674	7,409	12,709	71.53%	31.38%
Manufacturing, mining	4,153	3,313	5,570	68.14%	34.11%
Construction	1,795	4,403	6,791	54.24%	278.42%
Commerce, restaurants, hotels	15,511	17,235	21,062	22.21%	35.79%
Transportation, communication	5,314	6,476	7,035	8.63%	32.39%
Private services	7,501	6,164	6,161	-0.05%	-17.87%
Total	43,948	45,000	59,329	31.84%	35.00%

In the parallel period comparison, total non-refugee private sector employment gains were estimated at 15,380 in absolute terms relative to first-half 2010. Of these, 36 percent, or 5,550 jobs, were in commerce; 32.4 percent or about 5,000 were in construction; about 3,000 or 19.7 percent were in agriculture; 1,720 or 11.1 percent were in transportation and communication; 1,415 or 9.2 percent were in manufacturing. In proportional terms, agricultural, manufacturing and construction employment—in that order—grew most rapidly. By contrast, construction was the largest source of refugee employment gains while commerce was less significant.

D. Non-Refugee Wages Rates and Monthly Wages

The daily nominal wage rate for non-refugees grew 5.8 percent to NIS 54 (USD 15.3) in first-half 2011. The average number of days worked per month grew 1.6 percent resulting in a 7.5 percent increase in the average nominal monthly wage to NIS 1,238 (USD 350.7) and well below the NIS 1,659 average monthly wage for refugees. In real terms, the average monthly wage of non-refugees grew 6.7 percent in first-half 2011, as compared to a 7.6 percent increase for refugees.

Gaza Strip Non-Refugees

Average Wages (NIS)	First-Half 2010	Second-Half 2010	First-Half 2011	Sequential Change	Parallel Change
Daily Wage	51.9	51.0	54.0	5.80%	3.86%
Monthly Days	23.3	22.6	22.9	1.61%	-1.62%
Monthly Wage	1,212	1,152	1,238	7.51%	2.18%
Deflator (2004=1.00)	1.31	1.32	1.33	0.67%	1.68%
Real Monthly Wage	924	869	929	6.79%	0.50%

Relative to first-half 2010, the average non-refugee daily wage was up only 3.8 percent. Average days worked per month declined 1.6 percent resulting in a 2.1 percent average monthly wage increase in nominal terms. Factoring in inflation, the average real monthly wage of employed non-refugees grew only 0.5 percent as compared to a 14.5 percent rise for refugees in the same period.

This briefing was prepared by Salem Ajluni.

Notes

[1] Due to inconsistencies in the PCBS labour force data, the average share of refugees in the working age population for the year 2007—66.8 percent—has been applied to 2009 and 2010. In so doing, estimates of the size of the working-age population for refugees and non-refugees have been "smoothed."

[2] The broad definition of labour force participation used here includes 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. so-called discouraged workers.

[3] 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.

[4] Employment in UN and NGO job creation programs is included in the private sector total.

[5] This should be understood in the context of unprecedentedly low—and falling—construction employment in the period after the Israeli withdrawal from Gaza in 2005 and the subsequent tightening of mobility restrictions imposed by the Israeli authorities. In 1999, the last year before the beginning of the second Intifada, 9.9 percent of those employed in the Gaza domestic labour market were engaged in construction activities, about 13,850 persons. By first-half 2011, with more than double the 1999 population, total construction employment in Gaza was 13,170 constituting 5.5 percent of total domestic employment.

[6] Reports indicate that the quantities of cement and iron bars—essential to building construction—imported through the tunnels were ten times the quantities imported through the Israeli border in the first half of 2011. Aggregate imports through the tunnels were twice the quantity brought at the Israel-Gaza border during the same period. Information collected by OCHA.

[7] Apart from seasonal influences, a sequential period employment growth rate greater than that of the parallel period suggests acceleration of growth. That is, if the most recent growth results are faster than longer term results, employment growth is quickening (and vice versa).

[8] 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.

[9] Estimates of the refugee population—and therefore the non-refugee population—in Gaza 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 final results of the census—67.9 percent. The population growth rate after 2007 is assumed to be the annual average during the 1997-2007 period—3.85 percent—applied to both refugees and non-refugees.

[10] Employment in UNRWA, other UN agencies and NGOs are included in private services in the labour force surveys.