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## Report of the Director-General

### Appendix

#### THE SITUATION OF WORKERS OF THE OCCUPIED ARAB TERRITORIES

International Labour Conference  
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### Preface

The Report was prepared, as in previous years, following high-level missions to Israel and the occupied Arab territories (the West Bank, including East Jerusalem, the Gaza Strip and the Syrian Golan) and to the Syrian Arab Republic. The missions enjoyed once more the full cooperation of the interlocutors, reaffirming the support for the ILO's efforts to contribute to building peace and security in the region through monitoring and assessing economic and social development in our fields of competence. A new climate of dialogue prevails among Israelis and Palestinians, opening up new prospects. Conditions of life for workers and their families in the occupied Arab territories nevertheless continue to be extremely hard. The intricate linkages between economic, social and political development on the one hand, and peace and security on the other, have to be at the forefront of our thinking in addressing the pervasive and continued problems of daily life faced by the people of the occupied Arab territories. This is the underlying premise behind ILO efforts in the region and elsewhere: economic and social security is a condition of lasting peace. As the United Nations Secretary-General puts it in his report entitled *In larger freedom*: "We will not enjoy development without security, we will not enjoy security without development, and we will not enjoy either without respect for human rights." <sup>1</sup> The rights of Palestinian workers and their families are a fundamental component of human rights and therefore constitute one of the building blocks on the path towards socio-economic development, security, peace and enhanced freedom in the occupied Arab territories. This is why the Governing Body of the International Labour Office and the International Labour Conference have ascribed a constructive role to the ILO in helping, through its programmes, to improve the lives of working men and women and their families in the region. In this respect, the enhanced programme of technical cooperation with our constituents in the occupied Arab territories enjoys the widespread support of all regions and groups in the Governing Body. The ILO has always held that security was never only a military matter. The ILO Constitution's statements that "poverty anywhere constitutes a danger to prosperity everywhere" and that "lasting peace can be established only if it is based upon social justice" are extremely relevant in today's Middle East. Human security is in deficit on both the Israeli and Palestinian sides of the unresolved conflict. The Government of Israel emphasizes physical security for its citizens. The Palestinian Authority stresses the economic and social insecurity as well as the physical security of Palestinians living under occupation. Security in all its aspects – physical, social and economic – in Israel on the one hand cannot be separated from security for the Palestinian people living in the occupied territories on the other.

The comprehensive security of both peoples is inextricably intertwined. There is a shared responsibility to address the full range of issues jointly. The mission this year has witnessed a new climate of confidence and dialogue between Israelis and Palestinians nurtured by the consolidation and democratization of Palestinian institutions, a new political base of the Israeli Government, a lower degree of violence, and renewed dialogue between the two sides at the political and operational levels. There has been a moderate decrease in the intensity of closures, and a major decision by Israel to withdraw settlements and military forces from inside the Gaza Strip and parts of the West Bank. This willingness to engage in dialogue was also apparent among the social partners on both sides during the mission. One recent example is the meeting organized by the International Confederation of Free Trade Unions (ICFTU) in Brussels on 14 April 2005, which brought together Israeli and Palestinian trade unions. The organizations agreed to move forward quickly on finalizing a joint cooperation agreement, which would address some key issues such as access for Palestinian workers to employment in Israel, relief funds for Palestinian workers and their families, action to prevent and resolve cases of exploitation of Palestinian workers, implementation of a March 1995 Cooperation Framework, and prospects for future cooperation between the two organizations. This is indeed a welcome development. A first round of local elections (with record participation of women both as candidates and as voters) was held in the occupied Arab territories in December 2004 and January 2005. This was to be followed by a second round in May 2005. The death of the President of the Palestinian Authority, H.E. Yasser Arafat, in November 2004 was a loss to the Palestinian people and a watershed in Palestinian affairs. In January 2005, presidential elections generally acknowledged as fair and orderly gave a clear and undisputed majority to H.E. Mahmoud Abbas (Abu Mazen). Elections to the Palestinian Legislative Council are expected to take place in July 2005. These have clearly been important contributions to Palestinian institution building and political reform in general, as well as to the establishment of conditions in which the social justice and rights dimensions which are at the centre of the ILO's concerns – beginning with freedom of association and non-discrimination – might be advanced. Business associations are in the process of holding elections, which they have not done for 14 years, pending the adoption of the chamber of commerce law in the Palestinian Legislative Council. Local trade union elections have started taking place for the first time in nearly ten years. And they are heading for a national congress and national elections by the end of 2006. I wish that these congresses could take place in the Palestinian territories, bringing

members from the West Bank and Gaza together with full freedom of movement. A further positive step is the recent appointment by the Quartet (the European Union, the Russian Federation, the United Nations and the United States) of James D. Wolfensohn as Special Envoy for Gaza Disengagement. The Quartet mandated the Special Envoy to "work with the Palestinians on specific reforms and steps to promote economic recovery and growth, democracy, good governance and transparency, job creation and improved living standards". I welcome Mr. Wolfensohn's appointment and his mandate, and pledge the ILO's support for his work. The new configuration of the Israeli Government with supporting representation in the Knesset may also enhance the possibilities of wider backing for complex decisions that need to be taken.

While welcoming the atmosphere of cautious optimism, I have to draw attention to a number of worrying developments. Since last year's Report, the construction of the Separation Barrier has proceeded rapidly, and settlement construction in the West Bank has continued, along with closures, checkpoints, roadblocks, permits and other aspects of occupation, restricting movement of persons and goods in and around the territories and aggravating a situation of pervasive unemployment and poverty of workers and their families. While the Israeli authorities insist that the Separation Barrier is to stop possible attacks by Palestinians entering Israel from the West Bank, much of construction is taking place inside the West Bank – encircling cities and villages, and curtailing movement of Palestinians, separating them from their places of work and from basic services (including education and health). The mission members often heard the word "prison" used to refer to the encircled West Bank cities and portions of territories. Last year (2004), Palestinians in the West Bank and Gaza Strip were among the recipients of the highest amount of donor aid per capita in the world. While the Palestinian economy continues to need this support, it is the opinion of the mission that unless Israel takes concrete steps to lift the closures that block the flow of Palestinian people and goods, this massive assistance will not contribute to a sustainable economy and society. Without free movement of people within the territories, normal trade relations with the outside, and reasonable access to employment in Israel, it is difficult to expect that investments will materialize in the Gaza Strip even after the disengagement.

The reality is stark: despite positive growth in domestic output in 2004 following four years of negative growth in the Palestinian economy, the unemployment rate increased to close to 26 per cent, reaching a record 224,000 unemployed. Unemployment is not the only concern, however. The very low rates of labour force participation and employment have become an inherent characteristic of the labour markets in the occupied territories. Fewer than half of men of working age and 10 per cent of women of working age are in employment. Every employed person in the region supports six persons in the total population, and the majority of them are working poor struggling for survival. Of particular concern is the situation of young people. The unemployment rate of the 15-24-year-old age group is 40 per cent – one-and-a-half times the aggregate rate. More disconcerting is the number of young people who are neither in employment nor studying. One in three young persons aged 15-24 years and over half of those aged 25-29 years are in forced idleness, testifying to the exceptional circumstances prevailing in the occupied territories. Idleness among young people faced with military occupation makes a fertile breeding ground for extremism and violence. This situation requires urgent attention in the form of significant assistance in vocational training, business development and employment orientation specifically directed at young women and men. Against this background and not surprisingly, poverty remains widespread in the occupied territories. Approximately half of the population, 1.8 million persons, live below the national poverty threshold. Moreover, poverty is prevalent not only among the unemployed but also among the employed. Last year, an average of 57 per cent of all wage workers in the occupied territories received monthly wages that failed to lift a standard family of two adults and four children above the official poverty line. Moreover, labour productivity has been on a declining trend in recent years.

The outlook remains extremely fragile. The disengagement plan announced by Israel aiming to reduce the number of Palestinian workers in Israel to zero by 2008 could severely restrict income opportunities and the prospects for poverty alleviation. Even with strong economic growth and employment creation in the coming years, the full absorption of 39,000 new yearly entrants into the labour market, plus a considerable reduction of existing unemployment, are a daunting task. Employment in Israel is essential until the Palestinian economy reaches a sustainable rate of growth that will generate domestic employment in proportion to the increase in the labour force. Furthermore, the mission heard from Israeli employers that Palestinian workers are needed and welcome, provided that security requirements are met. The time may be right for the negotiation of a new agreement between the two sides detailing the framework of employment opportunities for Palestinians in Israel which I believe is essential for future stability. Decent and productive work for all emerges once again as the best route out of poverty and, in the present context, out of conflict. And dialogue at all levels is the way forward. The mission observed a prevailing feeling that the economic situation of Palestinians must rapidly improve in order for them to continue to support the policy of dialogue and negotiation with Israel. This calls for a rapid lifting of closures, better access to the Israeli labour market, and improved trade facilities, as well as putting an end to discrimination against Arab people in the occupied Syrian Golan. As the United Nations Secretary-General also underscored in his speech at the London Conference in Support of the Palestinian Authority on 1 March 2005, three intertwined areas comprise the Palestinian reform agenda – governance, security and economic development: "A viable Palestinian economy is essential in its own right but it can also make a vital contribution to governance and security. Without real and discernible change on the ground – such as more job opportunities and the removal of checkpoints and roadblocks – the Palestinian economy will continue to struggle, with all the prolonged, pervasive despair among the Palestinian populace that that implies." This Report points to practical action the ILO and its constituents can take to promote better conditions of life in the occupied territories as signalled in the conclusions. The ILO must act within its limited resources. Yet I believe that the policy approaches agreed with our tripartite Palestinian interlocutors can also be taken up by the Palestinian authorities in their dealings with bilateral and multilateral funding sources. These measures could have a significant impact on the lives of workers and their families. The ILO would be happy to be associated with this endeavour. It is our contribution today to the establishment of the future Palestinian State. Let me highlight the need for the Palestinian Fund for Employment and Social Protection – which the ILO helped to launch – to become a fully integrated tool in the economic and social policies of the Palestinian Authority. This is essential for it to receive the significant level of funding required for its potential for job creation to be fully realized. As a member of the United Nations family and operating within its mandate, the ILO promotes good economic and social governance as well as decent work for the people of the occupied Arab territories, as it does globally. Our rights-based development approach is particularly relevant to supporting the emergence and consolidation of democratic institutions and the rule of law in the field of enterprise creation, employment and social inclusion, which is ultimately what makes peace and security sustainable. I hope this latest in our annual series of reports, described by the Palestinian Authority Governor of Gaza as a "genuine letter to the entire world", serves that purpose.

May 2005.

*Juan Somavia, Director-General.*

Full report:



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