SUMMARY

Contrary to media reports of a flourishing West Bank economy, evidence from the second half of 2010 shows deteriorating labour market conditions, with falling employment growth, accelerating unemployment and lower real wages. These trends disproportionately affected refugees.

In second-half 2010 (H2 2010), non-refugees deepened their labour market activity while refugees withdrew further, continuing the shrinkage in the West Bank refugee labour force. In the context of overall robust labour force growth, both employment levels and unemployment levels increased in the reporting period. Non-refugees accounted for all net employment gains as refugee employment receded. At the same time, non-refugees accounted for all the growth in unemployment. Reduced refugee labour force participation resulted in a decline in the number of unemployed refugees.

In the year-on-year period, the private sector dominated employment growth, but the public sector and employment in Israel and the settlements also contributed to job creation. Refugee employment gains were confined to the public sector. Real wages continued to deteriorate under the volume and persistence of unemployment and consumer price inflation. The data further indicate a deceleration in the rate of employment growth and an increase in the rate of unemployment growth in H2 2010.

Broad unemployment rates increased for refugees and non-refugees alike, with refugee unemployment rates remaining significantly above those for non-refugees. Real wages declined across the board as refugee wages remained significantly below those of non-refugees on average.

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 discusses labour force participation, employment by sector and activity, unemployment, and wages. Section 2 presents results for refugees, and Section 3 discusses non-refugees. Unless otherwise noted, all data come from the Palestinian Central Bureau of Statistics (PCBS).

The reference period is H2 2010. *Sequential changes* compare H2 2010 with first-half 2010 (H1 2010) and can include significant seasonal fluctuations. In tables, sequential changes appear under the column “+/- (Seq.)”. *Parallel changes* compare H2 2010 with second-half 2009 (H2 2009) for a year-on-year comparison. This comparison largely eliminates seasonal fluctuations in the data. Parallel changes in tables appear under the heading “+/- (Par.)”.

LABOUR MARKET CONDITIONS

This section describes labour market conditions for the entire West Bank, including refugees and non-refugees.

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 1.8 percent between H2 2010 and H1 2010. 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 from 46.8 to 47.5 percent

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In H2 2010, unemployment in the West Bank stood at 25 percent

in H2 2010.[1] The broad labour force—calculated as the product of the working age population and the labour force participation rate—increased 3.3 percentage points to an estimated 730,930 persons. There were about 5,500 fewer persons employed in H2 2010, a decline of about 1 percent relative to H1 2010. The broad unemployment rate rose about 3.3 percent, to 25 percent, and the number of unemployed grew 19.1 percent, affecting an estimated 183,000 persons in the West Bank.[2]

On a year-on-year basis, the broad labour force grew by an estimated 4.6 percent, or about 32,000 persons. Employment grew by roughly 2.6 percent, while the number of unemployed increased by 11 percent, or more than 19,000 persons. The unemployment rate in H2 2010 — 25 percent — was about 1.5 percentage points higher than in H2 2009.

Labour force participation reached 47.5% in H2 2010, 1.5% higher than in H1

EMPLOYMENT BY SECTOR

The decline in broad employment in the second half of 2010 was composed of a 3.6 percent reduction in employment in Israel and the settlements and a 1.6 percent drop in private sector employment relative to H1 2010. These developments were partly offset by a 3.5 percent increase in public sector employment. In absolute terms, there were 6,300 fewer private sector jobs; 2,900 fewer Palestinians working in Israel and the settlements; and about 3,150 more public sector jobs in the sequential period.

Comparing H2 2010 with H2 2009 indicates total employment growth of about 14,000, or 2.6 percent. There were employment gains in all sectors, with the private sector accounting for about 63 percent of the growth, or about 9,800 positions. The public sector and employment in Israel and the settlements each accounted for about 18 percent of total job growth in the parallel comparison, each adding about 2,800 jobs. The generally lower rates of job growth in the sequential period comparison suggest a deceleration in job creation in H2 2010.[3]

PRIVATE SECTOR EMPLOYMENT

Private sector employment shrank by an average of 1.6 percent in the sequential period, or about 6,350 jobs. Construction employment declined by about 5,000 positions, accounting for 35 percent of private sector job losses. Manufacturing lost 4,275 positions, accounting for another 30 percent of losses. Agriculture and transport and communications each accounted for about 17 percent of total job losses, about 2,500 each, in the sequential comparison. Only commerce (wholesale and retail trade) added jobs, with commerce responsible for about 83 percent of the gains.

In the parallel period comparison there were about 9,800 more jobs, a growth rate of 2.6 percent. Commerce and construction led the gains, each adding more than 5,000 jobs. Private services (which include employment in

Employment in the private sector and in Israel and the settlements declined in H2 2010

TABLE 1 BROAD LABOUR MARKET AGGREGATES (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Working-age pop'n	1,482,258	1,509,273	1,536,510	1.80%	3.66%
Labour force (%)	47.1%	46.8%	47.5%	1.52%	0.91%
Labour force (#)	698,774	707,255	730,933	3.35%	4.60%
Employment (#)	533,901	553,588	547,919	-1.02%	2.63%
Unemployment (#)	164,873	153,667	183,014	19.10%	11.00%
Unemployment (%)	23.6%	21.7%	25.0%	15.34%	6.25%

TABLE 2 EMPLOYMENT BY SECTOR (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Public sector	88,688	88,342	91,498	3.57%	3.17%
Private sector	368,562	384,703	378,359	-1.65%	2.66%
Israel and settlements	73,790	79,619	76,723	-3.64%	3.97%
TOTAL	533,901	553,588	547,919	-1.02%	2.63%

Of six major private sector activities, only two recorded employment gains during H2 2010

UNRWA and NGOs) added about 2,300 positions, accounting for roughly 16 percent of gains, while agriculture added about 1,725 jobs, or 12 percent of private sector employment growth in parallel comparison. Manufacturing and transportation and communication detracted from employment, each losing more than 2,250 jobs in the year-on-year period. Negative private sector employment growth in the sequential period (H2 2010 relative to H1 2010), as compared to the parallel period (H2 2010 relative to H2 2009), suggests a deceleration of private sector job growth.

WAGE RATES AND MONTHLY WAGES

Significant long-term unemployment continued to undermine wages in the West Bank

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 grew by only 0.9 percent in H2 2010 relative to H1 2010, to NIS 102.5 (about USD 27.6). The employed in the West Bank worked an average of 21.9 days per month, up 1 percent relative to H1 2010. The combined effect of a slightly higher daily wage and days worked per month was a 1.9 percent increase in the average nominal monthly wage to NIS 2,245 (about USD 605.7). Consumer price inflation of 2.3 percent in H2 2010 eroded the average real monthly wage by 0.3 percent relative to H1 2010. There was therefore a further slide in the purchasing power of wage incomes.

In the parallel period, nominal daily wages rose 1.2 percent, with the average monthly wage rising 0.9 percent relative to H2 2009. Year-on-year consumer inflation of 3.6 percent resulted in a 2.6 percent decline in the purchasing power of the average West Bank monthly wage. Despite a 2.6 percent increase in employment and slightly higher nominal wages in the year-on-year period, real wages continued to deteriorate. Despite growth in the number of Palestinians working in relatively high-wage jobs in Israel, persistently high levels of unemployment, and low private sector wages continued to depress average real wages in the West Bank.

REFUGEE LABOUR MARKET IN THE WEST BANK

This section describes labour market conditions facing refugees in the West Bank in H2 2010. It provides sequential and parallel comparisons with H1 2010 and H2 2009.

REFUGEE POPULATION AND LABOUR FORCE

Among refugees, the estimated working-age population in the West Bank was 443,000 persons in H2 2010.[4] The broad refugee labour force participation rate was virtually unchanged relative to H1 2010. This resulted in a 1.1 percent increase in the refugee labour force to 177,480

Consumer inflation of 3.6% contributed to a 2.6% drop in the purchasing power of the monthly wage

TABLE 3 PRIVATE SECTOR EMPLOYMENT (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Agriculture, fishing	63,865	68,073	65,593	-3.64%	2.71%
Manufacturing, mining	65,675	67,566	63,290	-6.33%	-3.63%
Construction	46,013	56,157	51,148	-8.92%	11.16%
Commerce, tourism	94,793	93,407	100,036	7.10%	5.53%
Transport, communic'n	27,608	27,908	25,371	-9.09%	-8.10%
Private services	70,608	71,591	72,921	1.86%	3.28%
TOTAL	368,562	384,703	378,359	-1.65%	2.66%

TABLE 4 WEST BANK AVERAGE WAGES (IN NIS)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Daily wage	101.2	101.5	102.5	0.90%	1.28%
Monthly days	22.0	21.7	21.9	1.07%	-0.31%
Monthly wage	2,224	2,202	2,245	1.98%	0.96%
Deflator (2004 = 1.00)	1.24	1.25	1.28	2.36%	3.67%
Real monthly wage	1,799	1,759	1,752	-0.37%	-2.61%

Employment of refugees fell by 2.1% in H2 2010 – over twice as high as the 1% drop for the entire area

persons, about 2,000 more than in the first half of the year. While employment in the West Bank declined about 1 percent in H2 2010, refugee employment fell 2.1 percent, or about 2,800 positions. At the same time, refugee unemployment in broad terms increased by 10.5 percent or 4,700 persons—less rapidly than for the labour force as a whole (see above). The average broad refugee unemployment rate rose by about 2.4 percentage points, to 27.9 percent – higher than the West Bank as a whole.

Refugee employment was 6.5% lower in H2 2010 than in H2 2009

The year-on-year data indicate a 5 percent decline in the refugee labour force relative to H2 2009. In absolute terms, roughly 11,400 fewer refugees were economically engaged in H2 2010 relative to the parallel period in 2009. This consisted of a decline of 11,000 employed refugees and about 400 fewer unemployed refugees (those seeking work or willing to work but not actively searching). This constitutes a significant net withdrawal of refugees from the labour force.[5] Unlike non-refugees, refugees withdrew from the West Bank labour force in the year-on-year period and did not share in the employment growth during this period. Even after withdrawal from the labour force, refugees experienced a higher unemployment rate.

REFUGEE EMPLOYMENT BY SECTOR

Refugee employment in Israel and settlements dropped almost 30% in H2 2010 compared to H2 2009

Refugee employment declined by about 2.1 percent, or 2,800 jobs, in H2 2010 relative to H1 2010. About 83 percent of these lost positions were accounted for by employment declines in Israel and the settlements, with the remainder accounted for by falls in public sector employment. There was a small increase in refugee employment in the private sector in the sequential period.

Refugee employment declined even more in the parallel period comparison, by 6.5 percent or nearly 9,000 jobs. About 54.4 percent of the losses were from employment in Israel and the settlements, while the domestic private sector accounted for 45.5 percent of the decline. Employment in Israel and the settlements declined by an estimated 29.5 percent. Refugee public sector employment increased marginally in the parallel period comparison. The drop in refugee employment stands in contrast to the general increase in employment, particularly that in the domestic private sector.

REFUGEE PRIVATE SECTOR EMPLOYMENT

Refugee private sector employment rose slightly, about 350 jobs in the sequential period comparison. There were declines in employment in four of six activities, including agriculture, manufacturing, construction, and private services (including UNRWA and NGOs). These declines were offset by rapid job growth in commerce, restaurants, as well as transport and communications.

In the parallel period comparison, job losses outpaced job creation, with refugees losing about 4,000 jobs in the private sector, a decline of 4.1 percent. Manufacturing accounted for nearly 54 percent of the net employ-

TABLE 5 REFUGEE BROAD LABOUR MARKET AGGREGATES (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Working-age people (#)	427,350	435,139	442,991	1.80%	3.66%
Labour force (%)	43.7%	40.3%	40.0%	-0.69%	-8.37%
Labour force (#)	186,863	175,547	177,482	1.10%	-5.02%
Employment (#)	136,873	130,683	127,898	-2.13%	-6.56%
Unemployment (#)	49,990	44,864	49,584	10.52%	-0.81%
Unemployment (%)	26.7%	25.5%	27.9%	9.34%	4.47%

TABLE 6 REFUGEE EMPLOYMENT BY SECTOR (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Public sector	24,394	25,278	24,769	-2.01%	1.54%
Private sector	95,660	91,317	91,667	0.38%	-4.17%
Israel and settlements	16,167	13,969	11,394	-18.44%	-29.52%
TOTAL	136,873	130,683	127,898	-2.13%	-6.56%

Average daily wages for refugees in H2 2010 were over 12% lower than non-refugees

With inflation, refugees' real monthly wages were 3% lower in H2 2010 than in H2 2009

In H2 2010, around 50% of eligible non-refugees were in the labour force – 10% higher than for refugees

ment losses, while private services made up almost 40 percent of the decline. Construction led the way in job growth for refugees, with about 950 new jobs relative to H2 2009.

REFUGEE WAGE RATES AND MONTHLY WAGES

The average daily wage grew by 1.1 percent for employed refugees in H2 2010 relative to H1 2010. At NIS 93.5 (about USD 25.2), the average daily wage was 12.6 percent below that of non-refugees. With the average number of days worked per month rising 1.3 percent, the average nominal monthly wage rose 2.4 percent, to NIS 2,068 (USD 557.8), or 11.2 percent below that of non-refugees. After factoring consumer inflation into the calculation, the purchasing power of the average refugee monthly wage rose by 0.1 percent, as compared to a 0.7 percent decline for non-refugees.

In the parallel period comparison, average nominal daily wages for refugees fell 1.3 percent, offset by a 1.8 percent increase in monthly days worked. This resulted in a marginally higher average nominal monthly wage. After the effects of inflation, however, real monthly wages were down 3 percent. Non-refugees suffered a similar decline, but their real average monthly wages were about 11.2 percent higher than those of refugees in H2 2010.

NON-REFUGEE LABOUR MARKET

This section examines labour market conditions facing non-refugees in the West Bank in H2 2010. It provides sequential comparisons with H1 2010 and parallel comparisons with H2 2009.

NON-REFUGEE POPULATION AND LABOUR FORCE

The non-refugee population of working age was estimated at about 1.09 million persons in H2 2010. An estimated 50.6 percent of that population participated in the labour market, resulting in a labour force of some 553,450. By comparison, the refugee participation rate was only 40 percent in the same period, about 10 percentage points below that of non-refugees. An increase of 1 percentage point in labour force participation, coupled with population growth, resulted in a 4 percent increase in the size of the non-refugee labour force in H2 2010. In absolute terms, there were about 21,750 more non-refugees in the labour force relative to H1 2010.

Non-refugee employment declined slightly in H2 2010, by about 2,900 jobs. Non-refugee unemployment in broad terms rose by about 24,500 persons, or 22.6 percent, as the average unemployment rate among non-refugees rose about 2.5 percent-

TABLE 7 REFUGEE PRIVATE SECTOR EMPLOYMENT (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Agriculture, fishing	11,206	11,761	10,881	-7.48%	-2.91%
Manufacturing, mining	14,783	13,322	12,039	-9.63%	-18.56%
Construction	11,837	13,726	12,786	-6.85%	8.02%
Commerce, tourism	27,989	23,836	27,976	17.37%	-0.05%
Transport, communic'n	6,437	6,029	6,586	9.25%	2.33%
Private services	23,409	22,644	21,399	-5.50%	-8.59%
TOTAL	95,660	91,317	91,667	0.38%	-4.17%

TABLE 8 WEST BANK REFUGEES AVERAGE WAGES (IN NIS)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Daily wage	94.7	92.5	93.5	1.10%	-1.31%
Monthly days	21.7	21.8	22.1	1.36%	1.81%
Monthly wage	2,058	2,018	2,068	2.47%	0.47%
Deflator (2004 = 1.00)	1.24	1.25	1.28	2.36%	3.67%
Real monthly wage	1,665	1,612	1,614	0.11%	-3.08%

In H2 2010, unemployment among non-refugees was almost 4 percentage points lower than for refugees

age points, to 24.1 percent.

In the parallel period comparison, the non-refugee labour force grew by 8.1 percent, or about 41,500 persons. This consisted of approximately 23,000 more employed persons (a 5.7 percent increase) and 18,500 more unemployed ones (a 16.1 increase relative to a year earlier). These figures contrasted with a 5 percent decline in the refugee labour force, a 6.5 percent decline in refugee employment, and a slight decline in refugee unemployment. The average broad unemployment rate among non-refugees in H2 2010 stood at 24.1 percent—about 3.8 percentage points below that of refugees.

NON-REFUGEE EMPLOYMENT BY SECTOR

Larger drops in refugee employment largely off-set the gains in non-refugee employment

While refugees lost jobs in the public sector, non-refugee employment in that sector grew 5.8 percent, or 3,700 positions, in H2 2010 relative to H1 2010. Private sector employment declined by about 2.2 percent, or 6,700 jobs, while employment in Israel and the settlements declined by about 0.4 percent.

Comparing H2 2010 with H2 2009 shows a smaller increase in public sector employment – 3.7 percent, with 5 percent growth in private sector employment. Employment in Israel and the settlements grew by 13.3 percent. In absolute terms, there were about 2,400 public sector job gains; 13,800 private sector job gains; and 7,700 job gains in Israel and the settlements. About 60 percent of net job gains were accounted for by the domestic private sector, with about one-third from employment in Israel and in the settlements. Significant job gains for non-refugees stand in stark contrast to declines in refugee employment in the private sector and in Israel and the settlements in the parallel period.

NON-REFUGEE PRIVATE SECTOR EMPLOYMENT

Non-refugees showed employment losses in four of six main private sector activities in the sequential period, totalling about 6,700 jobs. About 34.6 percent of all job losses were in construction; 26.3 percent were in transport and communications; 25.4 percent in manufacturing; and 13.6 percent in agriculture. These losses were somewhat offset by gains of 2,500 positions in commerce and about 2,600 positions in private services.

In the parallel period comparison, there were about 13,800 more non-refugees employed in private sector jobs. Except for transport and communications, gains occurred in every economic activity. Commerce accounted for 32.4 percent of job gains, private services for another 26.7 percent, construction for 25.8 percent, and agriculture for 12.6 percent. Thus, job gains were rather broadly distributed. Refugees, by contrast, gained employment only in construction and transport and communications, and experienced an overall net decline in domestic private sector employment.

TABLE 9 NON-REFUGEE BROAD LABOUR MARKET AGGREGATES (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Working-age pop'n	1,054,908	1,074,134	1,093,518	1.80%	3.66%
Labour force (%)	48.5%	49.5%	50.6%	2.24%	4.30%
Labour force (#)	511,911	531,708	553,451	4.09%	8.11%
Employment (#)	397,028	422,905	420,021	-0.68%	5.79%
Unemployment (#)	114,883	108,803	133,430	22.63%	16.14%
Unemployment (%)	22.4%	20.4%	24.1%	17.96%	7.58%

Of all employed residents of the West Bank, about 68% worked in jobs in the local private sector

TABLE 10 NON-REFUGEE EMPLOYMENT BY SECTOR (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Public sector	64,294	63,064	66,729	5.81%	3.79%
Private sector	272,902	293,385	286,692	-2.28%	5.05%
Israel and settlements	57,624	65,650	65,329	-0.49%	13.37%
TOTAL	397,028	422,905	420,021	-0.68%	5.79%

Non-refugees' average daily wages were 12.6% higher than refugee wages in H2 2010

NON-REFUGEE WAGES AND MONTHLY WAGES

The average daily nominal wage rate for non-refugees grew 0.6 percent in H2 2010 relative to H1 2010, to NIS 105.3 (about USD 28.4). That wage was about NIS 13.2 more than the average for refugees, indicating a 12.6 percent advantage in favour of non-refugees. The average number of days worked per month rose by 1 percent to 21.8 days. The result was a 1.6 percent increase in the average monthly wage for employed non-refugees, to NIS 2,300 (USD 620.5). In purchasing power terms, the average monthly wage of non-refugees fell 0.7 percent relative to H1 2010 due to inflation. This compares to a 0.1 percent increase for refugees.

Non-refugees showed employment losses in four out of six major economic areas

Relative to H2 2009, non-refugee real average monthly wages were down about 3 percent in H2 2010, identical to the loss suffered by refugees in the same period. The losses came despite a 1.5 percent increase in the average daily wage, gains that were wiped out by fewer days worked per month and by consumer inflation of 3.6 percent in the parallel period

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TABLE 11 NON-REFUGEE PRIVATE SECTOR EMPLOYMENT (WEST BANK)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Agriculture, fishing	52,659	56,312	54,712	-2.84%	3.90%
Manufacturing, mining	50,893	54,245	51,251	-5.52%	0.70%
Construction	34,176	42,431	38,362	-9.59%	12.25%
Commerce, tourism	66,804	69,571	72,061	3.58%	7.87%
Transport, communic'n	21,171	21,879	18,785	-14.14%	-11.27%
Private services	47,199	48,947	51,522	5.26%	9.16%
TOTAL	272,902	293,385	286,692	-2.28%	5.05%

Despite a 1.5% increase in daily wages, non-refugees' real monthly wages fell by 3% in H2 2010

TABLE 12 WEST BANK NON-REFUGEE AVERAGE WAGES (IN NIS)

	2009 H2	**2010** H1	**2010** H2	**+ / -** (Seq.)	**+ / -** (Par.)
Daily wage	103.6	104.6	105.3	0.64%	1.58%
Monthly days	22.1	21.6	21.8	1.00%	-1.04%
Monthly wage	2,288	2,263	2,300	1.64%	0.53%
Deflator (2004 = 1.00)	1.24	1.25	1.28	2.36%	3.67%
Real monthly wage	1,851	1,807	1,795	-0.70%	-3.03%

NOTES

[1] The broad definition of labour force participation used throughout this briefing 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. “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.

[3] Apart from seasonal influences, a sequential period employment growth rate less than that of the parallel period suggests deceleration of growth. That is, if the most recent growth results are slower than longer-term results, employment growth is slowing (and vice versa in the case of sequential period growth above that of the parallel period).

[4] 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.

[5] The reasons behind the estimated decline in the broad refugee participation rates are unclear. Narrow ILO participation rates for refugees—that exclude discouraged workers—were down by about 1 percent in second-half 2010 relative to second-half 2009, while those for non-refugees were unchanged. One explanation may be that higher refugee unemployment rates have led to growing withdrawal from the labour force. Another explanation may be PCBS measurement errors in the labour force surveys regarding the refugee population.