

LABOUR MARKET AND EMPLOYMENT POLICIES IN PALESTINE



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PREFACE

Since 2011 the southern and eastern Mediterranean countries have experienced a succession of revolts and regime changes, the so-called Arab Spring. The revolts served to focus attention on the lack of employment in the region – one of the main causes of social instability – and highlighted the importance of European Union (EU) cooperation with its neighbours in the field of employment. To address this problem, a structured Euro-Mediterranean policy dialogue on employment was initiated in 2008¹ and the reform of the European Neighbourhood Policy in 2011 attributed greater importance to job creation and inclusive growth in the region (EU, 2011a; EU, 2011b).

Throughout the process of structured Euro-Mediterranean policy dialogue on employment, the European Training Foundation (ETF) has provided regular inputs to the European Commission's Directorate-General for Employment through three employability reports presented in 2007, 2009 and 2011 to the Euro-Med Employment and Labour High-Level Working Groups preparing ministerial conferences (Martín and Bardak, 2012). The goal has been to contribute to policy dialogue between the EU, the ETF and partner countries by providing good quality analyses of employment policy and employability in the region.

As part of this process, the ETF launched another round of employment policy analyses for selected countries in the region. The main focus of this and similar country analyses is not labour market trends and challenges, but rather mapping existing employment policies and active labour market programmes and qualitatively assessing them for their results and effectiveness in addressing employment challenges. A brief discussion is also included on recent political developments, for instance, the impact of the Arab Spring on economic and employment issues, new players/actors involved, recent policy changes by governments and donors and in funding, etc.

This report was drafted by the Palestine Economic Policy Research Institute (MAS), with particular contributions from Dr Samir Abdullah (Director General) and Habib Hinn (researcher). Besides the desk review and statistical data analysis, interviews were conducted in Ramallah between 16 and 22 April 2013 with some 20 stakeholders from government offices and representatives of social partners (trade unions and employer associations), donors and civil society (see the list of interviewees in Annex 1). The interviews were conducted by a team of local and ETF experts and sought to obtain information and opinions regarding employment policies. The report reflects the findings of these analyses and interviews.

Chapters 1 and 2 of the report provide an overview of Palestine's labour market and key employment challenges against the background of its very specific socio-political environment. Chapter 3 reviews the legal, institutional and political framework for employment policies, and Chapter 4 maps existing employment services. Chapter 5 concludes the report with a qualitative evaluation of the situation and with recommendations for improving employment policies in Palestine.

Ummuhan Bardak, ETF
September 2013

¹ A Framework of Actions on job creation, employability of human capital and decent employment was adopted at the first Euro-Mediterranean Conference of Ministers of Labour and Employment held in Marrakech in November 2008, and restated at the second Union for the Mediterranean (UfM) Labour and Employment Ministerial Conference held in Brussels in November 2010.

1. THE PALESTINIAN LABOUR MARKET

1.1 OVERVIEW

The Palestinian labour market² has undergone various structural changes, many not to the advantage of workers. Foreign control of Palestine, whether it be through the British Mandate, Jordanian rule or the current Israeli occupation, has stifled natural development of the labour market. When the Palestinian National Authority (PNA) took control in 1994, it was faced with a poorly regulated, highly segmented and distorted labour market. This history has led to esoteric labour market rules that have made it difficult to guide the labour market towards innovation and higher earning jobs. The Palestinian labour market remains underdeveloped and in need of major changes.

The labour market suffers numerous structural issues including lack of social security for those outside the public sector, poor work conditions, low female labour force participation, work-related gender bias against females, weak unions, low union participation and the absence of a national provision of medical care and occupational safety (Kanafani, 2012). Moreover, Palestinian workers have struggled with low wages in the face of mounting living expenses, and high unemployment, among other structural problems. Chronically high unemployment has led a large number of Palestinian workers to seek employment outside of Palestine, especially in Arab Gulf countries and in Israel and its settlements. This geographic segmentation resulting in incoherent and incompatible labour market policies is a key challenge for the PNA. Real wages have been dropping due to higher fuel and food prices and there have been no corresponding increases in remuneration. The result is an alarming decrease in quality of life.

These factors have contributed to shifting the blame away from the Israeli occupation and towards the PNA. Demonstrations multiplied during September 2012 against the then Prime Minister Salem Fayyad's economic policies, viewed as the cause of increasing costs of living and the financial burdens on families. One example was the planned 1% increase in value added tax (VAT), which was eventually reduced to a 0.5% increase, leaving the VAT rate at 15% – as dictated by the Oslo Accord of 1994, VAT cannot be more than 2% below that of Israel. In response to social pressure, the PNA accelerated its adoption of minimum wage and social protection legislation. In mid-April 2013, Prime Minister Fayyad resigned, despite the efforts of the USA to keep him on. On 2 June 2013, President Mahmoud Abbas appointed Rami Hamdallah as the new Prime Minister; however, on 20 June 2013 Hamdallah resigned.

The political divide of 2007 between the West Bank (Fatah) and the Gaza Strip (Hamas) has created its own obstacles for labour market policies, not to mention the unprecedented political damage it has inflicted. With two rival governing bodies, the PNA seemingly operated with two very diverse voices from two non-contiguous geographical locations while struggling to ensure financial liquidity. Finances became scarcer as Israel withheld customs, VAT and other transfers to the PNA directly after the Hamas takeover of the Gaza Strip. The financial troubles temporarily ended for the PNA government after the formation of a government led by Salem Fayyad. Through PEGASE (direct EU financial support programme to the PNA)³, funds were directly channelled to the Ministry of Finance, which in turn, was able to pay civil service wages and pensions (accounting for about half the PNA's expenditure). In December 2007 the Palestine Reform and Development Plan 2008–10 was prepared and presented at the Paris donor conference.

1.2 CHARACTERISTICS

The World Bank categorises the Palestinian economy as a lower-middle income, developing country⁴. Real gross domestic product (GDP) in 2012 was USD 6 797.3 million, reflecting a real GDP per capita of USD 1 679.3 (2004 prices). The growth rate is low and volatile; however, in 2012 compared to 2011, real GDP increased by 5.9% and GDP per capita increased by 2.7% (World Bank, 2012; PCBS, 2011b; MAS, 2012a).

² All the data in this chapter were retrieved from the Palestinian Central Bureau of Statistics (PCBS), http://pcbs.gov.ps/site/lang__en/1/default.aspx. The surveys and reports published by the PCBS on labour market statistics and the ability to access and relay the data were all of great assistance in formulating this report. The primary source of data was the labour force survey of 2012.

³ http://eeas.europa.eu/palestine/tim/pegase_en.pdf

⁴ World Bank data: <http://data.worldbank.org/country/west-bank-gaza>

Almost 4.4 million people live in Palestine (2012), divided between 2.6 million in the West Bank and 1.7 million in the Gaza Strip. The fertility rate (children per woman) is 4.4 and the population growth rate is 2.9% (2.6 in the West Bank and 3.4 in Gaza). Those in the age group 15–29 years account for 30% of the population. The sex ratio is 103.2 men for every 100 women (PCBS, 2011a).

The labour force participation rate (proportion of the economically active population aged 15 years or above who are either employed or unemployed) has remained relatively stable at around 40% over the past decade. It reached 43.6% in 2012, a small increase from the 43% of the previous year (PCBS, 2012). Historically, the West Bank participation rate has been higher than that in the Gaza Strip, partially due to the low female participation rate in the latter. In 2012 the West Bank rate was 45.5% compared with 40.1% in Gaza. There are major differences in the rate for females and males, both at the regional and national levels. At the national level, the male rate reached 69.1% in 2012, while the female rate was only 17.4%. Female participation in the West Bank in 2012 was 18.9%, while in the Gaza Strip it was 14.7%. An overview of detailed labour market statistics is provided in Annex 2.

Labour force supply far exceeds demand, hence unemployment is high. In 2012, the Palestinian labour market consisted of 1 114 000 persons and the unemployment rate was 23% (19% in the West Bank and 31% in the Gaza Strip). Typically, the unemployment rate for males is lower than for females, both nationally and regionally. When comparing female unemployment rates for the West Bank and the Gaza Strip, data shows that the former is lower by more than 50% for most of the 2011–12 period (PCBS, 2012).

As for employment, private employment reached 584 000 in mid-2012, representing an average annual increase of 6% since the creation of the PNA. The number of West Bank workers in Israel has increased steadily, to reach about 80 000 in mid-2012 (about 10% of the workforce)⁵. Public employment, both in the PNA and local governments, reached about 192 000 in mid-2012, increasing by an average of 5% per year since the creation of the PNA. The high rate of public employment growth can be attributed to weaknesses in the private sector in terms of absorbing the great increase in worker numbers as a result of restrictions on movements, investments, exports and imports and the high population growth. However, hiring in the public sector has recently been capped to only 3 000 per year (MAS, 2012a).

As for the Palestinian economic structure, services, public administration and defence make up about 32.9% of Palestinian GDP, together employing more than 50% of the Palestinian workforce. This economic structure not only includes PNA services and expenditures, but also non-governmental organisations (NGOs) and other social services as well as health and education services. Additionally, percentage distribution of workers by economic activity reveals that the services sector (trade, restaurants, hotels and other services) employed 63.1% of Palestinian workers in 2012, up from 55% at the end of 2011 (PCBS, 2012). The share of manufacturing, quarries and mining in total employment is 11.3%, while the share of construction is 15.3% and the share of agriculture is 10.3%.

The structure of Palestinian enterprises varies but most are small and family-owned; about 97% of them employ fewer than 10 employees and 90% employ fewer than five employees. Larger enterprises – those with 20 or more employees – employ about 1% of all employees (PCBS, 2013). The larger businesses are important for introducing new business systems and training of a qualified workforce. In-company training is a crucial piece in the development of the economy and of a skilled labour force.

The above-described characteristics of the Palestinian economy and labour market indicate that efforts to reconstruct the economy and meet the challenges posed by high unemployment rates are urgently needed. This can be done through policy and training, and especially through technical and vocational education and training (TVET), whose enrolment share at secondary education level is extremely low at around 6% (UNESCO, 2011).

1.3 TRENDS

One of the clearest trends in the Palestinian labour market is the presence of a very young population in the West Bank and the Gaza Strip with a low labour force participation rate. The high share of students in the working-age population along with a low female participation rate of 17.4% contributes to a low overall labour force participation rate (Kock et al., 2012). Another trend is the inability of the labour market to absorb new entrants due to insufficient investment and high political risk. About 140 000 people have entered the Palestinian labour force since 2010, but the market was only able to absorb 104 000 of them. Unemployment consequently increased and remains high, fluctuating at between 21%–24% for the period 2010–13 (Brodmann et al., 2012).

⁵ In 1992 there were 115 000 Palestinian workers in Israel and settlements, representing about 30% of the Palestinian labour force.

Restrictions on movement that limit access to imported inputs and international markets contributed to the low employment in the tradable sectors⁶. The share of manufacturing, quarrying and mining in total employment is 11.3%, while the share of construction is 15.3%. On the other hand, the share of the services sector (including commerce, restaurants, hotels, transportation, communications and other services) is 63.1%.

Unemployment among young people (aged 15–24 years) in both the West Bank and the Gaza Strip is very high, but is much higher in the latter, with average rates of 38.8% and 52%, respectively. Average unemployment duration is about 12 months, suggesting that once unemployed, many workers struggle to find another job.

⁶ The tradable sector is made up of the industry sectors whose outputs in terms of goods or services are traded internationally. It consists largely of sectors of manufacturing, quarrying and mining, consulting, engineering, finance; while the non-tradable sector consists of services, including health, education, hospitality, retail and construction (http://en.wikipedia.org/wiki/Tradable_sector).

2. LABOUR MARKET SEGMENTATION

Labour market segmentation assumes that labour markets are not homogeneous entities but are divided into separate segments or submarkets distinguished by different behavioural rules and characteristics. Although labour market segmentation is more prevalent in developing countries, Palestine is in a unique situation. Its segmented labour market is engendered in its historic, political and economic situation (ILO, 2011). Whereas labour markets are, according to the dual labour market theory, typically segmented into primary and secondary markets, in Palestine it is segmented geographically, administratively, by gender and according to public-private and formal-informal breakdowns. This poses unique challenges for the PNA to prepare and implement a national labour market policy that takes into account all these segments.

The geographic and administrative segmentation between the West Bank, the Gaza Strip and Israel is very pronounced and poses a major constraint on growth. Each operates with its own labour market characteristics, labour demand and wage levels. In order to give a clear picture, a comparison will first be made between the West Bank and the Gaza Strip and then between Palestine as a whole and Israel.

2.1 THE WEST BANK VERSUS THE GAZA STRIP

Compared to the West Bank, the Gaza Strip has performed markedly worse in terms of all measurable labour market indicators. It has higher unemployment, lower labour force participation rates, lower wages, fewer private sector jobs and higher rates of discouragement. This is due to the more stringent restrictions that have been imposed on the Gaza Strip compared to the West Bank since 2001. The conditions in Gaza worsened particularly after Israel imposed a blockade in 2006 as a result of an Israeli soldier being held hostage. This collective punishment caused great deterioration in all socioeconomic conditions in the Gaza Strip.

The PCBS (2012) gives the overall labour force participation rate as 45.5% for the West Bank and 40.1% for Gaza, indicating a significant difference in the availability of job opportunities. Labour force participation rates for men and women were 71.4% and 18.9% respectively in the West Bank, compared to 65% and 14.7% respectively in Gaza. Unemployment was higher in Gaza overall, at 31% compared to 19% in the West Bank. The unemployment rate for males in Gaza was 26.8% compared to 17.3% for the West Bank, and the unemployment rate for females in Gaza is 50.1% compared to 25.3% for the West Bank. The average monthly wage (calculated by multiplying the average daily wage by the average working days per month) in Gaza was 78% that of the West Bank, more specifically, ILS 1 517.48 in Gaza compared to ILS 1 933.62 in the West Bank. This disparity in wages also reflects the reality of the lower demand for labour in light of the Israeli blockade.

A further labour market complication arises under the 1994 Oslo Agreement dividing the West Bank into three areas, as follows: Area A (19% of territory, 55% of population) under PNA civil and security control; Area B (20% of territory, 41% of population) under PNA civil and shared PNA-Israeli security control; and Area C (61% of territory, 4% of population) under full Israeli civil and security control. The PCBS estimates the population to be 2 580 000 in the whole West Bank, 113 710 of whom live in Area C. Most of area C (excluding East Jerusalem and settlements) was supposed to be transferred to Areas A and B, but the transfer timeline was not respected by Israel and no changes occurred after the second Intifada in 2000.

Information on the specific economic and labour market structure in Area C is scarce due to statistics that are produced only by governorates. Some studies indicate higher poverty, lower education levels, lower wages and a higher share of agricultural work in Area C. Studies focusing on the Jordan Valley – a part of Area C – can be used as a proxy. The Jordan Valley, as it happens, is an important cornerstone of Palestinian economic recovery and development, due to its potential for agricultural development and its comparative advantages in tourism, transportation and logistics. It is also less densely inhabited and so can support large-scale absorption of high Palestinian population growth.

2.2 PALESTINE VERSUS ISRAEL

The separation between the West Bank and the Gaza Strip has caused many distortions in the labour market and has limited the ability of the PNA to implement its policies. The differences between Palestinians in the domestic labour market and those working in the Israeli labour market are even starker. Ever since the occupation of the West Bank and the Gaza Strip in 1967, large numbers of Palestinian workers have sought employment in Israel, mainly due to the high rate of unemployment in Palestine and the huge gap in wages. Palestinian employment in Israel in the late 1980s represented more than one third of Palestinian wage earners and generated about a quarter of Palestinian gross national income (GNI).

With the advent of the peace process, Palestine and Israel signed the Paris Protocol in 1994, resulting in the application of an Israeli trade policy regime in Palestine. This formalised, in reality, a *de facto* situation in place since 1967 in the form of what was originally intended to be a five-year interim arrangement. Continuing until today, this has led to the establishment of a customs semi-union between the West Bank–Gaza Strip and Israel. Together with Israeli control of borders, goods and labour, this situation led to Palestinian economic dependence on the Israeli economy and policies. Political instability caused a dramatic drop in Palestinian labour flows to Israel, with high fluctuations caused by changes in Israeli policies, such as the decision to replace Palestinian workers with foreign workers in 2000. Currently, Palestinians working in Israel constitute only 10% of the Palestinian labour force (Naga, 2012).

Workers from Gaza, which used to rely on the Israeli labour market to absorb 40% of its labour force, were barred from entry into Israel altogether in 2006. Currently only West Bank residents are allowed to work in Israel. Of the 87 000 West Bank residents working in Israel and in the settlements by the end of 2012, only 37 000 had permits and about 25 000 worked in settlements in the West Bank (Farsakh, 2012). Many distortions in the Palestinian labour market are the result of the above situation. One is that the return on education in Palestine has been very low in periods when employment in Israel was high. Palestinians dropped out of education in order to work in Israel and the settlements; this has resulted in an uneducated and low-skilled generation of young workers paid higher wages compared to highly skilled and educated people working in Palestine.

A comparison of basic labour force indicators reveals the differences (and distortions) between the two labour markets. First, the total population aged 15 years and older in Palestine is 2 557 000 compared to 5 735 200 in Israel. The labour force participation rate among people aged 15 years and older in Palestine is only 43.6%, compared to 63.7% in Israel. Unemployment in Israel is 6.5% compared to 23% in Palestine. The average monthly real wage per employee in Israel is ILS 8 755 compared to ILS 2 071 in Palestine (including workers in Israel and settlements)⁷. The average wage for Palestinians employed in Israel and in the settlements is almost double the average wage for Palestinians in the West Bank and Gaza, more specifically, ILS 1 741 compared to ILS 3 364 (PCBS, 2012). The minimum monthly wage in Palestine (i.e. the average for the West Bank and Gaza) is ILS 1 450 compared to ILS 4 300 for Israel⁸.

Palestinian workers in Israeli settlements face unique challenges. Prior to 2007, Palestinian workers in illegal Israeli settlements in Area C were unprotected by either Palestinian or Israeli labour legislation. The result was wages far below the Israeli minimum wage in most cases and no workplace rights. In 2007, an Israeli High Court ruling on Palestinian workers declared that Israeli minimum wage and health and safety laws applied to Palestinian workers employed in Israeli settlements (AFP, 2014)⁹. In theory, therefore, Palestinians working in Israeli settlements should be receiving a higher minimum wage than their counterparts in the rest of Palestine, according to Israeli human rights organisation B'Tselem. However, lack of enforcement leads to wages much lower than legally stipulated, sometimes as low as ILS 1 400 per month. Particularly Palestinian workers employed in agriculture receive about ILS 1 400–1 800 per month, i.e. one third of the Israeli minimum wage. However, the wages of Palestinian workers in other sectors, especially in industry, are higher than in agriculture and up to two thirds of the minimum wage or even at the same level (MAS, 2012b).

2.3 PUBLIC VERSUS PRIVATE SECTOR EMPLOYMENT

Private employment reached 584 000 (67.5%) in mid-2012, with an average annual increase of 6% since 2000. Public employment (PNA and local authorities) in mid-2012 amounted to 192 000 (22.5%, for an annual increase of 5%). However, within the framework of the Palestinian Reform and Development Plan 2008–10 and its successor, the Palestinian National Development Plan 2011–13, public employment in the PNA has been capped to a net increase of 3 000 jobs per year, mainly affecting the education and health sectors (Kock et al., 2012).

⁷ www.bankisrael.gov.il/en/DataAndStatistics/Pages/Default.aspx

⁸ www.btl.gov.il/English%20Homepage/Mediniyut/GeneralInformation/Pages/MinimumWage.aspx

⁹ Israeli labour laws apply to the Palestinian workers working in Israel, see Associated Free Press: www.google.com/hostednews/afp/article/ALeqM5g7NNG7m5AEfoCjispXl7Iya2LTFg

About 68% of West Bank workers are employed in the private sector, 15.8% in the public sector and 13.8% in Israel and the settlements. The public sector is the largest employer in the Gaza Strip, accounting for 55% compared with 39% in the private sector.

Despite strong economic growth in the West Bank in 2008–11, private sector real wages declined. The Gaza Strip private sector real wages are lower than in 1999 and have dropped by 4% since 2008. Public sector real wages in the West Bank are roughly at 2006 levels, while in the Gaza Strip they are about 20% lower (Kock et al., 2012). The average monthly wage for public sector employees is about ILS 2 100, compared to about ILS 1 650 in the private sector (about 80% of the former), according to PCBS data. Private sector wages are lower largely because of the economic constraints imposed by the Israeli occupation affecting the operations and profitability of companies. Another reason is that most civilians employed in the public sector hold a higher education degree, while private sector workers are mostly unskilled.

More than 95% of wage employees in the public sector receive work-related benefits and privileges such as paid sick leave, annual leave, maternity leave, etc. Less than one third of wage employees in the private sector have a work contract or are affiliated to labour or professional unions (PCBS, 2012).

2.4 NGO EMPLOYMENT

Due to the specific situation of Palestine in receiving high donor aid, part of which is spent through NGOs, wage gaps between NGOs and other employers tend to vary widely. However, specific data from NGOs on employee pay are not available as these rarely disclose any financial information (Mughrabi). From funds received from abroad for programmes and projects they remunerate their employees, especially higher level management, at rates significantly higher than in the public or the private sector. Pay may be as much as six times greater. The result is a wage inflationary effect, as can be observed in price rises in cities that house donors and NGO workers, especially Ramallah and Jerusalem and in real estate costs and rents. This further deepens the segmentation of the labour market, with NGOs offering jobs that are highly skilful and that pay far higher wages on average than in the rest of the economy.

2.5 THE INFORMAL SECTOR

The Palestinian informal sector shares many of the characteristics of other Middle East and North African economies. Firstly, working conditions are poor, as companies do not apply high safety standards in the workplace, provide protection or recognise occupational rights. Employees are personally responsible for their own safety, so if injured on the job, they receive no financial support, run the risk of losing their job and must assume the costs of medical care. Since this sector is unregulated, workers also face long hours and receive no benefits such as paid leave or pensions (Dagrah, 2008). Secondly, the implementation of laws and policies such as the minimum wage is a daunting task, and increasingly so, given the expansion of the informal sector in Palestine (Missaglia et al., 2010).

Little information can be extracted from studies and surveys on this sector in Palestine due to its unregulated nature. It is difficult to gauge its contribution to GDP and attempts to do so have been criticised in terms of methodology, consistency and the results obtained. However, in an attempt to estimate its contribution, this report will use two sources, MAS (2004) and the recent report of the World Bank (2011) about informality in the Middle East and North Africa, with some indications as to the situation in Palestine.

According to MAS, the average capital invested in an informal enterprise was about USD 7 221. Service enterprises, on average, received around five times the capital of industrial enterprises. Employment was on average 1.8 people per enterprise. The domestic trade sector was the biggest employer (61.6% of the total) followed by the industrial sector (19.8%) and the services sector (17.7%). The overwhelming majority of employees in the informal sector were men (around 95%). The total value added from informal sector enterprises was approximately USD 120 million. The average monthly wage in informal sector enterprises was around ILS 300 per worker, compared to approximately ILS 1 800 in the formal sector. However, wage earners constituted only 15% of those employed in informal sector enterprises.

According to the World Bank, workers in these enterprises experience high vulnerability to social risks as they have no access to health insurance and do not contribute to pension funds that provide income after retirement. The World Bank calculates that about 81.2% of the Palestinian labour force (both formal and informal components) does not contribute to any social security scheme. Transition from the informal sector to the formal sector is extremely limited.

3. LEGAL, INSTITUTIONAL AND POLITICAL FRAMEWORK

3.1 LAWS AND REGULATIONS

The existing legal framework in Palestine is fragmented geographically, given that the West Bank operates under a different legal setup from the Gaza Strip, and is also outdated, with laws inherited from Jordanian rule over the West Bank and Egyptian rule over the Gaza Strip. The Israeli military government has even issued hundreds of different military orders for the West Bank and the Gaza Strip (1 200 to be precise, consisting of two sets of (often) different orders). Furthermore, the legislative process has come to a halt, ever since the Palestinian Legislative Council became inactive in 2007, although laws have been passed through the presidential office.

The legal setting for the Palestinian territories has been shaped by decades of foreign governments and economic and social policy decisions, ranging from Ottoman and British to Jordanian, Egyptian and Israeli rule. After the PNA took administrative control in 1994, it sought to revamp the political situation to better meet Palestinian needs. An interim agreement was signed with Israel intended to last until 1999. In this period the PNA introduced new laws and revamped existing legislation.

More specifically, as an interim agreement, the Paris Protocol was applied in order to standardize economic interactions between the PNA and Israel. The Paris Protocol determined that PNA customs, purchase, levy, excise, VAT and other taxes would be bound by Israeli rates, thereby essentially establishing a customs union between Palestine and Israel.

LABOUR LEGISLATION

Palestinian Labour Law No 7 was adopted in 2000 as part of reforms designed to unify the fragmented legal systems of Palestine and to create a set of essential laws that would pave the way for a modern legal infrastructure for the Palestinian state. The new labour legislation replaced the Jordanian and Egyptian labour laws of 1960 and 1964 in force in the West Bank and in the Gaza Strip, respectively.

The new law, ratified in accordance with International Labour Organisation (ILO) and Arab Labour Organisation (ALO) standards, is organised into 10 sections covering a range of issues (MAS, 2008). Work is first established as a 'right of each citizen who is capable thereof' and the PNA is required to 'provide it on the basis of equal opportunities and without any kind of discrimination whatsoever'. Workers are exempted from legal fees arising from work-related disputes and are allowed to unionize. Civil servants, domestic workers and first-degree family members of the employer are exempted from the provisions of the law.

The law also addresses employment, occupational training and career guidance. Employers are required to submit demographic data on its employees on a monthly basis to the Ministry of Labour, which must employ qualified disabled workers representing no less than 5% of their staff and may not discriminate between workers in terms of work circumstances and conditions.

Individual work contracts, collective labour relations and work requirements and conditions are also covered by the law, including those governing the employment of women and of minors (15–18 years old; children under 15 years cannot work). Thus, minors receive special protection and also women before and after pregnancy. Furthermore, gender-based discrimination is prohibited and the type of work women can perform takes into account work classified as dangerous or strenuous. Also covered are aspects such as labour inspection, work injuries and occupational diseases and penalties.

In the decade since, the PNA has issued more than 30 bylaws to support implementation of the law or to make amendments where needed, covering aspects such as ratification of the minimum wage legislation (discussed below) through a wage committee, ratification of foreign worker permits, specific occupational issues, workplace safety and general safety standards, religious holidays, further anti-discrimination clauses, first-aid training requirements, etc.

To insure workplace adherence to the labour law, the Ministry of Labour employs about 70 inspectors in the West Bank and the Gaza Strip who each visit a minimum of 40 establishments per month (MAS, 2008). This inspection frequency is inadequate, however, for the 132 874 establishments in the West Bank and Gaza (PCBS, 2013); the inspectors, moreover, are limited in their ability to enforce the law. Additional problems are weak accountability and lengthy legal procedures.

Although this labour law has managed to bring worker's rights into line with international standards and has clarified, simplified and unified the regulatory framework for the West Bank and the Gaza Strip, its regulations, mainly in relation to job security, are widely considered to affect unemployment duration, especially for young people, women and new labour market entrants (graduates) (Daoud et al., 2010). The 2000 law has imposed more restrictions on employers and has increased the costs of dismissing employees. The Jordanian and Egyptian laws provided for a severance payment of 15 days' pay for each year of service whereas the Palestinian law doubled this to 30 days' pay.

The creation of a more secure employment protection system has led to an increase in wait times between education and work, with an average unemployment duration of around 12 months (11 and 15 months for men and women respectively), reaching as high as nearly 17 months in the Gaza Strip, more than double that (8 months) in the West Bank (Sayre and Kraetsch, 2011). Another debate is about the effects of the labour law on female employment. It is argued that amendments that assist females before and after pregnancy discourage the employment of women, as these would have more rights by law than their male counterparts, specifically, paid maternity leave and shorter work hours for breastfeeding after return from maternity leave.

The law also allows for a three-month trial period during which the employer can employ and pay a worker but may not offer a formal contract after trial period; which has decreased the cost of temporary employees. The fact that employees who work for 12 months or under do not receive severance payment may also affect the offer of short-term jobs (Daoud et al., 2010).

Another issue is the coverage of benefits and regulations codified in the labour law. The most recent work conditions survey conducted by the PCBS (2004) provided information about overall coverage rates, showing that 61.9% of wage employees did not have work contracts and that 56.3% and 52.3% of private sector employees did not receive annual paid holidays or paid sick leave, respectively, despite the fact that employers must provide these benefits by law. The survey also revealed great variation in coverage between different sectors. Less than 10% of construction workers received annual holidays or paid sick leave, compared to 25% and over 80% of workers in the manufacturing and services sectors, respectively. Although the survey did not provide specific information about employment protection legislation, data regarding sick leave and annual leave give an overall indication of coverage rates since these are closely related to the general package of social benefits. Overall, coverage was highest in the services sector and lowest in the agricultural and constructions sectors (Sayre and Kraetsch, 2011).

TAX LEGISLATION

All imported goods enter through Israel, so the PNA has no control over customs, VAT, and many other tax revenues. Importers pay customs, VAT, purchase taxes and other forms of tax to Israel, which, in turn, transfers it, less 3% for administration and other cost, provided the PNA holds the corresponding invoices submitted by importers. Hence, the PNA lacks control over a significant source of its revenues. However, and as indicated in the Paris Protocol, the PNA collects all direct and indirect taxes paid under its territorial jurisdiction.

The Palestinian income tax law was promulgated in 2001 and has been amended on several occasions. For individuals, for instance, new tax brackets were introduced in 2004 in an effort to alleviate tax burdens; in 2011, further amendments were made by presidential decree, with the rate for the lowest bracket (up to ILS 40 000 annually) set at 5%. As for corporation tax, two levels (15% and 20%) were introduced in the 2011 amendments. These recent changes in the income tax law faced stiff opposition from the public and were one of the main causes of the demonstrations against Salam Fayyad's government.

VAT is applied to all local and imported goods and services at a rate of 15%. Exemptions from VAT are granted to projects supported by the PNA such as investments in financial institutions, preschool education, research and development projects, transportation projects and infrastructure projects. Refunds are within granted to not-for-profit entities 6–12 months from invoice submission¹⁰. In addition, according to the Paris Protocol, Palestinian VAT may be no more that 2% below Israeli VAT, which limits the PNA in selecting an appropriate tax rate and its ability to develop fiscal policies that meet the needs of its local market. The result is increased Palestinian market subordination to the Israeli market and a raised cost of living, despite the fact that GDP per capita in Palestine is a mere 7% that of Israel (in current prices, USD 2 185.9 in 2010 in Palestine and USD 31 691 in Israel in 2010, according to the PCBS and the Israeli Central Bureau of Statistics. This weakens private sector ability to expand and to create employment.

MINIMUM WAGE POLICY

Diminishing real income and mounting public financing difficulties in recent years have negatively altered the Palestinian standard of living. An increase in the VAT rate (from 14.5% to 15% following a rate hike in Israel from 16% to 17%) and also in fuel prices coincided in the second half of 2012 to push the economic burden to new limits. Encouraged by Arab Spring events elsewhere, Palestinians took to the streets as a message directed towards the PNA calling for better economic policies.

In response to public pressures underpinned by the Arab Spring and acknowledging that economic burdens have been increasing and that some 150 000 Palestinians are acutely underpaid, the PNA instated a minimum wage policy (MAS, 2012c) for the Palestinian economy, passed on 9 October 2012, ratifying the recommendations of a national wage committee consisting of 15 members representing five different ministries, private sector employers and unions. The government moderated and facilitated dialogue between workers represented by trade unions and employers. The unions and employers argued for a minimum monthly wage of ILS 1 750 and ILS 1 250, respectively. After 12 months of negotiations, the Minister of Labour intervened and set the minimum wage at ILS 1 450 monthly (ILS 65 daily or ILS 8.5 per hour), to take effect from 2013.

As for anticipated effects of this policy, the 150 000 workers earning under ILS 1 450 monthly automatically benefit in terms of a higher income. However, employers are reluctant or unable to meet the increased burden, as illustrated by the recent Jenin Governorate protests at the minimum wage bill, with sewing workshops and shops and about 1 800 employees sent home without any pay until further notice. Daily business was resumed after four days of closure after a meeting with the Minister of Labour¹¹.

The sewing unions argued that workshops are unable to pay workers in accordance with the minimum wage bill. Yet the Ministry of Labour argues that the law was negotiated in a comprehensive year-long dialogue with all stakeholders, including the private sector; hence the sewing workshops were represented in the talks. The Ministry of Labour will allow the workshops an extra three months to arrange their finances and settle their employee wages; it has stated that it will provide whatever assistance is needed if the workshops comply with the new bill. It has also emphasised that the minimum wage bill will not be amended and that no exceptions will be made.

3.2 EMPLOYMENT INSTITUTIONS

PALESTINIAN FUND FOR EMPLOYMENT AND SOCIAL PROTECTION

The Palestinian Fund for Employment and Social Protection (PFESP) is a semi-independent, autonomous body originally intended to be operational for 2003 (Sartawi, 2011). It is supervised by a board of directors representing the state, employers and unions (tripartite), headed by the Minister of Labour. Its mandate is to provide services and implement the Ministry of Labour policies, yet it is not involved in policy making.

With a total of 15 members, it has only five permanent staff. It receives temporary technical assistance from the ILO and has a budget of USD 650 000 provided by the Islamic Development Bank (IDB) and by Kuwait and Qatar. According to Palestinian law, the Ministry of Labour should transfer USD 5 million to the fund annually; however, this has not materialised so far due to limited resources. On this note, the national employment strategy and the creation of a public employment agency are an opportunity to revitalize this body as a tool to implement the Ministry of Labour policy.

Top priorities are Palestinians working in agriculture in Israeli settlements, micro- and small enterprises that want to expand and information technology projects. These priorities focus on the micro-level of the labour market and the economy, given that the macro-level is distorted by an economic environment that is not conducive to business (checkpoints, closures, limited mobility, etc.) as a result of the Israeli occupation and also because small enterprises are more resilient under occupation.

The fund operates four main programmes: a community infrastructure development programme which includes public works, an enterprise development programme for training and capacity building and for cooperation with micro-finance institutions and the provision of grants in the form of loans for business start-ups, a human resource development programme and a programme for integrating Israeli settlement workers in the Palestinian labour market.

So far, the Palestinian Fund for Employment and Social Protection has:

- assisted with job placements for 100 graduates in the private sector for six months of employment by subsidizing 50% of pay;

- supported self-employment and micro-enterprise creation so as to integrate Palestinians from settlements after the boycott of settlement work in 2010;
- empowered female entrepreneurship in deprived and marginalised areas through 37 business grants and support to six cooperative associations;
- implemented self-employment and cooperative projects targeting people with disabilities, ex-detainees, settlement workers and vocational and academic graduates through cooperation with the Palestine Credit and Development Body (FATEN).

LABOUR MARKET INFORMATION SYSTEM

The labour market information system (LMIS) is another employment service recently developed by the government, which aims to provide 'accurate and up-to-date data on the supply and demand sides' of the labour market and so 'assist the decision makers, employers and individuals in identifying current and future skills and specialisation needs and designing TVET and employment policies' and also to 'help individuals choose appropriate training and education according to their needs and abilities and the current and future needs of the labour market'¹².

The LMIS is divided into four subsystems: population (demographic and labour data); education (higher education, formal and non-formal education, technical and vocational education, vocational retraining data); enterprises (unmet needs, dismissals, firms, skills, sectors, working experience); and finally, labour market (unemployment, jobseekers, vacancies, and filled vacancies). As can be seen from the LMIS subsystems, the Ministries of Labour and of Education and Higher Education, the private sector, the chambers of commerce, statistical bodies, jobseekers and graduates are all stakeholders in this system. However, the LMIS is still not functional or productive because of weak stakeholder contributions in terms of expertise and relevant data to the system.

Another public employment service is career guidance and counselling aimed at providing services and activities that assist primary, secondary, vocational, and higher education students, jobseekers, graduates, the unemployed and education dropouts in making educational, training and occupational choices and in managing their career according to their aptitudes and abilities and labour market needs. This has involved training a number of counsellors in the implementation of career guidance programmes, the printing of a number of booklets and the implementation of three employment days in Nablus, Ramallah, and Hebron.

One particular obstacle of the LMIS is not having access to the companies register. The Ministry of Labour plans to transfer listed company information from the chambers of commerce and industry database to the LMIS, but many companies are extremely reluctant to provide full information for fear of government inquiries regarding informal undisclosed practices or quarrels with tax authorities. Information that could also be transferred to the LMIS is PCBS data on some 70 000 companies (of an estimated total of around 110 000) and their employees and also fairly complete and specific information on university graduates.

LOCAL EDUCATION AND TRAINING COUNCILS

With the objective of enhancing social dialogue and fostering local employment initiatives, the Ministry of Labour has set up local education and training councils (LET)¹³ with representatives from the PNA, the private sector and NGOs, providing them with grants for entrepreneurship training and business start-up programmes. Their main role is conducting meetings to maintain links and communications between different employment stakeholders and supporting partnerships. A good example is Hebron, the relatively most industrialised city in Palestine, where the council is successful in facilitating job placements. Of the three other councils located in Nablus, Ramallah and Bethlehem, the one in Nablus is the most active. The councils have had limited success so far, with more modest results than expected. The main reason is the limited jobs created by enterprises, which limits their capacity to absorb new hires and to cooperate at the local level.

EMPLOYMENT OFFICES

The Ministry of Labour undertakes several tasks regarding employability and matching labour demand and supply through 16 and 5 employment offices¹⁴ located in the West Bank and the Gaza Strip, respectively, which provide their services to jobseekers and employers alike. The Ministry of Labour, however, has no control over the Gaza Strip offices due to the geographic and political divide. The offices in the West Bank offer job placement services in both the domestic and Israeli labour markets. They also provide a certificate of eligibility for free health insurance for the unemployed in the West Bank and the Gaza Strip and for short-term workers in the Israeli labour market.

¹² Based on the interviews with Samer Salameh at the Ministry of Labour, and GIZ in April 2013.

¹³ www.tvet-pal.org/en/LET_councils

¹⁴ Based on an interview with Samer Salameh at the Ministry of Labour in April 2013.

The Ministry of Labour has been active in using these employment offices to offer a more comprehensive package of services. Thus, eight of the West Bank offices have been transformed into one-stop shops, offering a comprehensive package of career guidance, vocational training-related services, job search and job application support and information and work permits to work in Israel (except in settlements, considered illegal).

Furthermore, the Ministry of Labour seeks to enhance the image of employment offices by including not only the unskilled and uneducated but also the highly educated. It has thus signed agreements with 10 universities and two community colleges in order to establish career guidance offices there. The Ministry of Labour and the universities will furnish the staff and will train them to be able to provide quality services. It is expected that the offices will commence work in 2014.

3.3 EMPLOYMENT POLICIES

The Palestinian national employment strategy is based on government priorities regarding economic policy, political prisoners, women, young people, and the TVET sector. The strategy refers to the need to establish specialised governmental agencies dedicated to employment, including a national employment agency, a general commission for regulating cooperatives, labour offices and a TVET agency. However, the Palestinian Fund for Employment and Social Protection is the only agency at present, given that strategy implementation continues to face many obstacles. Employment services offered by providers (the Ministry of Labour and other ministries such as the Ministry of Education and Higher Education, the private sector and trade unions) are mainly in the areas of job creation, vocational training and worker protection.

NATIONAL EMPLOYMENT STRATEGY

The national employment strategy (NES) is devised by the Ministry of Labour through a comprehensive process of sector assessment and strategy development involving all stakeholders (PNA, 2010a). This comprehensive approach is aimed at enhancing understanding and bridging communication gaps between the three parties of the Palestinian labour market; namely representatives from the PNA, two labour unions and the private sector, the latter represented by the Palestinian Private Sector Coordinating Council. The vision of the Ministry of Labour is to promote a workforce that is aligned with labour market needs (PNA, 2010b). The national employment strategy covers the years 2011–13 and a new strategy is currently being devised for 2014–16.

The current NES is a set of policies directed towards enhancing linkages between the parties of the state, enterprises and unions, supporting small and medium-sized enterprises (SMEs), promoting employment of women and people with special needs, increasing the percentage of Palestinians employed in Arab countries, developing the vocational education system, developing the cooperative sector and improving work conditions. More specifically, the Ministry of Labour seeks to increase the labour participation rate, especially for marginalised groups, shift employment from the public to private sector, reduce unemployment, improve employment in the informal sector and regulate employment for migrants.

As a result of comprehensive participation by stakeholders, the NES is linked with the economic strategy of job creation, TVET strategy for strengthening of workers' skills and incorporating young people, females and ex-detainees in the labour market. The NES was supported by technical assistance from the German cooperation organisation, GIZ, and also received inputs from the ILO. Action and implementation plans follow the NES, with the following key implementation steps devised:

1. establish social partnerships and activate socioeconomic council, TVET council and community-based training, among others;
2. create a public employment agency to develop and implement active labour market policies, develop and manage the LMIS and establish and manage a career guidance system;
3. revitalize the Palestinian Fund for Employment and Social Protection created in 2003;
4. attract reputable multinational private employment agencies;
5. create a general commission for regulating cooperatives;
6. enhance cooperation between employment agencies, TVET system, the Palestinian Fund for Employment and Social Protection and employer representatives.

The NES foresees measures for local cooperatives, collective work programmes and short-term active and passive labour market policies. Short-term passive labour market policies include social assistance for the poor, food support, cash support and food-for-work assistance implemented by the Ministry of Social Affairs in coordination with the Ministry of Finance. Active labour market policies include wage subsidies (paid by NGOs, donors and the government for the temporary employment of graduates), United Nations Relief and Works Agency (UNRWA) cash-for-work programmes and internship and training programmes run by large private companies.

As for assessment, this is viewed in terms of a restructuring effort for the labour sector, including the creation of new administrative structures in the Ministry of Labour and new commissions in the government. An example of the latter is the Public Commission on Vocational Training and Technical Education. A comprehensive assessment for this national employment strategy should be viable some four to five years after commencing its implementation, given its long-term goals and the expected outcomes.

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING

The current TVET strategy was developed in a participatory process during the years 1995–99 and revised in 2010 (PNA, 2010c). A number of TVET projects enjoy strong backing by the PNA and foreign donors, especially GIZ, which led to the Promotion of TVET and the Palestinian Labour Market project, a sub-programme of the Support to TVET Development in Palestine project, operated in cooperation between the EU and the German government and in partnership with the Ministries of Labour and of Education and Higher Education (PNA, 2010b). In the four-year programme (due to end in 2015), GIZ supports TVET institutions in delivering training to Palestinians aimed at bridging labour demand-supply gaps. Beneficiaries include students from all levels of education, jobseekers, adult learners and employees, and relevant PNA ministries (such as the Ministry of Labour), the UNRWA, the private sector and TVET institutions participate. The project has succeeded in developing institutional and human capacities, setting up local employment and TVET councils, building a pooling system to garner more technical support and furthered training concepts and standards. Full measurement and assessment of the desired outcomes requires time to take effect as this is a long-term programme.

The Ministry of Education and Higher Education, the Swiss Agency for Development and Cooperation (SDC) and the EU together support a GIZ-designed five-year programme (due to end in 2015) for qualitatively upgrading existing TVET institutions by transforming them into highly specialised regional vocational centres of excellence. Individual TVET entities will realign to focus on a single specific field or family of professions of relevance to labour market needs, with the higher degree of specialisation aimed at increasing output quality, enhancing efficiency and decreasing costs. Such centres are expected to especially promote the employability of young people.

To enhance communication within the TVET system, the Ministry of Education and Higher Education has entered a partnership agreement with Belgian Technical Cooperation (BTC) regarding a project for enhancing business-TVET relations (funding EUR 2.2 million). The BTC-funded project led to a successful Innovation and Excellency Exhibition in 2012, in which many TVET secondary schools and community colleges showcased industrial projects as means of reaching out and marketing themselves to businesses. The EU has also funded (EUR 4 million) a GIZ-implemented project to improve four TVET institutions in four governorates. There will be another new EU-funded project in 2015 (EUR 8 million) as a continuation of the support to TVET institutions, with a new component on youth employment.

3.4 LABOUR UNIONS

Labour unions in Palestine, like other labour unions, defend worker rights and contribute to the development of civil society. Nevertheless, the reality of the Palestinian labour unions is far from ideal, as they are highly fragmented and have low worker participation and membership. A PCBS work conditions survey of 2004 showed that 68.6% of employed persons are not members of a labour union. 13.3% of them indicate that the reason was union membership rules and 79.3% stated that they were not convinced that the unions did any good (PCBS, 2004). There are three main labour unions in Palestine, in addition to some Islamic trade unions.

The Palestinian General Federation of Trade Unions (PGFTU) is considered a historical extension of the Palestinian union movement developed since the 1920s¹⁵. This union (representing some 350 000 workers, 40 000 of whom are women) is an organisation that aims to defend worker rights, work towards greater financial independence and increase membership, especially female participation. Unfortunately, the work of the union is fragmented because of the geographic and political separation between the West Bank and the Gaza Strip. Eight unions exist within Gaza (covering agriculture and food, textiles, transportation, services and trade, metalworking, construction and woodworking, post and communications and municipal employees); 186 local unions fall under 12 national unions (representing food and agriculture, textiles, transportation, banks and insurances, sewing and leatherworking, building and construction, public services, telecommunications and post, print and graphic design, health, chemistry and tourism) in the nine areas in the West Bank.

The Palestinian Trade Union Federation (PTUF) was activated during the diaspora and became part of the Palestinian Liberation Organisation (PLO) structure. It was originally established in Haifa in 1923 as the Arab Workers Association. Besides defending worker's rights, it aims to contribute to the unity of the Arab and international labour movement, strengthen the presence of Palestinian workers and increase their participation in society. However, this union has

been criticised as being incapable of improving the situation of the Palestinian workers. PGFTU proposed a merger with this union, but it refused. Finally, the Federation of Independent and Democratic Trade Unions and Workers' Committees, which was founded in 2004 as a response to the lack of democracy in the traditional Palestinian trade unions, aims to remain a non-governmental, non-profit and independent organisation. It now represents some 50 000 workers.

The PGFTU is Fatah-affiliated, but some Islamic unions that depend on Hamas also exist in Palestine. However, these focus more on social work, money for the poor and food hand-outs. Members mainly join these unions to gain social benefits. The Islamic Workers' Association founded in Ramallah in 1992, for instance, focuses on workers providing public services and working in production workshops.

3.5 DONOR SUPPORT FOR EMPLOYMENT

There continues to be a considerable amount of aid flowing into Palestine, although it is fragmented and unpredictable; a comprehensive long-term overview of broad economic fundamentals and a long-term development strategy are also lacking. Thus, aid is not being translated into sustainable development and growth (World Bank, 2007).

According to the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD), the main donors for 2010 and 2011 were the UNRWA, US and EU bodies, GIZ (Germany), the BTC (Belgium), the Canadian International Development Agency (CIDA) and others from Norway, Spain, the United Kingdom, France, and Japan¹⁶. Since the establishment of the PNA, the most important overall aid contributor to the Palestinians has been the EU Member States combined (Le More, 2005). Since the 2006 Palestinian elections, Arab countries have made a direct payment to Palestine to contribute to the payment of Palestinian civil servant wages.

EUROPEAN UNION

The EU support to the TVET programme 2011–14 (EUR 4 million) that is implemented by GIZ has been instrumental for improving the overall TVET system. This programme has been received well by local stakeholders who have requested in several occasions its extension to additional governorates. Following the success of this, the EU has decided to allocate another EUR 8 million for a new programme of support to TVET development and youth employment. Several EU projects on private sector development (PSD) are relevant to employment policy as well. The new project funded by the AFD on clustering SMEs in certain localities and sectors brings SMEs together, working in the same sector, to increase their competitiveness and employment in local and export markets (EUR 5 million budget for 2012–15).

GIZ – GERMAN COOPERATION ORGANISATION

GIZ implements macro-level programmes as part of the Palestinian Reform and Development Plan. Its main programme is that for the TVET sector (mentioned above), expected to result in improved skills and qualifications, increased income potential and a narrowed employment gap. GIZ also facilitates partnerships among stakeholders, especially public and private institutions, by providing technical assistance in preparing the national employment strategy, cooperating with the Ministry of Labour in launching the LMIS and providing funding for various programmes such as the One-Stop-Shop.

ISLAMIC DEVELOPMENT BANK/UNITED NATIONS DEVELOPMENT PROGRAMME

The United Nations Development Programme (UNDP) implements the project titled Deprived Families Economic Empowerment¹⁷ in partnership with the Ministry of Social Affairs, funded by a USD 35 million grant from the Islamic Development Bank. The project aims at providing a comprehensive package of financial and non-financial services to meet the needs of poor families in Palestine and transform them into independent generators of income.

UNITED NATIONS RELIEF AND WORKS AGENCY

The UNRWA¹⁸ is a major partner in providing employment and relief programmes for Palestinian refugees, who, in number, constitute almost half of the population. Its job creation programme was initiated in 2001 as part of an integrated approach to emergency programming. The goal was to help vulnerable Palestinian refugees in the West Bank and the Gaza Strip by providing them with temporary jobs in an effort to alleviate the impact of high

16 www.oecd.org/dac/stats/XPA.gif

17 www.deep.ps

18 www.unrwa.org/etemplate.php?id=85

unemployment and poverty levels. Some 39 000 job opportunities have been offered to 300 000 beneficiaries in the West Bank through reinforcement of the One-Stop-Shop programme whereby jobseekers register, are assessed, trained if necessary and offered a vacancy as soon as one becomes available.

The provision of cash-for-work allows families to earn and allocate scarce resources to priorities other than food, whilst the use of temporary employment as a tool to distribute cash contributes towards maintaining the dignity of more vulnerable groups. The accumulation of work experience and the development of skills, particularly for young people, ultimately contribute to economic recovery. Inserting cash into the economy has introduced second-round benefits for local retailers and service providers, whilst the development and rehabilitation of infrastructure has helped improve living conditions for communities. The programme also contributes to the protection of communities under threat of displacement.

SWISS AGENCY FOR DEVELOPMENT AND COOPERATION

The SDC contributes to a project to upgrade existing TVET institutions and transform them into regional vocational centres of excellence (see Section 3.3), ultimately expected to translate into more employment and more specific skills that meet market demand. It also works in cooperation with GIZ, BTC, the EU and the Palestine Welfare Association in order to ensure effective harmonisation of donors' work.

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

A programme (duration 2007 to 2013) co-financed by CIDA targets SMEs at both the national and local levels. The core objective is to enhance private sector lobbying and dialogue skills by improving regulatory, administrative and institutional conditions at both the local and national levels and also strengthening SME potential and competitiveness. A Small Enterprise Centre, established in 2009 under GIZ guidance, currently has offices in Ramallah, Bethlehem and Gaza.

BELGIAN TECHNICAL COOPERATION

The BTC operates in the TVET sector and in close cooperation with the Ministry of Education and Higher Education. It is the second main EU donor and has just started another EUR 5 million programme aiming at establishing apprenticeship support schemes and other tools to facilitate the transition from school to work. Another BTC project starting is 'start-up incubators', funded by the EU (EUR 3.5 million over four years). The aim of the project is to facilitate the creation of micro, small and medium enterprises through incubation and enhance their skills in becoming more competitive and financially sustainable.

4. EMPLOYMENT SERVICES

Employment services are designed to assist people in finding employment by providing counselling and training to potential employees and working with employers. They can be publicly or privately financed. In Palestine, however, the provision of employment services is politically and geographically very fragmented. Historically in Palestine, the labour market is characterised by the active involvement of NGOs, with the public sector and private agencies not playing any prominent role. Indeed, strengthening public employment services and ensuring structured coordination among different providers are among key national employment strategy objectives. The role of public, NGO and private employment services is described below with a brief discussion of the main players in each group. An overview of all labour market-related projects in Palestine is provided in Annex 3.

4.1 PUBLIC EMPLOYMENT SERVICES

ONE-STOP-SHOP SERVICES

One of the most prominent achievements is the development of GIZ-supported comprehensive employment offices in the four governorates of Ramallah, Bethlehem, Hebron and Nablus, referred to as One-Stop-Shop (OSS) offices, intended to narrow employment gaps by reducing the mismatch between labour demand and supply. Their services are available to jobseekers, graduates, the unemployed, dropouts and women. They provide career guidance and counselling services to employees and jobseekers, including vocational guidance, employment counselling, job placement and guidance in self-employment and small enterprise creation (start-ups). They also provide services to employers, especially the matching of qualified staff to employer needs, and they collect and provide labour market information for their target groups. The Ramallah OSS was visited in April 2013, where 22 staff members were employed, but the office manages to match only 10 jobs to jobseekers per month¹⁹.

CAREER WEEK

To support employment initiatives, especially for new graduates, the Ministry of Labour plans to organize a National Career Week for 2013²⁰ in cooperation with private sector employers, universities and chambers of commerce and industry. Three main activities were planned: an open day in Nablus, a one-day employment conference in Hebron and a three-day exhibition at Birzeit University (near Ramallah).

4.2 NGO EMPLOYMENT SERVICES

The NGO sector in Palestine, with more than 2 000 organisations and some 17 000 paid employees, is an important player in the provision of social and employment services. Over a quarter (25.6%) of NGOs run professional training and career development programmes (the major kind of programme for 5.3% of them) (MAS, 2007). Some of these organisations run consolidated programmes sustained by international and national donors. The UNRWA, for example, has a parallel system of relief programmes that include training and employment components for Palestinian refugees in the West Bank and the Gaza Strip. Sharek Forum, the Welfare Association, the Education for Employment Foundation and the International Youth Foundation (IYF) are other important NGOs. It is not possible to exhaustively describe all the NGOs and their employment services, so listed below are the main players.

UNRWA'S JOB CREATION PROGRAMME

In order to assist the most vulnerable Palestinian refugees, the UNRWA implements a yearly cash-for-work project through its Job Creation Programme (UNRWA, 2013). Nevertheless, the programme is implemented separately in the West Bank and the Gaza Strip due to the regional segmentation posing different challenges for these regions. The UNRWA uses its own database developed using a proxy means test formula (based on PCBS surveys and aligned with the formula used by the Ministry of Social Affairs) to match applicant skills with available opportunities.

In the Gaza Strip, the UNRWA implements a cash-for-work project as part of a food security strategy. In 2013, it aimed to create about 36 613 cash-for-work opportunities, including 25 326 unskilled positions and 11 287 skilled and

¹⁹ Interview done in the Ramallah One-Stop-Shop office in April 2013.

²⁰ Interview done at the Ministry of Labour in April 2013.

professional positions (including approximately 3 386 jobs training placements for young graduates). The cash-for-work project is worth about USD 53.8 million in wages for refugees, spent mostly on food and other essentials. The indirect beneficiaries are estimated to be about 237 985 family members. The UNRWA provides pay at 20%–40% of the average wage level, at around ILS 36 per day for unskilled posts, ILS 50 per day for skilled posts, and ILS 70 per day for professional posts. Programme participants are placed in hospitals, NGOs, community-based organisations, public utilities and UNRWA installations. The UNRWA aims to provide new job opportunities to women (35% overall of the 36 613 contracts), young people and people with disabilities.

In the West Bank in 2013, the UNRWA aimed to shift its food security response strategy from direct food aid to a cash-for-work focus, because cash-for-work addresses the causes of food insecurity more appropriately and provides a more dignified form of assistance. It is also less costly than food assistance given the savings in overhead and storage facilities. The UNRWA aims to create 10 000 opportunities for refugee families living in Area C, the Seam Zone and East Jerusalem, and 7 500 opportunities for refugees in camps. The cash-for-work project pays ILS 1 500 a month to food-insecure families.

UNRWA plans were to develop a new three-year strategy for its Job Creation Programme over 2013, whose core pillars will include improved matching between applicant skills and specific job opportunities, livelihood interventions based on pilots implemented in 2012 designed to lead to more sustainable incomes and the introduction of job placement and career guidance.

SHAREK YOUTH FORUM

Sharek Youth Forum²¹ is a leading independent youth organisation in Palestine, established in 1996 with funding from the Swiss Agency for Development and Cooperation and the UNDP Programme of Assistance to the Palestinian People (PAPP). It has implemented four innovative programs in recent years to help young people make the transition from education to work or self-employment (Sharek, 2011). Its first programme was its Step Forward Centre, which focuses on economic empowerment through youth business and career services. It consists of several sub-programmes.

School-to-Work, in operation since 2011, informs stakeholders about the factors contributing to youth unemployment, supports young people in understanding the opportunities and challenges of the labour market, guides them toward the right opportunities and offers access to high-quality training. It also provides career and academic counselling, educational needs training, skills training accreditation, training for work, career days, mobile career services and internships. Youth Enterprise, also launched in 2011, lays down the foundations for business and facilitates the success of young entrepreneurs. It provides enterprise teacher training, business innovation and incubation services, a youth peer-entrepreneur support network and finance for growth. The Welcome to Work programme provides specific and dedicated career services to individuals from marginalised groups along with work experience and career networking programmes.

Another project is Start Work/National Job Fairs, implemented by Sharek Youth Forum with support from the IYF. It aims at improving the employability of young graduates through the provision of employment skills training and the organisation of job fairs. The programme has provided 26 skills training courses to 581 young people, and 432 young people and 80 companies have attended job fairs in Ramallah, Hebron and Nablus.

With the assistance of UNDP–Spain and the ILO, Sharek Youth Forum has implemented a career counselling programme to equip women with new skills to support their participation in the labour market; 60 young women have attended International Computer Driving Licence and Training of Trainers courses oriented to leadership, curriculum and communication skills.

Finally, a programme called Youth Business Support Units, funded by the UNDP's PAPP and the Islamic Development Bank–Al Aqsa Fund, provides resources for business start-ups, targeting unemployed young people aged 18–30 years and impoverished households with business ideas. A total of 413 individuals have received training from experts, 182 households have received business start-up grants, 161 businesses have been sustained over the lifetime of the project and two business incubation units have been set up.

EDUCATION FOR EMPLOYMENT FOUNDATION

The Education for Employment Foundation²² was founded in 2008 to act as a bridge between academia and the private sector. It aims to give unemployed young Palestinians entrepreneurship training and assistance that meets employer needs or enables them to start their own business. Graduates have been placed in a range of industries including business consulting, accounting, finance, information technology, construction, hotel management and

21 <http://sharek.ps/en/>

22 <http://efe.org/>

education. It establishes direct partnerships with employers so as to secure job commitments ahead of training. Operations cover education, employment (through jobs and entrepreneurship), alumni support and civic engagement.

A mini MBA training programme is part of the Education for Employment Foundation's programmes; it aims to provide unemployed university graduates with the practical skills required by employers and also places them in jobs. Another programme is construction management, aimed at training unemployed Palestinian engineering graduates. It is supported by the Consolidated Contractors Company, Said Khoury Foundation and the United Palestinian Appeal. Also launched in June 2009 was an AMAL/Jobs for Hope training and job-placement programme, funded with a USD 1.6 million grant from the Drosos Foundation of Switzerland, to provide training and employment opportunities to 450 young Palestinians in the West Bank.

THE WELFARE ASSOCIATION

The Welfare Association (WA)²³ is an independent non-profit organisation established in 1983 that provides development and humanitarian assistance to Palestinians in the West Bank, the Gaza Strip, beyond the Green Line and in the Palestinian communities in Lebanon, in particular, Palestinian graduates from academic and vocational institutions, school dropouts, school counsellors and entrepreneurs. In 2009 it launched a Youth Training and Employment Programme to provide sustainable employment opportunities for Palestinian youth, with a budget of USD 8.9 million from the Arab Fund for Economic and Social Development and the Swiss Agency for Development and Cooperation. This programme enhances youth competencies to compete for jobs and supports young entrepreneurs in establishing enterprises. It expects to train some 20 000 young people in essential skills for employment, establish a job directory and guidance system for jobseekers and recruit 1 200 unemployed young graduates through employment projects and employ at least 80% of them. The programme has so far employed around 500 young men and women and supports 21 small-scale enterprises²⁴.

The Youth Employment Service (YES)²⁵ is another programme to train and employ young Palestinians, implemented by the WA, which intermediates between employers and jobseekers, offering jobseekers paid internship opportunities in different partner businesses. The WA pays half of the internship salary (about ILS 1 050) for six months and the employer pays the other half, with the employer possibly employing the intern after the six-month trial period. The programme has 10 596 registered college graduates and 1 133 registered businesses. The WA has contracted with 509 of these businesses and almost 1 000 young beneficiaries. The number of young people who have completed an internship is 611.

4.3 PRIVATE EMPLOYMENT SERVICES

The most active private sector employment service provider in Palestine is an online portal called Jobs.ps Ltd²⁶ that connects jobseeker with employers. Employers and businesses can announce job vacancies and jobseekers can conduct searches for these vacancies and apply for jobs through the website. The easy-to-use website covers all the Palestinian territories. It has gained in popularity in the past two years to the point where it is the first option for a jobseeker looking for work. Indeed, its success is such that others have tried to create websites providing similar services. One drawback is that jobseekers need to understand how to use a computer and the Internet.

Other private sector companies provide either training to jobseekers or support entrepreneurs. However, their role in providing employment services is not very clear and is still weak due to the lack of available funds. However, on the basis that commercial investments must be paralleled with social investments, a local investment company called PADICO²⁷ leads many community programmes to support education and entrepreneurship, foster local talent and culture, provide relief or emergency intervention and provide sponsorships in specific areas such as education and youth. PADICO's four main programmes are called Education and Entrepreneurship, Culture, Charity and Sponsorship Opportunities.

²³ www.en.welfareassociation.org/

²⁴ www.en.welfareassociation.org/186-MenuDetails-40-Newsletter

²⁵ <http://yes-portal.blue.ps/>

²⁶ <http://jobs.ps/p.php?p=InfoPages&file=whorw-ar>

²⁷ www.padico.com/public/English.aspx?Lang=2&Page_Id=2220&PMID=33&Menu_ID=33&Site_ID=1

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The revolutions and protests that swept many countries in the Middle East from the end of 2010 marked a new era in public policy. Societies burdened by public policies and inequalities publicly registered their opposition to their governments, rendering them mute until they responded or were overthrown. Public protest has been no different in Palestine. Fierce demonstrations have protested accumulating social and economic burdens that forced the PNA to respond.

It is no surprise that the PNA's response to local protests was to accelerate social safety programmes aimed at alleviating poverty, set policies for bridging the gap between labour demand and labour supply and enhance the income of a large portion of society. Acknowledging the worsening situation, the PNA sought to ease economic burdens by introducing a minimum wage and establishing a comprehensive social security system. It also reduced the increase in taxes proposed in a new income tax law (20% for the higher brackets instead of 30%) and in the VAT rate (0.5% instead of a 1% increase). The new tax law, as it was initially proposed, was received with tension and was rejected by the private sector and the public, who saw it as adding to economic burdens in difficult times.

The PNA, as planner, regulator and a major employer, is the main actor in the Palestinian labour market. It is currently seeking to develop policies to regulate and promote a healthy labour market. However, the Palestinian labour market is neither a healthy one nor operates under stable or supportive political conditions. The government is limited in implementing its policies and effectively monitoring its projects. It has limited access within the West Bank and is completely restricted in the Gaza Strip. Additionally, the PNA does not exercise sovereignty in certain circumstances, such as those relating to foreign trade, water management, land use and monetary policies. These limitations dictate that the PNA operates within strict boundaries as a policy maker and regulator. Without complete autonomy and sovereign economic institutions with independent decision making ability, the PNA will remain a passive spectator to the actions of economic forces that are beyond its influence (UNCTAD, 2009).

From the many challenges it faces, the main author of its impasse is the Israeli occupation. For one, it segments the land under PNA rule (the West Bank is only about 40% accessible). Accordingly, access to land and resources are extremely limited and movement restrictions are a weighty burden and one of the main reasons for a stagnant growth and a persistent high unemployment (Kock et al., 2012). Israeli policies subject Palestine to many of its own internal economic policies. Articles and clauses of the Paris Protocol have not been honoured by Israel, which adopted a selective approach and only implemented the parts of interest to itself disregarding the Palestinian interest. This has left the PNA severely limited in terms of action in critical areas of its economy, especially fiscal and monetary policy.

The situation of the Palestinian society is radically different from that of any other Arab country, since it is entangled in one of the longest occupations of modern history. The Israeli occupation keeps control over the land, economy, borders, resources, and movement of persons and commodities. This strangles PNA efforts to achieve sustainable economic and social development, resulting in a weak private sector with limited investment and expansion opportunities. The combined effect of this has culminated in obstructing the creation of a strong productive sector.

Although some infrequent Israeli measures offer relief in movements and other restrictions, these have been highly incremental, tentative and sporadic and therefore not enough. They maintain constant disorder, unpredictability and risk. Additionally, transfers of Palestinian tax revenues from Israel to the PNA are subject to the prevailing political situation, rendering the PNA's major financial resources unpredictable and hampering its credibility in meeting its financial obligations.

However, working within these constraints, the PNA has been able to reach a modest and functional level of strategic development planning for Palestine. This is recognised by the Ad Hoc Liaison Committee (the principal policy-level coordination mechanism for development assistance to the Palestinian people), which states that governmental functions are now sufficient for a functioning government of state. The PNA has successfully embarked on institutional and capacity building, investment promotion, labour condition enhancements and applying

the rule of law, among other significant social and economic achievements. It has been adamant in devising triennial national development strategies that aim to promote investment and enhance the livelihoods of its citizens.

Donor assistance has been instrumental in providing the PNA with resources and needed capacities and expertise and has been pivotal in supporting its mandate and existence through budgetary assistance, project support, infrastructure building, education support and other donations. Yet donors have held inconsistent stances with regards to employment, especially public sector employment (PNA, 2008–10). Moreover, donor money fluctuates and donor agenda changes at times, subjecting PNA policy and strategies to such alterations. For example, the West Bank receives most of its funds from the EU, USA and other Western European countries, while the Gaza Strip receives most of its funds from Gulf countries such as Qatar, Saudi Arabia and the United Arab Emirates. These donations have different political motivations and so undermine the consistency and coherence of public policies, leading to fragmentation and duplication of activities with no coordination or cooperation.

Because the PNA is beholden to foreign funding and must align its own priorities for domestic development with those of its funders, the Palestinian government operates lightly, but not because it lacks the essential capacity or critical institutions, but because of a lack of autonomy. However, there appears to be significant problems in communication among different stakeholders, including within the PNA. Councils and dialogue groups exist but they lack momentum to initiate and follow up with dialogues of large-scale and national importance. In addition, segmentation of the labour market has caused many distortions, apparent in the different labour market indicators such as the labour force participation rate, unemployment rate and wages.

As a result, the provision of employment services is very fragmented in Palestine and the role of the public sector has historically not been dominant. Employment policies and services are characterised by the active involvement of donors and NGOs and the weak role of public and private agencies. Also linked with the high level of donor aid flowing to civil society organisations, the NGO sector in Palestine is the most important player in providing social and employment services. Indeed strengthening public employment services and ensuring structured coordination among different providers must be the key objectives of any employment policy.

To support the Palestinian labour market, all parties involved should share responsibility and meet their commitments and obligations. A priority is removal of Israeli closure policies and movement restrictions. The PNA also needs to keep seeking and negotiating for the expansion of currently available policy instruments, expand the use of the presently available space for policymaking, and enhance coordination between institutions participating in decision making (UNCTAD, 2009). The international donor community needs to persist in its technical and financial support to the Palestinian labour market and the expansion of the available policy instruments of the PNA. Finally, the Israeli authorities must leave off the imposed closure policy on the West Bank and the Gaza Strip that, over the years, has so weakened the economic development of Palestine.

5.2 RECOMMENDATIONS

This short overview indicates the special conditions of Palestine and the need for political stability for long-term solutions. Deep reforms are needed in the labour market together with an improved business environment, support for SME growth and private sector development, acceptable work standards and improved quality in the education and lifelong learning systems. Although education has been a priority, with significant public investments and major progress achieved toward universal access, there has been low return on investment in terms of meaningful educational outcomes (Martin and Bardak, 2012). Below are the most important recommendations arising from this report.

1. Entrepreneurship among Palestinian youth at different educational levels needs to be encouraged (Hamid, 2007). To achieve this goal, we suggest to:
 - replace the indoctrination and memorisation methods used in Palestinian schools and universities with new methods that involve student discussions, debates and problem solving so that students can become part of the curriculum and be motivated to come up with new creative ideas;
 - generate clubs and entrepreneurial circles in educational institutions to support and encourage students in creating their own projects;
 - change the teaching context so that learning also takes place outside the classroom and in the local community in practical, project-based, hands-on and experimental learning approaches (Hashweh, 2012).
2. Public awareness regarding increasing participation in TVET needs to be raised through quick-impact and targeted awareness campaigns conducted in close partnership with national organisations.
3. Geographical access to the TVET system needs to be improved, and especially the distribution of TVET institutions across Palestine, to serve the many people living in rural areas, remote municipalities and camps, as Israeli-imposed mobility restrictions have impeded access to TVET institutions (mostly located in urban areas) (ILO, 2009).

4. The links between the vocational system and the labour market need to be enhanced by building the capacity of TVET institutions so they are better able to focus on raising skill levels and are better able to communicate with the private sector, as this is crucial to understanding labour market demand and to facilitating job placements. TVET graduates should also be systematically tracked. More and better qualitative and quantitative data should be collected for young Palestinian women, as this would help policy makers analyse and address skill gaps by means of duly adapted TVET programmes.
5. The relationship and links between the educational system, labour market and business world need to be strengthened. Many reports have confirmed the inadequacy of the current outputs of the Palestinian educational system and the unmet needs of the labour market, and point to the fact that there is an urgent need to develop a reciprocal relationship between educational institutions and the private sector.
6. A major challenge in the Palestinian labour market is the need to increase women's participation. Designing work programmes to support women is one approach to overcoming the factors that cause women exclusion from the labour force. This goal could be achieved by establishing business incubators to employ women until the process of employing women is stable and part of the labour market mechanism. In view of the experiences of other countries, there is a need for some kind of societal awareness raising concerning the importance of women's participation in jobs and professions that are historically monopolised by men.
7. There is an urgent need to improve the enforcement of labour legislation, given that more than half of Palestinian wage workers are employed without a contract (compared to 27.3% hired by contract), only a quarter of wage employees contribute to a pension fund and/or had an annual paid vacation and only about half of female workers had paid maternity leave. Although Palestine has a comprehensive labour law drafted in line with ILO and ALO standards, the above figures show that more has to be done to enforce the law (MAS, 2011).
8. The Palestinian economy, essentially driven by services and consumption, is largely distorted by donor aid. Directing and supporting banks to grant loans for investments and business start-ups rather than for consumption would support productive investment and increase the demand on labour.

ANNEXES

ANNEX 1. LIST OF INTERVIEWEES

Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA): Jamal Jawabreh (Secretary General), Jawad Sayyed Al-Herbawi (Hebron Chamber of Commerce and Industry's Chief Executive Officer), Akram Hijazi (Public Relations Manager), Nazeeh Mardawi (Information Department's Director), Ali Muhanna (Planning and SME Department's Director).

GIZ–Promotion of TVET and Labour Market Programme: Maha Izhiman (Programme Advisor), and Zubeidy Hamayel (Technical Coordinator).

ILO Representative for the West Bank and Gaza Strip: Mounir Kleibo.

Palestine Polytechnic University: Associate Professor Maher Jabari (Industrial Synergy Centre's Director), and Nahed Salahet.

Palestinian Central Bureau of Statistics: Jawad Al Saleh (Social and Population Statistics), and Suha Kanaan (Labour Statistics Director).

Palestinian Fund for Employment and Social Protection: Ziad Karablieh (Executive Director).

Palestinian Ministry of Education: Osama Eshtayeh (TVET Acting Director), and Mohanad Abu Shama (Personnel and Administrative Affairs Director).

Palestinian Ministry of Education and Higher Education: Ziad Jweiles (TVET General Director).

Palestinian Ministry of Labour: Samer Salameh (Employment Director).

Palestinian Ministry of the National Economy: Azmi Abed Al Rahman (Management Studies Acting Director).

Palestinian Ministry of Planning: Ayman Fawadleh (Social Sector's Director), and Safiya Muharib (Economic Sector's Director).

Palestinian Welfare Association: Ghassan Taha (Senior Manager).

Ramallah Employment Office: Salim Salameh (Labour Office's Director), and Mohammad Al Araj (Employment Office's Head).

Sharek Youth Forum: Sahar Othman (Programme Manager).

	2010						2011						2012					
	000s		%		000s		%		000s		%		000s		%			
	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F			
<i>Unemployed</i>	114	17.2	16.6	19.7	124	17.3	15.9	22.6	19	17.3	25.3							
Outside labour force	858	56.3	30.5	82.8	859	54.5	28.6	81.0	54.5	28.6	81.1							
■ Home workers	412	48.0			415	48.3												
■ Students and trainees	296	34.5			298	34.7												
■ Old/ill	96	11.2			99	11.5												
■ Not working or seeking work	54	6.3			47	5.5												
Under working age	990	39.4			1 003	38.8												
Gaza Strip																		
Population	1 535	100			1 589	100			1 644									
Working age (15+)	853	55.6			889	56.0												
In labour force	311	36.4	62.1	10.2	341	38.4	63.9	12.4	40.1	65.0	14.7							
<i>Employed</i>	194	62.2	63.8	52.2	243	71.3	74.2											
■ Underemployed	18	5.7	6.2	3.0	22	6.4	7.1	2.8										
■ Fully employed	176	56.5	57.6	49.2	221	64.9	67.1	53.2										
<i>Unemployed</i>	117	37.8	36.2	47.8	98	28.7	25.8	44.0	31	26.8	50.1							
Outside labour force	542	63.6	37.9	89.8	548	61.6	36.1	87.6	59.9	35	85.3							
■ Home workers	258	47.7			258	47.1												
■ Students and trainees	208	38.3			215	39.2												
■ Old/ill	44	8.0			52	9.5												
■ Not working or seeking work	32	6.0			23	4.2												
Under working age	682	44.4			700	44.0												

T – total; M – male; F – female

TABLE A2.2 MAIN ECONOMIC INDICATORS, 2010–12

Indicator	2010	2011	2012
GDP* (USD million)	5 724.5	6 421.4	6 797.3
GDP per capita* (USD)	1 502.1	1 635.2	1 679.3
Net balance of goods trade	(1 908.7)	(2 235.3)	(2 779.4)
Net balance of services trade	(253.8)	(159.6)	(221.4)
Inflation (%)	3.75	2.88	2.78
Poverty (%)	25.7		
Net domestic revenues	1 900.4	2 176	2 240
Budget deficit before support	1 083	776	807
Total grants and assistance			
Public debt	1 883	2 213	2 483

(*) Constant prices, base year 2004.

TABLE A2.3 EMPLOYMENT DISTRIBUTION BY ECONOMIC ACTIVITY AND REGION, 2009–12 (%)

Economic activity	2009			2010			2011			2012		
	T	WB	GS	T	WB	GS	T	WB	GS	T	WB	GS
Agriculture, hunting and fishing	11.8	14.2	6.4	11.8	14.2	7.7	11.9	13.8	9.6	10.3	11.4	7.8
Mining, quarrying and manufacturing	12.1	14.4	5.4	11.4	13.9	4.8	11.8	14.5	5.5	11.3	14.1	4.6
Construction	11.7	10.3	0.9	13.2	11.4	2.9	13.9	11.5	6.0	15.3	18.0	9.0
Commerce, hotels and restaurants	19.1	20.1	18.3	19.3	20.5	17.3	20.3	22.1	18.4	19.9	20.9	17.6
Transportation, storage and communication	5.7	6.0	5.7	6.0	5.7	6.6	6.1	5.3	7.6	6.8	5.7	9.3
Services and other branches	39.6	35.0	63.3	38.3	34.3	60.7	36.0	32.8	52.9	36.4	29.9	51.7

T – total; WB – West Bank; GS – Gaza Strip

TABLE A2.4 LABOUR FORCE PARTICIPATION (15+) BY REGION AND GENDER, 2009–12 (%)

Region	2009			2010			2011			2012		
	T	M	F	T	M	F	T	M	F	T	M	F
West Bank	44.1	70.5	17.1	43.7	69.5	17.2	45.5	71.4	19.0	45.2	71.4	18.2
Gaza Strip	36.9	61.6	11.6	36.4	62.1	10.2	38.4	63.9	12.4	40.2	65.0	15.2
Palestine	41.5	67.3	15.1	41.1	66.8	14.7	43.0	68.7	16.6	43.4	69.1	17.1

T – total; M – male; F – female

TABLE A2.5 EMPLOYMENT DISTRIBUTION BY SECTOR AND REGION, 2010–12 (%)

Sector	2010			2011			2012		
	Palestine	WB	GS	Palestine	WB	GS	Palestine	WB	GS
Public	23.6	15.9	46.1	22.2	15.2	39.4	22.9	16.3	38.0
Private	62.4	67.7	46.7	64.5	68.9	53.8	63.6	66.9	56.0
Other sectors	3.6	2.5	7.2	3.5	2.1	6.8	3.1	1.9	6.0
Israel and settlements	10.4	13.9		9.8	13.8		10.4	14.9	

WB – West Bank; GS – Gaza Strip

TABLE A2.6 EMPLOYMENT DISTRIBUTION BY REGION AND GENDER, 2010–12 (%)

	2010			2011			2012
	Male	Female	Total	Male	Female	Total	Total
Palestine							
Employed	7.4	1.4	6.4	7.3	1.6	6.4	6.4
Self-employed	20.2	12.0	18.8	20.2	10.5	18.6	17.9
Wage employees	67.7	67.1	67.6	67.0	64.8	66.6	66.9
Unpaid family members	4.7	19.5	7.2	5.5	23.1	8.4	8.8
West Bank							
Employed	8.4	1.5	7.1	8.7	1.9	7.4	7.6
Self-employed	22.0	13.4	20.3	20.6	11.8	18.9	18.7
Wage employees	64.0	61.9	63.6	64.9	60.6	64.1	63.9
Unpaid family members	5.6	23.2	9.0	5.8	25.7	9.6	9.8
Gaza Strip							
Employed	4.6	1.2	4.2	4.3	0.9	3.9	3.7
Self-employed	15.5	5.4	14.3	19.5	5.7	17.7	16.0
Wage employees	77.4	90.7	78.9	71.7	80.3	72.7	74.1
Unpaid family members	2.5	2.7	2.6	4.5	13.1	5.7	6.2

TABLE A2.7 UNEMPLOYMENT RATES (15+) BY EDUCATION AND GENDER, 2009–12 (%)

Education (years)	2009			2010			2011			2012		
	T	M	F	T	M	F	T	M	F	T	M	F
0	16.9	32.0	2.7	13.8	24.3	1.5	11.8	32.3	53.5	12.0	36.3	73.8
1–6	26.6	29.3	6.4	25.7	28.6	5.1	19.8	17.5	37.0	18.8	18.6	48.1
7–9	25.9	27.2	10.0	24.8	26.2	7.8	20.4	12.2	11.0	22.5	11.4	17.0
10–12	24.1	25.1	12.8	23.2	24.0	13.6	19.2	14.9	4.2	21.4	15.2	6.3
13+	24.6	17.3	37.5	23.1	15.7	36.3	23.7	10.4	2.3	29.8	9.2	2.7
Total	24.8	24.3	27.3	23.7	23.1	26.8	20.9	19.2	28.4	24.3	20.7	39.0

T – total; M – male; F – female

TABLE A2.8 UNEMPLOYMENT RATES (15+) BY AGE GROUP AND GENDER, 2010–12 (%)

Age group	2010			2011			2012		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
15–24	38.8	36.8	49.6	35.7	32.1	53.5	38.8	34.5	62.2
25–34	24.2	21.7	34.0	21.8	17.5	37.0	24.9	19.2	43.3
35–44	15.1	15.5	13.2	11.9	12.2	11.1	12.2	12.0	12.8
45–54	16.4	19.0	3.5	13.0	14.9	4.2	13.3	14.9	6.0
55+	14.1	16.3	2.1	9.0	10.3	2.3	9.2	11.1	1.3
Total	23.7	23.1	26.8	20.9	19.2	28.4	23.0	20.5	32.9

TABLE A2.9 AVERAGE DAILY WAGE, 2008–11 (ILS)

Sector	2008	2009	2010	2011
Total	87.0	91.3	91.7	91.7
Public	79.2	84.4	85.2	89.1
Private	74.7	77.0	74.3	72.6
Israel and settlements	138.3	148.1	158.0	162.2

TABLE A2.10 LABOUR FORCE ANNUAL AVERAGE GROWTH, 2008–12 (%)

Labour force	4.6	West Bank and Gaza Strip	3.0
Unemployment	1.2	Palestine	0.8
Underemployment	0.3	Private sector	2.2
Israel and settlements	0.4		

ANNEX 3. LABOUR MARKET PROJECTS IN PALESTINE

Project	Period	Location	Donor	Implementer	Target	Brief	Assessment
Start Work/ National Job Fairs	May– Oct 2011	West Bank	International Youth Foundation	Sharek Youth Forum	Youth aged 18–30 at university or recently graduated	Improve the employment prospects of young people through employment skills training Increase exposure to internship and work opportunities through job fairs where young people can meet potential employers	26 employment skills training programmes to train 581 young people 423 young people attend jobs fairs held in Nablus, Ramallah and Hebron attended by 47, 15 and 17 companies respectively
Career Counselling	Jul 2011– Jan 2012	West Bank	UNDP–Spain, ILO	Sharek Youth Forum	Young women aged 18–28	Equip young women in marginal areas with new skills and confidence to increase their livelihood potential and access economic opportunities Support young women to access labour market opportunities	60 young women given International Computer Driving Licence and Training of Trainers training oriented to leadership, curriculum and communication skills
Youth Business Support Units	Jan 2008– Jan 2010	West Bank and Gaza Strip	UNDP-PAPP, Islamic Development Bank–Al-Aqsa Fund	Sharek Youth Forum	Youth aged 18–30	Provide self-employment opportunities for young people and their families to reduce household poverty Establish youth-focused mixed-use business incubation units	Expert training for 413 individuals 182 households receive business start-up grants 87 households increased their monthly income 161 businesses sustained over the project lifetime 2 business incubation units set up and running
One-Stop- Shop		West Bank	GIZ	Ministry of Labour	Jobseekers, graduates, unemployed, dropouts, with special services for women	Career guidance and counselling; vocational guidance; employment counselling; self- employment guidance and small enterprise creation; industrial relations; job placement Services to employers: provision of qualified staff according to demands and criteria; job matching Contribution to labour market information: data collection to the LMIS; local reports published for target groups	

Project	Period	Location	Donor	Implementer	Target	Brief	Assessment
Career Guidance and Counselling		Palestine	GIZ	Ministry of Labour	Basic education, academic and vocational secondary education, post-secondary and higher education students and graduates, jobseekers, unemployed and dropouts	A series of services and activities intended to assist individuals of any age throughout their lives to make educational, training and occupational choices and to manage their career according to their aptitudes and abilities and labour market needs	
Youth employability in regional vocational centres of excellence			Swiss Agency for Development and Cooperation	Ministry of Labour	TVET institutions upgrading to regional vocational centres of competence and men and women receiving up-to-date and labour market-relevant training in pilots	Qualitatively upgrade existing TVET institutions to help improve employability: the SDC contribution intends to transform existing TVET institutions into regional vocational centres of competence (highly specialised in one specific field or family of professions relevant for the region)	
Step Forward				Sharek Youth Forum	Unemployed aged 20–24	Innovative programme that helps young people in the transition from education to work or self-employment	
Apprenticeship for vocational graduates and school dropouts in Hebron	2004–present			Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA)	Vocational graduates and school dropouts in Hebron	Main goal: create sustainable employment opportunities for vocational graduates and school dropouts in Hebron Sub-goals: (1) train 110 graduates in a specialised programme for apprenticeships; (2) employ more than 70% of vocational trainees in Hebron; (3) follow up graduates (FPCCIA pays each graduate ILS 1 050 and the employer pays ILS 350 minimum)	
Youth Employment Programme	16 months			Welfare Association	Graduates (2009–12), aged 20–29	Increase employment opportunities for youth through employment for graduates in Palestinian associations and companies (Palestinian Welfare Association pays each graduate ILS 1 050 and the employer pays ILS 1 050)	

Project	Period	Location	Donor	Implementer	Target	Brief	Assessment
Entrepreneurs programme (in partnership with Rwabi)	3 years			Education for Employment Foundation	Entrepreneurial initiation (individual and group) for youth aged 21–28	Improve future prospects and expanding career opportunities for skilled workers	
Training and employment of graduates (Palestinian Community Assistance Programme)	2 months			Catholic Relief Services	Unemployed graduates aged 22–28 who have not benefited from similar projects in the past 6 months; grade point average 65% minimum	(Catholic Relief Services pays 75% and the employer pays 25%)	
Employment for graduates in partnership with the private sector	2011–13			Palestinian Employment Fund		Help graduates improve practical skills, strengthen public-private partnership, increase participation rate for women, etc.	
Apprenticeship for vocational graduates in Jerusalem	Jan–Aug 2012			Jerusalem Arab Chamber of Commerce and Industry	Vocational graduates (2008–11) with Jerusalem ID, under 25	Create 300 sustainable jobs for recent vocational and university graduates in the Jerusalem area	
Internship placements and professional development seminars	3 years			Arab AmeriCare Foundation	Palestinian youth in the final year of university or recently graduated		

ABBREVIATIONS AND ACRONYMS

ALO	Arab Labour Organisation
BTC	Belgian Technical Cooperation
CIDA	Canadian International Development Agency
ETF	European Training Foundation
EU	European Union
EUR	Euro
FPCCIA	Federation of Palestinian Chambers of Commerce, Industry and Agriculture
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German cooperation organisation)
ILO	International Labour Organisation
ILS	Israel shekel
IYF	International Youth Foundation
LMIS	Labour market information system
MAS	Palestine Economic Policy Research Institute
NGO	Non-governmental organisation
PAPP	Programme of Assistance to the Palestinian People
PCBS	Palestinian Central Bureau of Statistics
PEGASE	Mécanisme palestino-européen de gestion et d'aide socio-économique (direct EU financial support programme to provide assistance to the PNA)
PNA	Palestinian National Authority
SDC	Swiss Agency for Development and Cooperation
SME	Small and medium-sized enterprise
TVET	Technical and vocational education and training
UNDP	United Nations Development Programme
UNRWA	United Nations Relief and Works Agency
USA	United States of America
USD	US dollar
VAT	Value added tax

APPROXIMATE EXCHANGE RATES (December 2013)

ILS 100 = EUR 21 = USD 28

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PEGASE information sheet: http://eeas.europa.eu/palestine/tim/pegase_en.pdf

PGFTU (Palestinian General Federation of Trade Unions): <http://pgftudatabase.com/>

Sharek Youth Forum: <http://sharek.ps/en/>

UNDP-DEEP (under construction): www.deep.ps

UNRWA (United Nations Relief and Works Agency): www.unrwa.org/etemplate.php?id=85

Welfare Association: www.en.welfareassociation.org/

World Bank data: <http://data.worldbank.org/country/west-bank-gaza>

Youth Employment Service: <http://yes-portal.blue.ps/>

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