

European Training Foundation

POLICIES FOR HUMAN CAPITAL DEVELOPMENT PALESTINE

AN ETF **TORINO PROCESS** ASSESSMENT

EXECUTIVE SUMMARY

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PREAMBLE

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and VET policy responses in a lifelong learning perspective. It identifies challenges related to education and training policy and practice that hinder the development and use of human capital. It takes stock of these challenges and puts forward recommendations on possible solutions to address them.

These assessments are a key deliverable of the Torino Process, an initiative launched by the ETF in 2010 aimed at providing a periodic review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. In providing a highquality assessment of VET policy from a lifelong learning perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.

For ETF, human capital development is the provision of support to countries for the creation of lifelong learning systems that provide opportunities and incentives for people to develop their skills, competences, knowledge and attitudes throughout their lives for the sake of employment and realisation of their potential, and as a contribution to prosperous, innovative and inclusive societies.

The purpose of the assessments is to provide a reliable source of information for planning and monitoring national education and training policies for human capital development, as well as for programming and policy dialogue in support of these policies by the European Union and other donors.

The ETF assessments rely on evidence from the countries collected through a standardised reporting template (National Reporting Framework – NRF) through a participatory process involving a wide variety of actors with a high degree of ownership by the country. The findings and recommendations of the ETF assessment have been shared and discussed with national authorities and beneficiaries.

The assessment report starts with a brief description of Palestine's¹ strategic plans and national policy priorities (Chapter 1). It then presents an overview of issues related to the development and use of human capital in the country (Chapter 2), before moving on to an in-depth discussion of problems in this area, which in the view of the ETF require immediate attention (Chapter 3). Chapter 4 provides the overall conclusions of the analysis.

The annexes provide additional information: a summary of the recommendations in the report (Annex 1) an overview of the education and training system of Palestine² (Annex 2).

The National Torino Process Report compiled by the country itself can be found here: <u>https://openspace.etf.europa.eu/trp/torino-process-2018-2020-palestine-national-report</u>

This assessment was prepared by Thierry Foubert, ETF Specialist in VET Policies and Systems, based on the Torino Process national report and consultations with Palestinian stakeholders, including active international organisations and donors. ETF thanks all those who contributed to this consultation.

² This designation must not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.



¹ This designation must not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue – hereinafter 'Palestine'

EXECUTIVE SUMMARY

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and vocational education and training (VET) policy responses from a lifelong learning perspective. It is based on evidence provided in the Torino Process national report for Palestine³ (2020) using a standardised questionnaire (National Reporting Framework – NRF) and additional information sources, where relevant.

Context

The context of Palestine is characterised by a high degree of volatility in political, socio-economic, geographic and demographic terms. Since the Oslo Accords of the mid-1990s, there has been a Palestinian Authority in charge of service delivery, including education. Though the ETF assessment applies to Palestine as a whole, it also takes into account any regional differences between the West Bank (further divided in Areas A, B and C), East Jerusalem and the Gaza Strip. The control, room for manoeuvre, and jurisdiction of the Palestinian Authority varies according to each of the three geographic entities and is affected to a great extent by the State of Israel and its occupation of these territories. The unique geopolitical context and the specificity of each of the territories are paramount to understanding the human capital development (HCD) opportunities and constraints.

After a period of strong economic recovery between 2007 and 2011, economic growth started slowing down in Palestine and has recently come to a standstill. Even before the Covid-19 outbreak, Palestine was expected to go into recession in 2020 and 2021. With fiscal revenues plunging, the World Bank currently estimates a contraction of the Palestinian economy in the region of 8% of GDP. Over the past decades, the economy has survived through inflows of external transfers, which have fallen sharply in the past few years. Under these circumstances, the Palestinian Authority has lost its capacity to steer the economy towards an export-led growth strategy. According to the World Bank, bold actions are needed to get the Palestinian economy out of its deteriorating trajectory. In order to achieve economic development and job creation, the private sector is needed as the only sustainable engine for growth. The Palestinian private sector, however, operates in the challenging context of an archipelago economy, where a set of island economies (Gaza; Areas A, B and C; and East Jerusalem) all have their own constraints.

Such an unstable economic climate leaves little room for job creation. Moreover, Palestine has a history of relying heavily on public employment (20.7% of the population works in the public sector), while a further 13.2% is formally employed in Israel and the settlements and the remaining 66.1% is employed in the private sector (PCBS, 2019). However, limited investment in the private sector and its concentration in low-productivity sectors do not create the required jobs. The Palestinian economy is dominated by small firms. It has a high level of self-employment, namely 24.6% (PBCS, 2019), which is more prevalent in the West Bank than in the Gaza Strip⁴. As many of the micro to small and medium-sized enterprises (SMEs) are family-based and often operate in the informal economy, there is limited room for job creation.

⁴ The ILO gives different figures but sees 50% more self-employment in the West Bank than in Gaza.



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The labour force survey (LFS) is clear: inactivity is predominant in Palestine, with only 44.3% (of the population aged 15+) actively participating (PCBS, 2019 data). From a historical perspective, the rate has been hovering around 40% since Oslo. There is, however, a huge discrepancy by gender. The labour force participation rate for males stands at 69.9%, but it is only 18.1% for females, which is low even by regional standards. Also, the unemployment figures are high (the overall unemployment rate for Palestine stands at 25.3%), but it varies significantly when further disaggregated: there are large discrepancies by gender (21.3% for males and 41.2% for females), by region (the West Bank is 14.6% and Gaza is 45.1%), and by age (69.7% of the age group 15–24 are outside the labour force, and of the young Palestinians who are active, 40.1% are unemployed). In addition, one out of three (33.4%) in the age group 15–24 is not in education, employment or training (NEETs), pointing to a difficult transition from the world of school to the world of work (PCBS, 2019).

Moreover, the unemployment rates increase with educational attainment for women (though not for men): twice as many women with over 13 years of schooling (47.2%) are jobless compared to women with between 10 to 12 years of schooling (23.4%), while their unemployment rate is more than three times greater than for women with 7 to 9 years of schooling (15.4%).

On the other hand, literacy rates are high in Palestine: in 2019 the adult literacy rate stands at 97.4%, well above the regional average of 76% in the Middle East and North Africa. Palestine scores high on school attendance and educational attainment, achieving a net enrolment rate of 94.8% in primary education and 87.2% in secondary education (91.2% for females) in 2018 (UIS–UNESCO data). Despite economic hardship, young people continue to prioritise higher education (the gross enrolment rate in tertiary education was 44.3% in 2018 and significantly higher for women than for men at 55% and 35%, respectively) (PCBS data).

Education in Palestine suffers from fragmented management. The Ministry of Education (MoE) and the Ministry of Higher Education (MoHE)⁵ are responsible for managing public schools, colleges and universities and have regulatory oversight of educational institutions run by the private sector. The VET arena (including non-formal vocational training) is home to an even more complex spectrum, adding additional players such as centres affiliated to the Ministry of Labour (MoL), the Ministry of Social Development (MoSD), the Ministry of Former Detainees, UNRWA, civil society organisations (CSO) -including faith-based ones, and for-profit private training providers.

In its National Policy Agenda for 2017–2022, Palestine does give attention to human capital development issues. One of the seven educational programmes in the plan focuses solely on TVET⁶ with the aim of preparing qualified graduates of vocational education programmes to enter university, working life and the labour market. In Palestine, VET policymaking is in the hands of three main actors: the Ministry of Education (MoE), the Ministry of Higher Education (MoHE) and the Ministry of Labour (MoL). Work is currently underway to revise the TVET strategy of 1999, which was updated in 2010. In the latest attempt to address the fragmentation of VET, a new ministerial committee was set up in May 2019 to draft a law that lays out the functioning, roles and responsibilities of a new national commission for TVET. By the end of 2020, the draft law had received Cabinet approval and awaited countersignature by the President.

⁶ In Palestine, the term 'technical and vocational education and training' (TVET) is used, while the ETF prefers to use vocational education and training (VET). Throughout this publication the term VET will be used unless referring to a specific unit, document or quote from Palestine that makes reference to TVET.



⁵ At regular intervals the two ministries have merged and separated. Since April 2019, they have operated as two separate entities.

Findings on human capital

Managing human capital in an archipelago economy is a disjointed exercise of matching localised skills demand and supply.

The labour market is highly segmented in Palestine, not only by age and gender, but also geographically in light of the administrative separation between the West Bank, the Gaza Strip, East Jerusalem and Israel, which also leaves its mark. The result is an archipelago economy, where each island has its own labour market characteristics in terms of labour demand, skills needs and wage levels. Compared to the West Bank, the Gaza Strip performs markedly worse on virtually all measurable labour market indicators, reporting higher unemployment rates, lower activity and employment rates, lower wages and a smaller private sector. In this context, clear forecasting and reliable labour market statistics are a challenge, not least in order to achieve a sufficient level of disaggregation to assess the skills demand in an already small labour market.

What are the opportunities for proactive human capital development measures to boost sector development before overheating and saturating the respective limited job markets? Recent tracer studies show more promising figures for the transition to employment among VET graduates (particularly graduates of work-based learning programmes) than among their peers with university diplomas. However, the VET system is still rigid and should become more agile and adaptable to accommodate the different geographic realities and maximise the employability potential in view of sector needs and opportunities at the local level. This is as much the case for industrial development in Hebron and the platform economy in Gaza as it is for the most vulnerable and marginalised, e.g. food-insecure residents in Gaza or Area C.

Job informality in the grey economy: the blind spot in managing human capital development stock

The informal economy and job informality play a significant role in the Palestinian labour market. Various sources (including the ILO and World Bank) indicate that more than one out of every two workers in Palestine are hired informally. Given the high level of self-employment (one out of four) and the predominance of micro and SME businesses in the Palestinian economy, the PCBS definition of an 'informal establishment' could actually apply to a majority of businesses in Palestine and even bring most of them into the informal sphere.

Job informality primarily affects the most vulnerable. It is exceptionally high for young workers, while workers with a semi-skilled or low-skilled profile have a high chance of ending up working informally. In contrast, the figures for informality are significantly lower for skilled people. Overall, the size of the grey job market in Palestine is worrying, because job informality undermines worker protections (both legally and in terms of decent work) and labour productivity (unreliable accountability).

Palestinian labour mobility to the Israeli economy: a key exogenous element with an impact on the domestic usage of human capital

Roughly 13.3% of active Palestinians (PCBS, 2019) are employed in Israel or in Israeli settlements, either forced by the lack of jobs in a restrained Palestinian economy and/or attracted by higher salaries. Palestinian employment in the Israeli economy has a long history and is a significant factor to be taken into account when addressing either the Palestinian labour market or the Israeli economy (e.g. the construction sector). However, cross-border labour mobility has fallen significantly in recent decades owing to increasing restrictions by Israel's security apparatus (the construction of a separation barrier, the reduced number of work permits, the unpredictability of operating hours and security checks at checkpoints, etc.), which further exacerbate unemployment levels in Palestine.





PALES

RECOMMENDATIONS

1. Develop a comprehensive Human Capital Development framework focusing on providing guidance and relevant training to individuals throughout life

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Take urgent action to support reskilling and upskilling programmes

Establish a more fluid and comprehensive governance framework for HCD

Remodel the HCD system around individual learning pathways

2. Reframe coordination and governance of VET in a Human Capital Development perspective



Reassess scope for comprehensive governance of the VET ecosystem

Review strategies for VET or continuing education from a broader HCD perspective

Ensure seamless coordination between the various education systems

Establish a single comprehensive training system from a lifelong learning perspective flexible HCD system finalising a Nation Qualifications Fran

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3. Prepare the gro

Update and amend th draft NQF structure

Develop accreditation certification to cater for individual learning pat

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4. Maximise the potential of technology-based services as a job generator by revamping training provision

Mainstream digital skills as a key competence in education and training

Update training provision in close cooperation with the private sector

Bridge the divide between VET, STEM in general education, and technology in higher education



5. Invest in real-time skills anticipation to enable education and training to respond to the digital transformation

Establish active labour market policies (ALMPs) to enable vulnerable groups (including highly skilled women) to participate in global value chains through the platform economy

Work with more traditional sectors to create 'tech verticals' to expand innovation and creativity



TORINO PROCESS 2018-20

Taking into account that the mobility of workers from Gaza has come to a complete standstill since the blockade in 2007, the current figures relate only to West Bank workers. The workers are predominantly employed in low-skilled labour and an overwhelming 99% of them are men.

Though it is beyond the control of the Palestinian labour market, labour mobility to the Israeli economy is a key exogenous element that has an impact on the domestic usage of human capital. In an academic paper, a research group at the Humboldt University of Berlin conducted economic modelling to predict the effects on the West Bank economy of eventual restoration of Palestinian employment in Israel to its pre-intifada level (1999). Putting aside any political implications of a final settlement agreement or issues related to brain drain, the group's theoretical modelling shows a strong reduction in Palestinian unemployment, a substantial impact on the domestic labour market, and a potential improvement in welfare for households in Palestine.

Female, skilled and underemployed: a loss to the human capital of Palestine

Over the years, almost complete gender parity in education has emerged in Palestine, with women outperforming men at tertiary education level since 2015. However, the same cannot be said of labour market participation, where men outperform their female counterparts disproportionately on every labour force indicator. More worrisome is that the gender divide worsens with an increase in education level, turning highly skilled women into a marginalised segment of the labour market. One out of every two women with a tertiary degree who is active in the labour market struggles to find a job.

The underemployment of the skilled female workforce is first and foremost a hardship for young women. It prevents them from building a meaningful career and contributing to a household economy. Since young skilled women are most affected, there is real concern that they may never be able to complete their transition into satisfactory employment. Moreover, the problem is a loss to the human capital of Palestine because it excludes half of the highly skilled potential workforce from contributing to growth. Therefore, policy action is required to address this socio-economic situation and tackle the persistent constraints that keep women out of the labour force in Palestine.

The untapped human capital opportunity of continuing education

Very few companies in Palestine provide in-company training for their employees. A lack of incentives (e.g. tax incentives, training levy, etc.) to encourage employers to upskill, reskill or accredit their workforce is cited as the main reason. Nor do young graduates seem to find their own way into training to enhance their employability through upskilling. On the other hand, a number of pilot initiatives have been put in place over the past few years to boost continuing vocational education and training (CVET).

Continuing education is an important but often overlooked part of human capital development in Palestine. While there is a wide training offer available from many different providers, it is neither rooted in a broader vision of lifelong learning, nor based on a systematic analysis of training needs. Moreover, it lacks any structured linkage to the world of work.



Recommendations for action

Issue 1: Barriers between educational tracks are fading away and training has become a lifelong learning phenomenon, but the overarching common HCD vision is lagging behind.

The share of students in initial VET in Palestine has long been considered marginal. For many years, VET enrolment figures, which include only formal secondary vocational training, have hovered around 2% to 3% (the latest available figures for 2018 point to a share of 2.3% of students, excluding the commercial stream). In the most recent Torino Process national self-assessment, the share of VET students has been investigated in detail and recalculated. As a result, the share has risen to include 'about' 15% of students in the upper-secondary age cohort (16–18 years old). This is obviously a positive trend and raises the figure to a more common level for the region, though it needs to be broken down and further analysed. Across the board, enrolment figures are positive for each of the VET tracks and now also include students who attend courses provided by various VET providers that have diversified their training offer in the past few years in order to boost enrolment in VET.

Moreover, there have been changes of a more structural nature: the barrier between the VET and general education subsystems is being challenged and has been pulled down de facto with the roll-out of vocational units and a technology track in general education. In higher education, some universities now provide technical education as well, courses have increasingly been developed in cooperation with industry (e.g. through donor-funded pilot schemes for dual studies), and the idea of the creation of a VET university has been raised. Such an expansion and diversification of VET provision is reassuring in terms of increased enrolment, but it also exacerbates the already existing fragmentation of VET training supply and the dramatic lack of overarching governance.

The debate around a comprehensive governance structure for VET in Palestine is over two decades old. It was originally addressed in the Palestinian TVET National Strategy (1999), which was followed by a structure set out in the revised TVET Strategy (2010). For most of that time, a broad consensus existed in relation to the importance of comprehensive governance and its main lines. While VET governance is now an urgent priority in its own right, it may also be possible to seize the momentum by enlarging the scope of the coordination efforts to capture other initiatives that happen either at the margins of VET or in parallel. The education landscape is changing and the barriers between VET, CVET, technology training, etc. are fading away. The momentum behind reviewing the VET governance model in Palestine is a unique opportunity to consider new societal needs through a comprehensive structure for human capital development on one hand and more individual learning pathways on the other hand.

Focus on lifelong learning guidance of talent rather than institutions when developing a comprehensive HCD framework.

In the short term, shift the focus to the individual to provide guidance and relevant training throughout life. Start with taking urgent action to support reskilling and upskilling programmes.

In the medium term, switch the mind-set from achieving better coordination of VET provision to addressing the governance of HCD in a more fluid and comprehensive framework from the lifelong career perspective of learners.

In the long term, undertake a meta-level review of Palestinian learning subsystems to facilitate an overhaul of the HCD system modelled around individual learning pathways, taking into account initial pre-employment training as well as social issues and economic requirements.



Rebalance the discussion around (long overdue) enhanced coordination and comprehensive governance of VET to capture a wider scope of HCD.

In the short term, make a fresh start to reassess the scope for comprehensive governance of the VET ecosystem. Additional elements can no longer be ignored in 2020.

In the medium term, review the strategies for VET or continuing education from a broader HCD perspective in order to close the loopholes in the system, ensure a seamless coordination between the various education systems, and ultimately provide a comprehensive service to the whole population (from young to old).

In the long term, consider unifying various approaches to training in Palestine and implement a single comprehensive training system from a lifelong learning perspective.

Prepare the ground for a flexible HCD system by urgently finalising a National Qualifications Framework (NQF).

In the short term, begin rethinking the legal framework and references for the entire education sector.

In the medium term, update and amend the existing draft NQF structure to become the backbone of a training system that ensures permeability between initial VET, academic education, continuing VET and lifelong learning.

In the long term, develop accreditation and certification to cater for flexible individual learning pathways that allow upskilling and recognition of prior learning (RPL) to validate informally acquired skills and help upgrade economic sectors.

Issue 2: Will Palestinians surf on the digital wave towards prosperity? To what extent is digital transformation a reality for the Palestinian economy and does it present a meaningful career opportunity for young Palestinians?

Globally, the digital transformation of economies is considered both a threat to the job market and an opportunity to create new jobs, increase productivity and drive growth. Though the share of the information and communication sector is only 3.2% of Palestine's GDP (PCBS, 2018), there are high expectations for the growth potential of the technology sector, which is flagged as a strategic force for economic and social development and a job creator for Palestine, be it in the start-up environment, the platform economy or the digital transformation of the main traditional sectors.

In theory, Palestine with its overall high educational attainment should be well positioned to reap the fruits of the booming technology sector and the digital transformation of other sectors. Its highly skilled youth are often cited as one of the main drivers of technology-driven growth. The question, however, is whether Palestine is investing in the right skill set and relevant competences for the 21st century. From the example of the start-up ecosystem, the answer seems to be no as the skill set is seen as far too traditional.

With human capital as its main resource, the Palestinian economy has no option but to seize the momentum and review the skill set of Palestinians in order to contribute to Palestine's participation in a global digital value chain. It is not clear, however, to what extent the profiles currently delivered by the Palestinian VET system at the semi-skilled level are still relevant and sufficient for the technology sector or the automation process in the digital transformation across sectors. As a result, a full-scale review and relevance check are required; this is the case not only for general education (which has adopted promising policy actions around Science, Technology, Engineering, and Mathematics (STEM subjects) and a technology track), but also for VET.



Maximise the potential of technology-based services as a job generator by revamping training provision.

In the short term, review the relevance of various educational tracks to adequately provide the skill set required to enhance the Palestinian contribution to a technology value chain by capitalising on best practices in non-formal learning (e.g. boot camps) and mainstreaming key competences.

In the medium term, update training provision in close cooperation with the private sector and by bridging the divide between various educational tracks including VET, the STEM provision in general education, and commercial and industry-oriented technology studies in higher education.

In the long term, consider investing in Level 5 certificates for engineering technicians.

Invest in real-time skills anticipation to assess the impact of digital transformation on all economic sectors to understand the new requirements in terms of HCD.

In the short term, start investing in real-time skills anticipation to enable education and training to formulate an adequate response to the digital transformation of sectors in terms of initial training and upskilling.

In the medium term, ensure inclusion through active labour market policies (ALMPs) that allow vulnerable groups (including highly skilled women) to participate in global value chains through microwork and freelancing within the platform economy.

In the long term, go beyond the technology sector and work hand in hand with more traditional sectors to create 'tech verticals' in order to expand innovation and creativity.

Conclusion

Human capital is the main resource for Palestine and should, in theory, be a motor for the growth of its economy. Locked into the status quo of its geopolitical situation, Palestine has not been able to post economic growth figures in recent years. Its archipelago economy is segmented into a set of island economies (Gaza, the West Bank (including Area C) and East Jerusalem), which all have to deal with their own constraints. The Palestinian economy, which survives on external funding and has a private sector that is mostly dominated by non-productive sectors, has not been able to create the necessary jobs to absorb the annual numbers of graduates entering the labour force. This excludes a growing number of well-educated Palestinians from actively engaging in the Palestinian economy.

Global shifts in education and training systems in the direction of flexible individual learning pathways provide an opportunity to revisit Palestine's overly traditional education system. A comprehensive approach to learning is necessary for a society where technical upskilling and vocational reskilling pathways can be expected to become sorely needed lifelines for the bulk of unemployed university graduates. An agile, well-educated (and reskilled) workforce could be a motor for growth, either within the technology sector or through the digital transformation of traditional sectors. An expanded version of the VET training system (including CVET) could play a pivotal role in boosting the human capital contribution to updated value chains, but a more comprehensive lifelong learning perspective on human capital development might be even better equipped to do so.



The ETF launched the Torino Process in 2010 as a periodical review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. While providing a quality assessment of VET policy from lifelong learning (LLL) perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.



