International Labour Organization

ILO brief

Impact of the Israel-Hamas conflict on the labour market and livelihoods in the Occupied Palestinian Territory[1]

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Key points

- **The conflict is resulting in a deep humanitarian crisis in Gaza, with huge implications on the labour market, employment prospects and livelihoods, not only within Gaza, but also in the West Bank. Entire neighbourhoods in Gaza have been destroyed, infrastructure has been severely damaged, businesses have closed, large-scale internal displacement has occurred, and the lack of water, food and fuel are severely crippling economic activity.**
- **Even prior to the current conflict, the situation in Gaza was particularly dire as a result of a 17-year old blockade imposed on the enclave, and Gazans have long grappled with persistently high rates of poverty, unemployment and vulnerability.**
- **Initial estimates suggest that a minimum of 61 per cent of employment has been lost in Gaza, equivalent to 182,000 jobs. The conflict in Gaza is also having spillover effects in the West Bank, where initial estimates suggest that around 24 per cent of employment has also been lost, equivalent to 208,000 jobs. In total, as of 31 October 2023, around 390,000 jobs have been lost, and these estimates are projected to only worsen if military operations in Gaza intensify.**
- **Jobs losses in Gaza and the West Bank translate into daily labour income losses of USD 16 million.**
- **Full, rapid, safe, and unhindered humanitarian access to the population in Gaza is key, and should be complemented with emergency income support measures, including cash and in-kind transfers.**

[1] This technical bulletin has been prepared by the International Labour Organization (ILO) (Regional Economic and Social Analysis Unit of the ILO Regional Office for Arab States and the ILO Employment Policy, Job Creation and Livelihoods Department), in partnership with the Palestinian Central Bureau of Statistics (PCBS). It offers an initial assessment of the impact of the Israel-Hamas conflict on employment and incomes in the Occupied Palestinian Territory (OPT). This assessment is based on secondary data, primarily sourced from the PCBS Labour Force Survey, and takes into consideration a set of underlying assumptions.

Employment and labour market situation pre-conflict

The labour market and employment landscape in the OPT is complex, having been impacted by decades of restrictions on the movement of individuals and goods imposed as part of the Israeli occupation. Successive annual reports of the ILO Director General on the situation of workers of the occupied Arab territories have documented the critical situation of the labour market in the OPT even prior to the current conflict.[2] The situation in Gaza was particularly acute as a result of the 17-year blockade imposed on the enclave, and Gazans have long grappled with persistently high rates of poverty, unemployment and vulnerability.

According to the latest labour force survey undertaken prior to the current conflict in the second quarter of 2023 (April – June 2023), 44.8 per cent of the working-age population in the OPT participated in the labour force, with rates significantly higher in the West Bank compared to Gaza (Table 1). The employment-to-population ratio in the West Bank was also almost double that in Gaza. The majority of Gazans (around 51 per cent) were employed in the "services and other branches" sector, while "commerce, restaurants and hotels" accounted for another 23 per cent of employment. Among those who were employed in Gaza, low wages were prevalent, with an average monthly wage of NIS 717, half of that in the West Bank (NIS 1,385). Some 90 per cent of wage employees in the private sector in Gaza earned below the minimum wage.

Table 1. Key labour market indicators, second quarter 2023

	West Bank	Gaza	Total
Population 15+	**2,102,800**	**1,322,400**	**3,425,200**
Labour force	**1,005,300**	**528,000**	**1,533,300**
Labour force participation rate (%)	47.8	39.9	44.8
Employment	**871,000**	**283,100**	**1,154,100**
Employment-to-population ratio (%)	41.4	21.4	33.7
Unemployment	**134,300**	**244,900**	**379,200**
Unemployment rate (%)	13.4	46.4	24.7

Source: PCBS, Quarterly Labour Force Survey.

[2] See for example ILO.02023. *The Situation of Workers of the Occupied Arab Territories*, 2023. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_883198.pdf

Unemployment rates in Gaza were also more than three times the rate in the West Bank, at 46.4 per cent (66.2 per cent for women and 40.5 per cent for men) – one of the highest rates of unemployment in the world. Furthermore, the average duration of unemployment in Gaza was a staggering 13.8 months (24.5 months for women and 9.0 months for men), compared to 5.7 months in the West Bank. In addition to the unemployed, there were the available potential jobseekers and the unavailable jobseekers, which together comprise the potential labour force. Accounting for both the unemployed and the potential labour force, the labour underutilization rate in Gaza stood at a massive 52.8 per cent (76.2 per cent for women and 44.1 per cent for men). In 2022, the share of young people (aged 15-24) not in employment, education or training (NEET) in the OPT was also high, standing at 28.2 per cent. In the Gaza Strip, the corresponding rate stood at 35.4 per cent (32.9 per cent for young men and 38.1 per cent for young women).

Within the Gaza Strip itself, there were variations in employment outcomes. In the governorates from which Israeli authorities ordered the evacuation and relocation of civilians to the south, namely North Gaza and Gaza City, rates of unemployment in 2022 were lower than other governorates while conversely the rates of employment were higher (Table 2). The two governorates for example accounted for 56.2 per cent of employment in the Gaza Strip while accounting for less than half (46.8 per cent) of total unemployment. Given the extensive bombardment and destruction in these two governorates, the conflict is having a disproportionately detrimental effect on areas that previously had more favourable labour market conditions.

▶ Table 2. Unemployment and employment rates in Gaza, by governorate, 2022 (%)

	North Gaza	Gaza City	Dier Al-Balah	Khan Younis	Rafah	Total
Unemployment rate	**38.4**	**42.2**	**54.8**	**49.4**	**46.3**	**45.3**
Employment rate	**61.6**	**57.8**	**45.2**	**50.6**	**53.7**	**54.7**

Source: ILO estimates based on PCBS, Quarterly Labour Force Surveys

The past decades had also seen a gradual increase of Palestinians working in Israel and the settlements. In 2022, the number of such workers reached an all-time high of 193,000. Since late 2021, Israel had also allowed an increasing number of workers from Gaza to work in Israel and the settlements. In 2022, Israeli authorities issued around 20,000 employment and economic needs permits to Gazans to work in Israel and the settlements.[3]

According to the latest Palestinian Expenditure and Consumption Survey undertaken in 2016/17, poverty measured using the national poverty line stood at 29.2 per cent (13.9 per cent in the West Bank and 53.0 per cent in the Gaza Strip). National social protection systems in Gaza and West-Bank are ill-placed to respond to the humanitarian crisis and cushion the impact of labour market disruptions on livelihoods of the Palestinian people. A contributory social security system is not yet in place, leaving workers formally employed in the OPT unprotected in case of unemployment. In 2022, six out of ten workers in Gaza were in informal employment. The national social assistance system, primarily anchored in the National Cash Transfer Programme, covers some

[3] ILO. op. cit. An additional 7,000 permits were also issued for commerce and to businesspeople.

119,000 households, of which almost two-thirds are in Gaza, but has since 2021 faced a difficult fiscal situation, resulting in delayed and partial payments.[4]

▶ Estimating the impact of the Israel-Hamas war on employment and the labour market

The Israel-Hamas conflict is resulting in a deep humanitarian crisis in Gaza, with huge implications on the labour market, employment prospects and livelihoods, not only within Gaza, but also in the West Bank. Entire neighbourhoods in Gaza have been destroyed, there has been widespread damage to infrastructure, businesses have closed, large-scale internal displacement has occurred, and the lack of water, food and fuel are severely crippling economic activity. While the impacts on jobs and livelihoods in Gaza are undoubtably huge, a quantitative assessment in this early stage of the conflict must rely on estimates and projections, as opposed to primary data.

According to the Palestinian Central Bureau of Statistics (PCBS), daily losses of production amount to USD 16 million due to the disruption of economic activities in the Strip.[5] Other estimates have put the daily gross domestic product (GDP) loss at between USD 14 million and 20 million.[6] Based on existing data and descriptions of activity on the ground in Gaza, it is estimated that a minimum of 61 per cent of employment from Gaza has been lost relative to the pre-conflict level, equivalent to around 182,000 jobs (Table 3). This estimate reflects an assumed reduction of private sector employment in Gaza by 85 per cent, a reduction in public sector employment by 15 per cent and the loss of employment for the 20,000 Gazans previously employed in Israel. As the conflict intensifies, including through ground operations, job losses are expected to grow further.

In addition to the impact on Gaza, some 160,000 workers from the West Bank, previously working in Israel and the settlements, have either lost their jobs – at least temporarily – or are at risk of losing them as a result of restrictions imposed on Palestinians' access to the Israeli labour market and the closures of crossings from the West Bank into Israel and the settlements. Some anecdotal evidence suggests that a small proportion of these Palestinian workers continue to work in the Israeli labour market. We therefore assume that approximately 5 per cent of total workers from the West Bank previously working in Israel and the settlements have maintained their jobs. This results in a total employment loss of 152,000.

Additionally, while little data exists on the impact of the conflict on economic activities, restrictions on movement of goods and individuals will undoubtedly affect supply chains, production capacities and workers' access to their workplaces in the West Bank. As such, 10 per cent of private sector employment in the West Bank is assumed to be lost because of reduced economic activity in the region, that is, the equivalent of some 56,000 jobs. In total, our estimates suggest a job loss of 208,000, or 24 per cent of total employment from the West Bank.

▶ Table 3. Summary of employment losses

Loss in jobs (by region)	Initial estimates as of 31 October 2023

[4] ILO. op. cit.
[5] PCBS. 2023. PCBS | PCBS: Highlights Socio-Economic Indicators on the Impact of the Israeli Occupation War on Gaza Strip, 2023.
[6] See: Impact of war on Gaza's economy expected to be 'tragic and tremendous' (thenationalnews.com)

From Gaza	
In numbers	182,000
In %	61%
From the West Bank	
In numbers	208.000
In %	24%
Total from the OPT	
In numbers	390,000
In %	33%

Note: The above estimates are based on the information available as of 31 October 2023. The estimates will be refined to better reflect the situation on the ground as more data and information is made available.
Source: ILO estimates based on PCBS data.

Based on the above, some 390,000 Palestinian workers, both from Gaza and the West Bank, have lost their jobs as a result of the Israel-Hamas conflict. Furthermore, with Israeli-imposed restrictions on movement within the West Bank, around 67,000 workers working in governorates other than their place of residence face heightened difficulties in accessing their workplaces, putting them at risk of losing their jobs. These workers are also likely to be subject to difficult working conditions, including lower wages. The increased numbers of checkpoints across the West Bank increasingly challenge the movement of individuals and goods, further impacting the overall economy and capacity to produce.

In view of these employment losses, at least USD 15.7 million of labour income are projected to be lost daily in the OPT, as presented in Table 4. These reflect income losses of USD 2.9 million from Gaza and USD 12.8 million from the West Bank. These are incomes lost from employment only and do not reflect total labour income losses in the OPT. For example, they do not account for the reduced incomes of those who remain employed but have witnessed a reduction in their incomes as a result of the Hamas-Israel conflict. Therefore, these figures only represent a lower bound estimate of labour incomes lost from employment.

▶ Table 4. Estimates of daily labour income losses, in millions

	Loss in daily incomes	
From Gaza	From job losses in private sector (NIS)	4.8
	From job losses in public sector (NIS)	1.2
	From job losses in Israel and the settlements (NIS)	5.8
	Total daily labour income losses (NIS)	11.8
	Total daily labour income losses (USD)	2.9
From the West Bank	From job losses in private sector (NIS)	7.5
	From job losses in Israel and the settlements (NIS)	43.9
	Total daily labour income losses (NIS)	51.4
	Total daily labour income losses (USD)	12.8
Total daily labour income losses in the OPT (NIS)		63.2
Total daily labour income losses in the OPT (USD)		15.7

Note: Average wages of wage employees are used as a proxy of labour income. Wage employment accounts for 74.7 per cent of total employment in the OPT.
Source: ILO estimates based on PCBS data.

As noted earlier, NEETs rates were high even prior to the conflict. With education and training not taking place due to schools being used as shelters or damaged, nearly all young people in Gaza can be classified as being NEET today, with detrimental longer-term scarring also likely to occur.

Policy recommendations

To address the repercussions of the conflict in Gaza, a multi-phased approach is essential.

In the immediate term, and in addition to providing critical humanitarian assistance, such as shelter and access to basic goods, it is crucial to implement emergency income support measures. This should involve the establishment of an emergency unemployment scheme aimed at assisting workers who have either lost their jobs or have been displaced. While this approach is viable in the West Bank where a significant number of workers and their families have also been impacted and where thousands of Gazan workers expelled from their jobs in Israel have been stranded, reaching out to workers and individuals inside Gaza is challenging.

Allowing and facilitating full, rapid, safe, and unhindered humanitarian access to the population in Gaza is paramount. This requires adopting practical steps to ensure Gazan's access to water, food, medical supplies, and other basic goods. It is equally crucial to implement emergency income support measures. This should involve the establishment of cash and in-kind transfers and unemployment schemes aimed at assisting affected workers and their families.

Once the situation allows, the focus should shift towards recovery and reconstruction efforts. The ILO's Employment Intensive Infrastructure Programmes can be pivotal in this context. These public works programmes not only contribute to the rebuilding of infrastructure and the repair of damaged assets but also provide emergency employment opportunities for the local workforce, all within the framework of decent work. These schemes can also be coupled with skills development programmes, which will be vital in the recovery process.

Supporting affected employers by offering income support and wage subsidies is another critical component. This assistance can help these businesses maintain their existing workforce or hire new employees. Grants, particularly targeting self-employed individuals, social and solidarity economic units, micro and small enterprises, and those operating in the informal sector, are of utmost importance.