

# ○ PROMOTING GROWTH AND EMPLOYMENT CREATION IN PRIORITY SECTORS

## Implementing the Palestinian National Employment Strategy

### ○ Thematic Fiche 08

#### ○ *Background*

The COVID-19 crisis erupted at a time when the Palestinian economy was observing growth in non-tradable sectors – particularly services, wholesale and retail trade and housing. In these areas, some subsectors require small-capital investments and are relatively less susceptible to political shocks. This growth came at the expense of productive sectors, such as agriculture and manufacturing, which historically had been among the most important employment sectors.

Usually a key driver of export-led growth, the

**MANUFACTURING**

sector's contribution to GDP has

**DROPPED**

from

**22.2% IN 1994**

to

**13.2% IN 2018**

**THE AGRICULTURE**

sector's share also

**DECREASED**

from **12.1 to 7 per cent**

during the same period.

Currently, the service sector accounts for some 42 per cent of total GDP.

This sector is dominated by low-productivity activities, including government and domestic trade which basically rely on imports. Hence, service sector growth at the expense of other sectors might be uncondusive to achieving economic development based on employment and enhanced competitiveness.

Since assuming its responsibilities, the Palestinian Authority has adopted a Cluster-Based Development Strategy in the agriculture, industry and tourism sectors, through which the government seeks to promote investment in these sectors in order to gradually stop its dependence on Israel, as currently imposed by the occupation.

## ○ **Main gaps**

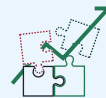
Although the private sector has made some achievements in terms of entering domestic, regional and global markets, doing business and competitiveness indicators have not improved as needed in most sectors to effectively generate employment opportunities.



### **The Palestinian economy continues to be traditional,**

with a structure that reflects a decline in productive sectors in favour of service sectors.

To seize available opportunities in such sectors,



### **public policies and economic incentives will be needed**

not only to promote investment but also to improve productivity, competitiveness and skills content in line with the creation of employment opportunities in the private sector. In this vein, the most daunting challenge is to address obstacles faced by small and family enterprises in particular – the largest employer of workers in the Palestinian private sector.



### **Nevertheless, a number of promising sectors are capable of progressing in their respective value chains towards greater use of more skilled workers.**

These can also strengthen the Palestinian economy's capacity to substitute imports and trade through exports.

## ○ **Geography, Gender & Social Inclusion**

The National Employment Strategy 2021-2025 adopts the strategic objective of increasing decent work prospects for women and youth. The service and trade sectors together accounted for almost 57% of total employment in 2018, an increase of 83% since 2000. The service sector's contribution to employment increased in parallel with a decline in the public sector share, the latter employing some 30 per cent of working women in recent years. As female labour force participation increases from its extremely low rate of 18 per cent in the aftermath of the COVID-19 outbreak, it is important to consider horizontal gender segregation in the labour market in order to rebalance the economy towards priority sectors. Social attitudes about gender roles, need for child care, unequal unpaid domestic work, and historic paths to employment all play a role in women's prominence in the service sector versus that in industry, for example. Women's unemployment is higher among those with higher levels of education (a phenomenon not seen among their male counterparts). Women have played an important role in the agriculture sector, but their work in this sector is often informal and unpaid.

There are a number of multidimensional obstacles that hinder the ability to break the horizontal gender segregation in the labour market, including restrictions on movement and access; (culturally) weak demand for women's work; the lack of credit (as elsewhere); and the inability to compete with Israeli and imported products in sectors where women are active (e.g. handicrafts or food processing).<sup>1</sup> Additional challenges include limited higher education and vocational options, which in turn results in access to fewer and more traditional occupations; and the poor employment-related regulations that inadequately incentivize and reduce barriers to women's employment. Generally speaking, current approaches used to encourage women's employment have had a limited ability to address horizontal gender segregation in the labour market, with many focusing on traditional sectors, while little effort (and investment) has been made to create a common space for sector integration or to upgrade the level, quality, and status of women's employment in the value chain with a view to achieving growth based on highly productive employment.

<sup>1</sup> See Mercy Corps study, 2012

## ○ Areas for Development

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### The strategic priorities

are to identify sectors with high employment elasticity, examine their development needs and the requirements to improve employment conditions in these sectors.



### The strategy also aims to support the private sector

in these priority sectors to retain current employment levels, particularly in Gaza, and increase enterprise investments in these sectors to enhance competitiveness, and encourage them to provide development and training to new workers to increase returns on investment.



### This will be achieved by developing existing incentive

and investment guarantee programmes and upgrading private sector-oriented industry in these sectors. These programmes will be expanded and enabled to better respond to the needs and reality of enterprises, including by spurring investment in employees' training, particularly youth and women who have newly entered the labour market.

## ○ Risks & Challenges

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The ministries of labour and national economy have limited ability to implement public employment programmes and services within Gaza. Too often, the limitations imposed by the occupation have dictated the trajectory of key economic sectors. The decline in the agriculture sector, for example, is linked to movement restrictions in areas that remain under Israeli control, which are often arable lands and near water resources.

## ○ Desired Outcomes

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Incentive packages will be developed and provided to companies operating in certain economic sectors, providing youth employment in less developed areas, and/or working in sectors targeted by the government cluster-based development approach, especially SMEs in agriculture, industry and tourism sectors. These efforts will be complemented with additional efforts aimed at strengthening the legal and regulatory framework for doing business.

- 1. Strengthen the capacity of private sector entities, including cooperatives, in priority sectors in Gaza and Israeli-controlled areas in the West Bank, including East Jerusalem, to preserve their operational and competitive capabilities and improve working conditions.**

### Indicators

- ▶ Number of employment opportunities (by gender and age group) directly created in priority sectors as a result of incentives and support programmes.

○ *Priority Investment Needed*

**\$800,000**



for a comprehensive study to **measure the flexibility of youth**

in different economic sectors to determine priority subsector interventions.

**\$25 MILLION**



**for the development of credit opportunities**

and other business development services available to institutions investing in priority sectors with high flexibility for youth and women’s employment.

**\$220,000**



to fund the **establishment of a mechanism for accelerating and expanding enterprises**

in priority sectors with high feasibility for youth and female employment.

**\$30 MILLION**



**to enhance productivity and working conditions**

in at least 1,000 enterprises in priority sectors.

