



► Impact of the war in Gaza on the labour market and livelihoods in the Occupied Palestinian Territory:¹ Bulletin No. 3

March 2024

- The persistent war in the Gaza Strip and restrictive measures by Israeli authorities in the West Bank continue to have significant adverse effects on the economy of the Occupied Palestinian Territory (OPT), with severely damaging implications for the labour market.
- Revised estimates suggest that, as of 31 January 2024, 507,000 jobs have been lost across the OPT as a result of the hostilities, compared to an earlier job loss estimate of 468,000. This comprises 201,000 jobs lost in Gaza Strip and 306,000 jobs lost in the West Bank.
- These job losses translate into daily labour income losses of USD 21.7 million. This figure increases to USD 25.5 million per day, when combined with the loss of income resulting from the partial payment of wages to civil servants and the reduced incomes of workers in the private sector across the OPT.
- In view of the huge employment losses, unemployment has spiked in the OPT. If the hostilities continue until the end of March 2024, the annual unemployment rate in 2024 is forecast to rise to 42.7 per cent. If the hostilities continue until end of June 2024, however, the corresponding rate is projected to rise even further to 45.5 per cent.
- At the quarterly level, projections indicate that, if the war continues until the end of March 2024, the unemployment rate in the OPT will soar to a staggering 57 per cent in the first quarter of the year.
- Beyond the impact on unemployment, the war has also had a huge effect on labour supply. Labour force participation rates are projected to decline by 3.6 percentage points for men and 1.2 percentage points for women between 2023 and 2024, if the hostilities continue until June 2024.

¹ This third 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 updated assessment of the impact of the ongoing war in the Gaza Strip on employment and incomes in the Occupied Palestinian Territory (OPT), building primarily on descriptive analysis of secondary labour force survey data, as well as forecasting model simulations provided by the econometric model developed jointly by the PCBS, ILO and MAS in 2018.

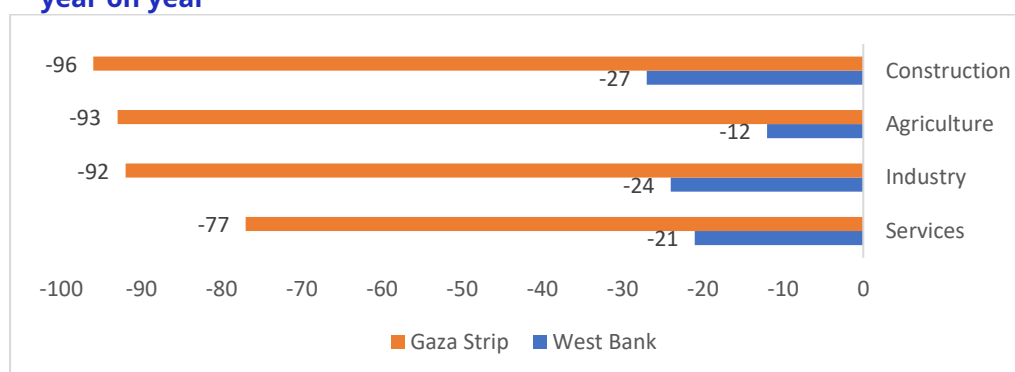
► The economic impact of the war in Gaza on the OPT

The war in the Gaza Strip continues to have severe adverse effects on Palestinians and their economy. More than 30,000 Palestinians have been killed and more than 70,000 injured.² In addition, widespread destruction of infrastructure has taken place, including the full damage of more than 70,000 houses and the partial damage of more 290,000 housing units.³ According to UNRWA, some 75 per cent of Gaza's population were displaced as of 5 February 2024.⁴ Geospatial assessments in the Gaza Strip show damage to 34 per cent of arable land and most of the infrastructure of the agrifood sector, including commercial facilities (livestock farms, stores for products and inputs).⁵ This destruction, together with limited aid being able to enter and limited incomes to purchase food, are leading to the risk of famine in the Gaza Strip.⁶

The West Bank has also been deeply affected by the hostilities. According to OCHA, more than 385 Palestinians have been killed and 4,500 injured.⁷ The West Bank functions under a near lockdown, with Israeli authorities operating more than 650 permanent and flying checkpoints across the territory and carrying out regular military incursions.

The implications of the ongoing hostilities on the OPT economy are grave. The PCBS estimated a sharp contraction of the OPT's gross domestic product (GDP) by a third during the fourth quarter of 2023, compared to the same quarter of 2022 (a decline of more than 80 per cent in the Gaza Strip and by 22 per cent in the West Bank).⁸ The decline in GDP is driven by a contraction in value added in all sectors (Figure 1), with critical repercussions for standards of living and labour market outcomes, including employment, working hours and incomes.

► **Figure 1: Percentage decline in value added in the West Bank and the Gaza Strip, Q4 2023, year on year**



Source: PCBS data.

² [Hostilities in the Gaza Strip and Israel | Flash Update #129 | OCHA \(unocha.org\)](#)

³ [Hostilities in the Gaza Strip and Israel - reported impact | Day 123 | OCHA \(unocha.org\)](#)

⁴ [Hostilities in the Gaza Strip and Israel | Flash Update #117 | OCHA \(unocha.org\)](#)

⁵ [Hostilities in the Gaza Strip and Israel | Flash Update #115 | OCHA \(unocha.org\)](#)

⁶ FAO, "[Update on the Situation in Gaza and Red Sea](#)", 24 February 2024.

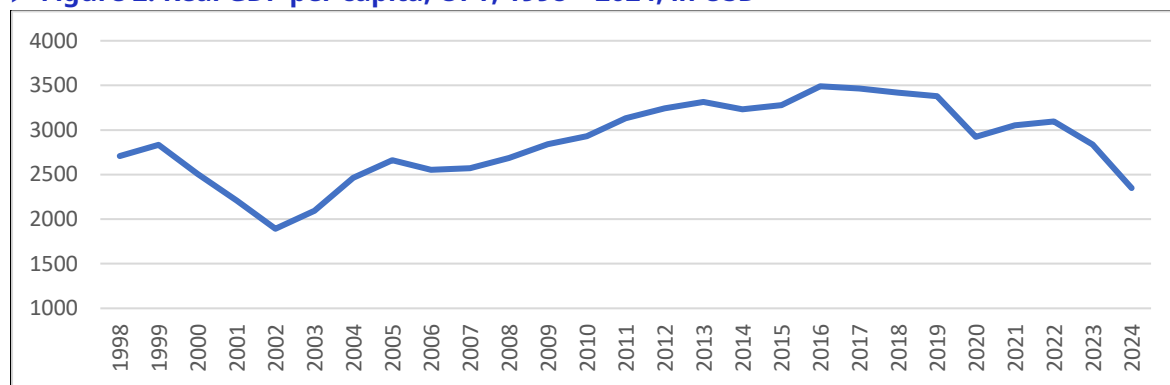
⁷ [Hostilities in the Gaza Strip and Israel | Flash Update #119 | OCHA \(ochaopt.org\)](#)

⁸ PCBS and PMA, "[Press Release on the Performance of the Palestinian Economy for 2023, and Economic Forecasts for 2024](#)", 30 December 2023.

According to the PCBS, the economy is projected to decline by 10 per cent in 2024. This projection is based on the scenario that the ongoing war will continue until the end of March 2024, resulting in a 12 per cent decline in per capita income.

Under an alternative scenario, where hostilities continue until the end of June 2024, the economic losses are expected to be higher. In this case, both GDP and per capita income are projected to decline by 15 per cent and 17 per cent respectively. Notably, under this second scenario, real per capita GDP (constant 2015 USD) for 2024 is projected to fall below its 1998 level, as shown in Figure 2 below.

► **Figure 2: Real GDP per capita, OPT, 1998 – 2024, in USD**



Note: The 2024 figure is a projection based on the scenario that the war will continue until the end of June 2024.

Source: PCBS

► Revised estimates of the impact of the war in the Gaza Strip on employment and the labour market in the OPT

The devastation brought upon the Gaza Strip's economy, as well as the disruption to the West Bank's everyday economic life, has led to substantial losses in employment and livelihoods. The near full destruction of establishments in the Gaza Strip has already shattered its labour market. In the West Bank, a survey of employers conducted by the ILO in January 2024 indicates that 99 per cent of participating establishments experienced adverse impacts due to Israeli measures implemented since October 2023. More than 97 per cent of these establishments witnessed a drop in monthly turnover and nearly half temporarily laid off workers. SMEs were notably hard-hit by the deteriorating economic conditions, forcing them to take deeper measures, including with more than 40 per cent of the interviewed establishments reporting permanent layoffs.⁹

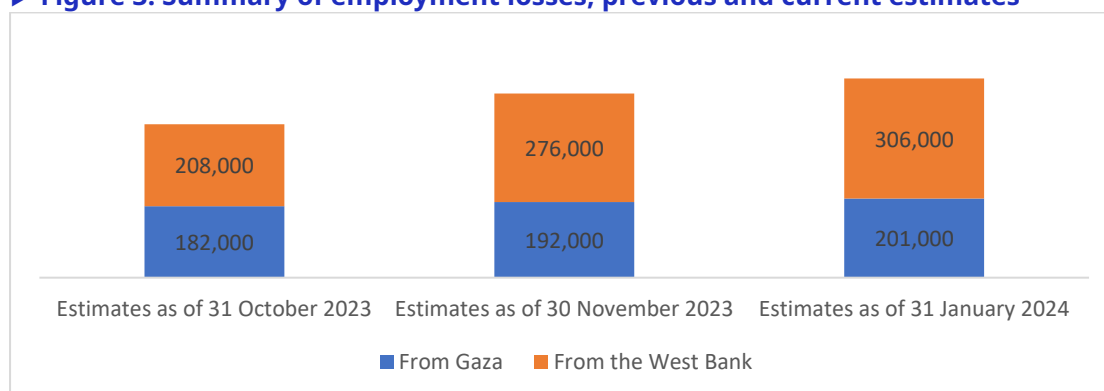
Based on more updated PCBS data and some additional insights from the ILO's survey, it is now estimated that, as of the end January 2024, 201,000 jobs have been lost in the Gaza Strip, as shown in Figure 3. This new estimate now reflects an assumed reduction of private sector employment in the Gaza Strip by 90 per cent (given the continued decline in production capacity in the Gaza Strip), a reduction in public sector employment by 15 per cent and the complete loss of employment for the 20,000 Gazans previously employed in Israel. This new estimate is an upward revision to the job loss estimate in Bulletin No. 2. With further Israeli military operations expected in Southern Gaza, the job losses will likely rise further.

⁹ ILO survey of workers and employers in the West Bank (forthcoming).

In addition to the impact on workers from the Gaza Strip, most of the 171,000 workers from the West Bank who previously worked in Israel and the settlements have lost their jobs. Only around 10,000 of these workers are reported to have worked in the Israeli economy in January 2024, as reported by the Palestinian Ministry of Labour. This amounts to around 6 per cent of the total number of West Bank Palestinians who worked in Israel and the settlements pre-conflict. Additionally, given the escalating violence in the West Bank and its impact on supply chains, production capacities and workers' access to their workplaces, losses in private sector employment in the West Bank are revised upward to 25 per cent, equivalent to 144,000 jobs. This translates into a total loss of 306,000 jobs in the West Bank.

In aggregate, an estimated 507,000 jobs are estimated to be lost in the OPT, as of 31 January 2024.

► **Figure 3: Summary of employment losses, previous and current estimates**



Source: ILO estimates based on PCBS data.

In line with these revised estimates of employment losses, estimates of daily labour income losses have also been revised upward to USD 21.7 million per day, as shown in Table 1.

► **Table 1. Estimates of daily labour income losses as a result of complete job losses only, in millions**

Loss in daily incomes		Estimates as of Oct-23	Estimates as of Nov-23	Estimates as of Jan-24
Gaza Strip	From job losses in private sector (NIS)	4.8	4.9	5.2
	From job losses in public sector (NIS)	1.2	1.2	1.2
	From job losses in Israel and the settlements (NIS)	5.8	5.9	5.9
	Total daily labour income losses (NIS)	11.8	12.0	12.3
	Total daily labour income losses (USD)	2.9	3.2	3.3
West Bank	From job losses in private sector (NIS)	7.5	15.8	19.8
	From job losses in Israel and the settlements (NIS)	43.9	48.1	48.1
	Total daily labour income losses (NIS)	51.4	64.0	67.9
	Total daily labour income losses (USD)	12.8	17.3	18.3
Total daily labour income losses in the OPT (NIS)		63.2	75.9	80.2
Total daily labour income losses in the OPT (USD)		15.7	20.5	21.7

Note: Average wages of wage employees are used as a proxy of labour income.

Source: ILO estimates based on PCBS data.

Importantly, however, the depletion of income for Palestinian workers extends beyond job losses alone. Israel's decision to withhold from Palestinian customs duties the amounts the Palestinian Authority was using to pay civil servants in Gaza, and the subsequent refusal by the Palestinian Authority to accept the reduced transfers, has impaired the Palestinian Authority's capacity to fulfil its financial obligations towards public sector workers. As a result, public sector employees have only received partial wage payments.¹⁰ In January 2024, public sector employees received only 60 per cent of their wages.

Additionally, according to the ILO survey of workers conducted in January 2024 and some anecdotal evidence, it is assumed that approximately 40 per cent of private sector workers in the West Bank experienced a reduction of around 20 per cent in their wages/ incomes during that month, with the arrears of some, including for instance teachers, university professors and medical staff, to be paid once economic conditions improve. In the Gaza Strip, the assumption is that 60 per cent of the remaining workers in the private sector have experienced a 40 per cent reduction in their labour income.

Considering these different income reductions along with those resulting from complete job losses, Table 2 provides estimates of the total income losses, currently estimated at USD 25.5 million per day.

As of February 2024, public sector employees were owed 4.3 times their full monthly salaries by the Palestinian Authority, which amounts to a total of USD 48.4 million for employees in Gaza and USD 102.7 million for the West Bank's civil servants.

► **Table 2: Estimates of daily income losses in the OPT as of 31 January 2024 as a result of job losses, partial payments of public sector salaries and reduced incomes of private sector workers, in millions**

		Estimates as of 31 January 2024
From the Gaza Strip	Income losses due to partial payment to public sector employees (NIS)	2.7
	Income losses due to partial payment to private sector employees (NIS)	0.1
	Income losses due to complete job losses (NIS)	12.3
	Total daily labour income losses (NIS)	15.0
	Total daily labour income losses (USD)	4.1
From the West Bank	Income losses due to partial payment to public sector employees (NIS)	6.5
	Income losses due to partial payment to private sector employees (NIS)	4.8
	Income losses due to complete job losses (NIS)	67.9
	Total daily labour income losses (NIS)	79.2
	Total daily labour income losses (USD)	21.4
From the OPT	Total daily labour income losses (NIS)	94.3
	Total daily labour income losses (USD)	25.5

Source: ILO estimation based on data from PCBS and the Ministry of Finance

¹⁰ The Palestinian Authority has not been able to pay workers their full salaries since November 2021. However, the calculation here is confined to the period from October 2023 until the end of January 2024, during which reductions were notably pronounced. It is also worth noting that the Palestinian Authority usually pays its employees the reduced amounts once resources become available.

► Projections of labour market outcomes in the OPT in the first quarter of 2024 and full year 2024

In order to project the impact of the war in the Gaza Strip on the labour market of the OPT during the first quarter 2024 and the year 2024 as a whole, an extended version of a PCBS forecasting model was utilized. The projections assume two scenarios. The first presumes that hostilities will continue for three months into 2024, until March 2024. The second assumes that hostilities will continue for six months into 2024, until June 2024. The model has the capacity to forecast outcomes for the OPT as one unit, but not for the West Bank and Gaza Strip separately.¹¹

Based on the model's projection results, outlined in Table 3, the labour force participation rate is projected to decline by 3 percentage points for men and by 0.6 percentage points for women in 2024, compared to the figures for 2023 under the first scenario. Under the second scenario, these rates decline by 3.6 percentage points and by 1.2 percentage points respectively, suggesting growing discouragement among jobseekers. These estimates represent a significant decline in male and female labour force participation rates, since it typically takes years for the propensity to engage in the labour market to change by such magnitude. For instance, it took more than 30 years for the female labour force participation to grow from its low level of 11 per cent in the early 1990s to its current levels.

Along with this decline in labour force participation rates, the unemployment rate is projected to rise by 12 percentage points under the first scenario and by 15 percentage points in the second scenario. As a result, the total number of unemployed individuals in the OPT is projected to exceed 600,000, reaching almost 650,000 under the second scenario. Rising unemployment rates are likely to exert downward pressure on daily wages, which are projected to decline by 7 per cent under the first scenario and by 9 per cent under the second scenario in 2024.

► **Table 3: Projected labour market indicators for the year 2024, by scenario**

	2023	Scenario 1= conflict continues until March 2024	Scenario 2= conflict continues until June 2024
		2024	2024
Participation (Male) %	68.5	65.5	64.9
Participation (Female) %	19.0	18.4	17.8
Unemployment %	30.7	42.7	45.5
Unemployment - numbers	445,680	616,900	647,810
Daily real wage (USD)	23.4	21.8	21.4

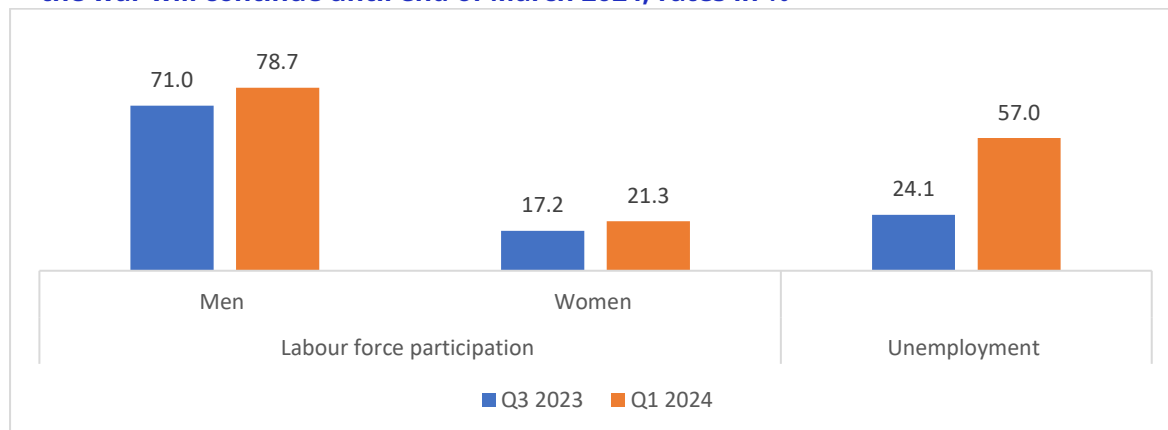
Source: PCBS forecasting model.

Further to these annual projections, quarterly labour force participation and unemployment rates in the OPT have been forecast. Under the scenario that the war will continue until end of March 2024, the unemployment rate is projected to rise to a staggering 57 per cent in the first quarter of 2024, compared to a 24 per cent unemployment rate in the third quarter of 2023, pre-conflict. Concurrently, the labour force participation rate of men is projected to increase to 78.7 per cent in

¹¹ The model is focused on the domestic OPT economy. While Palestinians working in Israel and the settlements are accounted for in the aggregate projections, they are excluded from the sectoral employment distributions presented in Figure 5 below.

Q1 2024, compared to 71.0 per cent pre-conflict; while that of women will increase to 21.3 per cent (Figure 4), as more men and women are projected to enter the labour market in the short term in an attempt to support their families, given the large scale loss of employment and incomes.

► **Figure 4: Projected labour market indicators in Q1 2024 vs Q3 2023, under the scenario that the war will continue until end of March 2024, rates in %**



Source: PCBS forecasting projections

Beyond the impact at the aggregate level, the model has also provided projections on the changing structural composition of employment, as shown in Figure 5 below.

In the industrial sector, employment is forecast to decline significantly. The impact is greater the longer the conflict continues. This decline is primarily due to the damage inflicted on the means of production in Gaza, alongside disruptions to supply chains and transportation challenges across the West Bank resulting from Israeli measures.

In the services sector, employment is projected to decline more substantially under the first scenario compared to the second. This is primarily because workers who lose their jobs in other sectors are likely to transition to self-employment within this sector, the longer the conflict is prolonged. This is supported by the interviews conducted with workers who have recently lost their jobs, many of whom have reported turning to self-employment in the services sector as alternative paid employment opportunities have dwindled.¹²

Conversely, employment in the agricultural sector is expected to rise in 2024 relative to 2023 if the war concludes by the end of March 2024. However, it will decrease compared to 2023 if hostilities extend into June 2024. This can be attributed to the sector's ability to provide an immediate cushion to economic shocks while often not being regarded as a source of long-term employment.

As for workers in the construction sector, they expectedly experience more pronounced job losses the longer the war continues, reflecting the sector's vulnerability to disruptions and damage to infrastructure.

¹² ILO survey of workers and employers in the West Bank (forthcoming).

► **Figure 5: Impact of the hostilities on employment across economic sectors in 2024 under both scenarios, relative to 2023**



Source: PCSB forecasting model.

► Concluding remarks

Labour market outcomes in the OPT are estimated to have deteriorated even further as the hostilities have continued. Loss of life, destruction of buildings and other infrastructure, disruptions to supply chain networks, increasing transport costs and other adverse impacts are continuing to exert a heavy toll on the labour market. Unemployment rates are projected to rise, wage levels to decrease and employment across sectors to alter. The consequent income losses endured by workers and employers continues to be substantial. Yet it is evident that the longer the war continues, the more these labour market outcomes will worsen.

Reversing these negative trends requires both economic and political interventions. Ending the ongoing hostilities and lifting Israeli restrictions on the West Bank are essential first steps. Once this is achieved, plans for rebuilding the Gaza Strip's economy and restoring the West Bank's economy should be considered. These plans should prioritize economic measures that not only generate growth, but also protect incomes and create decent jobs for the Palestinian people.

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