

# The Social Protection System

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The associations that contributed to the report are :  
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## First: Introduction

As a result of the 1993 Oslo Agreement, the Palestinian Authority became interested in the construction of governmental entities as a prelude to the future Palestinian State which was supposed to come into existence by the end of the transitional period, expected to last five years. This did not happen in the following twenty years.

The Palestine Authority was committed, as it was the case in most of the Arab states, to implement free market policies and the privatization of some sectors which came from the occupation authorities, such as the communication sector; without being connected with the outside world by any border. Also, the occupation authorities kept its military domination, not only on the borders between Palestine and the outside world, but also between the Palestinian cities - through the passage system and the military check points - in addition to the racial separation wall which is being promoted by the occupation authorities as a separation from the Palestinian territories: it is in reality the theft of the lands and natural resources belonging to the Palestinians. The Paris Economic Agreement between the Palestinian Authority and the occupation authorities imposed additional limitations on several foreign trade relations, not to mention the military measures taken by the occupation authorities that harmed the Palestinian economy that had remained for the last twenty years depending on foreign assistance and more dependent upon the colonizing state. Although the Oslo agreement was signed, and despite the start of the "peace process", the Occupation is still engaged in a well-organized looting of the natural resources. The occupation authorities are going forward in their colonial policy. This situation, as it is, left the Palestinian Authority unable to promote its economy and became on the other hand more dependent on assistance and foreign funding, in addition to the adoption of socially harmful policies including a costly taxation system, namely what is known as VAT.

Instead of building an independent Palestinian economy and cutting the linkages with the occupation authorities, the situation is worsening. The official indicators published

by the Central Statistics Agency in its report dealing with the basic results of the census of the work force during the third quarter of 2013 show that the number of the unemployed has reached, according to the International Labor Organization, up to 275 000 people in Palestine in the afore mentioned period. Among them, there are 145 000 unemployed people in the West Bank and around 130 000 in Gaza Strip. The report, adds that the gap in unemployment rate between the West Bank and the Gaza Strip is still huge. In fact, in Gaza Strip, the rate reached 32.5 % compared with 19.1 % in the West Bank (Central Statistics Agency, 2013).

This rate is among the highest in the Arab region, women being more vulnerable to unemployment than men. Women's unemployment rate is 28.4 % compared with 19.2 % for men. The more women have an high education level, the more they will be hit by unemployment: in fact, the rate was 39 % of the total number of women who completed 13 school years and more in 2011. This rate is higher among young girls, aged 15 to 25, as it reached 62.2% in 2012 compared with 34.5 % among young men. Generally speaking, these rates double in Gaza Strip, and among the educated because of the conditions induced by the siege and the weakness of the economic infrastructure there.

In front of the high indicators of unemployment among women, programmes and policies addressed to women in particular are required. In the absence of social protection, these families become dependent on insufficient and unsteady endowments from some charity organizations and the ministry of social affairs. It is not clear that in the near future the Palestinian authority will set up social protection programmes useful for the jobless, the disabled, the elderly or mothers, etc. Besides, the imposed siege on Gaza led to division and dramatic impoverishment of people as the majority of them depend on assistance.

## Second: the Situation of Social Protection within the Government's General Policy.

The main cause of the difference of the components of the retirement system in Palestine is due to the absence of a clear vision by the national Palestinian Authority on the issue of social

security in general, and retirement in particular; relating to the importance of its economic, social and financial role, and consequently the role of the authority in reforming the already existing systems, and setting up new ones in the West Bank and Gaza Strip. Hence, the inexistence of a clear reform strategy that would give birth to clear and precise policies and goals agreed upon and measurable. Quite the contrary, it has been noticed that there are different policies and goals among politicians and decision makers concerning the reform of the retirement systems in the West Bank and Gaza Strip, which led to an increase of retirement systems in the public sector as well as in the private one. The government usually avoids dealing with the details of the establishment of comprehensive social protection policies, and often resorts to presenting the retirement systems as the most important goal in social protection. However, others argue that concerning those who cannot pay their retirement fees such as the jobless, the disabled, and the elderly, though those cases are the responsibility of the government. In the Palestinian case, the government is bound to resort to borrowing to finance the programme or to insert it in the schedule of foreign assistance, which will be costly in both cases, because of the high interest rates in addition to the political conditions stipulated along with the assistance. But, is it possible to bring some adjustments to the articles and the breakdown of the budget so as to reduce the assistance addressed to this sector that is facing a monetary problem in the Palestinian society starting by the role it plays in addition to 35% being cut from the budget to fund it.

The Palestinian budget is very often prepared without being sure it will be implemented since the authority does not control the indicators that play a significant role in determining the size of the income or expenditure. The former Finance minister, Mr. Nabeel Qassis, in his comment on the 2014 budget, said they could not adopt a realistic budget in an unrealistic situation. In all former discussions clarified by this report, the government did not have a clear and independent policy in its vision of social protection as the report shows it below. The International Labour Organization has recently suggested a social security system for those working in the public

and private sectors in Palestine, while the government wanted to set up a retirement fund for the private sector run by a private enterprise, and the International Labour Organization made several observations to the suggestion of the Palestinian government.

One of these observations is that the retirement system of the non-governmental sector cannot be considered as complementary to the social security system suggested by the International Labour Organization. It rather seems to be a central system addressed to those working in the private sector, in addition to the high contribution rate (19% of the worker's salary in addition to the inability of the system suggested by the government to provide a retirement pension that guarantees a decent life. Despite the optional nature of the non – government retirement system<sup>3</sup>, the observations made by the International Labour Organization came as a result of a request by Palestinian trade unions who say that the retirement law suggested by the government is unfair and unacceptable and makes the members undergo the losses that may result from insecure investments that the private enterprise may make. As for the Labour Ministry, it believes that the retirement fund for those working in the non- governmental sector is a complementary fund that will be run by enterprises from the private sector, and the participation is rather optional, not compulsory. Besides, most of the raised risks are irrelevant as the establishment of this fund will never be an alternative for the Social Security Fund<sup>4</sup>. Yet, we cannot neglect the interest of the parties, whether they are trade unions or Palestinian civil society organizations, and their vision of the ways these funds are managed and invested in, since they are an essential contributing party.

### **Third: The Social Security between the political and economic challenges.**

*“In the Palestinian case, the debate about the concept of a comprehensive social security, the possibility of its implementation and the requirements of its sustainability, is still at its first stage. Generally, the debate focuses upon the existing retirement systems and the possibility of adding other categories in the non-governmental sectors”.*

Within the debate about the comprehensive social security, a few questions crop up such as: Is it possible for rich countries that have the financial means to implement it, or have the unstable countries an urgent need to implement it given their unnatural conditions, namely in the conditions of occupation, wars and internal conflicts in addition to economic recession which are factors that help discover/unveil more people who are unable to face the different economic challenges resulting from the failure of the political system in providing job opportunities.

In the economic crises, the poor, very often, pay the heavy costs of the policies of austerity adopted by governments in such situations where expenditure on social causes stops and the services provided by the government in the fields of education and health decline whereas the government rises the taxes on sales and other taxes on governmental transactions, which means that more economic pressure and burdens will be exerted on the poor. Social security is being reduced to systems heading towards privatization and sparing of the government from being responsible for expenditure and management.

What is meant by social security is its total and comprehensive implementation by the government to cover all the citizens in the concerned country, since they are part of its citizens and it has to be responsible for them, whether they are rich or poor citizens, and not only because they work in public or private sectors, or are members of what we call civil society organizations, we cannot claim that there is a comprehensive social security system since, in reality, it covers only the categories able to pay their membership fees.

The debate over the social security for workers and civil servants who do not belong to the civil service started during the era of the first Legislative Council, and culminated in 2013 with the promulgation of the social Insurance Law, which included (vocational injury insurance, old age insurance, natural disability and death insurance). The law states the establishment of a general social insurance company chaired by the Minister of Labor<sup>5</sup>. But, this law was not reinforced, and was soon cancelled by the President of the Palestinian Authority on

23/8/2007, who issued a decree to abrogate the Social Insurance Law, wherein we read, "given our prerogatives, and to achieve the general interest, we issue the following decree: Article 1: cancellation of the Social Insurance Law number (3) as of 2003. On 2 August 2008, the President of the Palestinian Authority issued a decree as of 2007 pertaining to the amendment of the General Retirement Law number 7 as of 2005. The decree explains some of the articles and paragraphs that were amended in this law, and replaced by other texts that indicated the reasons behind the abrogation of the social insurance law number 3 as of 2003, and among the most important articles

Article (2) wherein paragraph 2 states that article 2 shall be deleted from article (8) in the original retirement law and be replaced by the following text: "The employees of non-governmental and civil society organizations, the private sector and the workers who are regulated by the provisions of the Labour Law, and the employees and members of trade unions, and their affiliates, this shall be regulated by a resolution issued by the Council of Ministers".

The text of paragraph (2) of article (8) according to the original Retirement Law number (7) as of 2005: "allows non-governmental and civil society organizations to include their employees under this law, and to be regulated by a resolution issued by the Council of Ministers<sup>6</sup>".

These decisions reduced this law and confined it to a social security system appropriate to statutory and non-statutory workers and employees, as they reduced the ability of public and private companies as well as trade unions to register in the general retirement law without providing other necessary aspects of social protection. However, they produced other programmes under the responsibility of the ministry of social affairs to provide small in-kind and material assistance to poor families and some social categories.

The government drafted the law which was ratified by the Legislative Council and it even entered into force. At that time, the Labour Ministry started, according to Ms. Butheina Salem, the Ministry's legal department Director, preparing the legislations and the bylaws regulating the

law, a management was composed to take care of the social security fund. However, the social insurance law suffered of what many other laws suffered at the start of the work of the Palestinian Authority. It was characterized by haste and the replication of the laws in neighboring Arab countries. The government explained through its spokesperson that the law suffered a deficiency in the arithmetical equations since it was replicated from the Jordanian law which contained mistakes, and here we have different versions. While the government's spokesperson says that the world Bank has nothing to do with the cancellation of the law, Ms. Salem gives a different version of the story: "A letter was sent to the world Bank to seek the support to the establishment of the social security fund, but the Bank asked the government for information to examine the sustainability of the programme and its ability to bear the financial burdens and pay the benefits".

She adds: "After the study, the World Bank informed us that the law was not sustainable, and that it would fail to meet the needs and interests of the Palestinian worker in addition to the risk of bankruptcy. Ms. Salem clarified that the World Bank's report studied the economic feasibility of the system regardless of its social, humanitarian and development feasibility. She says, "We are confused in front of this issue, but the World Bank suggested a way out through not cancelling the idea of the Social Security Law by integrating it into the General Retirement Law within one unified management<sup>7</sup>."

Instead of finding a guarantee of a social security with a public company, the contents of the law were scattered without raising a serious debate except the protest from trade unions for a short time. This scattering led to the absence of the foundations of a suitable social security system. Currently, the debate itself is being reproduced since a debate took place to adopt a social security system and ended up with a mere fund for the non-governmental employees in the form of an enterprise investing the money of its beneficiaries!

In the Palestinian case, the debate about the definition of social security is still at its beginning, or is often taken back to its starting points amid

questions about its sustainability. Very often, the debate shifts to the existing retirement systems and the possibility of adding categories from those working in the non-governmental sector. Previous discussions took place involving some civil society organizations or even from the private sector known as the Portland Trust Initiative which called for the privatization of the retirement system in Palestine and which requires the existence of a private company to run the retirement funds of governmental companies as well as those of the big, medium and small size enterprises with which a contract would be concluded to run it without being necessarily a local private enterprise. Foreign enterprises also have the possibility to compete for the management of the finance of the unified retirement fund<sup>8</sup>.

This debate came back to the forefront stage after the government had expressed its intention to privatize the funds for the social security of those working in the private sector. This proposal was faced with protest from some activists and left-wing trade unions as the issue of retirement even before its adoption represented an investment field for the private sector. For instance banks discussed their expected shares from the end-of-service and retirement funds even though the system itself was not ratified.

The currently available programmes are varied and dominated by a social assistance character, but they are considered as one of the mechanisms used to absorb the existing deficiency due, essentially, to the occupation and the hard economic situations. Thus, the Palestinian Authority would need a high budget if it decided to cover all poor households which represent, according to official estimations, the third of the total of Palestinian households. The assistance is expected not to fall below the poverty line which is US \$ 600. This implies that the Palestinian Authority would spend 1.6 billion U.S dollars annually. Thus, the development alternatives in this case are the alleviation of poverty rate by providing labor opportunities<sup>9</sup>. At present, the Authority spends less than US \$ 200 through its different programmes in the Ministry of Social Affairs not to mention that protection and assistance provided by the ministry do not include all poor households.

Besides, collective punishment in Gaza Strip today is affecting people's rights for medical and educational services and freedom of mobility due to the siege and the closing down of crossing points, while the dismissed government in the Gaza Strip, in the context of the ongoing Israeli aggression and the political conflicts, was unable to provide many services. In such a situation, the concept of social protection is a kind of luxury while the emergency programmes that prevent the total collapse of the economic conditions remain there, and this is generally done through international organizations.

### **1. The Retirement Fund is on the edge of bankruptcy**

*“Despite the recommendations to necessarily pay the debts owed to the Retirement Agency which amount to more than a billion dollar, and which are accumulated month after month, the government did not react. The Fund is going deeper and deeper in debts from local banks and foreign donors”.*

A great number of experts as well as the Secretary General of the Retirement Agency agree that the step of the early retirement suggested by the government in order to alleviate the burden of salaries in the public sector means the spontaneous collapse of the fund as the government is not committed to transfer the registration fees of the employees (which are the sums deducted from their salaries in addition to the contribution of the government in what is known as insurance and pensions) which the government does not transfer to the fund. According to different reports, the fund suffers from various problems mainly the lack of financial sustainability due to accumulated debts on the one hand, and the big number of employees in the private sector in addition to the members of the security forces on the other hand. The reports, also, point to the administrative problems within the board which needs immediate reforms, in addition to the lack of audited financial reports along with the inability to conduct decisive actuary studies in the management of retirement systems<sup>10</sup>. Despite the high unemployment rate; recruitments made by the government within the public sector are facing criticism from donors who believe they will

be an additional financial burden on the budget with regard to the ability to pay salaries and the future retirement implications. Besides, the early retirement currently helps the government reduce the payroll by 30 % from the pensions of the retired, but, on middle and long terms, it will cause a financial burden on the budget and tax payers. What will happen is to transfer the financial burden on the budget and tax payers. What will happen is the transfer of financial burden and the problem to future generations. Besides, this measure has negative effects and a bad employability which will be reflected by an increase of unemployment, and a total decrease of demand which will hamper the economic development<sup>11</sup>.

The governmental retirement fund has no relationships with the early retirement decision since it is the budget that pays the retirement pensions and the employees' salaries due to the fact that the Ministry of Finance did not transfer the sums to the fund which amounted, according to the Minister of Finance to 1.3 billion dollars without taking into account the interests on this sum as stated by the law. But, if the retired are transferred to the fund in its current empty situation, the fund will be unable to pay salaries, even for a few months<sup>12</sup>. Despite the recommendations to refund the debts owed to the retirement fund which are over 1 billion dollar and are accumulated monthly, the government did not do so, and is sinking deeper and deeper in debts toward local and foreign banks. The claims of the reform of the Retirement Agency to become more rational and efficient will remain without any effect with the expected bankruptcy. The experience of the retirement fund in the public sector and its management did not show an outstanding success that would attract the interest of the private sector with its two parties: the employees and the employers to encourage them to join the public retirement fund with the existence of a governmental decision in 2007 that compels the public sector to join the public retirement system and to transfer the contribution of individual workers and their employers to the Palestinian Retirement Agency. Yet, the rate of those who complied with this decision is very low and because of this refusal the government allowed, in 2010, the private sector to develop its own retirement system<sup>13</sup>. This decision pushed

some banks to create an enterprise to run this system, which is one of the factors that raised the criticism of trade unions. The resources of social security must come from the contributions of beneficiaries, employers and the government in addition to another important resource which is the portion cut off the workers' salaries by the Israeli side under the article of national insurance which should be paid back, according to Oslo Agreement, only if a social security fund is set up<sup>14</sup>.

## 2. Health Care

*The number of families benefiting from the governmental health insurance reached 350 460 families with a coverage rate of about 60.4 % of the population.*

A great deal of families are granted a governmental health insurance in addition to the medical transfer system which includes a number of specialties' and diseases that governmental hospitals cannot treat, and are, therefore, transferred either to hospitals outside Palestine or to hospitals and medical centres run by the private sector.

The number of families covered by government health insurance reached 350 460 households with a rate of 60.4 % of the population, 29.9 % with paid fees while 30.5 % are free of charge in addition to what the ministry of social affairs pays to the governmental health insurance to cover the poor and the needy. The participation rate in this kind of health insurance rose from 17.3% in 2000 to 32.9 % in 2006, and what the ministry of prisoners pays to cover the families of prisoners in Israeli jails, with health insurance as the participation rate in this kind of health insurance rose from 0.4 % in 2000 to 4.9 % in 2006, and the late president, Yasser Arafat, decided in 2000 to cover the unemployed with free health insurance (Al Aqsa Intifada Insurance). This decision came to consolidate the health of Palestinian workers who lost their jobs because of the closure policies adopted by Israel which deprived tens of thousands of workers of work opportunities<sup>15</sup>.

The medical transfers which the Fund's statement asked to review them and despite the

problems inherent to this system, are considered as a protection to thousands of poor and low-income families in medical services that the governmental medical sector cannot provide. The World Bank's call to the government to direct the investment in infrastructure that paves the way to the investment of the private sector, does not necessarily mean that the poor may have access to excellent medical services because of their high cost, and this will, later, serve the interests of the rich and the well-off, while the poor will lose the governmental subsidies in the form of medical transfers. Thus, the investment in the health field and its orientation towards equal health for all and the increase of citizens' trust in public hospitals through hiring widely acknowledged competencies and skills in important medical specialties which contribute to changing the negative image of medical services provided by the government. This will reduce the transfer bills. It is worth mentioning that the last years saw many problems with several private hospitals whether in Palestine or Jordan related to the failure of the government to transfer the arrears to those medical centres, which compelled some of them to dismiss patients.

## 3. Care of the families of prisoners, martyrs and the injured

It is an entity set up from the beginning by the P.L.O. and with the Oslo Agreement and the foundation of the Palestinian National Authority; the body was annexed to the Ministry of Social Affairs as general directorate, until it was separated from the Ministry in 2005 as it belonged administratively to the P.L.O.. This institution care for the prisoners' families till 1996 when a Ministry devoted to prisoners and the released ones was created.

### Programmes and services:

- Programme of the financial guarantee which means the payment of cash and in kind benefits to families accredited to the institution;
- Programme for health guarantee which provides health care and available health needs internally and externally through public health insurance and coordination with nongovernmental

- organizations;
- Programme for educational guarantee which works to provide free basic and higher education to the children and wives of martyrs, the injured and those of victims through coordination with the Ministry of Education, Higher Education and local universities and to work to obtain foreign grants to outstanding students;
- Programme for training and rehabilitation which aims at rehabilitating the injured and members of martyrs' families and the victims through training and providing them new skills which suit their health and mobility state to reintegrate them in public life.
- Programme for psychological support and community development<sup>16</sup>.

The Ministry of prisoners and the released affairs offers several services similar to those provided by the Agency to provide a constant income to prisoners who spent more than 5 years inside the occupation's prisons in addition to providing an income to the family during the detention period. The Ministry meets the needs of the prisoners inside Zionist prisons and detention centres, besides the delivery of higher and basic education to prisoners and their children. This depends essentially on the period the prisoner spends in Israeli jails. In addition, the Palestinian Zaket Fund: the Fund conducts various activities related to cash assistance, education and the provision of vital needs.

#### **4. Emergency Programmes of the UNRWA**

*In the Jabalia Camp, in Gaza Strip, 100 000 refugees live in an area of no more than 2 km<sup>2</sup>.* More than a million refugees live in the camps of the west Bank, Al Quds and Gaza Strip whose camps are considered as the most crowded ones which differ according to their geographical locations, their areas and their overpopulation, with Jabalia camp as the biggest in terms of demographic density, and the smallest in terms of area. In fact, it hosts 100 000 refugees in an area no more than 2 km<sup>2</sup> according to recent statistics of the UNRWA.

The emergency programme, one of the projects provided by the UNRWA, is considered as one of the partial solutions to treat unemployment, which is widespread among the camps, and the lack of economic security for Palestinian refugees. The idea of the programme consists in providing a labor opportunity for a limited period between three to six months in some fields. A worker can profit from the programme only once from 12 to 18 months, and earns around US \$ 350. This means that the programme offers US \$ 1050 a year with an average of US \$ 2.87 per day, and though the programme is one of the forms of assistance, it still does not offer any development solutions or a steady solution to unemployment. It is not seen by beneficiaries as one of the programmes that contribute to the economic security of their families. However, others believe that benefiting from this programme deprives them of other services provided by the UNRWA<sup>18</sup>.

Although this mechanism is intended to partly absorb widespread unemployment in camps and help many families to survive, these programmers still need more accuracy to benefit to people and be sure that this assistance will reach poor households and the unemployed and that the unemployed will alternately take advantage of it. Besides, this programme should be linked with the food assistance programme. They must be complementary, different from what it is currently where the beneficiary; who obtains a financial assistance for his work, is deprived of food assistance programmes granted to poor households. Moreover, there are many programmes run by international rescue institutions and charitable associations contributing to meeting the needs of many poor families. These institutions admit that their programmes are generally rescue ones and are sometimes intended to face emergency situations.

#### **5. Trade Unions**

In the absence of a social security fund, social insurance is limited only to the Insurance and Pension Agency which includes governmental employees only among civilians and army officers in addition to a few professional unions, such as engineers, lawyers and physicians,



who are members of professional unions and of the retirement law specific to the union. This provides a social security system to no more than a quarter of the workers and no more than 17 % of the economically active population and around 8 % of the human force (15- 64 years old) (Muatin p 192). These unions' retirement systems resting upon a union-based convention and not upon the Retirement Act, insist on the contribution of the participating member, which is, for instance, of 34 dinars per annum in the Lawyers' Union Fund for those who are under 30 years old and 96 dinars per annum for those over 30 years old. The retired member will benefit the retirement after a 30 year-service or reaching the age of 60 whatever comes first. The member can get an early retirement in case of illness or disability pending he does not take any other job. The above mentioned is true for all professional unions though there are financial disparities related to determining the volume of the contributions and retirement benefits<sup>19</sup>. The general expenses on insurance are estimated to about 4 % of the Gross Domestic Product, which is a high rate exceeding its counterparts in the Middle East and North Africa which range between 0.1 % and 2 %<sup>20</sup>.

## 6. Lack of Protection against Unemployment

In all the discussions about social security, the issue of providing assistance to the unemployed, the elderly and the disabled are over- looked. All surveys conducted by international organizations neglect these aspects though unemployment rate is very high and is over 25 %. Some stakeholders, such as the World Bank, recognize that integrating these categories within the security system will be costly for the Authority. However, trade unions deal with this issue as a basic right and argue in a logical way that the money cut off by Israel from Palestinian workers and estimated to hundreds of millions of dollars, is not transferred by the occupation state because of the inexistence of a security fund in Palestine. The unions believe that these sums will contribute to the betterment of the fund's sustainability tin case it is incorporated. In this context, there are only:

1. Emergency Programme systems;

a part of which is run by city councils, another part by civil society organizations and a share by international agencies.

2. The programme directed by the UNRWA
3. Financial assistance programme within the Ministry of Social Affairs.

The common denominator between all these programmes is their temporary aspect which does not cover most of the unemployed. The worst of these programmes is work food programme run by the USAID.

The whole of these programmes form a mechanism to absorb the deficiency of the socio-economic system. Thus, the causes are greatly neglected (mainly the Israeli military occupation of Palestine) which lead to poverty and the increase of unemployment rate in the Palestinian society. Most importantly, there is a lack of unemployment assistance programme, which is inexistent in the Palestinian legislative arsenal. This applies also in the absence of old age and disability assistance programmes in addition to the lack of retirement systems in two important sectors whether in civil service or the private sector.

## Fourth : Local and international efforts : seeking partial solutions.

### 1. The Cancellation of the Social Security Law after the World Bank's Observations

There is a difference between social security systems and similar systems such as social assistance granted by the State or private institutions to needy individuals on a free basis. On the contrary, social security system is a kind of subscription paid by individuals who will benefit from it in case they meet the required conditions. Also, social security systems differ from the general and private insurance systems. Social security is more comprehensive as the individual subscribed in the social security benefits from the different provided protective programmes while social insurance systems provides protection in a precise field only according to the contract concluded between the insurer and the insured. The objective of social security is to achieve

social justice and to guarantee a decent life<sup>21</sup>.

At the beginning of the report, we pointed out that the Palestinian government, besides it does not have a clear vision on social security systems, its financial and technical dependence on organizations like the World Bank restrict its ability to reach a consensus with other actors in society on the most appropriate forms of social security which meet the interests of the different stakeholders.

For instance, the World Bank expresses its point of view with regards to the Palestinian economic issues besides its role as a donor of several projects implemented by the Palestinian Authority and some civil society organizations. The Bank, though, has periodic reports about the Palestinian economy. In the debate on the retirement systems, its teams played a pivotal role in elaborating recommendations whether to settle the current retirement system in the public sector or to submit observations on the systems presented by other parties.

When the Palestinian Authority issued the Social Security Law (Social Insurance) in 2003, the World Bank made many public observations on the law which made the Palestinian Authority cancel it, since the World Bank's assessment pointed out the following weaknesses:

- Lack of financial sustainability: The World Bank report pointed out that to secure the sustainability of the fund for the forthcoming 30 to 35 years, the subscription fees must amount to 25 % of the monthly payment of the employee.
- The law compels the Palestinian Authority to cover the potential deficit from the General Reserve, which may impose a great financial obligation upon the Authority while it is suffering from an unstable financial state.
- The suggested programme provides benefits for few Palestinian workers excluding a great deal of people working in the informal private sector who are working in family and small projects and different trades that do not allow them to pay up their subscription fees for the required worked years to

benefit from retirement. In addition, the poorest workers will receive the least benefits.

- The compulsory contributions to retirement deducted from wages will be very hard within a very bad economic situation, high poverty Levels and the weakness of the private sector,. These factors will put a heavy financial burden on households and employers.
- The Authority cannot provide offices to host the management to supervise and implement the project.
- These suggestions adopted by the Palestinian Authority have not been accepted by the Palestinian General Trade Union whose President asked the Palestinian Authority to promulgate the system. The Union sees that the contribution deducted from workers wages by Israel can be a good start for the Fund. In a meeting with the former Minister of Social Affairs, Ms. Majda Al Masry, she pointed out that the World Bank also made its observation about the already assistance system in the ministry which benefits to the poorest families in the Palestinian society. The Bank would like to grant an amount deducted from these contributions while the Ministry insisted the assistance should take into account the poverty Line, expenditure and consumption<sup>22</sup>.
- Former observations were adopted as obvious ones without being criticized or analyzed by specialized research centres, various trade-unions or other stakeholders.

## **2. Adoption of a Social Security Law for the Public Sector: A Proposal by the International labor Organization**

The system was designed by the national social security tripartite Committee assisted by the International Labour Organization in consultation with the Employers' Associations, Trade Union organizations, government officials

and other stakeholders. The Committee is currently developing the first draft-law to submit to the Council of Ministers to be adopted by 2015. It is also working to set up an independent tripartite social security institution to implement the law. The proposal is based on the retirement pension system for State employees (Pension Law number 7 as of 2005), the Labour Act number 7 as of 2000, the ILO 102 convention on the minimum criteria for social security as of 1952, and the international best practices. The International Labour Organization made an actuary evaluation to determine its sustainability. The workers and business-owners pay respectively a monthly subscription of 7.7 % and 10.4 %. The total number of those subscribed in the system is expected to increase gradually from 82 646 in 2015 to 336 440 in 2025. The new system will cover old age, disability and retirement pensions for heirs as well as death and motherhood assistance and compensations for vocational injuries for all those in the Palestinian private sector. It limits the retirement age to 60 and suggests giving 45% of the average salaries after 30 years of subscription fees as retirement pensions, which must not be less than 50 % of the lowest wage or twice as much as the national poverty line (estimated individually<sup>23</sup>).

If this system is introduced optionally for workers and business-owners of the private sector unlike the retirement system in the public sector which is binding, it becomes legitimate to raise questions about the possibility to let subscriptions become optional which is in contrast with the idea of a binding and fundamental social security in addition to the kind of companies that may join it. It was possible to leave the freedom of choice only for those who work for themselves. The fears resulting from leaving the system optional stem from the fact that the programme will be implemented by big companies whose interests may be in harmony with it as it is the case now with minimum wages law. The data and the figures published by the Palestinian Central Statistics Agency show that around 106 000 employees and workers in the Palestinian territories (West Bank, Gaza Strip and Eastern Quds), earn less than the minimum wage though a year and a half had passed since the decision fixing the minimum wage to US \$ 400 was passed. According to the Palestinian Statistics

statement which published the figures of the year 2013, nearly 22.5 % of wage earners in the private sector in the west Bank earns a monthly salary below the minimum wage. As for Gaza strip, this rate reached 68.5 % <sup>24</sup>.

The former declaration of the International Labour Organization is in contrast with that of Mr. Ahmed Al Majdalany, the Palestinian Labour Minister, made during the same month, where he mentioned the ratification of the social security system by the Palestinian government. He added that the system includes the workers submitted to the provisions of the Labour Act and those working in governmental institutions, civil society, workers of professional unions, employees of local collectivities and the self-employed through a financial system, which rests upon the principle of subscriptions determined by the worker and the business-owner. Funds will be run by a public limited company that will be listed in the capital market and its shares will circulate under the supervision of a regulatory entity. The accounts of the shareholders and the company will be separated. The affiliates' funds will be registered in their accounts and the company will receive fees for the management of these funds. The Committee of the Capital Market will regulate the system and its good management. The Fund will have a Subscribers' Council that should play a consultative role in the Fund's management. Unions considered that the minister had called for the privatization of social security systems which cannot be accepted. This call was also refused by Palestinian civil society organizations. Moreover, the Chairman of the Social Committee in the Legislative Council (suspended for years) considered that an independent body should manage social security that will be elected by the beneficiaries pending it is under the supervision of the Legislative Council, the Financial and Administrative Regulation Agency. Consequently, the institution shall be independent from the government to avoid any government interference in the management of its funds or the services it provides<sup>25</sup>.

### **3. The suggested alternatives**

The suggested systems look at the beneficiaries targeted by the social security systems only as those who are able to pay up their contributions

without any solutions for a big category of unemployed people, the elderly, children and those with specific needs. This system lacks all kinds of social justice and betters only the state of the middle class. So, it cannot draw any attention when it oversees the needs of the poorest and the most marginalized categories within the community. The number of subscribers will not increase as it is positively expected by some as there are people from the informal sector. There are also many people who work on a daily basis and others who are below the minimum wage in addition to the nature of the contracts of those working in the civil society organizations or some international ones who often have temporary contracts. Hence, there is a lack of work security. Most importantly, there is the inability of the government to compel the private sector to comply with domestic laws as it is the case now with the minimum wage law. It left the adherence to the retirement system as an option for those who would like to join it amongst workers and business owners (however, it is compulsory in the civil service), which will encourage companies to join the system which is in harmony with their interests and not necessarily with those of their workers and employees.

- **Fighting tax evasion**

The “legal evasion” operations performed by companies benefiting from the investment law, deprives the Palestinian Reserve of millions of dollars. If we take the larger scale tax evasion operations which amount to half a billion shekels yearly, which is practically half the deficit of the government’s budget, then, it is required to set up effective policies and practical mechanisms to fight tax evasion starting from the reform of the tax system itself to make it fairer and the development of the various tax authorities to upgrade their capacities in order to help them collect more taxes and fight tax evasion. This will protect low-income categories and the poor from higher income taxes or the value-added taxes that are likely to increase continuously and is considered as an unfair one as it is imposed equally upon the poor and the rich. It is increasing the cost of living by 16% according to the last decision. This pushes many people towards the circle of poverty line or even below.

Thus, the declared government policies are not in tune with the reality, as the government’s discourse often focuses on the enlargement of the tax basket, but what happens is the rise of tax burdens. While, the value-added tax on some luxury goods or those related to energy prices and some food commodities. The government is promising more facilities to local and foreign private companies under the title of promoting investments<sup>26</sup>. Reforming the tax system and fighting tax evasion will provide a wealth of money to cover social programmes and build up adequate and unified social security systems under the pretext of unavailability of funds. The austerity policy the government should implement swiftly is to stop squandering public finance, fight corruption and manage responsibly social causes.

- **A National Social Liability Fund**

The existence of a National Social Liability Fund, with the participation of banks and private companies, devoted to rural and community development, which will cover the fields often avoided by donors or where the government cannot do much due to bad planning or the inability to make decisions in some fields, which puts the concept of social liability out of the commercial and media framework of the contributors only. This Fund can save thousands of Palestinian households from poverty. The existence of a national community fund with the contribution of the private sector by 10 % of the benefits will contribute to providing 50 million dollars annually and will increase the contribution of the banks from 3 million dollars to about 15 million dollars.

If this concept is promoted to include non registered companies in the Palestinian market, more known as family labour, it will add to the fund not less than additional 20 million dollars in the forth-coming years.

For instance, the deposits already existing in banks operating in Palestine increased to more than 9 billion US dollars by mid-2012 while bank deposits had amounted to 3,5 billion dollars in 2000, which means they increased by more than 60 % in the previous years. This concept should have been reflected on a larger scope in the

field of social liability. One out of 18 banks in the West Bank and Gaza Strip granted about US \$ 1.9 million whereas the other 17 banks granted nearly US \$ 1.3 million.

To be efficient, Palestinian social liability programmes should get rid of several limitations and procedures. Banks' programmes are void of any assistance to projects having a relationship with general national causes: these banks focus more on publicity and sponsoring artistic and sporting events and Iftars, etc. There is, often, a conflict or an exchange of interests between the donor and the receiver of those grants.

### • **Return to Farming: Investing in Agriculture**

Various reports made by Palestinian research centres and farming institutions point out that promoting agriculture and the increase the rate of agricultural lands will create huge labour opportunities, and therefore, will reduce the unemployment rate in Palestine. This requires a governmental policy and granting subsidies to farmers and those who would like to go back to farming, including the subsidies to be granted to farmers in the event of a drought or hard climate conditions. This, also, requires a market protective policy from products flowing from Israel, so that this does not affect Palestinian farmers. This is reality, in addition to the policy of looting and confiscating lands adopted by the military occupation authorities in Palestine which led to the reduction of the area of cultivated land, hence the reduction of the Labor force in this field, who went to other occupations. However, with the closing of the Israeli market, Palestinian workers are left without any source of income.

### **Recommendations:**

- Work to create jobs to reduce unemployment and poverty, and therefore, alleviate the cost of the proposed social protection programmes used by the government as an argument, along with the World Bank, that the Palestinian government cannot bear them any longer!
- Fight tax evasion, review investment laws and stop resorting to raising

taxes, and namely VAT.

- The debate about social security must be balanced between the various stakeholders; more precisely business-owners and workers represented by trade unions with regard to their capacity to use technical consultations, since the private sector has the appropriate financial means and uses them to design programmes serving its interests.
- The system proposed to the private sector improves the situation of the middle-class on the one hand, it is a tripartite system, which dismisses other elements in social security systems such as unemployment, disability and old age, on the other hand. Thus, trade unions still have a long way to go in their struggle for unemployed people's rights.
- The social liability of private sector companies, which needs implementation and guidance to serve the interest of some security systems, is now more than ever urgently needed. As very often, these programmes are mere propaganda for the private sector, not the sake of development.
- Study the models within the Ministry of Social Affairs and see how to institutionalize them to change them from emergency systems to a part of social security, alongside with, the programmes targeting the private sector. To do so, we can gradually start adopting the available criteria in the ministry as they change those programmes into rights, as it is stated in the Palestinian basic system and switch those emergency programmes into rights for the poor who will defend them, since emergency and rescue programmes do not allow people to resort to courts or to file a case if these programmes are stopped.
- Conduct a study on Arab and international models to see how to run social security companies which will enable trade unions and civil society in general, to face the

privatization resolution that preceded the company as it allows the various stakeholders to be familiar with the way these companies are managed and to identify other successful or failed experiences, which is important to protect the rights of the donors of the social security system.

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