

# INFORMAL LABOR

PALESTINE

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## INTRODUCTION: THE ECONOMY AND INFORMAL LABOR IN OCCUPIED PALESTINE

Definitions of the informal sector are numerous; however, the most common definition is that of the International Labor Organization (ILO), outlining the informal sector as all non-associative family enterprises, which do not dispose of available accounting or tax records, nor qualify as facilities, in addition to unregistering employees in the tax system. Moreover, different insights exist on the nature and circumstances of the phenomenon of informal labor. Some economic experts and researchers believe that the phenomenon of informal sector (economy and labor) is an indicator of the structural deformation of the state's economy, and consider that this phenomenon ought to be tackled and organized. Meanwhile, others perceive the sector as an act of rebellion against state laws, and thus should be controlled and its actors compelled to abide by a set of laws, including by way of imbursement of taxes and fees. In contrast, a third point of view considers this sector to be an attempt at societal adjustment, given the current pressure exerted by the state and its policies, deemed inconsiderate of the poor classes, particularly since developing countries have adopted neoliberal policies, forcing the state to relinquish some of its roles, and abandon the full responsibility of organizing the economy, while handing over the reins of these matters to the private sector. The private sector was granted all the possible privileges as well as the adoption of new business-friendly tax and investment laws. This has led to widening the gap between classes, shrinking the middle class, forcing many to join the ranks of the unemployed and the poor. Thus, these categories attempted to find methods and measures of adaptation, mostly in the informal economy.

The International Labor Organization (ILO) defines the informal sector in the Occupied Palestinian Territories (OPT) as comprising of non-associative family enterprises, and projects that do not fall under the facility or corporation categories, in addition to workers and employees in a facility or an enterprise unregistered in the tax system. The Palestinian Central Bureau of Statistics (PCBS) defines informal labor as all jobs in the informal sector, as well as jobs of an informal nature in other sectors of the economy, in case these specific conditions apply, most important of which are: the self-employed who are the end users of their own products; the self-employed producing commodities for the purpose of trade or barter and working in the informal sector; employers in the informal sector; all workers in family enterprises such as unpaid family members; employees in the informal sector; and employees in informal jobs in public sector institutions.

The study of the informal economy in the case of the Occupied Palestinian Territories, in both the informal sector and labor, gains a pronounced singularity since the country remains under colonization. Proceeding from an analytical approach of the economy of resilience – an economy based on production, the boycott of the occupier's economy to the extent possible, wide geographic distribution of economic facilities, exhaustive employment, and reliance on the agricultural and industrial sectors, as the two main pillar of the economy – it is possible to recognize the informal economy as a tool of economic and social resistance, operating outside the occupation's hegemony and dependency, helping in the establishment of social networks supporting the Palestinian society, by catering to its needs. Therefore, any study of the informal sector in the Palestinian case ought to take into consideration this sensitive and profound specificity, going

beyond the idea of economic fuddles in the Palestinian authority, regardless of their importance.

Nonetheless, it is challenging to study the phenomenon of informal economy independently from the historic context of the development of the Palestinian economy until this moment, and the ensuing social and economic transformations inside the Palestinian society. It is possible to summarize the characteristics of the Palestinian economy as an economy structurally affiliated with the Israeli occupations' economy, meaning that any development in the Palestinian economic structure is completely connected to the Israeli economy, which does not allow it to take an independent decision in choosing its developmental path; %80 of the authorities' revenues come directly from "Israel," to which two thirds of the authority's exports go. In addition, the Palestinian economy is connected to the international market through the gate of the occupation's economy. The current Palestinian economy is characterized by high reliance on tax collection and services, at the expense of the productive sectors. It is also an unequal economy, since the historic geographic rupture between the West Bank and the Gaza Strip led to the emergence of fundamental differences in the local economic growth between the West Bank and the Gaza Strip, and the demolition of the sector's economic characteristics. Most importantly, the state has adopted a neoliberal development model, ranging from legally framed and politically articulated official policies and the major private sector corporations, to the market margins and the imposed new patterns and distortion of productive and enabling sectors that could improve the resilience of regular people. The deepening gap between classes, the tendency towards consumption, and the expansion of the services sector at the expense of other productive sectors are of the associated consequences of this tendency, which almost covers the urban and rural areas alike. Perhaps these traits could summarize the political economy in the Occupied Palestinian Territories. The Palestinian economy suffered from the absence of the nation state structure, which supplanted by an external structure and which hindered the establishment of an institutional and legal framework capable of shaping the Palestinian economy, according to local economic and social circumstances. This unbalanced development in the state's structure and duties caused disfigurements in the labor market, translated in the growth of the informal economy, where the informal labor is its most pronounced feature.

## LABOR MARKET, LABOR FORCE AND UNEMPLOYMENT IN THE OCCUPIED PALESTINIAN TERRITORIES

The population of the West Bank and the Gaza strip (including the Palestinian population in Jerusalem) until mid2015-, reached 4.682.000, with a growth rate of %2.9 recorded during the same year. The working-age population (15 years old and above) reached %60.6, against %39.4 under the working age (under 15 years old). Labor market statistics indicate that the working-age population falls under two categories: the first category, or the population part of the labor force, reached 1.299.000, or around %45.8. The second category, the population outside of the labor force, reached 1.537.000 and recorded %54.2 of the working-age population. The labor force was divided into two categories: the workers, constituting %74.1 of the total labor force, and the unemployed, representing %25.9.

It is noteworthy that the rate of female participation in the labor force is lower than that of males', scoring %18.8 and %71.7 respectively. In fact, the participation rate of women increased from %13 in 2000 to %19 in 2015. However, this percentage still falls short from the anticipated rate, even though it is close to the female participation rates in Arab countries. The services and agricultural sectors employ the greater share of women; women working in the services activities and other subdivisions constituted %62.9 of the total female labor force. Meanwhile, agriculture, hunting, forestry and fishing employed %13.1 of the female labor force, followed by trade, restaurants and hotels with %11.3, and mining and manufacturing with %11, while the participation rate in construction, real estate, transportation, storage, and telecommunication is %1.7.

Unemployment rates in Palestine soared and reached %26 in 2015, with %39.2 of women participating in the labor force against %22.5 for men. These percentages are higher in the case of the young (15 to 24 years old) and reached %40.7. Women had the greater share with %60.8, against %36.4 for males. The percentage of educated unemployed women, who have received over 13 years of education, reached %84.4 against %23.5 for males of the same education level. Data uncover noticeable features of unemployment in the Occupied Palestinian Territories such as the geographic concentration of unemployment, recording its highest rates in the Gaza strip, and among the young categories (15 to 24 years old), as well as the educated age categories. It is noteworthy that women who have received higher education have lesser chances in landing a job opportunity. Given the economic, social and political circumstances, migration is on the rise, especially among the young categories (15 to 29 years old). The motives for migration are essentially the economic situation, pertaining to enhancing life conditions and lack of job opportunities at home.

The economic growth in the Occupied Palestinian Territories is not considered a good indicator to measure the economic growth progress for many reasons. First, growth does not measure the distribution between individuals and societal classes. Second, the magnitude of foreign funding is immense, leading to an illusory growth independent of the production cycle of the national economy. In addition, the countless differences between the West Bank and the Gaza Strip render any positive growth in the West Bank equal to negative growth in the Gaza Strip. Furthermore, the generated growth and labor opportunities do not lead to a palpable increase in the rate of female participation in the labor force, nor a drop in the female unemployment rate.

## THE INFORMAL ECONOMY AND LABOR IN THE OCCUPIED PALESTINIAN TERRITORIES

Basic information on the informal sector and labor in the occupied Palestinian territories stems from the surveys of the Palestinian Central Bureau of Statistics (PCBS). Nonetheless, the latest survey of the informal sector and labor dates back to 2008. Thus, it should be noted that the cited figures on the informal sector and labor date back to 2008.

Several studies disagree on the estimations of the size of the contribution of the informal sector to the Palestinian GDP. While the Palestinian Central Bureau of Statistics (PCBS) put this contribution at %9.1 in 2008, other studies estimated it at %88-57. This difference is the result of the studies' methodologies, especially with regards to defining the informal sector, and the means of measuring its contribution

to the local GDP. The estimations of the Central Bureau of Statistics (PCBS) rely on the magnitude of economic productivity in the informal sector, but ignore the fact that the majority of these facilities market their products in the households' context, thus making them not officially part of market transactions. In addition, they conceal their relevant production data. Hence, researchers estimate the contribution of this informal sector to the GDP at a higher percentage than the Palestinian Central Bureau of Statistics (PCBS). According to the PCBS data, the construction sector constituted %32.6 of the sector's contribution to the GDP, followed by agriculture and fisheries with %20.6, wholesale and retail with %18.5, transportation, storage and telecommunication with %13.2, mining and manufacturing with %9, and the services sector with %6.

The number of enterprises in the informal sector reached 90.607 according to the 2008 survey. These enterprises are distributed as follows: %22.8 in the agricultural activities; %19.6 in the field of industrial and construction activities; %42.8 in internal trade; and %14.8 in trade and transportation. Enterprises in the informal sector confront several difficulties, most important of which are registration related difficulties, registration fees, and the struggle to obtain loans. Moreover, the sources of capital for enterprises in the informal sector are mainly home savings or no-interest personal loans. The majority of facilities and enterprises in the informal sector are not formally registered. The reasons for opting against the registration of the majority of facilities and enterprises in the informal sector are numerous. Some do not see the need for registration, while others believe that registration entails large sums of money.

However, informal labor (in the formal and informal sectors) encompassed %59.9 of the total number of workers in the West Bank and the Gaza Strip, with 632.500 female and male workers, representing %65.8 of the total working population in the West Bank against %42.5 in the Gaza Strip. The number of workers in the informal sector enterprises reached 191.917 workers, distributed as follows: %40.6 in the agricultural activities; %30 in the internal trade activities; %19.8 in the construction and industrial activities; and %9.6 in the transportation and services sectors. In Palestine, the dominance of the informal labor over the formal labor in the formal sector is noticeable. The sector is comprised of around 263.000 informal workers against 253.000 formal workers. The informal labor force is distributed as follows: 212.000 male workers and 50.000 female workers. It is worth mentioning that the informal labor in the formal sector is higher than informal labor in the informal sector; informal labor in the latter totaled 115.300 male/female workers. The survey indicates that the majority of informal workers, estimated at around %54.9, have a low educational level (0 to 9 years of education), with %66.7 for women and %53.5 for men. The geographical distribution and presence at the heart of large economic sectors are of the most prominent traits of informal labor in the West Bank and the Gaza Strip. This labor mostly takes the form of manual labor, which is the most hazardous, while it lacks the standards of health and occupational safety, in addition to offering lower wages. Moreover, male and female workers in the informal sector are denied of many rights, especially receiving the minimum wage, benefiting from health insurance, sick, annual and maternity leaves, pensions, overtime compensations, and employment contracts with clear work conditions.

## WORKERS IN "ISRAEL" AND THE SETTLEMENTS

The number of workers in "Israel" and the settlements reached 114.200 workers in the second quarter of 2016. Holders of permits constituted the greatest share of workers in the internal territories, with 60.400 workers, against 40.600 without work permits, and 13.200 workers holding an Israeli document or a foreign passport. The construction sector shows the highest employment percentage in "Israel" and the settlements, estimated at %63.5 of the total Palestinian workers in "Israel" and the settlements. Workers inside the Green Line are divided into two categories. The first category is formed by formal workers, i.e. holders of entry and work permits inside the Green Line, most of them earning salaries and employment contracts, while the second category of workers do not hold permits, work informally, and do not enjoy social security, healthcare or any type of contracts and protection. Most often, they are laid off without collecting their wages, and are subjected to prosecution, detainment, and fines by the occupation forces.

In comparing the work conditions of workers in the Palestinian territories and inside the Green Line, we conclude that the average daily wage of employees in the second quarter of 2016 reached 98.3 shekels in the West Bank against 61.6 shekels in the Gaza Strip, while workers in "Israel" and the settlements are paid 221.9 shekels during the same period. In addition, the average monthly workdays in the second quarter of 2016 reached 23.1 workdays in the West Bank, 23 days in the Gaza strip, against 20.1 work days in "Israel" and the settlements. This comparison demonstrates that Palestinian workers in the local market are paid less and working longer hours than their peers inside the Green Line. This dissimilarity in the work conditions could be due to the feeble membership in workers' trade unions in the West Bank and Gaza Strip, and distrust in the unions' capacity to defend the individual rights of workers, as the result of the lack of a clear legal framework for the right to organize. The vulnerability of female and male workers in the informal sector is on the rise, since facilities and enterprises are unregistered and avoid enacting the labor code and the minimum wage system.

## WOMEN IN INFORMAL LABOR

The majority of female workers are informal, since the percentage of informal female workers represents %60 of the total number of female workers. By the same token, the formal sector tends to employ more women informally. The number of female workers in the formal sector totaled 50.600 informal female workers, against 48.000 formal female workers. While it's challenging to formulate broad specific characteristics of female workers in the informal labor, studies agree on general specific attributes such as poverty, relatively advanced age, and low educational attainment. All of these characteristics are rooted in the traditional division of labor in the Palestinian society and the fragile participation of women in the labor force; women's productive roles are still restricted to their reproductive roles, making the sustainable participation of women in the labor market a difficult task, especially in light of the low quality care facilities (few kindergartens) in the West Bank and the Gaza Strip. Nonetheless, it is worth mentioning that the issue of low educational attainment is no longer a conclusive attribute directing women into the informal labor. Despite the availability of higher education opportunities for women, the limited openings in the formal labor force educated women to venture into the informal labor.

Even though the informal sector provides greater employment opportunities for women, this kind of labor does not provide the necessary protection in terms of income or rights, not to mention the incompatibility of the work conditions with the

Palestinian labor code. However, violations in the informal labor are met by violations of a different nature in the public sector, which is characterized by reluctance to hire women. This stance is rooted in the desire of employers in the formal sector to avoid the costs that might arise from employing women, like remunerating maternity leaves, or paying new born insurance, among other costs. Thus, educated women prefer working in the public sector for the financial and occupational stability it has to offer, in addition to the provided various insurances such as healthcare, annual and sick leaves and maternity leaves. However, the drop in public employment opportunities pushed a growing numbers of women to work in the informal sector.

## DEVELOPMENT PLANS AND OFFICIAL POLICIES

In conclusion, it is possible to say that there is a semi-absolute absence of official policies targeting the informal sector and labor, aiming at formalizing the economic sector or the labor force. On the contrary, the informal labor in the West Bank and the Gaza Strip lack the basic professional, union and social protection. This ushers the permanency of a large informal economy, and the existence of a greater number of barely paid workers in the informal sector, who do not benefit from the legal, social, and professional protection, as well as healthcare, in their various facilities and enterprises.

In particular, the National Campaign for Social Security, established for the purpose of amending the social security law approved in March 2016, proposed the elaboration of a clear mechanism for the inclusion of informal labor in social security, in which the government contributes to the membership subscriptions to encourage workers to join the Palestinian Social Security Corporation (PSSC), which guarantees dignity and better living conditions. Despite the widespread societal discussion on the social security system, the national team and the Ministry of Labor did not see the necessity of including informal workers in the system, leaving the door to voluntary membership wide open for workers in the informal sector, which is not a productive strategy based on previous experiences of similar systems.

Despite the negative circumstances of workers in the informal sector, the main question in the Palestinian society concerns whether the move from the informal to the formal is desired. Points of view are afflicted on this subject. Some believe that there is no economic benefit to the formalization of facilities in terms of increasing the tax burden, and the incapacity of facilities to access loans, either because of high interest rates, or the impossible terms and conditions imposed by banks, in addition to the Palestinian government's focus in the investment law on the major companies in the services sector. In contrast, there's another point of view pertaining to the social roots of these facilities in the informal sector. Accordingly, since the majority of these facilities work in the legal activities of the economy, they have contributed and preserved the economic and social resilience capacity of the Palestinian society during the major uproars, especially during the first and second Intifadas.

Even though points of view might diverge, everyone agrees on the need to promote the conditions of informal labor in all economic activities, which contributes to attaining economic and social rights, especially the rights of labor and workers.