Enhancing job opportunities for skilled women in the Palestinian territories





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Executive summary

The lack of good job opportunities in the Palestinian territories (West Bank and Gaza) remains a central challenge to achieving inclusive growth, peace, and stability in the region. The unemployment rate in the Palestinian territories (PT) has remained stubbornly high since 2003, reaching 26 percent in 2015 and disproportionally affecting youth (41 percent) and women (39 percent). Meanwhile, there are stark differences in rates between the West Bank (26 percent) and Gaza (41 percent), and job informality has been persistently high, reaching 61 percent of the workforce in 2015.

Limited job creation stems from low levels of private sector investment and its concentration in low-productivity sectors with weak potential for growth and job creation. This situation arises mainly from the ongoing conflict between the Palestinian territories and Israel. Volatile economic growth has not brought about employment growth, and the situation is not likely to improve in the medium term without meaningful changes in Israeli restrictions on trade, movement, and access. As noted, private sector investment remains low and far from sufficient to fuel adequate rates of economic growth, job creation, and reductions in unemployment. In addition, employment in productive tradable sectors such as manufacturing has shrunk, while it has expanded in less productive nontradable services, dominated by small informal firms with low potential for growth and job creation. Although the main underlying constraints are the Israeli restrictions on trade, movement, and access, internal constraints also play a role. These constraints include a poor business climate characterized by a lack of competition; costly and nonstreamlined processes for land surveying, dispute resolution, and registration; limited access to finance for small and medium enterprises; and an education and skills training system that does not equip graduates with the skills needed by businesses—that is, there is a skills mismatch.

Although limited job opportunities affect everyone, a striking feature of the labor market in the PT is the significantly higher rate of unemployment among skilled women relative to skilled men. This study investigates one observed phenomenon related to the significant differences in unemployment rates between postsecondary-educated males and females (referred to as ”skilled workers” in this study). The divergent outcomes for these groups in the labor market stand in sharp contrast to the near education parity at the postsecondary level by sex. Both females and males with a postsecondary education (including associate diplomas) comprise 18 percent of the working-age population. Women with higher levels of education are significantly more likely to join the labor force than those with lower levels of education. The same is true for men, although to a lesser extent. Thus, even though the labor force participation (LFP) rate for skilled women (68 percent) is lower than that for skilled men (89 percent), it is high nonetheless. Yet the unemployment rate for skilled women (47 percent) is more than double that for skilled men (18 percent). And, unlike men, high-skilled women are more likely to be unemployed than low-skilled women.

This situation matters for policy because skilled women make up the bulk of the female labor force; they are more prepared to contribute to the Palestinian economy than low-skilled women; and their employment can have a demonstration effect on female employment more generally. This study focuses specifically on postsecondary-educated women for several reasons. First, skilled females are readily available human capital with the potential to spur economic growth and contribute directly to productivity in the short term. The fact that almost half of high-skilled women are unemployed represents a missed opportunity for the PT. This group, with its readily available skills, may require little investment in skills

development and upgrading if barriers to its employment are eased. Second, the very high unemployment rates among skilled women hint at a worrisome trend of a weakening link between education and employment outcomes in the PT. This trend may discourage further investments in human capital, which could have serious consequences for welfare and stability in a fragile context. Third, skilled women constitute 63 percent of the female labor force. In other words, they are the largest cohort of women who indicate they are looking for a job and are willing to work. Efforts to understand the constraints this cohort faces will reveal several immediate policy implications and recommendations. Finally, easing constraints on skilled female employment could have a demonstration effect, prompting other women to enter the labor market in a context in which overall female LFP rates remain among the lowest in the world.

This study relies on a mixed-method approach to analyzing the reasons for the higher unemployment rate among skilled women. The study team, by means of a thorough analysis of recent quantitative microdata from the labor market, examined the underlying trends in the labor market (from both the supply and demand sides) that could act as constraints for female employment. These microdata were complemented by qualitative data on a meaningful sample of employed and unemployed skilled males and females, as well as employers and key stakeholders. Finally, the team reviewed the legal provisions related to women to explore the degree to which women have access to institutions and markets, which ultimately is tied to their employment prospects.

Understanding the higher rates of unemployment among skilled women

Young skilled women have a harder time making the transition to work than young skilled men. Skilled female unemployment is concentrated among young postsecondary graduates between the ages of 19 and 34, indicating a rough transition into the labor market and long, adverse spells of unemployment. Young male graduates encounter an equally rough transition at first. However, they seem to transition faster than females. Skilled females between the ages of 25 and 34 face an unemployment rate of 58 percent, compared with 23 percent for their male counterparts. In terms of regional distribution, the unique economic challenges faced by Palestinians in Gaza translate into an astonishing unemployment rate of 60.9 percent of all highly educated women. By contrast, in the West Bank 38.3 percent of postsecondary-educated women are unemployed. Overall, young skilled females experience more barriers in their transition to work and complete this transition at a slower rate than young skilled males.

Once young skilled men and women manage to successfully transition into work, they are more likely to have ”good quality” jobs than low-skilled men and women. The majority work in the public sector, followed by the formal private sector. Skilled men and women are less likely to hold an informal job or work in an informal firm. In fact, in 2015 only 4 percent of employed skilled females and 11 percent of employed skilled males worked in an informal firm. By contrast, semi- and low-skilled workers of both sexes work informally in large numbers. Skilled workers earn wages that are higher than those of workers with less education. This finding is in line with evidence that a more educated cohort can likely afford to wait longer to find desirable jobs.

In recent years, the relative demand for skilled workers has declined. For one thing, the increase over the last 10 years in the public sector’s share of the gross domestic product (GDP) is not explained by higher public employment but by higher wages—in fact, the share of public employment has declined slightly. For another, the reallocation of resources from productive tradable sectors to less productive nontradable

sectors has translated into a decline in the relative demand for skilled workers. The demand for labor is mostly concentrated among holders of a secondary education or lower, and hardly any new jobs have been created for university graduates. The occupations that require a tertiary education (that is, professionals and technicians) saw their share of net employment fall from 2012 to 2015.

As the competition among skilled workers for fewer skilled job opportunities has increased, skilled men appear to have an advantage over skilled women. Qualitative evidence reveals that men are perhaps viewed as the breadwinners of their families and thus more deserving of jobs when competing directly with skilled women.

Moreover, skilled men appear more willing or able to work in low-skilled occupations than skilled women. A lower share of skilled men (68 percent) than skilled women (92 percent) work in occupations that are commensurate with their skill levels—for example, as professionals and technicians, as well as legislators, senior officials, and managers. On the other hand, 32 percent of skilled men work in low-skilled occupations (that is, occupations that require only a secondary education or less), compared with 8 percent of skilled women.

Often, skilled men and women do not compete for the same jobs—the jobs available to skilled women are far more limited than those available to skilled men. Indeed, skilled women are more concentrated in certain occupations and economic sectors than skilled males. Full-time female workers made up only 2.9 percent of all workers in medium enterprises in the private sector in 2013. In 2015, 48 percent of skilled females worked as teaching professionals, while only 15.2 percent of skilled males did so. The education sector alone employed 55 percent of all skilled women in 2015. Combined, the top three sectors for skilled female employment (education, human health and social work activities, and public administration) accounted for 78.6 percent of all skilled female employment. By comparison, the top three sectors for skilled male workers (public administration and defense, including compulsory social security; education; and wholesale and retail trade) accounted for 58.1 percent of all skilled male worker employment.

The difference in occupations by sex is closely associated with differences in fields of study. Women tend to study fields geared toward public sector employment and focus on the social sciences and humanities. In 2015, 26.1 percent of female graduates received a teacher training degree, followed by a degree in business and administration (13.9 percent). Fewer men study teacher training. They tend to gravitate toward the study of law, architecture and building, computing, and engineering. This difference may reflect in part genuine differences in preferences, but it also may be a response to the types of occupations that are available to women.

Constraints to the job options of skilled women

What constrains the job options of skilled women relative to men? Although many of the constraints that follow are not specific to skilled women, these women are currently bearing most of the burden.

- *Legislation and regulations that limit women's choices in careers, sectors, and occupations.* Some laws do not apply equally to married women and married men. For example, married women may not be able to to get a job without permission from their husband and may not be free to travel outside the home. Such laws limit the autonomy and movement of women and make it more difficult for them to join the workforce.

- *The absence of regulations for better access to comprehensive, affordable, and high-quality child care that could free up the time women need to work and compete in the job market.* This constraint is particularly relevant in a traditional society where the burden of household care falls on women. For example, currently child care is not subsidized or publicly provided by the state. Most of the preschools, including kindergarten and pre-elementary schools, are private with relatively high tuition costs. In addition, parents do not have the right to ask their employers for flexible or part-time schedules. One skilled woman explained why teaching remains the preferred profession for women: "The mother finishes her work with the end of the school day. They [mother and child/children] return home at the same time."
- *Employer-paid maternity benefits, with no mandated paternal benefits, that may unintentionally raise the costs incurred by firms and thus discourage them from hiring females.*
- *The absence of workforce protection provisions that safeguard against implicit and explicit forms of discrimination in the workplace, especially in small and less traditional offices.* The law discriminates in the following areas by not mandating equal remuneration for work of equal value, not mandating nondiscrimination in hiring based on sex, and not prohibiting employers from asking about family status. Denying women jobs because of their family circumstances, such as being married or being pregnant, results in no legal action.
- *The absence of measures against sexual harassment in the workforce such as legislation, civil remedies, or criminal penalties.* This absence is another deterrent to women accepting jobs in the small private sector. A representative of the Women's Affairs Center noted, "There is no prosecution of perpetrators of harassment even if a video exists about the incident. The man will be punished by a simple thing, while the woman will be socially destroyed either at work or in the community."
- *Restricting female employment during night shifts.* Although some of these restrictions are intended to protect women, in some industries such as accommodation and restaurants they may curtail women's opportunities.
- *Possible discrimination in the private sector that prevents skilled women from accessing jobs or hampers their ability to rise to senior and managerial positions.* In 2013 the percentage of females who became top managers in the manufacturing, retail, and nonretail services sectors in the formal private sector was only 1.2 percent, compared with an average of 5.1 percent for the broader Middle East and North Africa (MENA) region and 19 percent globally. Discrimination against women can take two forms:
    - *Wage discrimination.* For example, in the private sector there is a large unexplained wage gap that ranges between 68 and 76 percent and that is independent of human capital endowments and labor market experience. This indicates that if a Palestinian female worker were to be compensated as equally as her male counterpart, she would earn between 68 to 76 percent more than she currently does in the private sector. One skilled woman highlighted her personal experience with wage disparities: "My productivity is the same as a young man. Why does he receive 3,000 shekels a month, although we [women] produce more than them? We used to ask the supervisor why they get better salaries than us. He used to say they have houses and responsibilities."
    - *The existence of some biases and prejudices against women in the workforce that may promote vertical segregation (the concentration of men in topmost management).* Some private

employers said they feared maternity might interrupt a woman's employment, and they held strong opinions about the reliability, productivity, and commitment of females in the workplace given their competing demands at home. As one employer noted, "Women have an inability to stay late at work, or do not have flexible working hours as they have their priorities at home." Another employer asserted that "the motivation of females is lower, in terms of personal motivation and eagerness." And a third employer, commenting on women's performance and productivity, said, "Women are arrogant . . . and have no intention to learn. They do not have the ability to work in a team and cannot handle the working pressure or long working hours."

- *Lack of safety in commuting to work because of the Israeli occupation and restrictions on women accessing their immediate surroundings.* In 2015 only 13 percent of skilled females worked in districts outside of where they lived, compared with 22 percent of skilled males. Many skilled women reported a sense of humiliation and fear at checkpoints because of invasive search procedures (such as being asked to strip or go through a full-body X-ray machine) and the long waits in tight spaces with large numbers of men. These challenges, combined with lack of a reliable transportation network, make it hard for women to commute and to work late hours—a complaint frequently voiced by employers. As one skilled woman stated, "It is very hard to leave work after 6, as you won't find any cars to go home."
- *Social norms as a function of what is viewed as socially appropriate for women and what is viewed as compatible with household responsibilities.* Skilled women point to the importance of flexible working hours and their responsibility to their households as factors both limiting their ability to work in some occupations and industries and driving their preference for public sector jobs. Public schools in the West Bank and Gaza have shortened days, often from 8 a.m. to 2 p.m., partially explaining why teaching professions are such a popular choice for women. As one employed skilled woman added, "Sometimes time is an obstacle to working women. . . . I got several jobs but for late hours, till 4 p.m. or 5 p.m. This creates difficulties to provide time for both my work and my home; therefore I tried to find a job with working hours that end at 1:30 p.m. or 2 p.m." Other barriers, such as lack of agency in choosing a field of study and societal norms that may restrict mobility because of the potential for gossip, may largely limit skilled women's options for employment to the public sector.

Because of the limited presence of skilled women in male-dominated sectors and occupations, employers may lack information about their performance, making it difficult for them to adequately form expectations about women's productivity. In addition, employers in the private sector, particularly in small firms, may lack a credible screening mechanism for finding employees because of potentially high search costs. They rely instead on informal networks from which skilled females could be excluded. As one Gaza-based employer noted, "When we need workers, we ask our current employees to bring their relatives or friends to work with us, as they are immediately available."

Entrepreneurship is an alternative economic activity for skilled women, but female entrepreneurs face more constraints than their male counterparts. In 2015 only 1.7 percent of skilled females reported that they were employers, and in 2010 only 7 percent of women were entrepreneurs with businesses that had been established for three years or less, compared with 14 percent of men. Social norms are additional significant constraints on skilled females aiming to become entrepreneurs. These norms include the

uncertainty surrounding young businesses, which means that entrepreneurs may have to work late or chaotic hours. Additional barriers include the lack of encouragement and prejudices by family members, leading to risk aversion and fear of failure, as well as exclusion from some of the social contacts and institutions within Palestinian society that are key to raising funds, resources, and support for new entrepreneurs. Although women have access to financial services, social norms often mean that the male family members serve as the head of household responsible for all financial activities. In 2014, 21 percent of females age 15 and over had an account at a financial institution, compared with 27 percent of males. Finally, even though the law maintains that both women and men have equal ownership rights to property, women own less land or property, limiting their ability to offer collateral to secure credit.

Policy options for enhancing the economic opportunities for skilled women

The main binding constraints on economic opportunities for skilled women, particularly related to the limited availability of jobs suitable for the high skilled and to the prevalence of a small and informal private sector, are unlikely to ease significantly without a change in the political situation. However, several important constraints at the microeconomic level can be eased. Some could be ameliorated by recommendations that could receive priority in the short term, while others by reforms to be undertaken in the medium to long term. Some of the short-term recommendations specifically target skilled females, whereras others, particularly medium-term reforms, could be applied to all women, and thus they have the added value of encouraging labor force participation and activity rates among all groups of women.

Short-term policy recommendations

- **Support entrepreneurship and microwork among skilled women, building on the current successful initiatives.**

Easing entrepreneurship constraints on skilled females is a promising way to improve employment and earning outcomes in the Palestinian territories. Options such as microwork[1] and e-lancing (virtual freelancing), which allow skilled females to access regional and global markets from home, are promising opportunities worth analyzing and fostering. An assessment by the World Bank in 2013 revealed high unemployment among skilled females, and so a significant labor pool is available for microwork (World Bank 2013b). The main advantages of microwork in the PT are a young tech-savvy workforce, a higher regional advantage in the use of English, and adequate access to the Internet and computers. Moreover, Palestinian labor law places no specific restrictions on microwork. Finally, microwork may give women the flexibility they need to overcome social norms and barriers. Developing pilot projects on a limited basis remains essential to testing the viability of this option. These pilots will be crucial to identifying the types of microtasks in which skilled women have a comparative regional advantage and exploring their willingness to perform tasks that may pay below local market levels.

Other innovative solutions could include setting up social enterprises and community networks that can promote teleworking and working from home for mothers. In Malaysia, eHomemakers is a community

[1] Typical microtasks include market research, information gathering, data input, data verification, proofreading, translation, copyediting, and graphic design.

network set up for women who wish to balance work life and home responsibilities. It provides its online members with a platform to generate income and cultivate entrepreneurship through home-based information and communications technology (ICT) activities. Examples of such projects include selling online handmade baskets from recycled paper. It also provides training for women on the use of ICT to set up teletrading sites from home. In 2010 eHomemakers had 17,000 members, of which 70 percent were women.

Start-ups are a dynamic source of employment for young educated workers. For example, Gaza Sky Geeks, a seed accelerator founded in 2011 with a US$90,000 grant from Google, seeks to provide mentorship and support to start-ups in Gaza to help grow the nascent tech industry. Currently, about half of the founders of the start-up companies mentored by Gaza Sky Geeks are women. In an effort to overcompensate for the current gap between males and females in the tech world, the goal is 80 percent (Stuart 2016). Moreover, the organization has been supporting efforts to introduce young women to coding and web development skills, with the hope of integrating more women into the tech industry that has been growing rapidly in the Palestinian territories and providing job opportunities for them.

A promising example of the effort to boost access to finance for women entrepreneurs and advance the potential of women-led businesses is a joint International Finance Corporation (IFC) and Bank of Palestine program (IFC 2015). The Mini MBA program, a six-month course that started in October 2015, aims to develop the business and leadership skills of established women entrepreneurs and offers a range of financial products for women, from collateral-free and gold loans to financial literacy programs and online knowledge toolkits.

To address social constraints on female entrepreneurship, it is important that such initiatives and future ones focus on building entrepreneurial skills among women that can boost their confidence and aspirations, as well as on targeting male members of households to raise awareness and build an entrepreneurial culture to correct some of the misplaced perceptions and biases against female entrepreneurship.

- **Strengthen labor market intermediation services and facilitate job matching for skilled females.**

Labor market programs and intermediation services remain particularly important for skilled females because their absence from many occupations and sectors means that employers have no information on their performance, which may further exacerbate existing stereotypes. In addition, female job seekers are likely unable to signal their credibility because they tend to choose fields that are geared toward public sector employment and are theoretical in nature, with limited applied knowledge and professional tools. Skilled women also face longer spells of unemployment, which may reflect negatively on job market signaling.

Implement active labor market programs aimed specifically at skilled females to match skills demand with skills supply. One of the most efficient ways to support skilled women in acquiring the knowledge and professional skills they need to excel in the labor market is to apply theories learned in class to real work settings through internships and on-the-job training. Both can also provide a credible signal to employers and challenge some of their perceptions about women's productivity. Evidence from the Republic of Yemen shows that such programs may lower youth unemployment in a context of substantial economic and political uncertainties (McKenzie, Assaf, and Cusolito 2015).

Improve job search assistance and intermediation services between skilled female workers and firms. Such services would include training, placing female job seekers in new jobs, providing information about wages and qualifications for a given occupation or sector, as well as recruiting experienced and successful skilled female workers to serve as mentors for younger female workers. Other job intermediation services to overcome incomplete information would be administering psychometrics and skills-based tests as a matching service to signal competence to employers. Evidence from Jordan suggests that such a matching service increases the probability of employment and earnings for educated young females (Groh et al. 2015).

Strengthen systems for skills development for skilled females through targeted subsides. A demand-driven skills training and certification system, with the involvement of firms and training providers, could be provided for skilled females to further support matching with firms and overcome information problems. Certification could be conducted according to developed competency-based standards in key sectors and occupations. Subsidies could target training for young skilled women to support their transition into the labor market. Chile's Califica has developed an integrated approach to skills certification (World Bank 2010b).

- **Support a safe and decent work environment in the private sector for all women.**

As the analysis revealed, skilled women continue to face limited access to jobs in the private sector. Many of the perceived discrimination and existing biases, disguised by laws that do not offer equal protection, make it hard to change societal norms and attitudes that favor public sector employment and the segregation of women into a limited number of fields and occupations that are viewed by family members as offering women the only options for "decent" and "safe" jobs.

Implement national communication strategies that reduce biases and stereotypes in society, help spread awareness of the economic gains of female employment, and correct some of the biases. In Spain, a national campaign entitled "Being a Mother Is a Plus" gained significant traction among the public. It highlighted the story of a hard-working and highly ambitious mother called Laura, who has the resumé needed to successfully rise to a managerial position, but still faces significant challenges as she reattempts to enter the labor market: employers are reluctant to hire her because of her care responsibilities at home.

Implement targeted strategies to change (male) behavior, particularly in the private sector. The Organisation for Economic Co-operation and Development (OECD) found that in private enterprises targeted strategies that champion leadership on gender issues from the top help create opportunities for women through sponsorship, robust talent management, and a targeted search for female candidates for senior executive positions, who will in turn serve as positive role models for future generations of girls (Elborgh-Woytek et al. 2013).

Create safe spaces for women to work away from harassment and fear of reprisals. This can be accomplished by institutionalizing report cards in the workplace to exact accountability and systematically uncover and address reports by females of misconduct and harassment.

Assess public transportation options. Female-only minibuses along popular routes after dark could be a viable option. Several countries, such as the Arab Republic of Egypt, Japan, and Mexico, provide public transportation for women only. The private sector can also undertake measures to ease mobility

constraints for women, such as providing buses to take women directly from their homes to the workplace (Gatti et al. 2013).

Medium-term policy recommendations

- **Reform sex-based legislation that limits women's choices in careers, sectors, and occupations.**

Revisit legal workforce protection provisions that discriminate based on sex and may strengthen prejudices by employers in the following areas. Such provisions may not mandate equal remuneration for work of equal value, may not mandate nondiscrimination in hiring based on sex, or may not prohibit employers from asking about family status when hiring and at the recruitment stage.

Introduce legislation against sexual harassment in the workforce that deems it a criminal act and allows women to prosecute claims in court. It is important that a change in laws is accompanied by strong implementation and enforcement laws to create an effective deterrent against crimes and to encourage women to report discriminatory acts. It is also important to make the population aware of the legal consequences of workplace harassment.

Address legal bottlenecks that limit the access of married women to economic opportunities and limit their autonomy to work effectively, particularly in requiring permission for getting a job and for traveling outside home. A closer look could be given as well to aspects of the legal system that reinforce women's traditional roles in society and further reduce their ability to prioritize employment and compete for career advancements.

- **Reform labor regulations to maintain incentives to hire women and for women to accept private sector jobs.**

Reform employer-paid maternity leave policies and design parental leave policies. The new private sector social security system, signed into law in March 2016, covers maternity benefits through the social security fund, thereby reducing the burden on the employer. It also further encourages the employment of women and contributes to equality of men and women in the workplace. Its implementation is currently pending, and its successful roll-out and enforcement remain vital in enhancing the enabling environment for highly educated women to be successful in the formal private sector. Meanwhile, Jordan's experience with the introduction of maternity insurance paid by the social security system may prove useful for Palestinian policy makers. Furthermore, introducing paternal leave that is equivalent to maternal leave will likely reduce employers' reluctance to hire women because men would also have the right to paid leave,[2] despite the sensitivity that this change may generate when first introduced.

Provide affordable and accessible quality child care services. As previously indicated, in the Palestinian territories affordable child care is not subsidized by the state, nor is it provided by employers. Because Palestinian women spend more time than men on child care, the provision of accessible quality child care services enhances women's prospects for productive and competitive careers and may reduce their level

[2] To avoid increasing the employers' costs and negatively affecting their demand for labor, paternal leave policies could be financed through public subsidies or as part of an insurance scheme.

of segregation in specific sectors, particularly education. Palestinian policy makers may contemplate providing child care services for working mothers through the private sector or nongovernmental organizations (NGOs), usually with public subsidies and regulations. So-called community mothers may also be an option, whereby mothers receive training as well as subsidies to care for children in their designated homes, which operate as community child care centers (such as Colombia's Hogares Comunitarios program). Employer-provided day care centers in areas where many employers are clustered may also be an option (such as in rural India). In addition to the documented positive effects on the welfare of future generations, child care services create jobs mainly for females and allow mothers to be economically active. Evidence reveals that they also have been associated with higher labor force participation rates for women as well as more hours worked (Gatti et al. 2013; World Bank 2012).

Abbreviations

FDI	foreign direct investment
GDP	gross domestic product
ICT	information and communications technologies
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupations
LFP	labor force participation
LFS	Labor Force Survey
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
MOEHE	Ministry of Education and Higher Education
NEET	young people not in employment, education or training
NGO	nongovernmental organization
NIS	Israeli new shekel
OECD	Organisation for Economic Co-operation and Development
PCBS	Palestinian Central Bureau of Statistics
PECS	Palestine Expenditure and Consumption Survey
PT	Palestinian territories
SABER	Systems Approach for Better Education Results
SME	small and medium enterprise
SWTS	School to Work Transition Survey
TIMSS	Trends in International Mathematics and Science Study
TVET	technical and vocational education and training
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WDI	World Development Indicators

Chapter 1

Introduction: Objectives, focus, and methodology

In the Palestinian territories (West Bank and Gaza), jobs remain a central challenge in moving the Palestinian economy toward inclusive growth, peace, and stability. Driven by an economy undermined by years of political instability and continual Israeli restrictions on the movement of people and goods, unemployment rates rose from 14.3 percent in 2000 to 25.9 percent in 2015. Meanwhile, there were vast regional differences between the West Bank and Gaza. The unemployment rate in Gaza reached 40.8 percent in 2015, the highest in the world,[3] while it reached 17.1 percent in the West Bank. Youth in the Palestinian territories (PT) were facing particularly high rates of unemployment—40.7 percent of all youth (ages 15–24) in the labor market were unemployed in 2015. At the same time, the informal economy was on the rise, encompassing 60 percent of the workforce in 2014 (World Bank 2014b).

The stubbornly high unemployment rates and high job informality that continue today stem primarily from an external factor governing the broader macroeconomic and investment environment: the conflict with Israel. Volatile economic growth in the economy has not brought employment gains. Although gross domestic product (GDP) growth reached 5 percent in 2015, it remains unsustainable and is projected to hover at around 3.5 percent in the medium term without changes to the Israeli restrictions on trade, movement, and access. Private sector investment remains poor and far from sufficient to fuel adequate rates of economic growth, create jobs, and reduce unemployment. It has averaged 15 percent of GDP over the last seven years, compared with rates of over 20 percent in fast-growing middle-income countries. In addition, employment in two tradable sectors—agriculture and manufacturing—has declined significantly, whereas it has expanded in the retail and nontradable sectors such as construction and local services. However, the growing sectors do not generate sufficient quality employment.

Even though external constraints are the main binding constraints to growth, internal constraints to improving the business climate play an important role. The main constraints, as highlighted by the World Bank's 2014 investment climate assessment of the West Bank and Gaza, include: (1) lack of competition law; (2) costly and nonstreamlined processes for land surveying, dispute resolution, and registration; and (3) lack of access to finance for small and medium enterprises (World Bank 2014b). Beyond the internal factors that constrain firm growth and job creation, businesses emphatically point to the shortage of qualified workers. The skills mismatch reflects an education system that does not produce graduates with the skills needed by the private sector. The skills development sector also remains weak; the private sector plays only a limited role in the design and delivery of the skills training that is key to increasing the productivity and competitiveness of Palestinian businesses.

Objective of and motivation for this study

This technical assistance (TA) study, funded by the Norway West Bank and Gaza Support Trust, aims to answer why postsecondary-educated women face unemployment rates that are more than double those

[3] Compared with rates in countries for which data are available for the years 2012–15 (World Bank, Databank, World Development Indicators, WDI).

of their male counterparts, despite the two groups entering tertiary education and the labor force in similar numbers. This study does not seek to expand on the well-documented challenges related to general job creation constraints in the Palestinian territories. Its objective, instead, is to examine the specific observed challenges related to low female employment, specifically among the highly educated and highly skilled (defined in this report as holders of a postsecondary education, including associate degrees). Focusing on the years 2012–15, this study examines the gender-specific constraints skilled females currently encounter in the labor market, compared with their skilled male peers. This comparison may explain disparities in employment outcomes.

Data from recent years for the West Bank and Gaza reveal that skilled females are the group most likely to enter the labor market. However, in the region female labor force participation (LFP) is among the lowest in the world, reaching 19.1 percent in 2015, compared with 23.5 percent in the Arab world and 50.3 percent in the rest of the world.[4]

Educational attainment is strongly associated with a woman's decision to participate in the labor market.[5] Women who go on to have a postsecondary education are far more likely to enter the labor force than those with lower levels of education. In 2015, 68 percent of highly educated women in the PT participated in the labor force, whereas only 7 percent of those with a high school education or less did so.[6] Among skilled males, education plays less of a role in their decision to participate in the labor market.[7] This is evident from the high participation rates across workers with a secondary education or lower.

Once in the labor market, skilled males face less than half the unemployment rate faced by skilled females, despite forming similar shares of the working-age population and entering the labor force at relatively comparable rates. Both skilled males and skilled females made up 18 percent of the working-age population of the Palestinian territories in 2015. Furthermore, both men and women entered the labor force in large numbers, 68 percent and 89 percent, respectively. Yet the unemployment rate for skilled females reached 47 percent in 2015, whereas the unemployment rate for skilled males was 19 percent.

[4] Palestinian Central Bureau of Statistics (PCBS), Labor Force Survey (LFS), 2014; World Bank, DataBank, WDI, ILO Modeled Estimates, 2014.

[5] The predicted probability of entering the labor market for a woman holding a secondary degree is 8 percent. However, the predicted probability jumps to 53 percent for a woman who holds an associate diploma and to 73 percent for a woman who holds a university undergraduate degree (PDBS, LFS, 2015). The logit regressions control for age and marital status and hold predictor variables at their means.

[6] These trends hold true for both the West Bank and Gaza. The labor force participation rate for postsecondary-educated women in 2015 reached 64.2 percent in the West Bank and 74.1 percent in Gaza, compared with 9.4 percent for those with a secondary education in the West Bank and 5.5 percent in Gaza.

[7] The predicted probability of joining the labor force is 88 percent for university-educated males, but it is also high for semi- and low-skilled male workers. For those holding a secondary degree, the predicted probability is 65 percent. It also remains high for holders of preparatory degrees (71 percent). The logit regressions control for age and marital status.

Rationale for focusing on the high-skilled

Highly educated and skilled females make up 18 percent of the female working-age population age 15 and above in the West Bank and Gaza (PCBS, LFS, 2015). This sizable share reflects the advances the Palestinian terrorities have made in closing the gender gap in education through all levels of educational attainment.

For several reasons, the study team chose to focus on highly educated and skilled women and investigate the constraints they face in accessing employment opportunities as opposed to the rest of working-age women. First, skilled females are readily available human capital with the potential to spur economic growth and contribute directly to productivity in the short term.[8] Currently, skilled females join the labor market in large numbers. Nevertheless, almost half of them remain unemployed and do not contribute directly to the Palestinian economy. This situation represents a missed opportunity for the PT because this group has readily available skills and may require little investment in skills development and upgrading if barriers to their employment are eased, when compared with other groups of women with lower education levels. Therefore, easing their constraints to finding employment could be key to increasing the productivity in two ways: first, by increasing the capacity of labor to produce more output and, second, by increasing workers' capacity to innovate (or learn new ways of using existing technology) in ways that would increase their own productivity or that of other workers (World Bank 2008). Skilled females could also be key to increasing the competitiveness of Palestinian businesses, especially in key value-added sectors with high potential for growth.

Second, the very high unemployment rates among skilled women suggests a worrisome weakening link between education and employment outcomes in the West Bank and Gaza. Unless carefully examined and addressed, this trend may discourage further investments in human capital, which could have serious consequences for welfare and stability in a fragile context.

Third, skilled women comprise 63 percent of the female labor force. In other words, they are the largest cohort of women who indicate they are both looking for a job and willing to work. Therefore, understanding the constraints this cohort faces has several immediate policy implications and gives rise to recommendations that could be used in development projects and national government strategies to facilitate the employment of these women.

Finally, many of the constraints that skilled females face in becoming employed, particularly in the private sector, are barriers as well to other working-age women seeking to enter the labor market and become active. Therefore, easing constraints on skilled female employment could have a demonstration effect on other women wishing to join the labor market in a context in which overall female LFP rates remain among the lowest in the world.

Methodology

The literature on employment and the labor market in the Palestinian territories has to some extent attempted to explain the barriers that skilled females face in finding employment opportunities from both

[8] See World Bank (2008, chap. 2) for a review of the theoretical and empirical evidence on the links among an educated workforce, productivity, and economic growth.

the supply and demand sides. Some of the documented barriers include a possible skills gap and the relevance of skills for the needs of the labor market, particularly in light of women's confinement in streams and professions with limited absorptive capacity. Other barriers include cultural attitudes toward work and aspects of education, security concerns and mobility restrictions; the lack of a suitable work environment; as well as possible discrimination and biases against women, particularly in the private sector (Brodmann et al. 2012; World Bank 2010a).

With this in mind, this study aims to validate and dig deeper into these hypotheses and the constraints surrounding skilled female unemployment. In addition to a thorough review of the literature, the following mixed-methods approach was utilized.

Analysis of recent quantitative data

A thorough analysis of recent quantitative microdata from the labor market was undertaken to examine the underlying trends in and constraints to skilled female employment. On the demand side, the objective was to carefully understand the existing demand for labor and the skills and occupation levels required to fill it, the economic sectoral distribution of employment, as well as the structure of employment (private sector, public sector, informal sector). On the labor supply side, the objective was to understand the type of job (salaried worker, self-employed, employer), its quality, as well as the type of occupation, economic activity, and sector to which skilled females have access, compared with their male peers. The types of data sets utilized are the following:

- Time-series Labor Force Survey (LFS): 2012, 2013, 2014, and 2015 (Palestinian Central Bureau of Statistics, PCBS)
- School-to-Work Transition Survey (SWTS): 2015 (PCBS and International Labour Organisation, ILO)
- Enterprise Survey: 2013 (World Bank)
- Palestine Expenditure and Consumption Survey (PECS): 2009 (PCBS).

Qualitative data collection

Qualitative data collection was conducted on a sample of employed and unemployed skilled males and females, as well as employers and key stakeholders, to analyze patterns observed in the quantitative analysis. The main research questions that drove the qualitative interviews and discussions were the following:

- What are some of the perceptions among employers of the quality of hired female workers when compared with that of their male peers?
- What are some of the gender-based attitudes and prejudices affecting gender hiring preferences, and what are the perceptions of the disadvantages or advantages of hiring female workers?
- What role do social norms and constraints on women's use of time potentially play in influencing their educational trajectories, and ultimately their sector and occupation choices?
- What are the perceptions of women's decision-making patterns and capacities to exercise agency over their work careers and to participate in the economic and political spheres?
- What are the perceptions of the enabling environment for female employment, particularly in the private sector (that is, societal norms and preferences, level of female agency, pay discrimination, internal and external barriers to physical mobility, and gender-based attitudes and prejudices)?
- What are some of the opinions on the most binding constraints on female employment?

The following qualitative interviews and discussions were conducted:

- *Focus group discussions*. Sixteen focus group discussions with employed and unemployed skilled males and females were held—four each with employed skilled females, employed skilled males, unemployed skilled females, and unemployed skilled males. The sample ensured a balanced representation across four cities—Ramallah, Hebron, Nablus, and Gaza City—as well as a representation of diverse participants according to economic activity, sector, occupation, marital status, field of specialization at university, duration of employment, age, refugee status, and other relevant demographic factors. Table A.1 in appendix A presents a breakdown of the characteristics of the participants in the 16 focus group discussions.
- *Employer in-depth interviews.* In-depth interviews were held in the West Bank and Gaza with employers from medium and large enterprises representing an array of sectors and economic industries. In addition to providing qualitative data in an interview format, participants answered a series of closed-ended questions. Table A.2 in appendix A presents the main characteristics of the interviewed firms.
- *Key informant interviews.* Seven in-depth interviews were conducted with labor market experts. These individuals, drawn from the West Bank and Gaza, possessed a unique perspective on contemporary circumstances in the Palestinian labor market and their relation to the employment of skilled females. Table A.3 in appendix A provides the names and affiliations of those key experts.

Review of the legal provisions for women

Finally, a review of the legal provisions for women was conducted to explore the degree to which women have access to institutions and markets, which is ultimately tied to their employment prospects. The provisions include those on maternal policies and flexible work options, as well as the degree of access to financial services and the level of participation in social and business networks. For that, the following secondary data sets and sources were used: Women, Business and the Law database (World Bank 2016b), Doing Business indicators (World Bank 2017), and Global Entrepreneurship Monitor (London Business School 2010).

Limitation of the methodology

The main limitation of the methodology is the absence of panel data that would allow the study team to track a cohort of graduates over time and estimate in a robust manner models for the main binding constraints facing youth as they transition from education into the labor force. Furthermore, the available data do not conclusively capture the current demand for skills across sectors. Ideally, a firm-level survey provides a more comprehensive picture to validate some of the skills mismatch hypotheses. Examples include the STEP employer survey, in which employers are asked about their needs and the availability of different types of skills (and how these vary by gender).[9] In addition, the occupational demand survey[10] provides a very detailed outlook on changes in employment across different occupations.

[9] A STEP employer survey with gender-added questions was conducted in Kosovo.
[10] An occupational demand survey was carried out in Georgia.

Organization of this report

The report is divided into five chapters. Chapter 2 elaborates on the report's research question on observed low-skilled female employment compared with skilled male employment, and it provides a brief profile of the study's target group. Chapter 3 presents the results of the quantitative and qualitative analyses, and chapter 4 presents concrete and actionable policy recommendations on easing some of the constraints facing skilled females as uncovered by the analyses. Finally, chapter 5 presents the study team's conclusions.

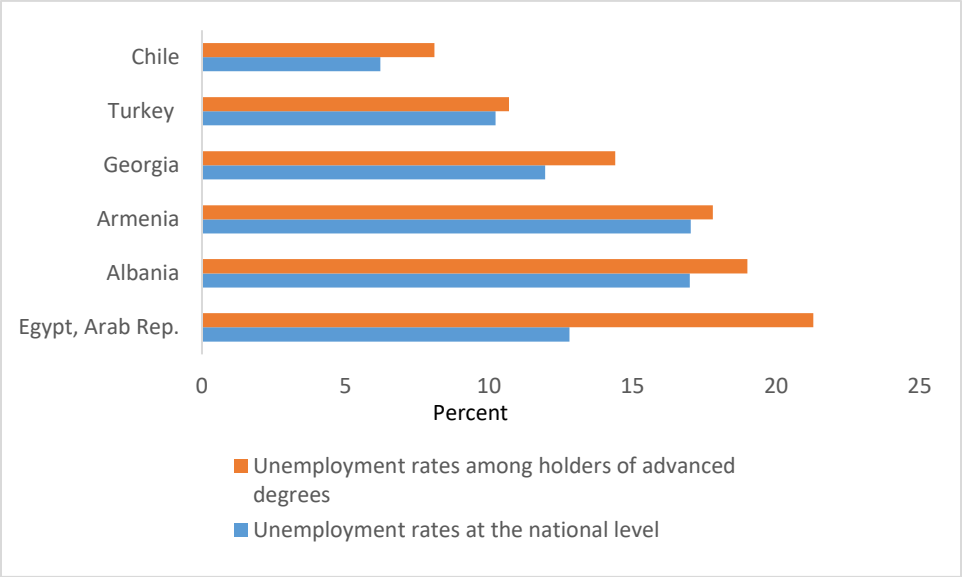
The three appendixes to this report provide details on the qualitative data collection (appendix A), the wage gap analysis (appendix B), and the challenge of job creation in the Palestinian territories (appendix C).

Chapter 2

The challenge of skilled female unemployment

Global data on unemployment among the highly educated and skilled indicate that this group is most likely to have higher unemployment rates in the period following their transition from school to work, when compared with unemployment rates at the national level. It may be that this cohort is willing and able to wait until they find jobs that suit their qualifications and expectations. Moreover, the highly skilled are more likely to not come from the lowest income quintiles (figure 2.1).

Figure 2.1 Unemployment rates of holders of advanced degrees at national level: selected economies, 2015



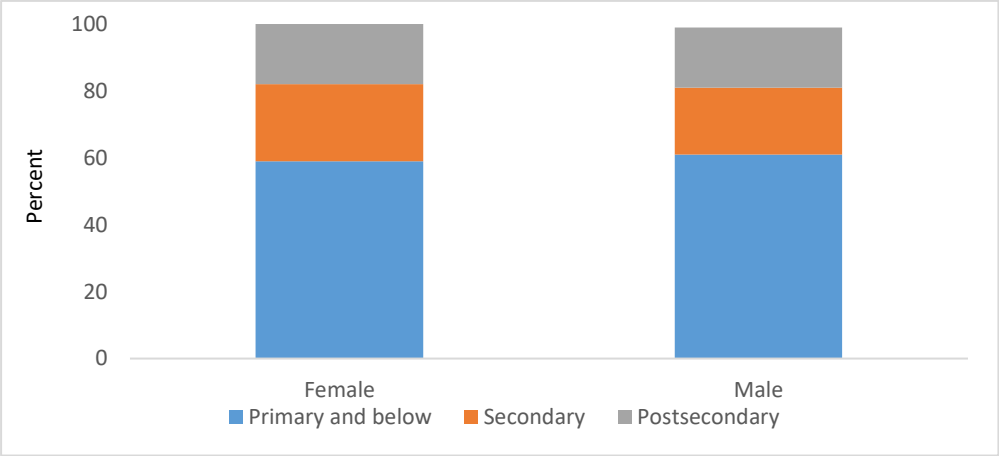
Source: World Bank, DataBank, WDI, 2015.
Note: Advanced degrees comprise short-cycle tertiary education, a bachelor's degree, a master's degree, or a doctoral degree, according to the International Standard Classification of Education 2011 (ISCED 2011).

In the Palestinian territories, skilled workers are defined as those holding a postsecondary education, which includes a two-year associate degree. Therefore, workers who finish a postsecondary education and join the labor market in search of employment can be as young as 19 (students in the Palestinian territories finish high school at age 17). Their unemployment rates somewhat follow the trend observed globally. It reached 31 percent in 2015, higher than the national unemployment rate of 25.9 percent. Evidence indicates that this cohort does not come from the poorest welfare quintile. Among Palestinians in the West Bank and Gaza in 2009, only 6.1 percent of all households with a postsecondary-educated household head fell within the poorest quintile, while 60.8 percent fell within the richest two quintiles (PCBS, PECS, 2009).

Despite this finding, the outcomes for skilled men and skilled women in the West Bank and Gaza remain divergent. This is in sharp contrast to the high rates of education near parity by sex, even in tertiary education. According to data from labor force surveys, females and males who hold associate diplomas and above account for 18 percent of the working-age population (figure 2.2). Data from the Ministry of

Education and Higher Education (MOEHE) indicate that of the 26,825 persons who graduated from universities in the West Bank and Gaza in the 2015–16 academic year, 58.2 percent were women and 42.8 percent were men.

Figure 2.2 Composition of working-age population (15 and over), by sex and education: West Bank and Gaza, 2015

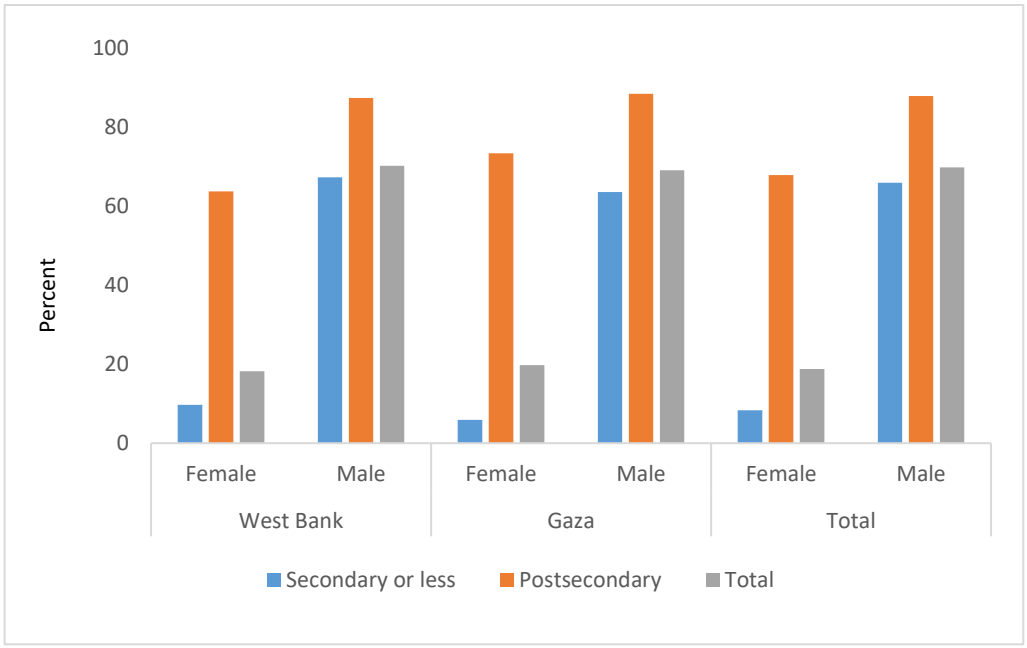


Source: PCBS, LFS, 2015.

The more educated women in the Palestinian territories become, the more likely they are to enter the labor market (figure 2.3). The same trend holds true for men, although education matters much less in men's decisions to enter the labor market.[11] Men and women's LFP rates stand at relatively comparable levels: 68 percent for skilled females and 89 percent for skilled males. In other words, the labor force of the highly skilled is almost balanced across both sexes: 57 percent of males and 43 percent of females. Yet even when holding supply constant by skill type, skilled females have more than double the unemployment rate of their skilled male peers (figure 2.4). In 2015 unemployment stood at 47 percent for skilled females (61 percent in Gaza and 38 percent in the West Bank), while skilled male unemployment stood at 18 percent (28 percent in Gaza and 11 percent in the West Bank), indicating that the scarce "good" jobs go to skilled males.

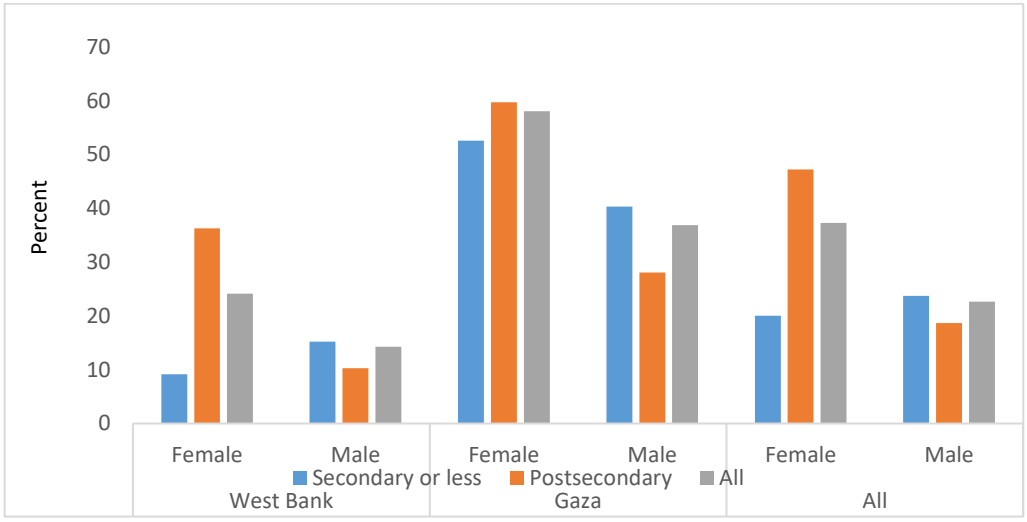
[11] For example, the predicted probability of joining the labor market for a man holding a secondary degree is 65 percent. The predicted probability also remains high for a man who holds a preparatory degree (71 percent). On the other hand, the probability for a female holding a secondary degree is 8 percent. The predicted probability jumps to 53 percent for a woman who holds an associate diploma and to 73 percent for a woman who holds a university undergraduate degree. The logit regressions control for age and marital status and hold predictors at their means.

Figure 2.3 Labor force participation, by sex, education, and region: West Bank and Gaza, 2015



Source: PCBS, LFS, 2015.

Figure 2.4 Unemployment rate, by sex, education, and region: West Bank and Gaza, 2015



Source: PCBS, LFS. 2015.

Skilled women also fare the worst among other groups of women, at least in the West Bank, and this could be the result of the type of labor supplied in the labor market for each sex. For females, the labor market is composed primarily of holders of postsecondary education (63 percent), whereas 78 percent of males in the male labor market are those with secondary education or below. Other explanations could relate to the types of jobs that are currently supplied in the labor market. These jobs are mainly concentrated among semi- and low-skilled workers and in the informal sector. Skilled females are unwilling to accept these jobs, putting them at a disadvantage not only compared with skilled males, but also with lower-skilled females (see chapter 3).

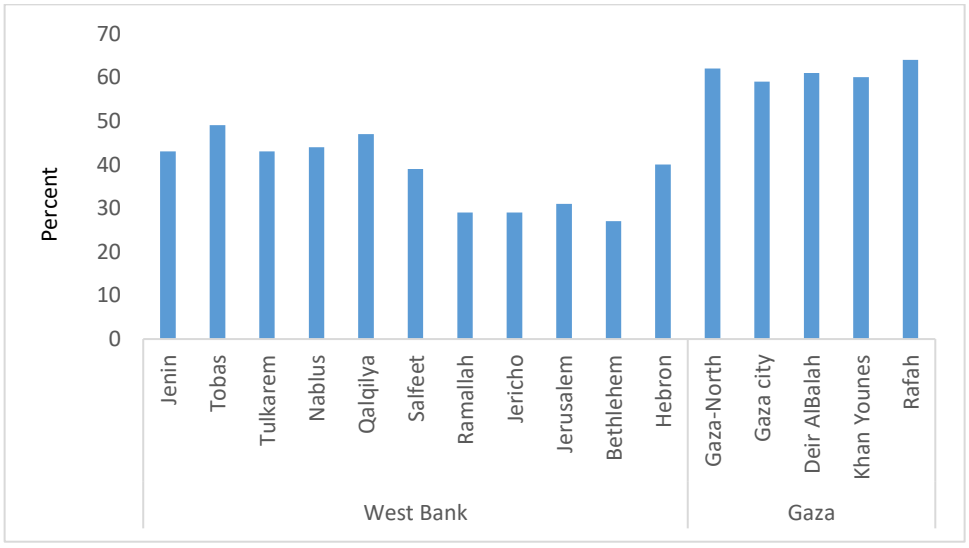
This chapter provides a basic profile of the study's target population by examining the regional distribution, age, and other demographic characteristics of unemployed skilled females, compared with those of unemployed skilled males, before moving into the study's main results in chapter 3.

Profile of unemployed skilled women

Geographically, the distribution of unemployed skilled women is relatively even between Gaza and the West Bank, with a slight majority of all unemployed postsecondary-educated women in Gaza (54.6 percent). Among postsecondary-educated men, there is a larger geographical separation, with 68.7 percent of all unemployed educated men residing in Gaza. Most unemployed postsecondary-educated women live in urban environments (73.3 percent), whereas 12.8 percent live in rural environments and 13.9 percent in refugee camps.

Despite the even distribution of unemployed women between the West Bank and Gaza, the unique economic challenges faced by Palestinians in Gaza have had a significant impact on women's employment opportunities. The unemployment rate of skilled educated women varies dramatically between the regions. Within Gaza, an astonishing 60.9 percent of all highly educated women in the labor market are unemployed, while in the West Bank 38.3 percent of postsecondary-educated women are unemployed.[12] Figure 2.5 further breaks down the unemployment rate by governorate. Within the West Bank, the highest unemployment rate for educated women is in Tubas and Qalqilya, and the lowest levels are in Bethlehem, Ramallah, and Jericho. As for highly educated men, unemployment in the West Bank is highest in Ramallah and Tulkarem and lowest in Jerusalem, Nablus, and Qalqilya (figure 2.6).

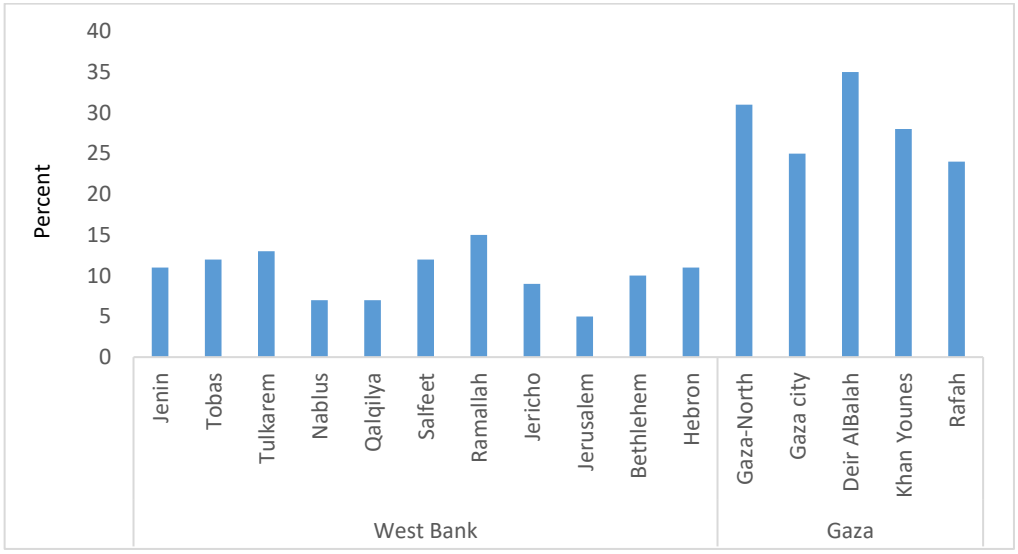
Figure 2.5 Unemployment rate of postsecondary-educated women, by governorate: West Bank and Gaza, 2015



Source: PCBS, LFS, 2015.

[12] The mean predicted probability of a skilled woman finding employment is 62 percent in the West Bank and 43 percent in Gaza. The logit regression controls for age and marital status.

Figure 2.6 Unemployment rate of postsecondary-educated men, by governorate: West Bank and Gaza, 2015



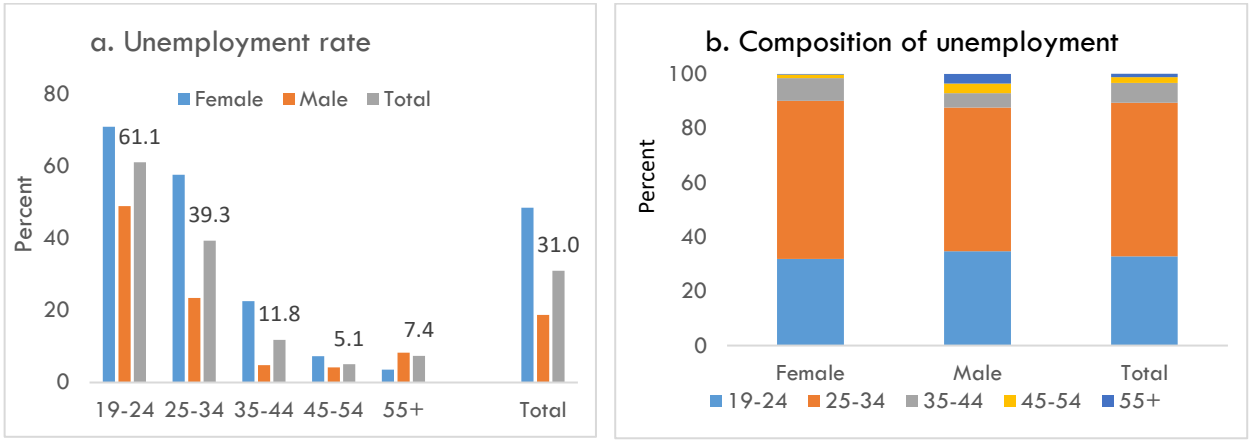
Source: PCBS, LFS, 2015.

The average age of an unemployed woman with a postsecondary education is 27.6 years. Her employed counterpart is, on average, 35.8 years old. Panel A in figure 2.7 highlights that among women and men with a postsecondary education, the unemployment rate is highest in the 19–24 age group—70.9 percent for women and 48.9 percent for men. The figure clearly illustrates that for each subsequent age group the unemployment rate drops. In fact, the female unemployment rate for the cohort between the ages of 35 and 44 is 22.5 percent, which is dramatically lower than that for females in the 19–34 age group.

Panel B in figure 2.7 shows that unemployment among Palestinians with a postsecondary education is primarily a problem for youth. Of all postsecondary-educated unemployed Palestinians, 89.3 percent are between the ages of 19 and 34. The composition of the unemployed population is remarkably similar for both men and women, highlighting that both men and women over the age of 35 have been able to find jobs and did not drop out of the labor market. This is confirmed by the fact that skilled women in the 35+ age groups participate in the labor force at rates of between 60 and 70 percent.

Together, panels A and B illustrate that both young men and women in Palestine have a difficult time transitioning into the labor market. However, that transition begins earlier for men than it does for women, as indicated by the disparities in unemployment rates between postsecondary-educated men and women between the ages of 19 and 34.

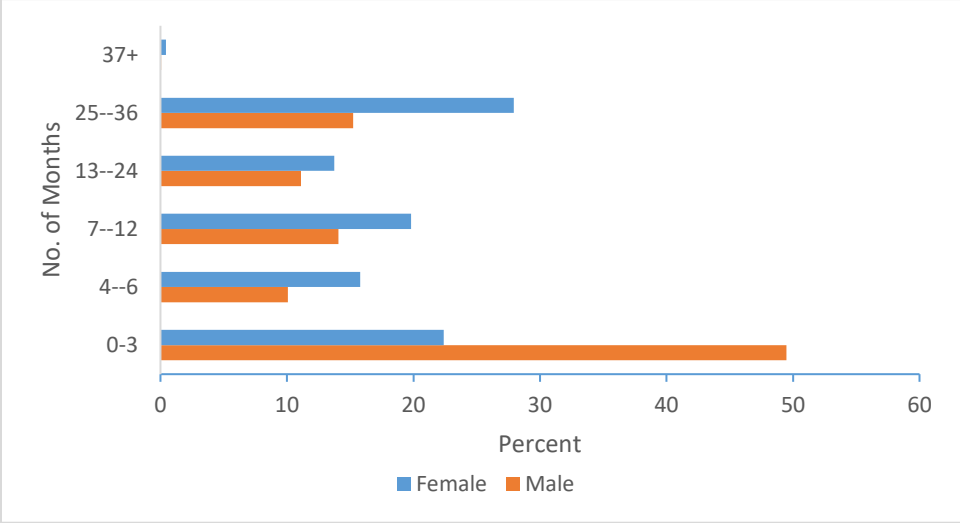
Figure 2.7 Unemployment rate and composition of unemployment of postsecondary-educated men and women, by age cohort: West Bank and Gaza, 2015



Source: PCBS, LFS, 2015.

Their longer transition into the labor market means that skilled women face significantly longer periods of unemployment than their skilled male counterparts. As figure 2.8 illustrates, in 2015, 22.4 percent of postsecondary-educated women were out of work for three months or less, as opposed to 49.5 percent of unemployed men. On the other hand, 28 percent of unemployed educated women were unemployed for two to three years, highlighting the issue of long spells of unemployment. Long-term unemployment has significant and long-lasting consequences for those looking for work. It reduces the likelihood of finding a job and prevents the steady buildup of human capital, prohibiting even those who end up finding jobs from moving up the ladder. Because unemployment is concentrated among the young, there is real concern that this educated female workforce may never be able to complete their transition into satisfactory employment, representing a major lost opportunity and untapped resource in the Palestinian territories.

Figure 2.8 Periods of unemployment of postsecondary-educated men and women: West Bank and Gaza, 2015



Source: PCBS, LFS, 2015.

As for marital status, 52 percent of unemployed skilled women are married. This finding reflects the average age of this cohort, which falls within the range of typical ages for marriage in the Palestinian territories.

In conclusion, unemployed Palestinian women tend to be highly educated. In turn, these unemployed educated women are more likely to be (1) evenly distributed between the West Bank and Gaza; (2) between the ages of 19 and 34; (3) facing significantly longer periods of unemployment than their skilled male counterparts; and (4) not from the poorest two welfare quintiles. Although unemployed educated women are just as likely to be in the West Bank as in Gaza, a woman who enters the labor force in Gaza is even more likely to be unemployed than her counterpart in the West Bank.

Chapter 3

Understanding the high rates of unemployment of skilled women

This chapter presents the main findings of the quantitative and qualitative analyses of the reasons the links between the education and employment of females are weak, as evident in the high unemployment rates among skilled females, and why the opposite trend is observed for males.

As described in chapter 2, skilled female unemployment is concentrated among postsecondary graduates in the 19–24 and 25–34 age groups, indicating a very rough transition into the labor market and adverse long spells of unemployment. Young male graduates initially encounter an equally rough transition, as observed by a 49 percent unemployment rate for high-skilled males between the ages of 19 and 24. However, young skilled males seem to transition faster than females. Of skilled females between the ages of 25 and 34, 58 percent are unemployed, compared with 23 percent of skilled males in the same age group.

Various barriers help explain why skilled females transition at a much lower rate than their skilled male counterparts. This chapter elaborates on those constraints.

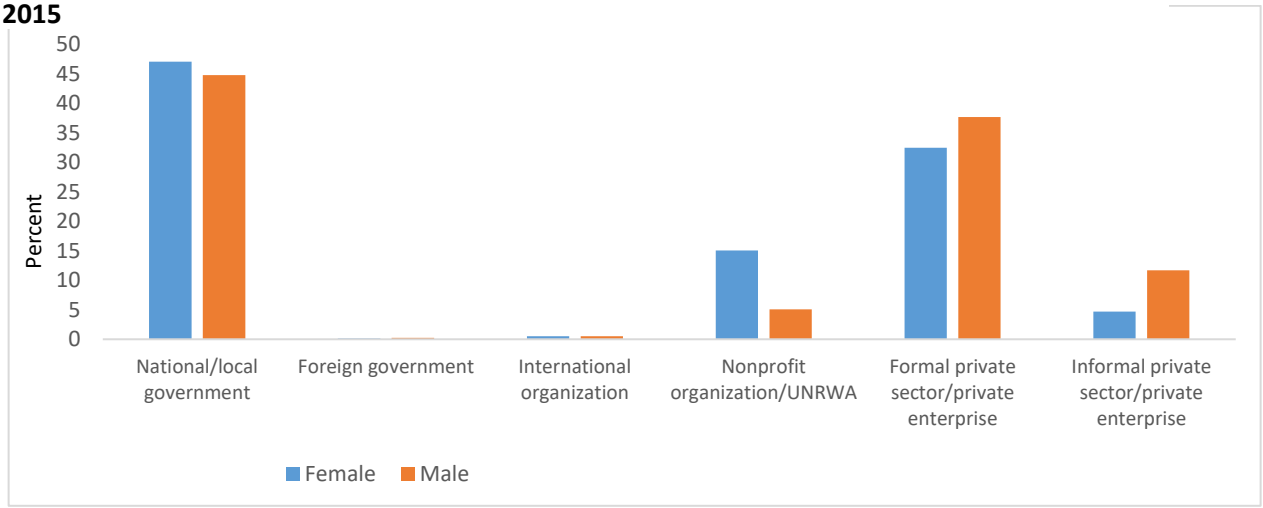
Limited job opportunities for skilled workers

Once young skilled males and females manage to transition successfully into the labor market (at an older age), evidence indicates that they are both more likely to land ”good quality” jobs. The majority of workers of both sexes (83 percent) are absorbed into wage employment, which is in line with the earlier observation that this group of educated workers most likely can afford to wait. The majority work in the public sector (47 percent of females versus 44 percent of males) because of its higher wages and generous employment benefits, followed by the formal private sector (32 percent of females versus 38 percent of males)—see figure 3.1. Both groups are less likely to hold an informal job or work in an informal firm.[13] In 2015 only 23 percent of the employed skilled females worked in an informal firm or held an informal job, compared with 38 percent of employed skilled males. This finding is consistent with regional evidence that poor and unskilled rural workers have the highest chance of entering the informal sector and the lowest chance of accessing desirable jobs (Gatti et al. 2013). Indeed, because of its nature, the informal sector requires less capital, less skilled labor, and less investment, and thus it suffers from lower productivity.

As for workers of both sexes with lower education, the few female workers with secondary education or below who did not drop out of the labor market are largely employed informally (73 percent), with a negligible share employed in the public sector (5 percent). For males with a secondary education or lower, 67 percent work informally, and 14 percent have been absorbed in the public sector. Meanwhile, skilled female and male workers earn, on average, wages higher than those earned by workers with lower levels of education (see the discussion of this later in this chapter).

[13] An *informal enterprise* is defined as a business or a firm not registered by the tax and business administration. An *informal job* is defined one that has none of the following: written contract, pay slip, income tax deducted from wages/salaries, pension, paid annual leave, paid sick leave, or paid maternity leave.

Figure 3.1 Percentage of skilled workers employed, by sector and sex: West Bank and Gaza, 2015



Source: PCB, LFS, 2015.

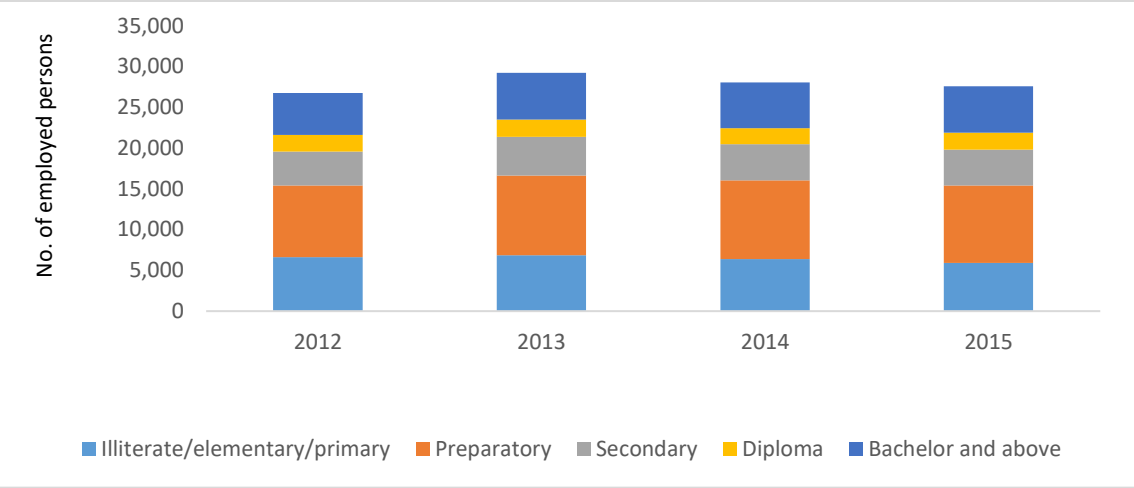
Note: Informality is defined as a private sector or private enterprise that is not registered by the business and tax administration. UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East.

That said, in the present challenging macroeconomic and investment climate there are very few jobs that would suit the qualifications of the skilled workforce. This remains a symptom of an economy in which lower investment, lower growth, and less private sector job creation are leading to excess labor supply and not enough quality jobs. In addition, the share of tradable and high-value-added sectors (such as manufacturing) as a percentage of GDP has declined, and those sectors were expected to be a key driver of job generation and growth.[14]

The demand for labor remains mostly concentrated among semi- and low-skilled workers (figure 3.2). In the labor market in the West Bank and Gaza, the bulk of employment is concentrated among those with a secondary education or lower, and hardly any new jobs have been created for university graduates. Another way to look at the demand for skills is through occupational employment. The three broad occupational classifications that require a high skill level according to the International Labour Organization—(1) legislators, senior officials, and managers; (2) professionals; and (3) technicians—saw a decrease in employment from 2012 to 2015 by 1.5 percent. In addition, subsistence self-employment (84 percent of which consists of holders of secondary education or less) remains widespread, accounting for 18 percent of total employment in 2015.

[14] See appendix C for a full review of the main constraints characterizing the job creation environment in the Palestinian territories, particularly the impact that political instability and access and mobility constraints have had on economic growth, private sector job creation, and domestic and foreign private investment.

Figure 3.2 Employment of labor force, by education level: West Bank and Gaza, 2012–15



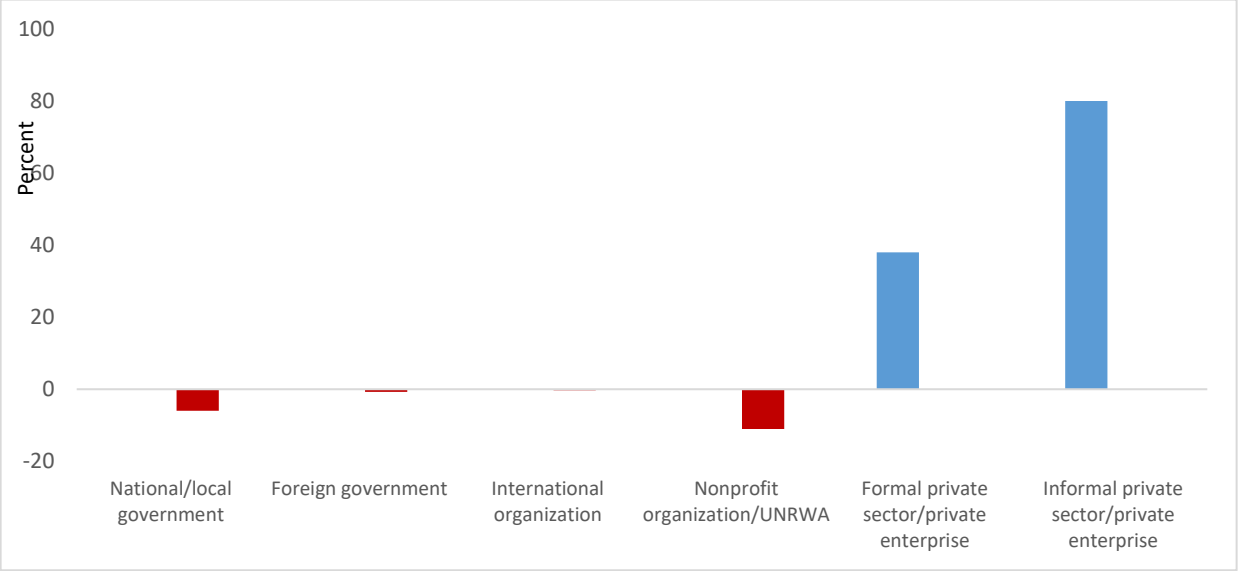
Source: PCBS, LFS, 2012, 2013, 2014, 2015.

Meanwhile, both categories of jobs that offer skilled males and females quality employment—public sector and formal private sector jobs—are in short supply. Although the Palestinian territories have expanded the size of the public sector over the years in response to a decline in private sector activity and employment in Israel and the settlements, between 2012 and 2015 the public sector's share of net employment fell by 6 percent (figure 3.3).

The private sector, on the other hand, remains skewed to very small firms and microfirms, with only 1 percent of establishments having 20 workers or more. This finding points to low levels of employment among what are typically higher-productivity firms and is indicative of constrained growth. From 2007 to 2012, firms among establishments of all sizes had limited growth rates at 15 percent and more acute exit rates at 44 percent.[15] They also remain highly dependent on Israel for either exports or markets (World Bank 2014b). Informality constitutes a big part of private sector employment. Between 2012 and 2015, the formal private sector saw some increase in its share of net employment, but the contraction in public sector job opportunities has been largely offset by an increase in employment in the informal private sector (figure 3.3). In 2015 total informal employment in the private sector reached nearly 61 percent of the Palestinian workforce, with three out of five people in the workforce either working in an informal firm or holding an informal job (PCBS, LFS, 2015).

[15] Firm growth level is notably lower in the West Bank and Gaza than in comparator countries. For example, the growth rate of firms with 20–49 workers is just 10.6 percent, among the lowest in the region. On the other hand, firm exit rates are notably higher than those in other countries such as Tunisia and Lebanon (World Bank 2014b).

Figure 3.3 Percentage change in net employment between 2012 and 2015, by sector: West Bank and Gaza



Source: PCBS, LFS, 2015.
Note: UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East.

When competing directly for limited spots, males are the preferred choice because of their perceived role as the breadwinner of the family

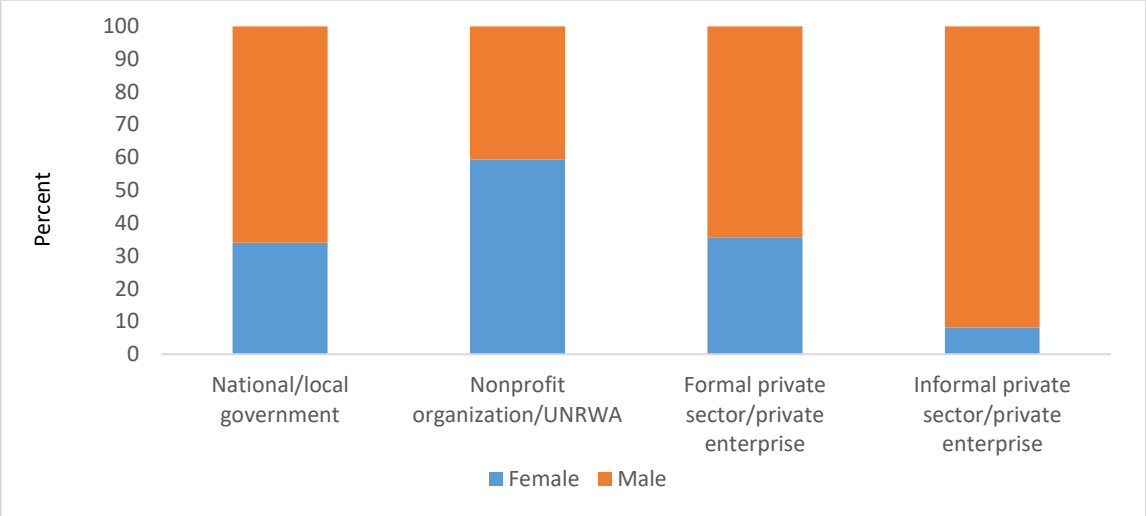
Because of the shortage of jobs suitable for the high-skilled, particularly in the formal sector and in skilled positions, skilled women seem to compete directly with skilled men. When asked why they were not able to find work, both men and women of all education levels cited as the primary reason the lack of available suitable jobs. However, for highly educated women (28.2 percent) and men (14.5 percent), high competition for jobs is also a significant concern. The sample of the 2015 Labor Force Survey consisted of 4,870 skilled active females and 6,397 skilled active males, underscoring a ratio of almost one female skilled worker to one male skilled worker (PCBS, LFS, 2015). Competition between skilled males and females may have also increased in recent years because of border closures, which resulted in job losses for Palestinian workers in Israel and may have increased the supply of skilled men in the Palestinian local labor market. In 2015 only 1 percent of female skilled workers and 6 percent of male skilled workers had jobs outside the West Bank and Gaza.

However, skilled females and males do not compete on an equal footing. Acccording to the 2013 World Values Survey, 66 percent of respondents (77 percent of males and 54 percent of females) agreed with the statement that when jobs are scarce, men should have more right to a job than women. Such views were echoed in qualitative discussions in which men were expected to be the breadwinners of their families, and thus they were viewed as more deserving of a job when competing with a female worker.

In 2015, 66 percent of the public sector jobs in the West Bank and Gaza were held by males versus only 34 percent by females (PCBS, LFS, 2015). Females were not equally represented in the formal private sector as well; 64 percent of its workforce were skilled males and 36 percent skilled females. The only sector in which women seem to compete more strongly is the nonprofit sector, which includes UNRWA (United

Nations Relief and Works Agency for Palestine Refugees in the Near East). The total workforce of this sector is 59 percent skilled females and 41 percent skilled males (figure 3.4). The nonprofit sector in the PT is, to a large extent, concentrated in Ramallah, the region in which skilled female unemployment is relatively lower to that of other regions.

Figure 3.4 Composition of sectoral employment for skilled workers, by sex: West Bank and Gaza, 2015

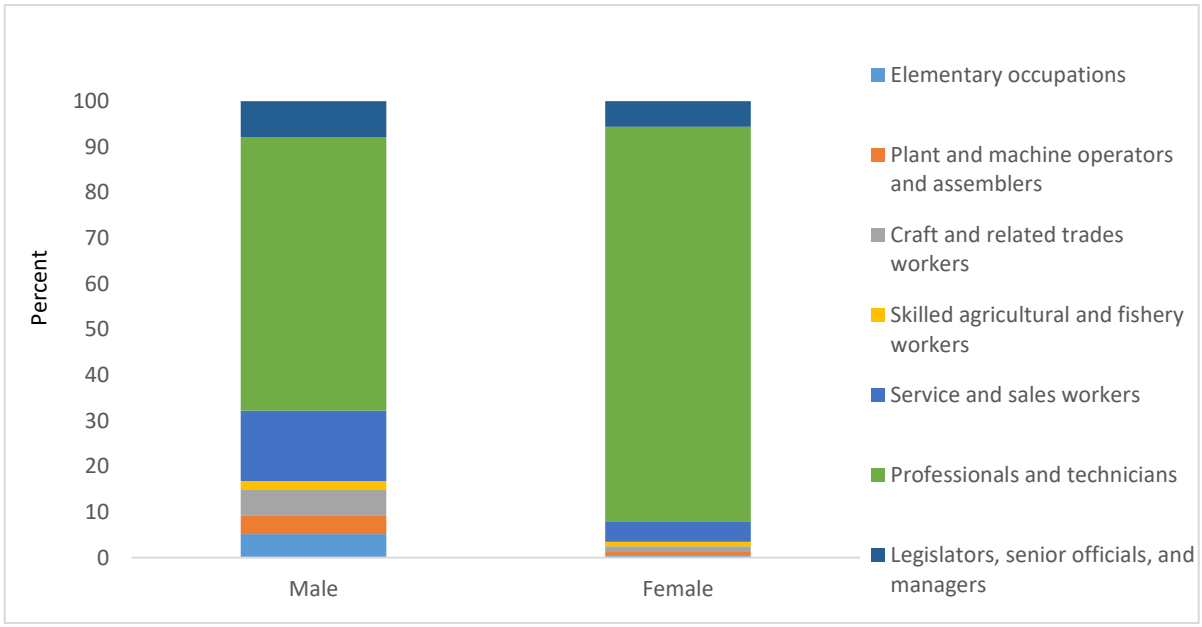


Source: PCBS, LFS, 2015.
Note: UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East.

Skilled women are less willing or able than skilled men to work in low-skilled occupations

Skilled men may be more willing or able to work in low-skilled occupations in response to the limited availability of skilled occupations in the formal sector. Although the majority of skilled males and females work in occupations that are commensurate with their skill levels (87 percent of skilled females and 60 percent of skilled males are working in professional and technical occupations), 32 percent of skilled males are still willing to work in occupations that require levels of skills that are below a tertiary education. Examples include services and sales workers (15 percent of skilled males versus 4 percent of skilled females), craft and related trades workers (6 percent of skilled males versus 1 percent of skilled females), and elementary occupations (5 percent of skilled males versus 1 percent of skilled females)—see figure 3.5. Further evidence suggests that skilled Palestinian male workers in the West Bank unable to access the Israeli labor market have competed locally for the available low-skilled jobs, which may have led to some wage decline for unskilled workers (Mansour 2010).

Figure 3.5 Percentage of skilled workers employed, by occupation and sex: West Bank and Gaza, 2015



Source: PCBS, LFS, 2015.

In short, both skilled males and females are looking for "good quality" jobs when compared with semi- and low-skilled workers. Both groups have high expectations, are less likely to work informally, and are more likely to work in occupations that are commensurate with their skill levels. This finding understandably reflects their perceptions of the expected returns on the investment they have made in acquiring a higher education. However, the shortage of skilled jobs and the higher social pressures placed on men as the main figure in the household mean they are less willing to wait longer to obtain jobs that meet their expectations and are often more likely than skilled women to take on jobs that either do not offer quality employment or are below their skill level. In this respect, the high unemployment rate for skilled women, which is double that of skilled males, probably stems from two factors: (1) the limited skilled jobs going for the most part to males; and (2) the greater willingness of skilled males to accept jobs for semi- and low-skilled workers.

More limited jobs for skilled women than for skilled men in the private sector and in certain sectors and occupations

Even though skilled males may seem to compete directly with skilled females in their choice of sectors and occupations, a closer look reveals that, in reality, the jobs available for skilled women (or that they are willing to take on) are much more limited than those available for skilled men. The following three observations may indicate that skilled women encounter higher access barriers to jobs than skilled men.

First, women are not strongly represented in the private formal sector when compared with skilled males. As noted, in 2015 skilled females represented only 36 percent of the sector's total employment. In 2013 the percentage of full-time female workers in medium enterprises was only 2.9 percent and slightly higher at 6 percent in small enterprises (World Bank 2013b).

Second, skilled women segregate more heavily in certain occupations and sectors and are absent from the workforce of many others. As figure 3.6 shows, the top occupations for women are teaching professionals

(48.1 percent), business and administration associates (7.7 percent), health professionals (7.4 percent), business and administration professionals (5.2 percent) and legal, social, and cultural professionals (5.0 percent). Among men, the top occupations are teaching professionals (15.2 percent), sales workers (10.7 percent), business and administration professionals (8 percent), commissioned armed forces (7.1 percent), and health professionals (6.5 percent). There is significant overlap between these occupations, although the five largest sources of employment opportunities for skilled women make up 73.4 percent of all female employment compared with only 47.5 percent for men. This finding indicates that the occupations available for skilled women are far more concentrated than the occupations available for skilled men.

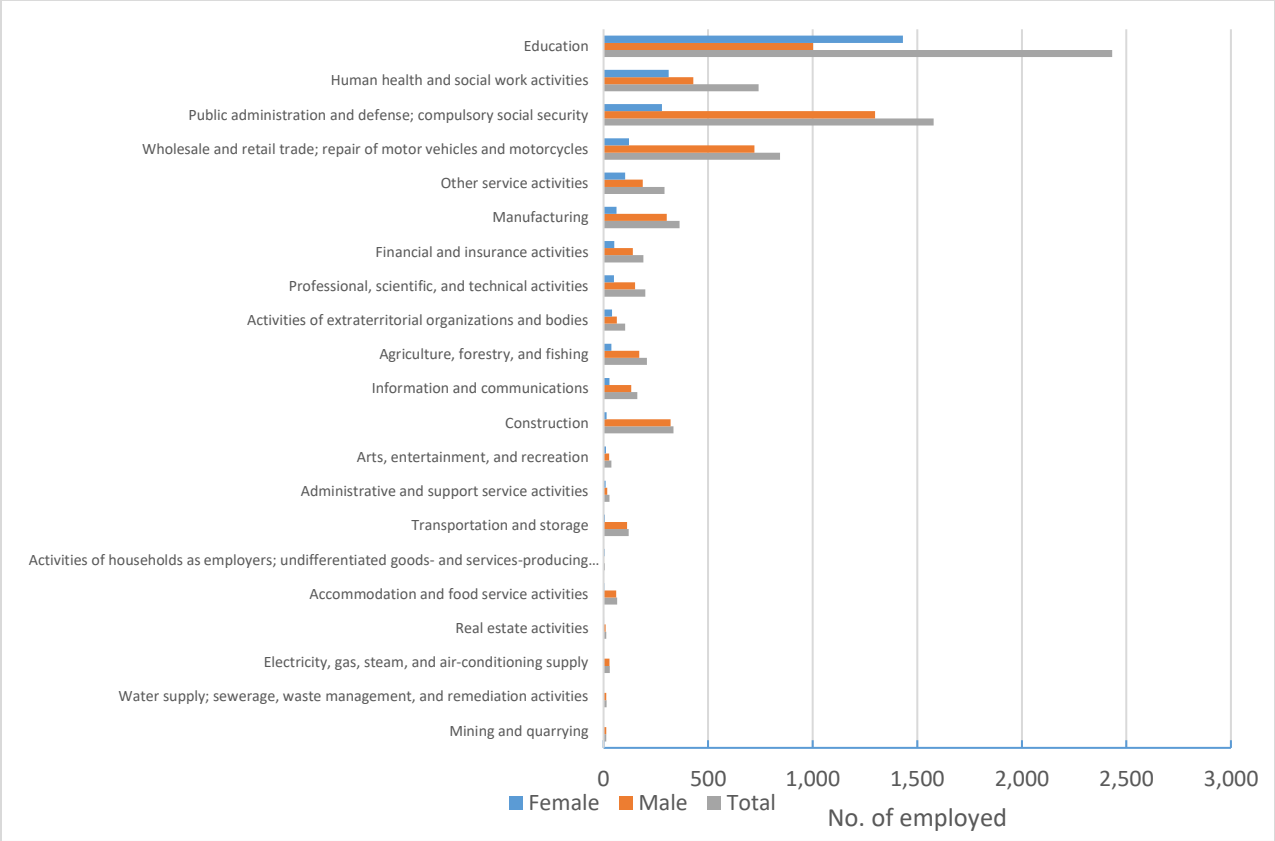
Figure 3.6 Occupations of postsecondary-educated Palestinians, ISCO Sub-major Classification, 2015



Source: PCBS, LFS, 2015.
Note: ISCO = International Standard Classification of Occupations.

This evidence applies as well to an analysis of the industries drawing the skilled educated workforce (figure 3.7). The education sector employed 55.6 percent of all skilled women in 2015. Combined, the top three industries (education, human health and social work activities, and public administration) accounted for 78.6 percent of skilled female employment. The top three industries for male skilled workers (public administration and defense, including compulsory social security; education; and wholesale and retail trade, including repair of motor vehicles and motorcycles) accounted for 58.1 percent of their workforce.

Figure 3.7 Industries employing postsecondary-educated Palestinians, ISCO Sub-major Classification, 2015

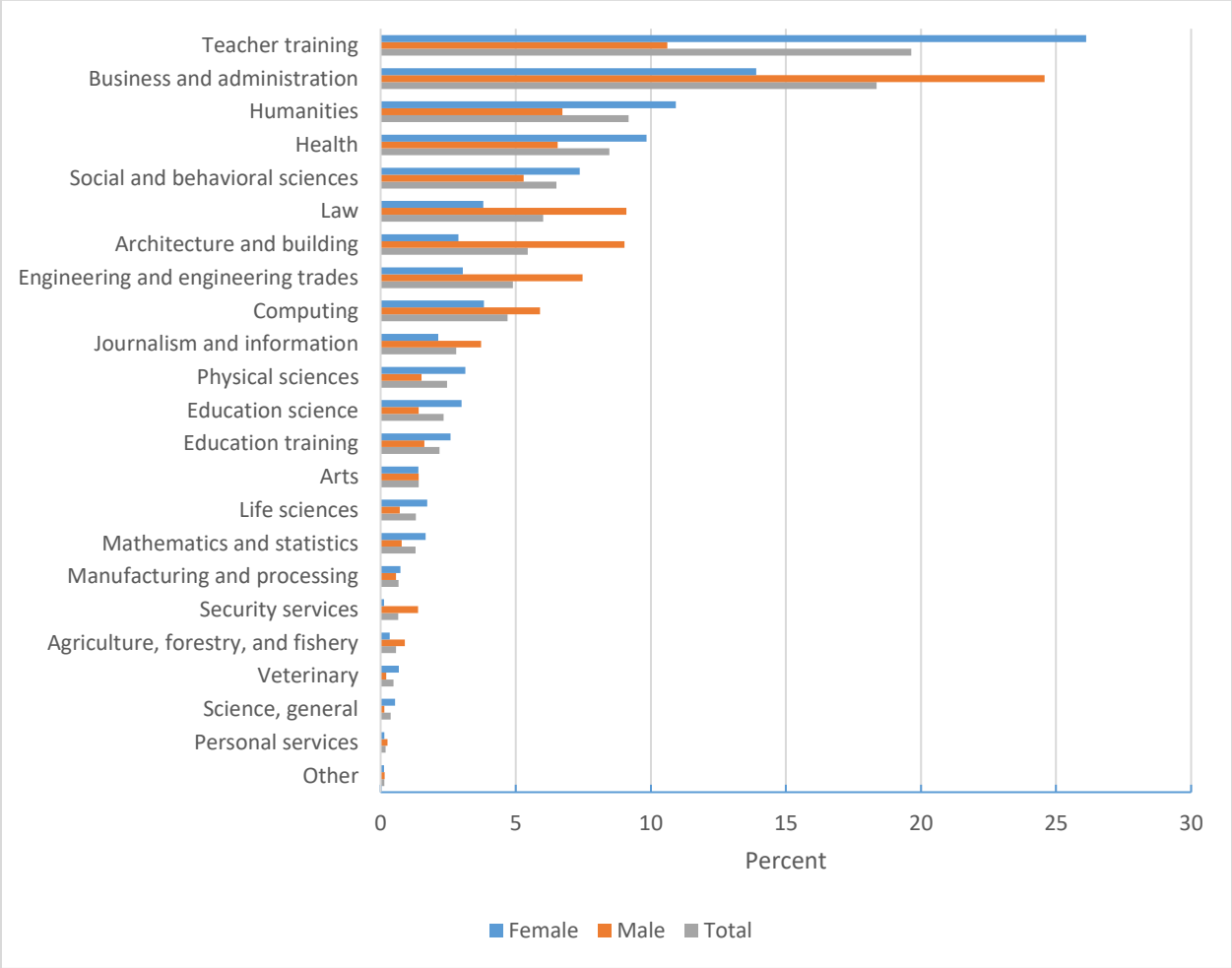


Source: PCBS, LFS, 2015.
Note: ISCO = International Standard Classification of Occupations.

Third, the observed segregation patterns in turn likely influence females' education choices, which tend to be geared toward public sector employment and sectors and industries that involve the social sciences and humanities (figure 3.8). In 2015, among women, 26.1 percent of graduates received a teacher training degree, followed by a degree in business and administration (13.9 percent). It is evident that fewer males study teacher training; they select other fields in higher numbers such as law, architecture and building, computing, and engineering. This divergence is despite the fact that females outperform males in learning

outcomes in science and mathematics in secondary education,[16] indicating that their decisions to enroll in humanities fields is driven by factors other than academic performance. Although there are differences in the choice of education field, it is also clear that these differences are not huge, reflecting large preferences for public sector employment among men as well.[17]

Figure 3.8 Fields of postsecondary graduates (ISCED II): West Bank and Gaza, 2015–16



Source: Palestinian Ministry of Education and Higher Education.
Note: ISCED = International Standard Classification of Education.

[16] For example, eighth-grade female students in the Palestinian territories outperformed their male counterparts in the 2011 international learning assessment mathematics exam (Trends in International Mathematics and Science Study, TIMSS) by an average of 23 score points. The gender gap in TIMSS scores is apparent in many countries, but seems more pronounced in the Palestinian Territories and in several other countries in the Middle East and North Africa (MENA) such as Jordan and the Gulf states.

[17] Appendix C provides a more detailed description of the structural challenges in the Palestinian education system that affect male and female students alike and contribute to a potential skills mismatch in the labor market.

Some of the most common education fields that women segregate in are also those that lead to the highest levels of unemployment. As revealed in table 3.1, the highest unemployment rates for new graduates (ages 20–29) are concentrated among those with teaching training degrees and those in the social and behavioral sciences and humanities. Fields in which men tend to study more, such as business and administration, engineering, architecture, computing, engineering, and law, have relatively lower unemployment rates.

Table 3.1. Unemployment by field of education, 20–29-year-olds with a postsecondary education: West Bank and Gaza, 2015

Field of education	Unemployment rate (%)	Length of unemployment (months)
Teacher training and education science	68.4	15.4
Social and behavioral sciences	66.4	14.2
Humanities	66.3	17.6
Mathematics and statistics	61.9	15.8
Life sciences	54.6	12.5
Journalism and information	53.8	22.0
Business and administration	48.7	13.7
Personal services	42.7	11.1
Architecture and construction	40.4	12.1
Computing	40.0	14.7
Health	39.4	14.2
Engineering and engineering trades	39.1	11.3
Law	16.9	15.4
Other disciplines	46.8	15.0

Source: PCBS.

Quantitative and qualitative findings indicate that many factors may limit women's options when it comes to finding employment, which in turn motivates their choice of studies in limited fields geared toward public employment and employment in a handful of occupations and economic sectors. The main factors are described in more detail in the following sections.

Economic productive sectors that traditionally employ women are declining, while sectors that have the potential to absorb the high-skilled are not growing at a sufficient pace

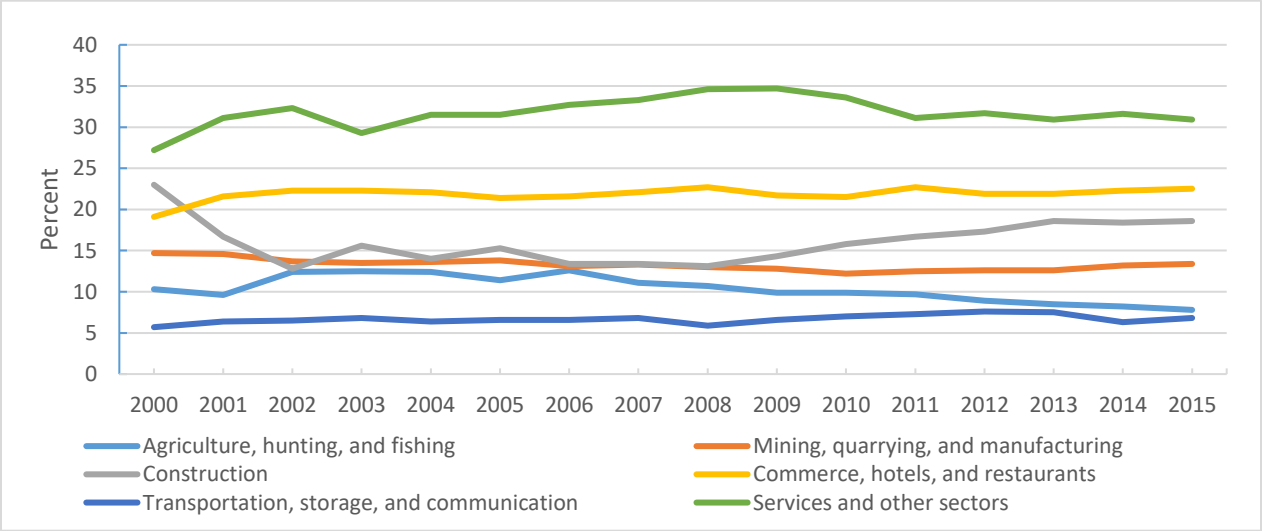
Evidence from both developed and developing countries confirms the presence of sectoral segregation in the labor market. In other words, as economies move from agricultural to nonagricultural activities in going down the road to growth, common gender segregation patterns emerge by sector across those with very different levels of economic development and aggregate sectoral distribution of employment (World Bank 2012). For example, the share of female wage employment across nine sectors is remarkably similar in Bangladesh, Mexico, and Sweden, where women work mostly in activities related to agriculture and hunting, manufacturing, finance and business services, and hotel and retail services.

Sectoral segregation in the Palestinian territories tends to be extreme because of the particular structure of their economy, which is affected by the unresolved political conflict with Israel. As a result, Palestinian

female workers may experience a higher degree of marginalization in the labor market than women in other economies. The two productive sectors that tend to employ women—agriculture and manufacturing—have seen a steep decline over the past decade as a result of the systematic restrictions on access to land, water, and imports and exports (Botmeh 2015; World Bank 2014b).[18] The compression of the demand side in productive sectors that generate long-lasting growth within an economy has limited women's employment options and motivated their segregation primarily in a few sectors such as services and in occupations such as teacher, nurse, administrative assistant, and secretary. Because they are in the nongrowth areas of the economy, these sectors have reached their limits in absorbing women. By contrast, for men jobs are more evenly distributed throughout the various economic sectors (figures 3.9 and 3.10).

From 2012 to 2015, net employment increases were concentrated in sectors that tend to account for a high share of male employment (both high- and lower-skilled), but a small share of female employment. These sectors were public administration, wholesale and retail, construction, manufacturing, and mining and quarrying (figure 3.11). Meanwhile, sectors that skilled women prefer, such as education and human health and social services, barely saw any increase. Sectors such as information and communications technologies, business services, real estate, and finance and banking, which rely primarily on skilled labor while requiring less capital, energy, and natural resources, are all nascent sectors that have hardly grown to absorb skilled females in their workforces.

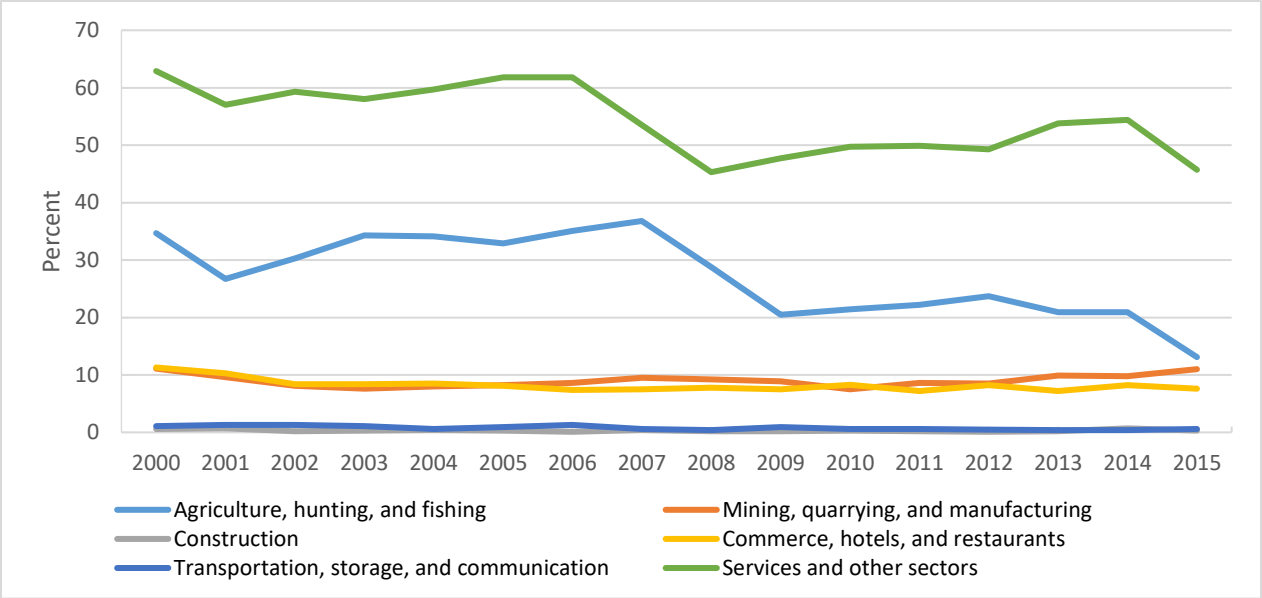
Figure 3.9 Share of male employment, by sector: West Bank and Gaza, 2000–2015



Source: PCBS.

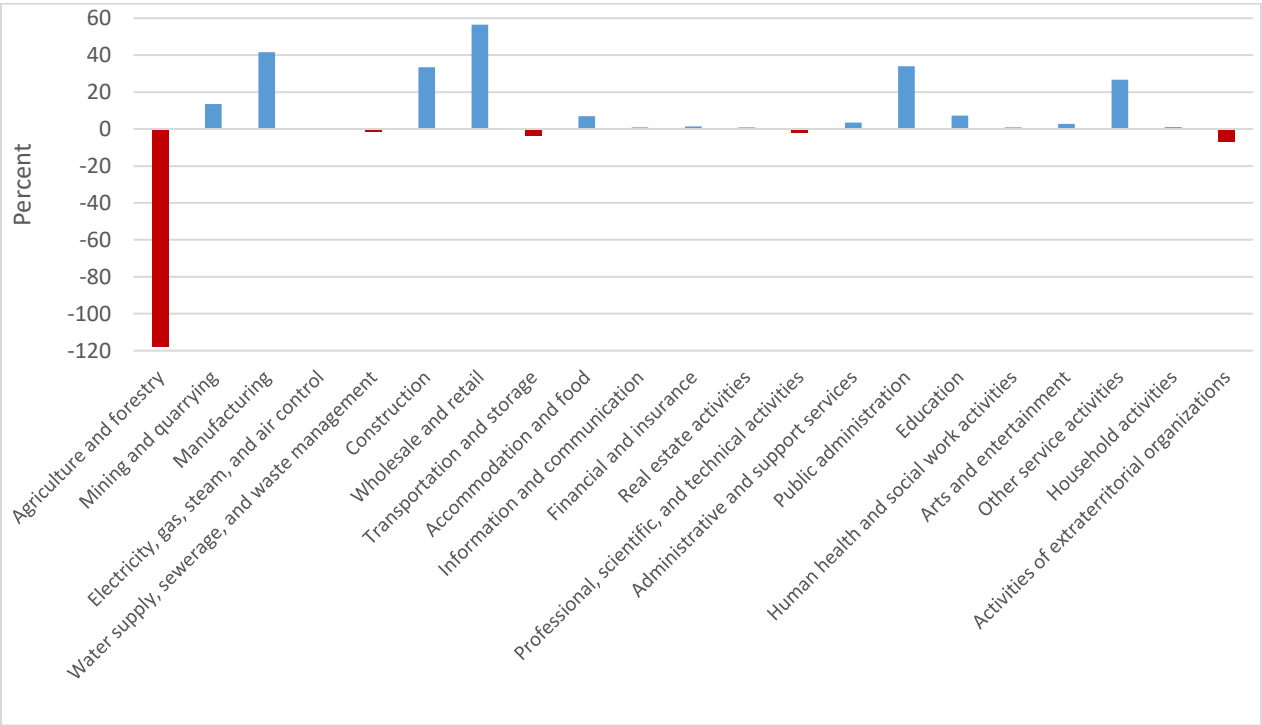
[18] Agriculture's share of the economy dropped from 13 percent in 1995 to 6 percent in 2011 because of restricted access to arable land within the West Bank and limited access to water. The contribution of manufacturing to GDP dropped by 13 percent between 2001 and 2011 in light of export restrictions (World Bank 2014b).

Figure 3.10 Share of female employment, by sector: West Bank and Gaza, 2000–2015



Source: PCBS.

Figure 3.11 Net employment increase by economic activity between 2012 and 2015, West Bank and Gaza



Source: PCBS, LFS, 2012, 2013, 2014, 2015.

Legislation and regulations limit women's choices in careers, sectors, and occupations

The current legislation and gender-related provisions in the Palestinian territories contain multiple legal restrictions on women's access to employment opportunities. These constraints may influence their incentives in a way that would force them to segregate in certain sectors and occupations that have limited prospects for employment growth and productivity. Moreover, laws that treat women differently than men may reinforce the existing preconceived prejudices against women that may hold them back from accessing labor markets, as well as growing professionally and productively.

Currently, the Palestinian territories are one of 30 economies worldwide with 10 or more gender differences in existing provisions and laws (World Bank 2016b)—see figure 3.12. These provisions include areas in which accessing institutions does not apply to married women in the same way as it applies to married men—that is, choosing where to live, conferring citizenship on children, getting a job without permission, and traveling outside the home. Even if permission could be obtained easily in some cases, the process may limit women's freedom of autonomy and movement and makes it more difficult for them to work effectively. Moreover, legal provisions further place pressure on women in the division of responsibility within the family, such as wives being required to obey their husbands and spouses not sharing an equal financial responsibility in maintaining a family.

Figure 3.12 Number of gender legal differences: selected economies, 2016



Source: World Bank 2016b.

Provisions for better access to *comprehensive, affordable, high-quality child care* that may free up women's time to work and compete in the jobs market, particularly in a traditional society where the burden for family care is placed disproportionately on women, are not fully present. For example, currently child care is not subsidized or publicly provided by the state. Most of the preschools, including kindergarten and pre-elementary schools, are private with relatively high tuition costs. Indeed, in 2015 only 1.2 percent of children attending preschool were enrolled in government-run preschool programs, The rest of the preschools were either private or run by nonprofit institutions. There are currently 64 public preschool programs in the West Bank and only 14 in Gaza. Some villages and marginalized communities have no preschools at all (MoEHE 2015). Another factor related to child care is that parents do not have the right to ask for flexible or part-time work schedules. Indeed, one woman in a focus group discussion explained

why teaching remains the preferred profession for women: “The mother finishes her work with the end of the school day. They [mother and child/children] return home at the same time.”

Although *maternity benefits* are mandated by law for a period of 70 days with 100 percent of wages paid, employers are required to fully cover the cost. In 2016 the Palestinian territories instituted the first social security system for private sector workers and their families, whereby workers and employers make contributions of 7.7 percent and 10.4 percent, respectively. The system covers old age, disability, and survivors’ pensions, employment injury benefits for workers, as well as maternity benefits paid by the social security fund instead of the employer. However, the system has not yet been implemented, and employers, as evident from their interviews, are not yet subject to this law. This situation, coupled with no mandated paternal benefits, could unintentionally raise the costs on firms and discourage them from hiring females.

Workforce protection provisions that can safeguard against implicit and explicit forms of discrimination in the workplace are for the most part nonexistent, which may prevent women from finding employment in smaller workplaces and in less traditional jobs in the private sector. Although the law prohibits the dismissal of pregnant workers and grants nursing breaks for nursing workers, it discriminates by not mandating equal remuneration for work of equal value, not mandating nondiscrimination in hiring based on sex, and not prohibiting employers from asking about family status. As a result, women face the risk of being denied jobs because of family circumstances, such as being married or pregnant, with no recourse to legal action in the face of such discrimination.

Measures against *sexual harassment* in the workforce are currently nonexistent—they do not appear in law, nor are there any civil remedies and criminal penalties. This absence is an additional deterrent for women to accept jobs in the private sector, particularly in small and less traditional offices. Heads of households may fear that women may be exposed to harassment through a variety of circumstances, which include traveling unaccompanied on the roads and working late at night. One unemployed woman in Hebron added, “Most families do not accept the idea of their daughter working in a private office, because they lack confidence in the behavior of the men.” An employer in the tourism sector confirmed this observation, stating, “The space does not provide protection for female workers. The client is always right, even if he harasses the girls. We cannot do anything and do not want to have a reputation.” Further clarification from the Women’s Affairs Center confirmed these social circumstances, specifically that “there is no prosecution of perpetrators of harassment even if a video exists about the incident. The man will be punished by a simple thing, while the women will be socially destroyed either at work or in the community.” As a result, women’s options become severely limited to those that can be found in their immediate environment.

Other legal differences in the treatment of the sexes can be found in *working hours and industry restrictions*, such as not mandating the same working hours for men and women at night and prohibiting women from working in certain occupations such as mining and metalwork. Although some of these restrictions are intended to protect women, in some industries such as accommodation and restaurants, they may curtail women’s job opportunities. Finally, discrimination based on sex in *access to credit* is not prohibited.

Possible gender discrimination in the private sector

The existence of gender-based discrimination in the labor market produces gender-differentiated outcomes in employment and labor force participation. On the one hand, it influences individuals’ and

households' incentives by conditioning their decision for participation in the labor market and the choice of a particular job or economic activity. On the other hand, it impinges on interactions between individuals and households in the economic sphere—as employers and employees—in a way that produces gender-differentiated outcomes (World Bank 2012). Gender-based discrimination manifests itself in multiple ways. It can take the form of explicit laws within existing institutional formal structures that restrict women's access to inputs such as property, land, and finance. In other areas, it may restrict women's access to employment in the form of implicit biases and preconceived prejudices that can set women back in terms of hiring, training, and promotion. In hiring, for example, statistical discrimination occurs when gender is used as a proxy for productivity. The broader global literature also attributes a significant portion of the unexplained gender wage gap to gender discrimination.[19]

In the Palestinian territories, a small and less traditional private sector leaves women subject to potential discrimination that may prevent them from accessing jobs in that sector or may affect them at later stages in their rise to senior and managerial positions. Discrimination takes two forms: unexplained wage gaps between skilled females and males of similar education and experience and employers' prejudices and biases toward women.

Unexplained gender wage gaps in the labor market

In the West Bank and Gaza, the extent to which there are gender differences in earnings and how much of that stems from discrimination as opposed to women's self-selection into certain low-paying occupations that require flexibility merit careful examination. In 2015 the median daily wage for men was 88 Israeli new shekels (NIS),[20] whereas it was NIS 83 for women. Even though the gap is minimal, it is nevertheless surprising because the average female worker is more educated and is far less likely to work in an informal firm or hold an informal job.[21]

[19] Many studies in developing and developed countries attribute a significant portion of the unexplained gender wage gap to gender discrimination. Some studies find that, after controlling for individual characteristics and place of residence, education differences between men and women only account for 10–50 percent of the observed wage gap in five low- and middle-income countries and for 0–10 percent in an additional five low- and middle-income countries and three high-income countries (World Bank 2012). Even when controlling for observable differences in worker and job characteristics, a set of studies found an unexplained gender gap (ranging from 12 to 20 percent). In general, wage discrimination is often very challenging to prove outside of experimental and quasi-experimental settings because of the additional unobserved or unmeasured differences in worker and job characteristics between males and females (Blau and Kahn 2000). Many studies attempt to overcome this shortcoming by testing the economic prediction that the gender wage gap should be diminished by competitive forces (changes in market power, deregulation, increased competition through trade). Other studies focus on job discrimination in hiring rather than wages by presenting job candidates with equivalent characteristics to employers (Blau and Kahn 2000; Goldin and Katz 2008; Ñopo, Daza, and Ramos 2011; Wood, Corcoran, and Courant 1993).

[20] One Israeli new shekel (NIS) equals US$.27.

[21] Recall that only 23 percentage of employed males in the labor force have a postsecondary degree, compared with 53 percent of employed females. Moreover, 83 percent of employed males work in an informal firm, compared with only 18 percent of female wage earners. Finally, 87 percent of males hold an informal job in the labor market, compared with only 13 percent of female workers.

Table 3.2 provides the median daily wage earned by groups of males and females, which is often below the set minimum wage (NIS 65).[22] In line with earlier evidence that both skilled males and females (that is, those with a postsecondary education) are likely to land quality jobs once they are successfully employed, both groups earn higher daily wages than the average worker, with males earning NIS 115 a day and females earning NIS 96 a day. Meanwhile, there are stark regional differences. Males earn more than females in the West Bank, whereas females earn much more than males in Gaza. As for sectors, the average male and female workers, including skilled ones, earn comparable wages in the public sector, whereas males (including postsecondary-educated ones) earn much more than females in both the informal and formal private sectors.

Table 3.2 Median daily wage for employed workers, by sex: West Bank and Gaza, 2015

Israeli new shekels

	Female	Male
Education		
- Illiterate	50	50
- Below secondary	50	77
- Secondary	40	81
- Postsecondary	96	115
Region		
- West Bank	84	100
- Gaza	82	58
Sector		
- Formal private sector	50	85
- Informal private sector	39	80
- Public sector	104	92
Postsecondary in the public sector	108	115
Postsecondary in the formal private sector	62	96
Postsecondary in the informal private sector	15	70

Source: PCBS, LFS, 2015.

Following common practice in the literature, conducting a standard Mincerian regression to estimate the determinants of hourly wages while accounting for key observable characteristics reveals a gender wage gap.[23] Net of education, years of experience, region, marital status, as well as select economic industries and occupations, the gender wage gap between males and females reaches 19 percent. In order words, men on average are paid 19 percent more than women after accounting for differences in human capital endowments, sectors of employment, and occupation. The gender wage gap is much larger in the private sector, reaching 46 percent, whereas there is a reverse gender wage gap in the public sector. Holding other

[22] The minimum wage is set at NIS 1,450 a month , or NIS 65 a day, or NIS 8.5 an hour.

[23] The basic Mincerian earnings estimation includes the natural logarithm of hourly wages as a function of a number of key observable characteristics, such as male dummy, experience, experience squared, and indicators for education levels, region, marital status, dummies for economic industries, and dummies for different occupations. The coefficient on the male dummy captures an estimate of the gender wage gap.

variables constant, women in the public sector are paid on average 4 percent than men. In that sector, there are generally more concerns about equity and less tolerance of discrimination (see table 1, appendix B).

To further explore the nature of the gender wage gap in the private sector, wage decomposition methodologies are applied. Wage decomposition methods break down wage gaps into two components: the explained and the unexplained part. The 'explained' portion can be attributed to observed differences in the characteristics between both genders; what is called endowments, such as education and years of experience. In other words, this part of the gender wage gap can be explained by lower levels of education and experience of women compared to men. In contrast, the 'unexplained' portion is attributed to differing returns/rewards to those characteristics across both genders, presumably due to discrimination. Table 2 in appendix B decomposes the mean wage differences between men and women into their explained and unexplained portions using the Oaxaca wage decomposition method (1973). This decomposition is presented in two specifications. The first specification follows from the Ordinary Least Squares (OLS) regressions, in which the dependent variable is the logarithm of hourly wages and the independent variables are: education level, potential experience in the labor market, potential experience squared, and individual dummy for Gaza. The second specification includes the same independent variables as specification one, in addition to individual dummies for inudstries of employment and occupation. Coefficients shown in table 2 have been converted from the logarithmic scale to the original scale (Israel Shekels). Therefore, the coefficients can be understood in percentage terms.

Panel A in table 2 appendix b finds that there is a 54 percent hourly raw wage gap between males and females in the private sector, without adjusting for differences in endowments and rewards. In 2015, the mean hourly wage was NIS 9.94 for males and NIS 6.43 for females. Results from speficiation one in panel A find that the explained portion of the wage gap attributed to observed characteristics is negative, at 12 percent.This indicates that women are better endowed than men in the private sector and if the returns to their endowments (per the covariates in the specification) were equal, there would be a gender wage gap in favor of women by 12 percent. Nevertheless, men have higher returns than women for most characteristics, resulting in a significant wage gap in favor of men and an unexplained portion of 76 percent. This means that if the average Palestinian female worker in terms of education and experience were compensated for those characteristics as equally as a Palestinian male worker is, she would earn 76 percent more than she currently does. In other words, she would earn an hourly wage rate of NIS 11.31 instead of what she currently earns at NIS 6.43, resulting in a 12 percent gender wage gap in her favor. The results indicate that the some unobservable factors (presumably discrimination) are influencing the gender wage gap in favor of males and that observable endowments do not explain any portion of it.

It is possible that women's potential self-selection into sectors, occupations, or industries that pay less but are compatible with women's care commitments at home will affect their wages when compared with those of their male counterparts. Nevertheless, evidence from specification 2 confirms that even after controlling for self-selection into particular sectors and occupations, the unexplained gender gap persists at 68 percent. Unexplained gender gaps for workers with similar characteristics who work in similar industries, occupations, and sectors point to gender wage discrimination, most noticeably in the private sector. However, this evidence is not conclusive because of unobservable factors such as productivity and ability.

The following excerpts from qualitative discussions relate the experiences that some skilled females have had with wage gender gaps. These accounts highlight, among other things, the weak enforcement of minimum wage law and workers' rights, as well as some held beliefs that male workers' responsibilities for supporting their families justify their higher wages:

- "I did not look for a job in the private sector due to the lack of job security, lack of health insurance, and a lump sum salary. Moreover, employers in the private sector do not abide by the minimum wages [NIS 1,450], which is also a very little amount." —An employed female from Hebron
- "When I worked as a kindergarten teacher, I used to accept low salaries which were NIS 400 a month and workers were exploited. After the intervention of a union, teachers' salaries were raised to the minimum wage in Palestine but not in all jobs. There is no insurance, no vacation days, and the law is not enforced." —An employed woman from Nablus
- "The greatest challenge I faced was gender discrimination. For example, I work all the week's work days while a man works three days and his salary is more than mine. Males get higher salaries than females." —An employed female from Hebron
- "A hairdresser or a shop owner pays you 400 or 500 shekels in the beginning. We are forced to accept because we are in need of the money. My productivity is the same as a young man. Why does he receive 3,000 shekels a month, although we produce more than them? We used to ask the boss why they get better salaries than us. He used to say they have houses and responsibilities." —An employed female from Ramallah
- "There is discrimination sometimes; employers don't give a female worker her rights and she might quit after a couple of months. Even the salary differs between a male and a female. A man might get 2,500 and a woman 1,500 even though they do the same job. This salary with transportation is not enough and at the end of the month you feel that there is no money left." —An unemployed female from Ramallah
- "Men have the right to reject low salaries because they have more responsibilities than women." —An unemployed female from Hebron

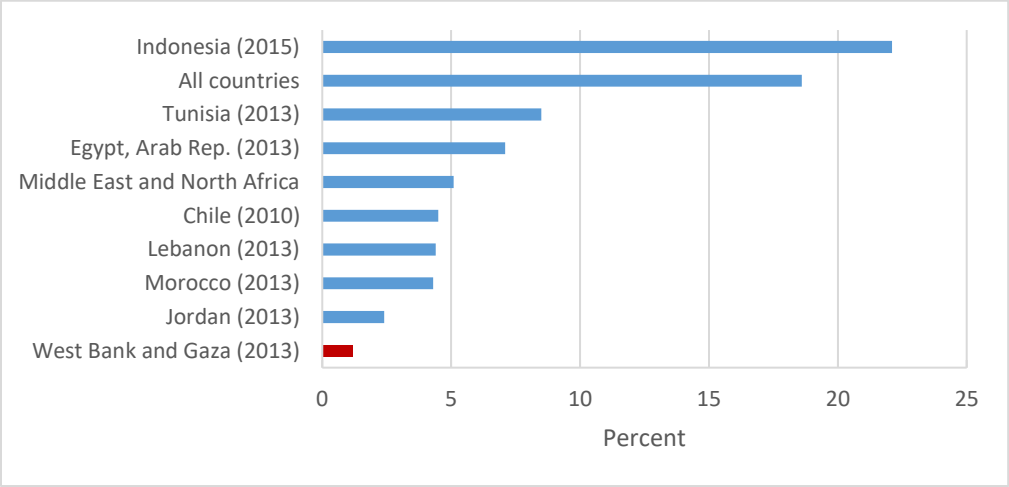
Low and unfair wages may continue to deter skilled women from taking jobs in the private sector. They also may result in on-the-job frustration and demoralization, which often ends in a woman leaving her job. During focus group discussions, many females said they left jobs only months after being hired because they could not accept the level of pay offered, which did not exceed NIS 1,000 a month, according to many testimonies. One woman in a Nablus focus group said this might happen even in the presence of a formal contract that guarantees a fair wage. Although there are no quantitative data on patterns of women leaving their jobs in the private sector, anecdotal accounts of such a limited time in employment indicate that women cannot develop additional skills or human capital in such a short time, thereby hurting their employability chances in the future. The exposure to exploitation may also entrench the negative beliefs that women may hold against employers, in some cases prompting women to leave the labor market entirely.

Social stereotypes and prejudices against skilled women in the workplace

Anecdotal evidence hints at entrenched social stereotypes and biases about women's abilities and productivity in the workplace. These sterotypes and biases seem to exist whether at the hiring stage or at later stages when it comes to promotion and professional development opportunities that would allow

women to rise to managerial and senior positions. Indeed, in 2013 the percentage of females who became top managers in the manufacturing, retail, and nonretail services sectors within the formal private sector was only 1.2 percent, compared with an average of 5.1 percent for the MENA region and 19 percent globally (World Bank 2013b)—see figure 3.13. Furthermore, the numbers of women doctors, managers, school principals, and ministry officials are limited, implying a degree of vertical segregation (World Bank 2010a).

Figure 3.13 Percentage of firms with a female top manager: selected economies and years



Source: World Bank, Enterprise Surveys, 2010, 2013, 2015, http://www.enterprisesurveys.org/.

Discussions with employed and unemployed workers of both sexes confirmed some of these stereotypes. For example, there remains a perception that women cannot exercise authority over men because of their gender. In a focus group of employed men in Gaza, one participant stated, “Men think day and night about how to make money and increase their capital, while women are satisfied with marriage and staying at home.” Other males believed that women were too “emotional” for the presumably rational thinking of senior management. These perceptions are mostly held in certain male-dominated sectors such as construction, engineering, and manufacturing, where males expressed skepticism that women could direct a workforce on site. One male engineer said, “Female engineers have an inability to interact in a rough manner.” In other instances, focus group participants acknowledged they would be comfortable with the promotion of a woman or working under a female manager if, as an unemployed male in Gaza put it, “she deserves that position.” Interestingly, some women stated that they themselves should not hold senior positions. One observed, “Women should not be appointed in senior positions, such as judge or president, because such positions are not suitable for women. Women can be minister of education or health.”

As for employers’ beliefs that women possessed the skills to undertake a job as well as their male counterparts, the interviews yielded mixed evidence. Thirty employers were asked to indicate their views on whether there is a difference in the skills of a female employee and a male employee to undertake various tasks. The allowed responses were (1) men are better equipped; (2) women are better equipped; (3) there is no difference.

Employers seemed to believe that women in general are as equipped as men, but that they lag behind in certain areas, mostly those calling for soft skills. The areas in which the majority of employers believed that

men are better equipped than women were finding new and better ways of thinking (16 employers); staying on a long and difficult task until it was finished (12 employers); working well in very busy or difficult situations (23 employers); and continuing in the face of challenging situations at work (12 employers). Employers believed *women are better equipped than men* in working well with others and listening to others' views (13 employers) and using a computer for email, Internet, word processing tasks, or other advanced purposes such as creating and managing databases or using specialized computer programs (16 employers). Areas in which employers believed *women are as equipped as men* were doing calculations and working with numbers (11 employers); reading and writing in English (18 employers); reading and writing in another foreign language (17 employers); being relied on to get things done (17 employers); and demonstrating specific technical skills (17 employers).

Employers' negative perceptions about women and their inability to advance in the labor market largely stem from employers' beliefs that women have competing demands that stand in the way of their careers, and so employers question their reliability and commitment to work. The majority of employers (22) "agreed" and "strongly agreed" with the following statement: women have conflicting time demands given family responsibilities. A retailer in Hebron asserted that "if a woman is married, she will believe that her obligations to her family are greater than to her job." A representative of an electrical company in Hebron stated, "Women in our society need their privacy and their vacations, leaves, pregnancy, childbirth, breastfeeding, etc. They have their own private circumstances."

Employers in the private sector also cited the issue of working long and late hours as a major reason for their reluctance to employ women. Of the 30 employers interviewed, 16, across all locations, explicitly listed women's inability to work long or flexible hours as an obstacle to their recruitment. A Ramallah-based employer in the medical industry observed that women "have an inability to stay late at work, or do not have flexible working hours, as women have their priorities at home." A representative of a Gaza-based bank added, "The problems with recruiting women lie in their family obligations and responsibilities that can affect their performance and focus at work. The working hours in the bank are long and this doesn't suit women sometimes." A Gaza-based pharmaceutical company stated that work from 8:00 a.m. to 3:00 p.m. typically constituted "long working hours" for women. Another Gaza-based employer in the tourism sector echoed this sentiment, stating, "We have a female receptionist. When the clock strikes 3:00 p.m., she considers herself very late at work."

Some employers also held other beliefs, such as that women are costlier than men because of labor regulations such as maternity leave provisions (12 employers) and that they lack the necessary work experience (15 employers). As an employer in the food manufacturing industry stated, "They are financially costlier and require paid maternity leave." Another employer in the investment and financial sector noted, "Challenges occur if a woman is married, because she will need her maternity leave and this hinders the work of the company somewhat. . . .This will put pressure on other employees and thus the leave becomes a problem and a challenge." Indeed, as noted earlier, maternity leave is currently paid fully by the employer, despite the passage in 2016 of a new social security law for the private sector that is awaiting implementation.

Other employers made statements that clearly went beyond the belief that women have other priorities; they questioned women's work ethics and interpersonal skills. One representative of the manufacturing sector in Nablus declared, "Women are arrogant . . . and have no intention to learn. They do not have the ability to work in a team and cannot handle the working pressure or long working hours." A representative

of the banking sector based in Ramallah added, “The motivation of females is lower in terms of personal motivation and eagerness.” A Nablus-based manufacturer observed, “Women might get emotional and take things personally.” Finally, a representative of a hotel in Ramallah noted, “Women are behind due to women themselves. They have to strengthen their efforts to develop their skills so they can participate with men.” Although it is difficult to fully ascertain whether the majority of employers in the private sector espouse such views, this sample, as noted earlier, represents firms from multiple sectors and industries and reveals a narrative consistent with that suggested by the quantitative data. However,the question of how such attitudes and perceptions held by employers translate into lower female recruitment rates and restricted access to promotion and training opportunities requires careful analysis and a larger and more representative sample.

Many women in the focus groups shared their own personal experiences with some of these biased attitudes. An unemployed woman in Gaza reported being denied a job because of her pregnancy: “I used to go for interviews and succeed, but when they discovered I was pregnant they didn’t take me.” In essence, the lack of laws to guard against discrimination and their weak enforcement may help solidify prejudices and prevent women from competing on equal terms with men. Other women recounted experiences in which their rights in the workplace were violated without employers being held accountable. One woman in Nablus said she was given only 40 days of maternity leave and was not allowed a breastfeeding hour. In focus groups in Nablus and Ramallah, stories of discrimination against women based on their physical appearance and choice of attire at the recruitment phase were told frequently.

Lack of safety in travel to work because of the Israeli occupation and restrictions on movement

The impact of the Israeli occupation and its multifaceted system of control of free movement on the Palestinian labor market has been well documented. Physical barriers, in the form of checkpoints and roadblocks, have been found to have nonnegligible negative effects on employment, wages, and days worked per month. In particular, placing a checkpoint one minute away from a locality was found to reduce its residents’ probability of being employed by 0.5 percentage points and their hourly wage by 5.2 percent. These restrictions affect the labor market mainly by depressing firms’ production and labor demand (Cali and Miaari 2013). Tight border closures also have negatively affected the employment of Palestinians in Israel. In recent years, they have been replaced by a surge in foreign workers (Bulmer 2013; Miaari and Sauer 2011).

The closure regime has a specific gender dimension. Movement and access restrictions have had an influence on female employment. Oberholzer (2015) finds a positive and significant relationship between construction of a separation wall and female unemployment, which is consistent with how restrictions affect employment outcomes for women through their spillover effects into the economy. As mentioned earlier, these effects broadly include the transformation of the Palestinian economy that saw the decline of productive female-led sectors and the increasing competition in the local economy due to limited jobs and limited access to the Israeli labor market. Physical barriers have also had an adverse impact on female mobility by reducing safety and limiting women’s options to their immediate surroundings.

Skilled females are subject to those restrictions that affect females in general. In 2015 only 13 percent of skilled females worked in districts outside of where they lived, compared with 22 percent of skilled males (PCBS, LFS, 2015). Many skilled females reported in the focus groups an increased sense of humiliation and fear at checkpoints because of invasive search procedures (such as being asked to strip or go through a

full-body X-ray machine) and the long waits in tight spaces with large numbers of men. Safety concerns become more complicated for young unmarried women, and in discussions many males expressed their reluctance to allow their sisters, daughters, or young wives to travel through checkpoints and dangerous roads every day to their workplaces. One female chief executive officer in the West Bank added:

> *If you are an employer and you have a choice between employing a male or female graduate, you'll take the male. If both have to travel through a checkpoint to get to your office, you are better off taking the man. His family won't mind him staying after hours to finish work, but for the woman staying late, returning home through the checkpoint, her family won't accept it. They'll create problems. She'll have to leave on time, if not before time. Businesses cannot operate unless their employees are flexible. (World Bank 2010a)*

A further hurdle is the lack of a reliable public transportation system that will enable women to move freely and safely when working late, without spurring concerns in other members of their household. An unemployed woman in a Ramallah focus group said, "Sometimes there are late meetings and, as I am from a village, society does not allow me to go to attend." This was confirmed by another group member, who spoke specifically of prohibitions leveled by household members. She explained that "the parents who live in villages do not accept the idea of their daughters working in cities." The logistical challenges of transportation deny women in villages the opportunity to work outside their immediate environment. For those who do not have private cars, making their way home can be difficult once public transportation has stopped running. This situation is one of several factors that make it difficult for female employees to work late hours. As one woman observed, "It is very hard to leave work after 6, as you won't find any cars to go home."

Social norms

Social norms may play a role in explaining some of the observed differences in the findings from the quantitative data on preferences for education concentration, occupation, and economic activity sectors. Society influences what is acceptable for young men and women to study. Internationally, the (voluntary) selection of men and women into different sectors and occupations is most closely linked to societal norms related to care responsibilities.

The selection hypothesis is based on the idea that, because of care and other responsibilities, women are more likely to choose occupations that provide flexibility and that may require fewer or infrequent investments in skills that depreciate significantly over time. These occupations tend to be those for which the returns to skills and experience are lower and, other things being equal, the wages as well. In the West Bank and Gaza, this situation is compounded by the absence of laws and regulations calling for subsidized and accessible quality child care, the ability to have flexible working hours, and paternity and maternity leave policies—in other words, those that could facilitate female employment in a larger number of occupations.

Women in the focus groups frequently highlighted the importance of flexible working hours and their responsibility to the household as factors limiting their ability to work. Public schools in the West Bank and Gaza have shortened days, often from 8 a.m. to 2 p.m., which perhaps partially explains why teaching professions are such a popular choice for women. There was a perception among focus group participants,

although not universally shared, that public sector jobs in general provide additional flexibility on working hours, making them especially suited to female employees.

Perceptions that women have restricted working hours were also reflected in discussions with employers, as highlighted earlier. Those in the private sector regularly express a reluctance to employ women because they believe women cannot work late hours. As one unemployed woman in Hebron stated, "Young males can work late hours . . . . Even if the job requires sleeping overnight, they have no problem while women cannot stay late at work." An employed woman in Nablus highlighted her challenge in finding a job that would allow her to work and take care of her family responsibilities: "Sometimes time is an obstacle to working women. For example, I got several jobs but for late hours, til 4 p.m. or 5 p.m. This creates difficulties to provide time for both my work and my home. Therefore I tried to find a job with working hours that end at 1:30 p.m. or 2 p.m." Another woman added, in discussing society's perception of the role of women, that "women are required to do home chores and raise children. This limits their time and they cannot be away from the house for a long time."

Social norms also place more direct restrictions on women's education choices. Many women indicated that in starting their higher education they were not free to choose their field of concentration. Instead, a male figure, such as a father or uncle, had a significant influence in choosing their field of study. An unemployed woman in Gaza recalled that she was "determined to study nursing, because it was my dream. I will never forgive my uncle because he objected to my decision to study nursing." This finding was not, however, a universal reality because both employed and unemployed women in multiple focus groups stated that they were free to make their own decisions and received support from their family in doing so. As one woman recounted, "I didn't receive support from anyone. Frankly, when I wanted to study beauty, my grandfather stood in [my family's] face and told them, 'Let her go and study what she wants.'" An unemployed woman in Gaza added, "I received all the support from my family. My father educated the girls and was more interested in their education, because, in his opinion, if they had a hard time in life, a diploma would be a weapon for them."

Some skilled women also talked about how male family members frequently had decision-making power on what jobs were deemed to be acceptable. An unemployed woman in Gaza stated, "Girls have to choose a specialization that is suitable for them. As for nursing, staying late at night is forbidden. How would a female lawyer intervene between men and talk to them? Educational counseling is an appropriate field for women." An employed woman in Gaza added that women "often choose teaching or medical specialties. Prevailing customs, traditions and culture control the options available for women."

The perceived value of tertiary education is also shaped by social norms. Both men and women in focus groups mentioned that education is viewed as a way to enhance a women's social capital for marriage and is not necessarily a means of gaining employment. As one unemployed male from Gaza stated, "Some girls want to work in order to get married, as it is understood that working women will be more preferred." Another unemployed male in Hebron added that because females "have their family's, father's or brother's support in getting married in the future, they don't have to start from zero. . . . They need a certificate and then might hang it at home or work with it in the future. Nothing more." An unemployed woman in a Nablus workshop added further perspective, explaining, "Women don't want to work because they believe their husband will provide anything. For a lot of women, work is not their priority and they rely on their husbands." Some employers held similar views, including a representative of a Ramallah-based bank, who stated, "You find that female applicants of a marriageable age have lower expectations . . . thus making

their job search less urgent." A retailer in Hebron added, "If [a woman] is married, she will believe that her obligations to her family are greater than to her job."

Women in the Palestinian territories also face mobility constraints arising from societal norms. For example, an employed woman in Gaza said, "Accounting requires me to go out [and work in the field or travel to firms]. That's why I changed my major to teaching." In focus group discussions, several women highlighted that they are restricted by societal norms from traveling for work as they are uneasy about the potential for gossip that may emerge in the community, limiting their options to those that can be found in their immediate environment.

Lack of information on women's performance in light of their absence from many firms and sectors, as well as their exclusion from informal hiring networks

Women's absence from many sectors, occupations, and firms may further perpetuate their segregation because employers do not have complete information on their performance, making it difficult for employers to adequately form expectations about their productivity. This situation is exacerbated by the fact that female job seekers may lack a credible signal of their own skills and competence, particularly because many of them study fields geared toward public sector employment that tend to be theoretical in nature, without applied knowledge and professional tools. In addition, skilled women face longer spells of unemployment, which may reflect negatively on job market signaling.

Another factor is that employers in the private sector, particularly in small firms, may lack a credible screening mechanism (possibly because of its high search costs), relying instead on informal networks from which skilled females may be excluded. For example, a field experiment in Malawi found that when using referral-based hiring, men systematically refer few women, despite being able to refer qualified women when asked explicitly for female candidates (Beaman, Keleher, and Magruder 2016). This issue was highlighted in discussions in which many participants emphasized the role of informal and personal connections in finding employment and hiring workers. As one Gaza-based employer noted, "When we need workers, we ask our current employees to bring their relatives or friends to work with us, as they are immediately available." An unemployed woman in Ramallah added, "400 people will apply for a job but the names to be accepted are already there. A person might not even apply, but be given a job."

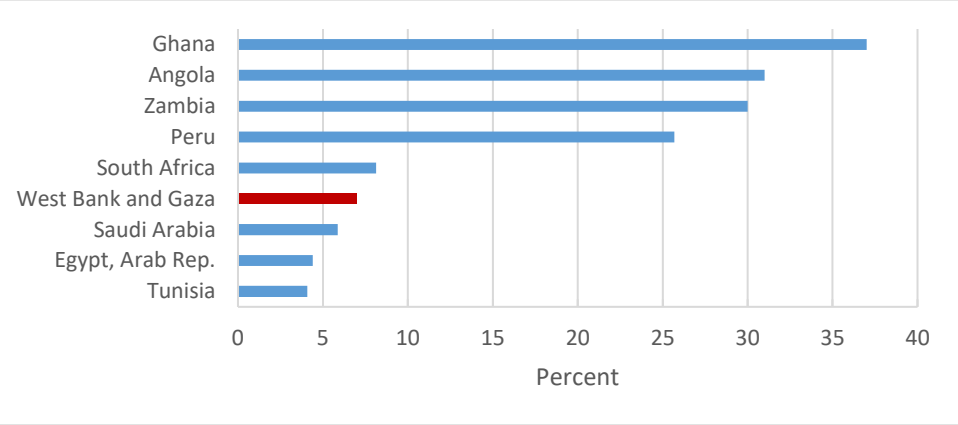
Exclusion of skilled women from high-productivity entrepreneurial activities

In settings in which the demand for labor is low, entrepreneurship may be a promising solution by enabling youth to create their own jobs in a sustainable manner and contribute to innovation and economic growth. Among skilled men and women in the Palestinian territories, entrepreneurship remains a popular idea in a conceptual sense. Many people are drawn to entrepreneurship because of the sense of freedom gained by working for oneself and the sense of pride and self-worth derived from building a successful business. Among women especially, entrepreneurship is viewed as a means of achieving the self-expression that was denied in their education or employment. In Gaza, women frequently describe how they pursue a "hobby" to boost their self-esteem and to be creative, citing soap making and cooking as two examples.

Yet, as previously indicated, the majority of postsecondary-educated individuals of both sexes work in the public sector, reflecting the role played by that sector in absorbing high-skilled individuals. Indeed, only 1.7 percent of skilled females and 5.7 percent of skilled males indicated in 2015 that they were employers

(PCBS, LFS, 2015). Globally, employers tend to be more educated than wage employees and the self-employed (Gatti et al. 2013), and yet in the Palestinian territories only 20 percent of employers have a postsecondary education. This finding denotes the limited number of high-productivity entrepreneurs and small percentage of highly educated firm owners in the PT, more so among skilled females than skilled males. In 2013 the percentage of firms in the nonagricultural private sector with female participation in ownership was 12.6 percent, compared with an average of 22.7 percent for MENA and 34.3 percent globally (World Bank 2013b). In addition, only 7 percent of women became entrepreneurs in 2010 with businesses that had been established for three years or less, compared with 14 percent of men (London Business School 2010)—see figure 3.14.

Figure 3.14 Percentage of females with young businesses: selected economies, 2010



Source: London Business School 2010.

The obstacles to entrepreneurship most commonly cited by focus group discussants were limited access to capital, the high interest rate on loans, the harsh consequences for defaulting on loans (including prison time), a poor enabling environment and lack of governmental support for entrepreneurs, as well as the high cost of doing business, such as obtaining proper licensing. In 2017 the Palestinian territories scored 53.21 on ease of doing business in terms of their distance from the frontier score, compared with a regional average of 56.36 and Jordan's score of 57.3, where 0 represents the worst performance and 100 the frontier (World Bank 2017).

Skilled women face many of the same obstacles to entrepreneurship as skilled men. However, in addition to these obstacles, the qualitative data reveal that skilled females must contend with additional impediments that do not stand in the path of males, including significant social restrictions. The uncertainty surrounding young businesses means that entrepreneurs may have to work late or work chaotic hours, something that is more difficult for Palestinian women because of their traditional roles in the household. In addition, the small size of these enterprises means that the entrepreneur may have to take on various responsibilities, including those that require travel. Both of these factors are major barriers to women who continue to have stringently defined social roles in terms of child-raising responsibilities and taking care of the family. Indeed, the existing labor laws on workforce protection do not cover self-employed women or female seasonal workers, presenting further difficulties for skilled women in considering entrepreneurship or self-employment.

Obtaining capital and licensing or undertaking other processes that require interaction with a ministry, bank, or other body also may require a male figure. Mobility restrictions frequently result in women having fewer professional networks, which are often needed for successful entrepreneurial activities, and contacts are often confined to family or limited social circles. Because of the importance of who you know, or *wasta,* in Palestinian society, this can be a major barrier. As a woman in Ramallah observed, "For a man, he can start a business and it might succeed or fail but he will find funding through his network." Indeed, most of the social contacts and institutions within Palestinian society (chamber of commerce, trade associations, and the like) are run by men for men, making it difficult for Palestinian women entrepreneurs to access these networks (World Bank 2010a).

At times, women may face restrictions arising from misplaced biases by male figures. As expressed in a Hebron focus group, employed males believed that women "do not know anything about the market" and are less adventurous, and they could be expected to "cancel the project if the loss is 1 percent." This bias leads in turn to low confidence and fear of failure among women. Some highlighted that if their business fails, they will be denied the opportunity to try again. However, this view is not universal and is contested by other women, who believe that if a woman has a supportive environment she can make a second attempt. And yet when read in the context of male attitudes toward female entrepreneurs, the fear of failure and expressed risk aversion are understandable.

Finally, evidence indicates that because women use less credit than men, lenders have little to no information about women's potential repayment capacity and are unwilling to extend them credit even if they are creditworthy. Recently, the Palestinian territories established a credit registry, which is managed by the Palestine Monetary Authority and reports credit data from one home appliance retailer and one mobile phone utility, as well as data from banks and microfinance institutions with no minimum loan amount covered by credit agencies. The registry is intended to support women (who borrow smaller amounts than men) in building their credit history. However, in reality women often do not have control over their own income, and under social norms the husband is the head of the family and responsible for all financial activities. In 2014 only 21 percent of females age 15 and over had an account at a financial institution, compared with 27 percent of males (World Bank 2014a). Moreover, even though the law maintains that both women and men have equal ownership rights to property (World Bank 2017), few women own land or property, which may also limit their ability to offer collateral (Azzouni 2010).

Chapter 4

Policy recommendations

The findings in chapter 3 highlight several constraints. The main binding constraints, particularly those related to the limited availability of jobs suitable for the high-skilled, are unlikely to significantly ease without a change in the political situation in the Palestinian territories and the lifting of movement and access restrictions. However, important constraints at the microeconomic level can be eased. Some are amenable to immediate recommendations that can be prioritized in the short term. For others, reforms made in the medium term are more appropiate. Some of the immediate recommendations specifically target skilled females, while others, particularly medium-term reforms, can be applied to all women, and thus they have the added value of encouraging labor force participation and raising activity rates among other groups of women.

Short-term policy recommendations

- **Support entrepreneurship and microwork among skilled women, building on the current successful initiatives, exploring options for scale-up, and both implementing and evaluating pilot interventions.**

Easing entrepreneurship constraints on skilled females is a promising potential way to improve employment and earning outcomes in the Palestinian territories. In this regard, options such as microwork[24] and e-lancing (virtual freelancing), whereby skilled workers, particularly females, can access regional and global markets from home, are promising opportunities worth analyzing and fostering. A feasibility assessment by the World Bank in 2013 revealed that the high unemployment among skilled females constitutes a significant labor pool for microwork, particularly in cities outside of Ramallah where wages and living standards are lower (World Bank 2013c). The main advantages of microwork in the PT are a young, tech-savvy workforce, a higher regional advantage in the use of English, and adequate access to the Internet and computers, with more competitive costs for access to the Internet than in other countries in the region. Moreover, Palestinian labor law has no specific restrictions for microwork. Nevertheless, important deliberate steps must be taken to mitigate the business risks and increase the value added to the industry in the PT. These include forging partnerships between local intermediaries and international aggregators to reduce some of the challenges associated with international micropayment mechanisms and ensure compliance with laws designed to prevent the financing of terrorist activities. Developing pilots on a limited basis remains essential to testing the viability of this option, identifying the types of microtasks in which skilled women have a comparative regional advantage, and exploring their willingness to perform tasks that may pay below the local market level.

Other innovative solutions could include setting up social enterprises and community networks that can promote teleworking and working from home for mothers. In Malaysia, eHomemakers, a community network set up for women who wish to balance work life and home responsibilities, provides its online

[24] Typical microtasks include market research, information gathering, data input, data verification, proofreading, translation, copyediting, and graphic design.

members with a platform to generate income and cultivate entrepreneurship through home-based ICT activities. An example of such projects is selling online handmade baskets from recycled paper. In 2010 the network had 17,000 members, of whom 70 percent were women. It also provides training for women on the use of ICT to set up teletrading sites from home.

Because there are severe constraints on firm growth in the Palestinian territories and a limited number of established firms, start-ups are a dynamic source of employment for young and educated workers. Currently, a number of existing sources of financing and human and professional resources support the Palestinian entrepreneurship ecosystem.[25] However, more could be done to build on successful examples and expand opportunities for skilled women. Gaza's start-up community has become one of the most female-inclusive in the world. For example, Gaza Sky Geeks is a seed accelerator that was founded in 2011 with a US$90,000 grant from Google to provide mentorship and support to start-ups in Gaza to help grow the nascent tech industry. Currently, about half of the founders of the start-up companies that Gaza Sky Geeks mentors are led by women. The current goal is 80 percent in an effort to overcompensate for the gender gap in the tech world (Stuart 2016). Moreover, the organization has been supporting efforts to introduce young women to coding and web development skills, with the hope of integrating more women into the tech industry that has been growing rapidly in the PT and providing job opportunities for them.

Another promising example is the joint International Finance Corporation (IFC) and Bank of Palestine program that is designed to boost access to finance for women entrepreneurs and advance the potential of women-led businesses (IFC 2015). The Mini MBA program, a six-month course that was launched in October 2015, aims to develop the business and leadership skills of established women entrepreneurs. It offers a range of financial products for women, from collateral-free and gold loans to financial literacy programs and online knowledge toolkits.

To address the social constraints highlighted earlier, it is important that such initiatives and future ones focus on building among women entrepreneurial skills that can boost their confidence and aspirations. Male members of households also need to be targeted to raise awareness and build an entrepreneurial culture to correct some of the misplaced perceptions and biases against female entrepreneurship.

- **Strengthen labor market intermediation services and facilitate job matching for skilled females.**

Employers highlighted the skills mismatch between those possessed by recent graduates—both male and female—and those needed by employers for their workforce. This mismatch could explain in part the high youth unemployment rates. Labor market programs and intermediation services remain particularly important for skilled females because they tend to choose fields that are geared toward public sector employment, with many likely unable to signal their credibility.

Implement active labor market programs that specifically target skilled females to match skills demand with skills supply. One of the most efficient ways to support skilled women in acquiring the relevant knowledge and professional skills they need to excel in the labor market is to apply theories learned in class to real work settings through internships and on-the-job training. Both can also provide a credible signal to employers and challenge some of their perceptions about women's productivity. According to

[25] For a comprehensive review, refer to World Bank (2015b).

evidence from the Republic of Yemen, such programs may lower youth unemployment in a context of substantial economic and political uncertainties (McKenzie, Assaf, and Cusolito 2015).

Improve job search assistance and intermediation services between skilled female workers and firms. These services would include training, placing female job seekers in new jobs, providing information about wages and qualifications for a given occupation or sector, as well as engaging experienced skilled female workers as mentors for younger female workers. Other job intermediation services to overcome incomplete information include administering psychometrics and skills-based tests as a matching service to signal competence to employers. Evidence from Jordan suggests that such a matching service increases the probability of employment and earnings for educated young females (Groh et al. 2015).

- **Strengthen systems for skills development for skilled females.**

Skill certification, also known as competency-based certification, aims to promote and facilitate the acquisition of job-relevant skills. It involves a framework in which workers and firms have clear information on those skills and on acceptable standards to facilitate matching and promote life-long learning (World Bank 2010b).

Implement skills certification/accreditation programs for young, skilled females through targeted subsidies. In the context of the Palestinian territories, a demand-driven skills training and certification system, with the involvement of firms and training providers, could be provided for skilled females to further support matching with firms and overcome information problems. Certification could be conducted according to developed competency-based standards in key sectors and occupation. This effort could be complemented with an accreditation system for training institutions, which would jointly form quality assurance mechanisms. Subsidies could target young and skilled women for training to support their transition into the labor market. In this regard, Chile's Califica has developed an integrated approach to skills certification (World Bank 2010b).

- **Create and support an enabling environment in the private sector for safe and decent work for all women.**

As the analysis uncovered, skilled women continue to face limited access to jobs in the private sector. Much of the perceived discrimination and existing biases, disguised by laws that do not offer equal protection, make it hard to change societal norms. In addition, such laws continue to reinforce attitudes in favor of public sector employment and segregating women into limited fields and occupations viewed by family members as offering women the only options for "decent" and "safe" jobs. The Palestinian territories can promote an enabling environment (that may benefit all women regardless of their skill type) through the following immediate actions.

Implement national communication strategies that reduce biases and stereotypes in society. National campaigns can help spread awareness of the economic gains of female employment, as well as correct some of the biases. In Spain, a national campaign entitled "Being a Mother Is a Plus," gained significant traction among the public. It highlighted the story of a hard-working and highly ambitious mother, Laura, who has the resumé needed to successfully rise to a managerial position, but still faces significant challenges as she reattempts to enter the labor market: employers are reluctant to hire her because of her care responsibilities at home.

Implement targeted strategies to change (male) behavior, particularly in the private sector. In private enterprises, targeted strategies that champion leadership on gender issues from the top help create opportunities for women through sponsorship, robust talent management, and the targeted search for female candidates for senior executive positions, who will in turn serve as positive role models for future generations of girls (Elborgh-Woytek et al. 2013).

Create safe spaces for women to work away from harassment and fear of reprisals. This can be accomplished by institutionalizing report cards in the workplace to exact accountability and systematically uncover and address reports by females of misconduct and harassment.

Assess public transportation options. Many women in focus groups highlighted mobility constraints as major barriers to their ability to find an acceptable job. Checkpoints and security concerns are the main barriers in the context of the Palestinian territories, but lack of affordable and acceptable public transportation was also cited as a significant factor. Although a network of shared taxis, minibuses, and taxies does exist in both the West Bank and Gaza, many women did not view these as viable options to travel to and from work, especially after dark. Both fears of harassment and the appearance of impropriety were cited as concerns. An assessment of public transportation options could provide valuable insight into overcoming this barrier. Female-only minibuses along popular routes after dark could be a viable option. Several countries, such as the Arab Republic of Egypt, Japan, and Mexico, provide public transportation for women only. The private sector couls also adopt measures to ease mobility constraints for women, such as providing buses to take women directly from their homes to the workplace (Gatti et al. 2013).

Medium-term policy recommendations

- **Reform gender-based laws that limit women's choices in careers, sectors, and occupations.**

Revisit legal workforce protection provisions that discriminate based on sex and may strengthen prejudices by employers. Such provisions may not mandate equal remuneration for work of equal value, may not mandate nondiscrimination in hiring based on sex, or may not prohibit employers from asking about family status when hiring and at the recruitment stage. On this aspect, many women in focus group discussions mentioned that they had been rejected from jobs solely because they were pregnant or, in the estimation of employers, were likely to become pregnant. Under existing law, pregnant women are only protected from discrimination or termination once they are already hired. Laws should be developed that protect women from such discrimination and bar employers from rejecting female candidates based on their family status at the hiring stage.

Introduce legislation against sexual harassment in the workforce that deems it a criminal act and allows women to prosecute claims in court. It is important that a change in laws be accompanied by strong implementation and enforcement. Laws can create an effective deterrent against crimes and encourage women to report discriminatory acts. It is also important to make the population aware of the legal consequences of workplace harassment.

Address legal bottlenecks that limit access to economic opportunities for married women and limit their autonomy to work effectively, particularly in requiring permission for getting a job and for traveling outside home. A closer look could be given as well to aspects of the legal system that reinforce women's traditional roles in society and further reduce their ability to prioritize employment and compete for career advancements. These aspects mainly relate to the division of responsibility within the family, such as wives

being required to obey their husbands and spouses not sharing equal financial responsibility in maintaining a family.

- **Reform labor regulations to maintain incentives to hire women and for women to accept private sector jobs.**

As noted in the qualitative discussions, there are deep-rooted norms and beliefs about who does housework and provides child care within the home. Rather than trying to change those norms, it is important the Palestinian territories introduce policies and labor regulations that work around them. Such policies need to ensure that women are supported in taking on competitive and productive jobs despite their responsibilities at home, all while ensuring that such labor regulations do not become burdensome on employers and do not act as incentives against hiring women.

Reform employer-paid maternity leave policies and design parental leave policies. Many private sector employers view the current practice of employers fully paying for maternity leave as a barrier to hiring women. As noted by an employer in Hebron, "I believe that the labor law must be changed and the benefits given to women reduced, such as 20 days [for maternity leave] instead of 70. I personally cannot employ a woman who takes 70 days of paid leave. Even if it was not paid it would be a burden, because I cannot find a replacement. . . . The private sector believes that the cost is double because someone else is replacing her and taking her salary. This is a problem." The new private sector social security system, signed into law in March 2016, covers maternity benefits through the social security fund; workers and employers would make contributions of 7.7 percent and 10.4 percent, respectively. However, its implementation is currently pending, and its successful roll-out and enforcement remain vital in enhancing the enabling environment that will allow highly educated women to be successful in the formal private sector. Meanwhile, Jordan's experience with abolishing employer-paid maternity benefits and introducing maternity insurance paid by the social security system may prove useful for Palestinian policy makers as they implement and scale up the newly signed bill.

Societal expectations that a woman should be the primary care provider is reinforced when paternity leave is not provided. The introduction of paternal leave that is equal to maternal leave will likely reduce employers' reluctance to hire women because men would also have a right to paid leave.[26] Despite the sensitivity such a measure may generate when first introduced, both paternity and maternity leave policies may provide incentives for men to take on more child care duties and help foster more nuanced norms around care (Gatti et al. 2013).

Provide affordable and accessible quality child care services. As previously indicated, affordable child care is not subsidized by the state, nor is it provided by employers. Because Palestinian women spend more time on child care than men, the provision of accessible and quality child care services would enhance women's prospects for productive and competitive careers and may reduce their level of segregation in specific sectors. Palestinian policy makers could contemplate providing child care services for working mothers either through the private sector or nongovernmental organizations (NGOs), usually with public subsidies and regulations. So-called community mothers could also be an option. In such an arrangement,

[26] So that they do not increase the costs for employers and negatively affect their demand for labor, paternal leave policies may be financed through public subsidies or as part of an insurance scheme.

mothers receive both training and subsidies and care for children in their designated homes, which operate as community child care centers (such as in Colombia's Hogares Comunitarios program). Employer-provided daycare centers in areas where many employers are clustered may also be an option (such as in rural India). In addition to the documented positive effects on the welfare of future generations, such child care services create jobs, mainly for females, and allow mothers to be economically active. Studies have revealed that such services have also been associated with increased labor force participation rates for women as well as hours worked (Gatti et al. 2013; World Bank 2012).

Expanding coverage of those benefits to entrepreneurs and self-employed females is important to provide the enabling environment needed for women to take on risks and engage in innovative projects. In Canada, a newly passed reform that extended job-protected leave to one year for women giving birth has motivated them to use their maternity leave to incubate real businesses. Findings indicate that, because of the reform, entrepreneurial activities, particularly among more educated mothers, has increased by 1.8 percentage points (Gottlieb, Townsend, and Xu 2017).

Chapter 5

Conclusion

This study has assessed the employment constraints and opportunities for skilled females in a fragile context with severe barriers to job creation. Palestinian women clearly see education and human capital development as an investment worth pursuing. As nicely put by one unemployed female in Gaza, "I received all the support from my family. My father educated the girls and was more interested in their education, because, in his opinion, if they had a hard time in life, a diploma would be a weapon for them." Higher rates of gender parity by education, particularly at the tertiary level, have been achieved. In addition, the majority of women who receive a postsecondary education enter the labor market in a search for good jobs that can provide them with financial security, autonomy, and professional fulfillment of their ambitions and dreams. However, a worrisome trend has emerged in the Palestinian territories: a weak link between education and employment for females. However, this trend is less severe among males, as evident in the disparities in the unemployment rates between skilled females and males.

In highlighting the supply and demand side challenges underlying these disparities, this report has argued that not utilizing this highly ambitious and educated cohort of women in the labor market is a large missed opportunity for the Palestinian economy. Specifically, skilled females have the potential to contribute to economic growth in the short term. In addition, continued unemployment may pose a potential danger in discouraging future human capital investment, which may have consequences for welfare and stability in a fragile context.

Even in a context in which the larger external environment dictates many of the barriers facing development of the Palestinian economy, there are a number of internal constraints as well. If addressed, they can play an important role in reducing the high unemployment rates skilled females disproportionately encounter when compared with their skilled male peers. This is particularly related to findings that highlight the environment surrounding employment in the private sector, which continues to influence why women tend to prefer public sector jobs. The public sector remains the least discriminatory sector and more conducive to family life, and it often offers flexible work hours, leave, and job security. It is also perceived as safer for females than private sector jobs.

In moving forward, it is vital that the policy recommendations in chapter 4 be properly discussed by key policy makers and that a consensus be reached on the feasibility of implementation. In addition, policies that address skilled female employment need to be mainstreamed in development projects by the World Bank and other members of the donor community. In this regard, the Bank's newly developed Second Country Gender Action Plan for fiscal 2018/19, as well as the Next Assistance Strategy for the West Bank and Gaza outline how policies in support of skilled female employment can be integrated within existing projects. They can also help identify local stakeholders who can champion efforts in taking this agenda forward. Finally, it is important that the policies adopted for easing skilled female unemployment, particularly in the private sector, are sufficiently coordinated and complemented with other organizations' efforts. These include the work led by the IFC and the Multilateral Investment Guarantee Agency (MIGA), among others, which is focused on improving the environment for dynamic and inclusive private sector growth and strengthened institutions for greater private sector participation.

Appendix A

Participants in qualitative data collection

Table A.1 Characteristics of focus group participants

Demographic	Subdemographic	No. of participants
Location	Ramallah	27
	Nablus	46
	Hebron	37
	Gaza	33
Employment status	Employed	74
	Unemployed	69
Sex	Male	67
	Female	76
Refugee status[a]	Registered refugee	54
	Unregistered refugee	2
	Nonrefugee	85
Marital status	Married	67
	Single	70
	Other	6
Education	Associate degree	35
	B.A./B.Sc.	84
	Higher diploma	2
	Master's	17
	Ph.D.	3
Specialization	Marketing/business	29
	Health	10
	Public administration/law	17
	Education	28
	Literature	24
	Science	13
	Engineering/technology	22
Sector of employment (among employed participants)	Public	6
	Private	53
	Nongovernmental organization	11
	International organization	3
Work sector (among employed participants)	Construction	5
	Wholesale and retail trade	4
	Information technology (IT)	7
	Insurance and finance	2
	Real estate	3
	Technical/TVET	8
	Support services and administration	9
	Public administration	2
	Education	8
	Health/social services	13
	Art and entertainment/hospitality	1

	Other services	10
Age	20–25	50
	26–30	41
	30+	52
Duration of employment (among employed participants)	Less than 5 years	26
	5–10 years	17
	11–20 years	18
	More than 20 years	6

Note: TVET = technical and vocational education and training.

a. Figures may add up to less than 143 as a result of participants not providing full information.

Table A.2 Characteristics of participants in employer interviews

No.	Size of business	Location	Sector	Industry
1	Large	Ramallah	Public	Wholesale and retail trade
2	Large	Ramallah	Private	Sale and retail
3	Large	Ramallah	Public	Construction
4	Large	Ramallah	Private	Sale and retail
5	Large	Ramallah	Private	Human health
6	Medium	Ramallah	Private	Sale and retail
7	Medium	Nablus	Private	Agriculture
8	Medium	Nablus	Private	Manufacturing
9	Large	Nablus	Private	Sale and retail
10	Large	Nablus	Private	Manufacturing
11	Medium	Nablus	Private	Human health
12	Medium	Nablus	Private	Manufacturing
13	Medium	Nablus	Private	Insurance
14	Medium	Hebron	Private	Construction
15	Large	Hebron	Private	Manufacturing
16	Medium	Hebron	Private	Manufacturing
17	Medium	Hebron	Private	Construction
18	Large	Hebron	Public	Sale and retail
19	Medium	Hebron	Private	Manufacturing
20	Medium	Gaza	Private	Agriculture, forestry, and fishing
21	Medium	Gaza	Private	Human health
22	Medium	Gaza	Private	Tourism
23	Large	Gaza	Private	Construction
24	Large	Gaza	Private	Finance
25	Large	Gaza	Public	Sale and retail
26	Medium	Gaza	Private	Sale and retail
27	Medium	Gaza	Private	Sale and retail
28	Large	Gaza	Private	Manufacturing
29	Medium	Ramallah	Private	Services
30	Medium	Ramallah	Private	Sale and retail

Table A.3 Participants in key informant interviews

Key informant	Position/title
Maher al Tabaa'	Economic expert and head of public relations, Chambers of Commerce—Gaza
Amal Syam Hedaya Shamoun Reem El Neirab	Director, Women's Affairs Center (WAC) Research manager, WAC Small projects manager, WAC
Amal Masri	General director, Augarit Company; businesswoman and owner, *Middle East Business Magazine*
Naser Qatami	Undersecretary, minister of labor
Naela Odeh	Working women program manager, Palestinian Working Women's Society for Development (PWWSD)
Samia Butmeh	Professor of labor and economics, Birzeit University
Reem Aboushi	Director, Palestinian Businesswomen's Association (ASALA)

Appendix B: Gender wage gap analysis tables

Table B.1. Determinants of log hourly wage, 2015

	Panel A. Overall		Panel B. Public sector employees		Panel C. Private sector employees	
	Estimate	St. Error	Estimate	St. Error	Estimate	St. Error
Constant	1.31***	0.08	1.48***	0.10	1.27***	0.09
Male	**0.19*** **	**0.01**	**(-)0.04*** **	**0.01**	**0.46*** **	**0.02**
Education (reference point: illiterate)						
Reads & Writes	0.18**	0.08	0.01	0.10	0.16*	0.09
Elementary	0.22***	0.07	0.08	0.10	0.14	0.09
Preparatory	0.32***	0.07	0.14	0.10	0.23***	0.09
Secondary	0.40***	0.07	0.30***	0.10	0.29***	0.09
Diploma (less than Bachelor and higher than high school	0.53***	0.08	0.48***	0.10	0.30***	0.09
Bachelor degree	0.90***	0.11	0.70***	0.10	0.47***	0.09
Masters degree/ higher diploma	1.09***	0.08	0.90***	0.10	1.06***	0.11
PHD	1.50***	0.10	1.12***	0.12	1.67***	0.14
Potential experience	0.03***	0.00	0.03***	0.01	0.03***	0.00
Potential experience squared	(-)0.00***	0.00	(-)0.00***	0.00	(-)0.000***	0.00
Marital status (reference point: never married)						
Married	0.16***	0.01	0.12***	0.02	0.15***	0.02
Other	0.00	0.14	(-)0.04	0.04	(-)0.09	0.06
Gaza (referene point: West Bank)	(-)0.45***	0.01	(-)0.19***	0.01	(-)0.77***	0.01
Industry (reference point: other)						
Agriculture	0.05**	0.02	(-)0.11	0.34	0.07**	0.03
Manufacturing	(-)0.12***	0.02	(-)0.15	0.13	(-)0.13***	0.02
Construction	0.47***	0.02	0.18	0.24	0.42***	0.02
Commerce – hotels	(-)0.28***	0.02	(-)0.27	0.20	(-)0.20***	0.02
Transport – storage	(-)0.20	0.02	0.06	0.04	(-)0.12***	0.02
Occupation (reference point: elementary occupation)						
Legislators & senior managers	0.33***	0.03	0.38***	0.03	0.38***	0.06
Professionals & technicians	0.14***	0.02	0.14***	0.02	0.27***	0.03
Service & sales workers	(-)0.06***	0.02	0.11***	0.02	(-)0.12***	0.02
Skilled agricultural workers	0.11	0.07	0.40**	0.17	0.02	0.08
Craft & related trade workers	0.18***	0.01	0.16***	0.04	0.19***	0.02
Plant and machine operators	(-)0.02	0.02	0.07**	0.03	0.02	0.02
R-squared	0.42		0.49		0.48	
No. of observations	18,049		6,085		11,077	

Note: *significant at 10%. ** significant at 5%. *** significant at 1%.

Table B.2. Oaxaca decomposition of the difference in mean wages between males and females in the private sector

	Specification 1		Specification 2	
	Coefficient	Std. Err.	Coefficient	Std. Err.
Panel A. Decomposition of mean hourly wages				
Average hourly wages for males	9.93***	0.08	9.93***	0.08
Average hourly wages for females	6.43***	0.13	6.43***	0.13
Difference in hourly wage between males and females	1.54***	0.03	1.54***	0.03
…due to differences in endowments (explained)	0.88***	0.01	0.92***	0.02
…due to differences in returns to those endowments (unexplained)	1.76***	0.04	1.68***	0.03
Panel B. Explained portion of the wage gap				
Education	0.87***	0.01	0.90***	0.01
Experience	1.05***	0.02	1.04***	0.01
Experience squared	0.97**	0.01	0.98**	0.01
Gaza	0.98*	0.01	0.98*	0.01
Industry	--	--	1.11***	0.01
Occupation	--	--	0.92***	0.01
Panel C. Unexplained portion of the wage gap				
Education	0.60***	0.04	0.71***	0.07
Experience	1.61***	0.11	1.35***	0.09
Experience squared	0.76***	0.03	0.83***	0.03
Gaza	1.44***	0.06	1.20***	0.05
Industry	--	--	1.75***	0.22
Occupation	--	--	1.88***	0.25
Constant	1.69***	0.18	0.54***	0.11

Note: Coefficients in the table are displayed in exponential form. *significant at 10%. ** significant at 5%. *** significant at 1%.

Note: Specification one follows from the Ordinary Least Squares (OLS) estimation, in which the dependent variable is the logarithm of hourly wages and the independent variables are: education level, potential experience in the labor market, potential experience squared, and individual dummy for Gaza. The second specification includes the same independent variables as specification one, in addition to individual dummies for inudstries of employment and occupation.

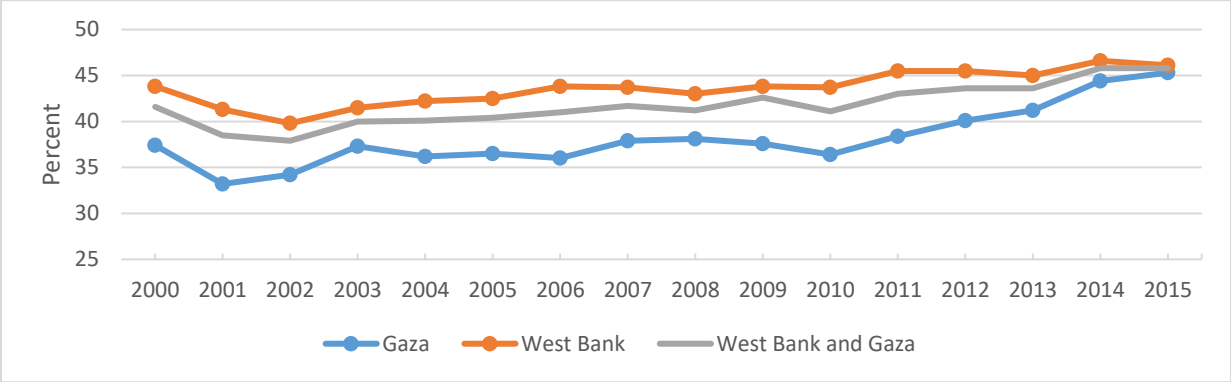
Explanation: The coefficients can be interpreted in percentage terms. Panel B, for example, shows that adjusting for years of experience among females to the level of males would increase women's wages in the private sector by 5 percent (specification 1) and 4 percent (specification 2). Adjusting for economic industry of employment would increase female's wages in the private sector by 11 percent (panel B, specification 2). Panel C shows that there are differing returns to experience, industry of employment, and occupation in favor of males in the private sector, by 35, 75, and 88 percent respectively. That is, women's wages in the private sector would increase by 35 percent if they were compensated on this endowment as equally as their male counterpart.

Appendix C

The challenge of job creation in the Palestinian territories

Labor force participation (LFP) rates in the Palestinian territories have remained relatively stable over the last decade. They decreased slightly between 2000 and 2002, which coincided with the start of the second intifada in 2000. After 2002, they displayed an upward trend in the West Bank. Gaza, which has a relatively younger population that soon began to reach working age, displayed a volatile trend before catching up with the West Bank in 2015 (figure C.1). And yet the average LFP rate in the Palestinian territories stands at 46 percent and remains lower than the Middle East and North Africa (MENA) average of 49 percent and the average for fragile and conflict-affected economies of 64 percent.

Figure C.1 Labor force participation rate: West Bank and Gaza, 2000–2015

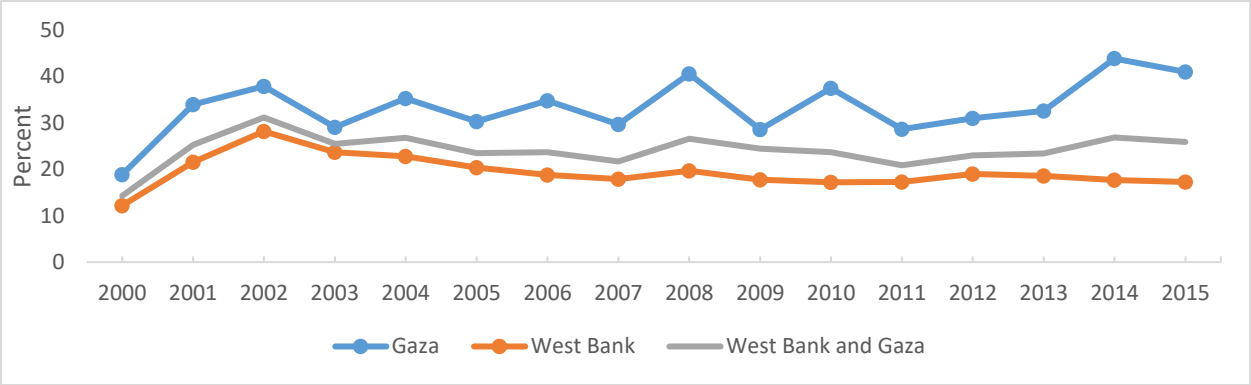


Source: PCBS.

The overall unemployment rate in the West Bank and Gaza rose from 14.3 percent in 2000 to 25.9 percent in 2015. The increase primarily occurred between 2000 and 2002, rising from 14.3 percent to 31.2 percent in 2002. Since 2003, the unemployment rate has remained relatively stable, at 25.5 percent in 2003 and 25.9 percent in 2015. Unemployment rates in Gaza are significantly higher than the average and those in the West Bank (figure C.2), with the local economy severely affected by both the recurring hostilities in the region as well as access restrictions imposed on Gaza. If compared with that of other economies, the unemployment rate in Gaza, at 40.8 percent in 2015, would be the highest in the world.[27] Despite being significantly lower than the rate in Gaza, the unemployment rate in the West Bank, 17.1 percent in 2015, is still significantly higher than the unemployment rate for the wider Arab world (11.5 percent).[28]

[27] Compared with countries with available data between 2012 and 2014 (World Bank, Databank, WDI).
[28] Latest available data (World Bank, DataBank, WDI, 2014).

Figure C.2 Unemployment rate: West Bank and Gaza, 2000–2015

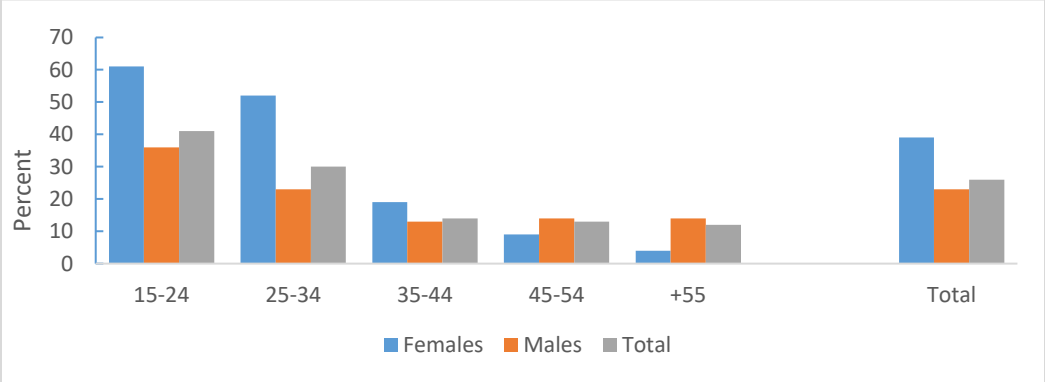


Source: PCBS.

Youth and women specifically face particularly high rates of exclusion from the labor market in the West Bank and Gaza. In 2015 the LFP rates among women reached only 19 percent and among youth (ages 15–24) 30 percent. The percentage of youth not in employment, education, or training (NEET) reached 32 percent. This finding highlights the growing discouragement and sense of hopelessness about the desperate economic situation that are causing some population groups to avoid entering the labor force. This is particularly a concern in Gaza.

In terms of unemployment, 40.7 percent of all youth (ages 15–24) in the labor market remained unemployed in 2015 (figure C.3), highlighting constraints in school-to-work transition patterns. This finding is particularly striking when disaggregated by gender. In 2015, 60.8 percent of women between the ages of 15 and 24 in the labor market were unemployed. Among young men of the same age, unemployment was at 35.4 percent.

Figure C.3 Unemployment rate, by age group: West Bank and Gaza, 2015



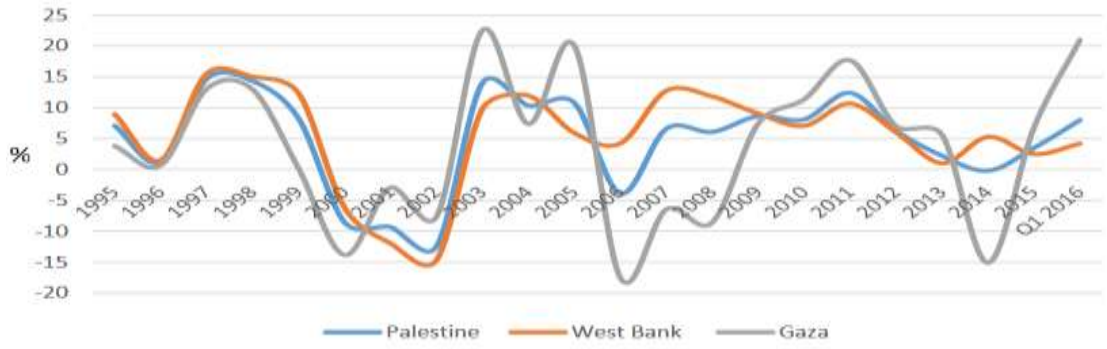
Source: PCBS, LFS, 2015.

This appendix summarizes the main constraints characterizing the job creation environment in the West Bank and Gaza, starting with the overall binding constraint of political instability and access and mobility constraints, as well as other important internal constraints that relate to improving the business climate and reducing the degree of skills mismatches in the labor market.

External constraints related to conflict with Israel and restrictions on movement and access to resources and markets

The persistently high unemployment rates and worsening labor market outcomes just described were exacerbated by a protracted period of slow economic growth amid years of political instability and access and mobility constraints. The economic contractions were experienced just after the outbreak of the second intifada in 2000, with significant contractions following the formation of the Hamas-led government in Gaza in 2007 and the conflicts with Israel in 2008, 2012, and 2014 (figure C.4). The continual blockades and restrictions have had a significant impact on the Palestinian economy. In Gaza, the blockade imposed in 2007 had a devastating effect, with gross domestic product (GDP) losses estimated at over 50 percent and large welfare losses (World Bank 2015a). Restrictions on access to Area C, which comprises 61 percent of the West Bank's territory, reduced the Palestinian GDP by up to 35 percent (World Bank 2013a).[29] Economic activity has picked up since the 2014 war and the subsequent recession, driven in part by the reconstruction efforts to boost the economy of Gaza, where real GDP growth reached 5 percent in 2015. This growth, however, is not sustainable. The GDP growth rate in the West Bank dropped in 2015 because of a decline in foreign aid and Israel's decision to suspend the transfer of Palestinian money (World Bank 2016a). With no changes to the Israeli restrictions on trade, movement, and access, GDP growth is expected to hover around 3.5 percent in the medium term.

Figure C.4 Real GDP growth rates: West Bank and Gaza, 1995–Q1 2016



Source: World Bank 2016a.

The volatile economic growth in the economy between 1995 and 2016 did not bring about employment gains; instead it led to persistent unemployment. The relationship between GDP growth and employment growth over the last decade displays such volatility (figure C.5). Between 1995 and 2012, the long-run private sector employment to GDP elasticity that includes a time trend was reported by the International Monetary Fund (IMF) to be 0.52, a high percentage when compared with that of other oil-importing MENA

[29] Area C is defined in the 1995 Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip as "areas of the West Bank outside Areas A and B, which will be gradually transferred to Palestinian jurisdiction in accordance with this Agreement." However, the transfer has not been implemented as envisaged in the Interim Agreement, and, in the meantime, access to this area for most kinds of economic activity has been severely limited (World Bank 2013a).

countries.[30] This finding reflects the fact that not only is economic growth much more labor-intensive in the Palestinian territories, but also factors other than GDP affect employment and job creation. These include a small labor market and product market flexibility due to Israeli restrictions on movement and access to goods and services (Crivelli, Furceri, and Toujas-Bernaté 2012; IMF 2013).

Figure C.5 GDP and employment growth: West Bank and Gaza, 2000–2015



Sources: PCBS; World Bank, DataBank, WDI.

In the West Bank and Gaza, employment growth has averaged 3.3 percent a year over the last decade, which is lower than the average rate of labor force growth of 4.3 percent. Figure C.6 further illustrates how total employment and the labor force grew at roughly the same pace for each year from 2001 to 2015. As a result, employment growth has not been sufficient to absorb labor market entrants, and no progress was made in the last two decades in reducing unemployment. Higher economic growth rates in the medium term, beyond those projected at 3.5 percent, are needed to create more jobs and meaningfully reduce unemployment.

Figure C.6 Employment and labor force growth rate: West Bank and Gaza, 2001–15



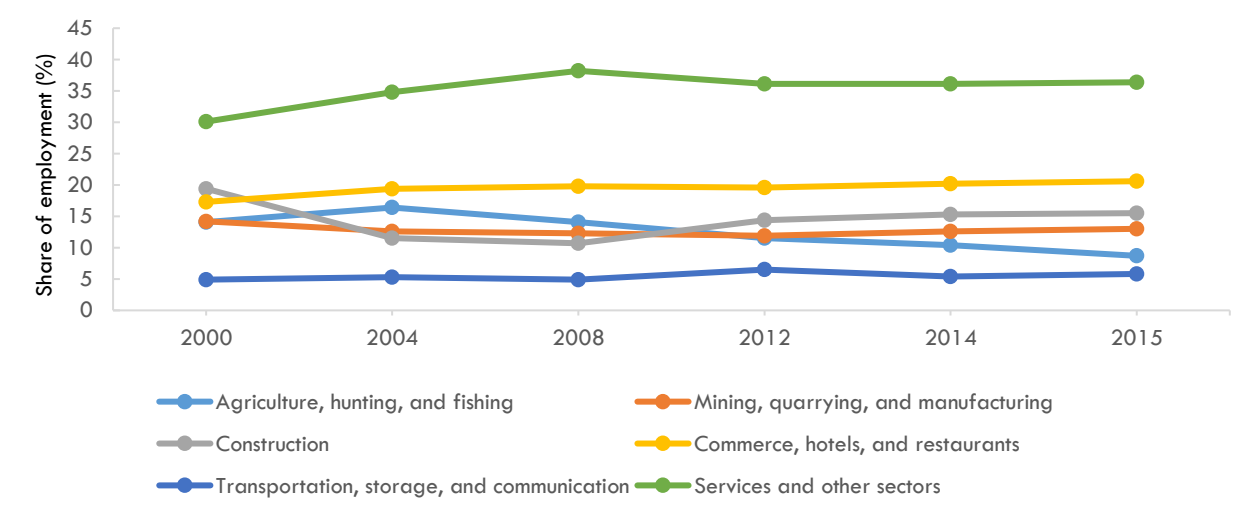
Source: PCBS.

[30] Crivelli et al. (2012) find employment elasticities for lower-middle-income countries to be from 0.10 to 0.24 and for MENA oil importers from 0.09 to 0.39.

Employment growth in particular has taken a hit because economic competitiveness and private sector investment remain poor and far from sufficient to fuel adequate rates of economic growth and create enough jobs. With political and security uncertainties weighing heavily on the prospects for growth, as well as long-lasting restrictions on movement, access, and trade, private sector activity has remained constrained, and private investment levels have dropped to some of the lowest in the world. Private investment has averaged 15 percent of GDP over the last seven years, compared with rates of over 20 percent in fast-growing middle-income countries. The situation is even more difficult in Gaza, where the ongoing blockade has significantly eroded the competitiveness of private businesses. Foreign direct investment (FDI) averaged only 1 percent of GDP in 2015. This compares with an average of 2 percent of GDP for the MENA region and 2.5 percent for fragile and conflict-affected economies (World Bank, DataBank, WDI, 2015). Gross capital formation (domestic investment) made up 21 percent of GDP in 2015, compared with an average of 27 percent for the MENA countries. Not surprisingly, the private sector created only 0.3 million additional jobs between 1995 and 2012 (IMF 2012).

Private sector activity remains concentrated in low-productivity subsectors, and employment in tradable sectors has continued to shrink. As a result of the ongoing restrictions, the manufacturing sector, expected to be a key driver of job generation and growth, has stagnated since 1994, and its contribution to GDP declined by 26 percent in the last decade to around 10 percent currently. Its share of employment fell from 18 percent to 13 percent between 1995 and 2015 (figure C.7). This is particularly the case in Gaza, where the 2007 blockade has had the most significant impact on the sector. The share of agriculture in the economy is now half of what it was in 1995, and its share of employment fell to 9 percent in 2015 (World Bank 2016). With the decline of both the agriculture and manufacturing sectors, the Palestinian economy's capacity to export has deteriorated over the years. At the same time, high-value-added sectors, such as information technology and tourism, have not grown at a sufficient pace to compensate for the decline in the agriculture and manufacturing shares of employment. Moreover, most of the jobs created in the private sector have been in retail and nontradable services, such as construction and local services, which do not generate sufficient quality employment.

Figure C.7 Sectoral composition of employment: West Bank and Gaza, 2000–2015

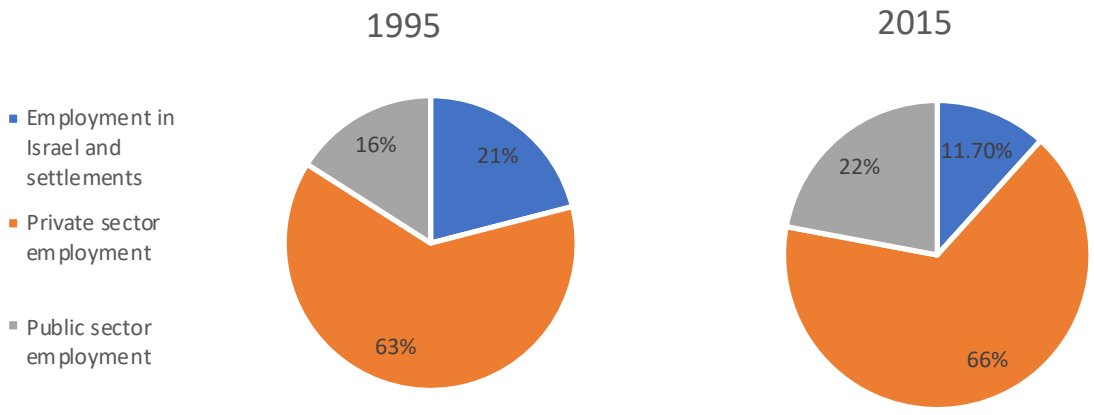


Source: PCBS.

The private sector also continues to face a difficult investment climate that is not conducive to innovation, growth, and competition. This is evidenced by the overall position of West Bank and Gaza in the global rankings (140 out of 190 economies), according to the World Bank's *Doing Business 2017* report (World Bank 2017). Most formal enterprises remain small. Small (5–20 workers) and medium (20–99 workers) firms constitute 87 percent and 12 percent, respectively, of all firms in the West Bank and Gaza. Consequently, only 1 percent of establishments had 100 or more workers in 2013, compared with 7 percent of firms in other lower- and middle-income economies (World Bank 2013b). Firms in the services, manufacturing, and retail sectors cited political instability and an unstable supply of electricity as their biggest obstacles. Losses due to electricity outages accounted for about 6 percent of annual sales (World Bank 2013b). As for innovation, business upgrading among Palestinian firms has dropped in recent years, driven primarily by diminished levels of activity among Gaza firms (World Bank 2014b).

Meanwhile, amid the worrisome economic outlook, the shares of employment in both the public and private sectors as well as employment in Israel and the settlements have stagnated as the security situation has further deteriorated. The informal sector has thus been a strong contributor to employment. With a constrained private sector—whose share of formal employment increased by only 4.7 percent between 1995 and 2015—as well as the dramatic reduction in Palestinians employed in Israel and the settlements, the public sector, which employs around a quarter of the labor force, has helped offset some of the low labor demand (figure C.8). Nevertheless, this trend has proven unsustainable, and a significant level of informal employment remains. In 2014 informality reached 60 percent of the workforce, meaning that nearly three out of five persons in the Palestinian workforce held an informal job within either informal or formal enterprises (World Bank 2014b).

Figure C.8 Relative composition of total employment: West Bank and Gaza, 1995 and 2015

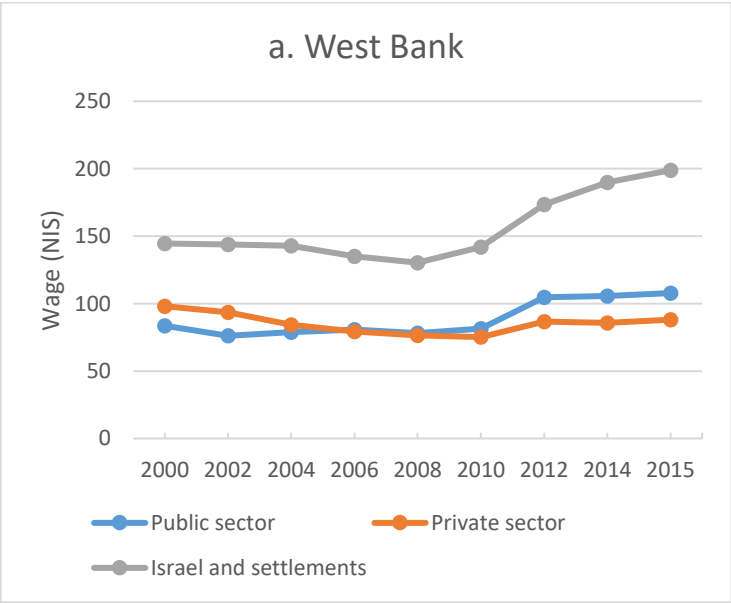


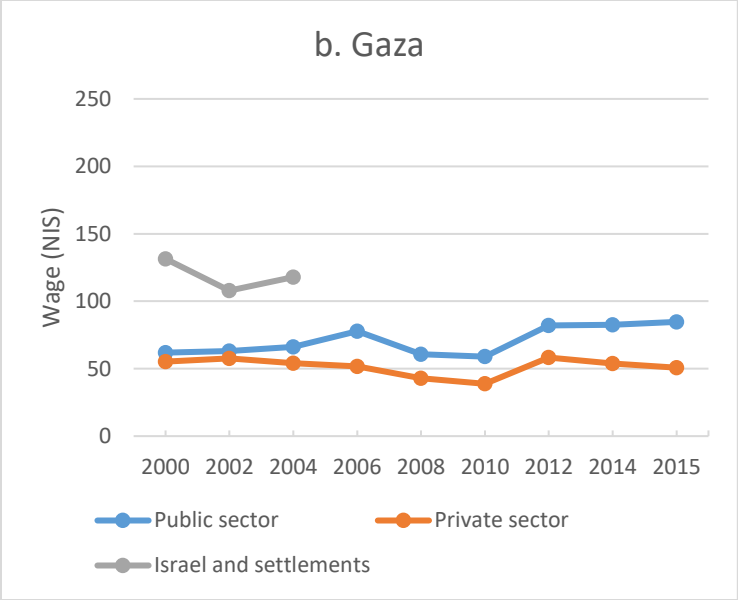
Source: PCBS, LFS, 1995 and 2015.

Between 1994 and 2014, the stagnation of real GDP growth levels, amid high population growth, prompted a stagnation in per capita income levels and real wage growth in both the public and private sectors. Real per capita income increased modestly in the West Bank between 1994 and 2014, but it fell by a third in Gaza, whose population grew by roughly 230 percent during this time (World Bank 2015a). Moreover, in the last decade public sector wages exceeded private sector wages in both the West Bank and Gaza

because of economic constraints and restrictions that resulted in lower investment, lower growth, and less private sector growth (figure C.9). Real private sector wages remained stagnant in the West Bank and never recovered to their 2000 levels, and they have declined further in Gaza in recent years. Wages in Israel and the settlements far exceed public and private wages in the West Bank and Gaza. In 2015 the average daily wage of a West Bank worker in the private sector was nearly half of the average wage of a Palestinian employed in Israel or the settlements. The estimates that reasonable wage growth would require higher productivity and GDP growth rates. With wages increasing at 1.5 percent a year, a target unemployment rate of 7 percent by 2020 would require GDP to grow by 8 percent a year and productivity to grow by 3 percent a year. However, this seems unlikely with the current growth projections. In addition, real GDP growth in the West Bank and Gaza in the post-Oslo Accords (1993) era has averaged only 4.8 percent a year (IMF 2012).

Figure C.9 Average daily real wage (NIS): West Bank and Gaza, 2000–2015





Sources: PCBS, LFS, 2000–2015; staff calculations.
Note: Base year for consumer price index (CPI) is 2015. NIS = Israeli new shekel.

Internal constraints related to weaknesses in business climate and skills mismatches

Even though the unresolved conflict with Israel and the restrictions on movement and access to resources and markets remain the most significant obstacles to economic growth and job creation, some internal weaknesses in the business climate that fall under the control of the Palestinian National Authority (PA)[31] could be significantly improved, according to the World Bank's 2014 investment climate study (World Bank 2014b). The failure to form a unified government for the West Bank and Gaza since the 2007 conflict[32] has created two parallel legal and regulatory frameworks that have had a potentially negative impact on the business climate. After the 2007 conflict, two separate administarations were formed in the West Bank and Gaza, and various laws were enacted by both the PA and Hamas. They led to inconsistencies and made navigating business between the two territories increasingly difficult and costly. Meanwhile, the World Bank's investment climate study pointed out that the PA needed to pass two pending regulations that could significantly improve the business climate: the Competition Law and the New Companies Law (World Bank 2014b).

The investment climate study further elaborated on the constraints surrounding managing land registration because currently only 30 percent of land in Areas A and B of the West Bank (areas controlled

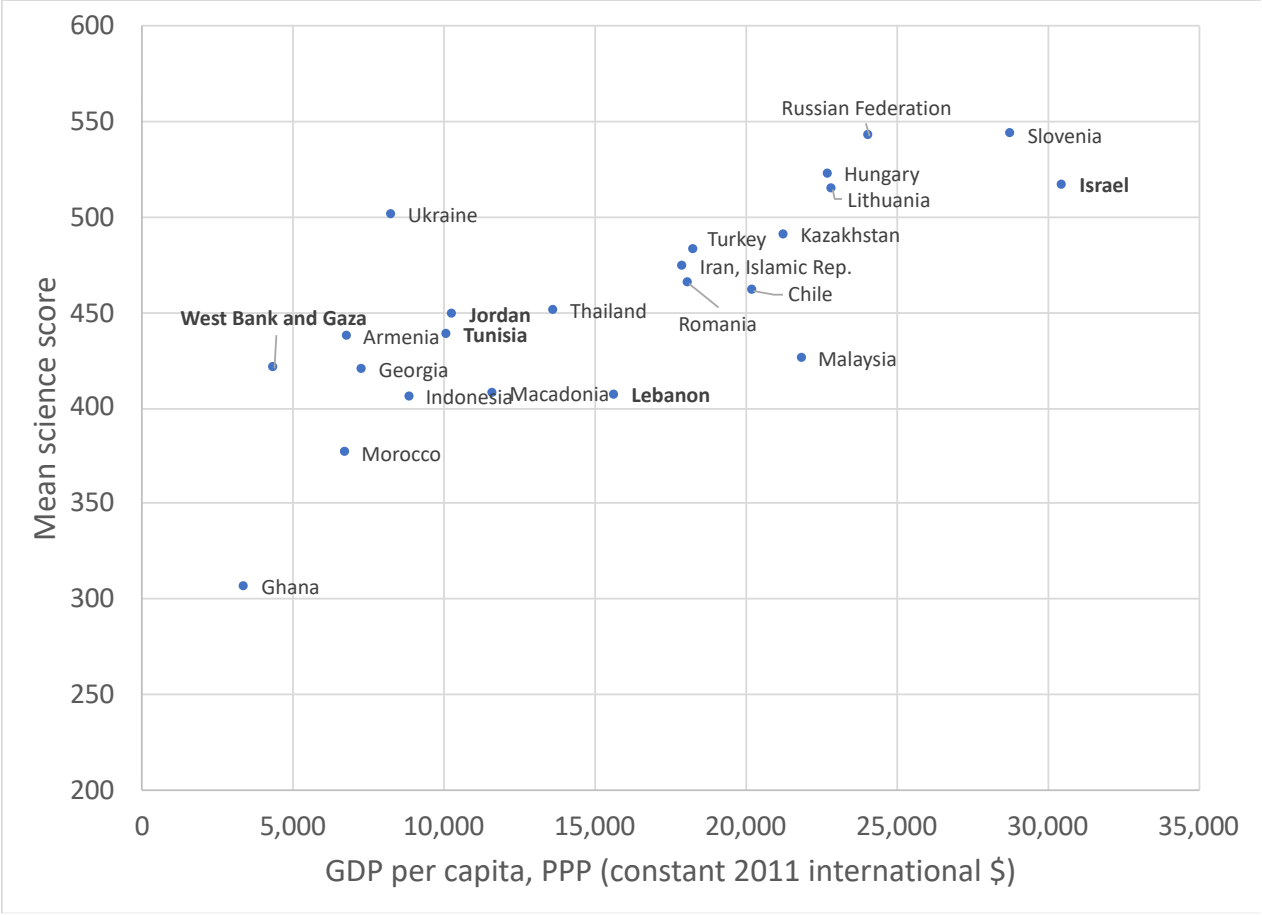
[31] The Palestinian National Authority is the interim self-government body established in 1994 after the Gaza–Jericho Agreement to govern the Gaza Strip and Areas A and B of the West Bank (as a consequence of the 1993 Oslo Accords).
[32] The 2007 conflict was a conflict between the two main Palestinian political parties, Fatah and Hamas, resulting in Hamas seizing control of Gaza and a Fatah-ruled Palestinian National Authority in the West Bank.

by the PA) is registered with a clearly designated government agency. Registered land also faces complications related to the generation old titles, numerous inheritors, and the issue of absentee ownership. Ensuring a more streamlined and less costly process for land surveying, dispute resolution, and registration would release significant resources, with related benefits to the financial sector through collateralized lending. Other challenges are the incomplete public land inventory, which creates opportunities for inefficiency and misuse, as well as the provision of commercial and residential tenant protections that may distort the real estate market, affecting prices, leasing and renting, and the mortgage market. Access to finance is also seen as an impediment to small and medium enterprises (SMEs), with evidence suggesting that the size of collateral required for small firms is significantly greater than that needed for larger firms.

Finally, the World Bank study noted that the business climate could be further improved by establishing better public infrastructure such as a modern telecommunications network, more flexible labor regulations related to firing and hiring practices (a major constraint, according to 14.9 percent of West Bank firms), as well as safeguards against crime and petty corruption.

Beyond the internal and external factors that constrain firm growth and job creation, the skills mismatch is another commonly cited constraint in the labor market facing both male and female graduates. The Palestinian education system has achieved impressive advances over the past decade in ensuring universal primary enrollment rates (90.8 percent in 2014). It has also achieved a near-universal secondary enrollment rate (80.1 percent) across both sexes that remains 20 percentage points higher than the rate in the average middle-income country and 15 percentage points higher than the average rate in the MENA region. However, concerns remain about whether the education system produces a quality education and graduates well equipped with the skills required by the private sector. International learning assessments such as the Trends in International Mathematics and Science Study (TIMSS) indicate that the performance of Palestinian students continues to lag that of their peers in the MENA region and remains significantly below the internationally constructed average. The mean mathematics score for eighth-grade students in 2011 was 404. Of the countries participating, only Saudi Arabia, Indonesia, the Syrian Arab Republic, Morocco, Oman, and Ghana scored worse. In science, Palestinian students fared somewhat better, scoring an average of 420 points, particularly when compared with countries that have higher per capita GDP (figure C.10).

Figure C.10 Mean performance in science on TIMSS, eighth-grade students, by GDP per capita: selected economies, 2011



Sources: World Bank, EdStats, 2011; World Bank, DataBank, WDI, 2011.
Note: Figure shows mean performance on the science scale for eighth-grade students; total is the average scale score for eight graders on the science assessment. The scale centerpoint is 500. Data reflect country performance in the stated year according to TIMSS reports, but may not be comparable across years or countries. Consult the TIMSS website for more detailed information: http://timss.bc.edu/. PPP = purchasing power parity; TIMSS =Trends in International Mathematics and Science Study.

In essence, the education sector in the Palestinian territories faces great challenges in its efforts to deliver quality education, including severe resource constraints. For example, 93 percent of the 247 schools in Gaza run by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) work on double shifts, limiting both education time and the possibility for extracurricular activities (UNRWA 2012). Evidence also suggests that quality is negatively affected by structural problems in a system that is overly focused on memorization (IBP Inc. 2008). Employers and firms emphasize that Palestinian students are particularly weak in the application of principles, problem solving, and dealing with unfamiliar tasks. Poor technology education and the lack of higher-order skills have also been identified as impediments to business. On average, 6 percent of firms in the West Bank and Gaza identified an inadequately educated

workforce as a major constraint to their business, with large firms (over 20 percent) more likely than small and medium ones to report it as a major constraint (World Bank 2013b).

Investment in developing the skills of the existing workforce will be critical to increasing the productivity and competitiveness of Palestinian businesses. Currently, the major weakness in the skills development sector—which includes training providers, TVET schools, universities, and the Ministries of Labor and Education—is that it remains insufficiently coordinated and inadequately linked to the private sector, according the World Bank's 2013 Systems Approach for Better Education Results (SABER) report (World Bank 2013d). The West Bank and Gaza score low in terms of "fostering a demand driven approach," indicating the few existing opportunities for the private sector to play a role in the planning, oversight, and delivery of workforce training. Moreover, the government provides no incentives to encourage skills upgrading by employers (through training funds, tax incentives, or other initiatives) and efforts to seek accreditation. In general, sector and occupation standards are not competency-based, despite some efforts to launch a consultative process to develop a national qualifications framework. The percentage of firms offering its employees formal training fell from 2006 to 2013, particularly among medium enterprises. Only about 3 percent of firms in Gaza offer formal training, compared with 14 percent in the West Bank and 9 percent in East Jerusalem (World Bank 2013b, 2014b).

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