Press Release

New MAS Reports Chart Palestinian Labor Market Conditions and Prospects and Identify Requisite Economic Policies

Monday, 3 March 2019: Two new reports published this week by the Palestine Economic Policy Research Institute (MAS) shed detailed light on the current difficult conditions of the Palestinian labor market and the implications for labor and economic policy making. Both reports were prepared as annual Supplements to the MAS quarterly Economic Monitor, as part of a research project implemented in close collaboration with the Palestinian Central Bureau of Statistics (PCBS), and funded by the International Labor Organization (ILO). Supplement 1 examines the global Sustainable Development Goal 8, namely to "*Promote inclusive and sustainable economic growth, full and productive employment and decent work for all*", as it applies in the context of Palestine. In an effort to better understand the dynamics of Palestine's labor market, Supplement 2 uses available Palestinian projection models to present *Palestinian labor market projections for 2019*.

The review of SDG 8 revealed that the status of most determinants of the decent work target in oPt do not seem encouraging, exhibiting weak or declining performance, namely; unemployment, minimum wages, work injuries, informal employment prevalence, and low real wages. As such, active labor market policies and measures in this area are urgently needed. While the different PNA national strategies align significantly with all SDGs and especially with SDG8 which is directly associated with labor issues, these strategies set forth generic policy interventions while overlooking mechanisms needed for achieving their objectives, and so far clear and achievable quantitative indicators for all these goals for the next 10 years.

The projections analysis showed that Palestine would be fortunate to escape recession in 2019. In the baseline scenario, the results of the projections show that the Palestinian economy will continue to slow down to the point where the growth of the GDP will be 0.7 percent. In the best case, growth could reach 3.5 percent, while GDP could decrease by 1.3 percent in the worst case scenario. Unemployment would continue to rise, to 32.8 percent according to the baseline scenario, compared to 31 percent in 2018. The unemployment rate would continue to rise even in the optimistic scenario up to 31.9 percent, while it could increase to 33.8 percent in the pessimistic scenario. Unemployment will fluctuate according to the respective scenario, while participation in the labor force will remain constant for males and females at 72.4 percent and 19.8 percent respectively. It may be deduced from the analysis that labor sector problems (unemployment and the decrease in wages) have become structural and hard to address substantially. Such a new policy treatment needs a short- and long-term vision, targets and programs at both the micro- and macro-economic policy levels

SDG 8 in Palestine

Economic Monitor Supplement 1 reviews the status of SDG8 indicators in the Palestinian context, using available PCBS data of relevance to SDG8 targets. These indicators are usually tracked in all countries of the world for comparison purposes, follow-up of progress made, and for designing development plans. The report relied on indicators with no data limitations or which have direct correlation with the Palestinian situation. Section Two provides a summary of priority economic interventions inferred from studied indicators. Section Three draws comparisons between these indicators and Palestinian national development plans, in an endeavor to investigate alignment between SDG8 and these plans and to assess the possibility of achieving its targets. Section Four discusses the alignment of SDG8's indicators with economic and social policies, defines Palestinian priorities in this sphere, and presents an overview of the policy framework required to achieve the targets of SDG8.

The SDG review notes that the capacity of developing countries to achieve SDGs to their full extent should not be taken for granted. The exceptional conditions of Palestine, an occupied country that has been denied sovereignty over its lands and resources, poses further challenges in addition to those faced by comparable developing countries. Such impeding circumstances preclude regulating the national economy and the labor market, and achieving the different targets and objectives of SDG8. As such, a "heterodox" package of policies and interventions -that other comparable countries might not opt for- is needed in Palestine.,the report notes it is not possible to combat unemployment, introduce minimum wages or stop labor leakages to Israel and its settlements, without building a productive national economy. This goal necessitates putting in place trade, monetary or financing policies that have not so far been possible within the limited space given to the Palestinian people under current Palestinian-Israeli economic relations.

Projecting economic and labor market performance

Supplement 2 employs the model that has been used by PCBS for some time in an effort to enhance its ability to predict short-term trends in the Palestinian labor market. Agencies in Palestine use different models to build Palestinian economic projections, which this report reviews in its opening section. The MAS research team settled on a model that was developed some time ago by the United Nations Conference on Trade and Development (UNCTAD), and of which PCBS adopted a refined version. In addition to reviewing the different modeling techniques, the report proposes structural and technical amendments to the models and data. Section three of the Supplement discusses the findings of the projections based on the amended model, and presents three possible scenarios.

Section four suggests the broad policy package needed to stimulate and enhance labor market performance in the medium-term. Such a new policy treatment needs a short- and long-term vision, targets and programs at both the micro- and macro-economic policy levels, which aim, above all, to:

1. Create sustainable and decent job opportunities in the domestic economy rather than providing the unemployed with short-term jobs only.
2. Promote participation in the labor market, especially women's participation.
3. Preserve the stability of real wages in the domestic economy and increase them in the future.

4. Achieve the goals above without having to resort to increasing the number of workers employed in the Israeli economy.

Supplement 1

http://www.mas.ps/files/server/2019/Supplement%20Monitor%20(1)%20English.pdf

Supplement 2

http://www.mas.ps/files/server/2019/Supplement%20Monitor%20(2)%20English.pdf