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Background Paper

Round Table (3)

The Economic Effects of Labor Shortages on Certain Key Sectors in the Local Economy

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The Economic Effects of Labor Shortages on Certain Key Sectors in The Local Economy

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Contents

1. Introduction

Palestinian employment in Israel has witnessed a steady rise over the past decade, from 78,000 workers in 2010 to 193,000 workers by EO 2022, equivalent to about 17% of the labor force in Palestine and 23% of all workers in the West Bank (PCBS, 2023a). During 2020, their remittances contributed about 13% of the Palestinian national income, equivalent to $2.4 billion (PCBS, 2023b). For political and economic reasons, Israel has increased the quota for work permits granted to Palestinians, allocating part of this increase to sectors that did not previously benefit from such quotas, including the technology sector and the health sector (nurses and doctors). Since the beginning of 2021, Israel has allowed the entry of workers from the Gaza Strip, introducing changes to the permit issuance system and workers' payment mechanisms.

This increase in the number of workers in Israel has been accompanied by a disturbing phenomenon in the Palestinian labor market, particularly prevalent during the past few years. This is the shortage and scarcity of labor in certain sectors within the local economy, despite the significant increase in unemployment rates, reaching 24.4% in 2022 (and about 13% in the West Bank) (PCBS, 2023a). This phenomenon sparked a heated discussion among stakeholders in affected economic sectors (as well as economists and government) in diagnosing the extent of this phenomenon, and its effects on the Palestinian labor market specifically and the economy overall. The Palestinian Prime Minister, Dr. Muhammad Shtayyeh, recently indicated that there is a shortage of labor in the local market(1), confirmed by both the Coordinating Council for the Private Sector and the Palestine Economic Policy Research Institute (MAS, 2022a).

In addition to the 'easing' of restrictions applied by Israel (and despite the suffering endured by workers at crossings in their daily commute from the West Bank or Gaza Strip to their place of work in Israel), one of the main reasons for Palestinian labors' attraction to the Israeli labor market (especially skilled labor) is the large wage differential relative to local wages.

Concurrently, this phenomenon was also a factor in raising local wages without an accompanying increase in worker productivity, reflected in the high cost of production in the local market and its repercussions on the rise in local prices, weakening their competitiveness locally and internationally.

Resultantly, this paper sheds light on the size and cause of the phenomenon of underemployment in some vital, local sectors, and its relationship to both supply and demand for labor, as well as its effects on the Palestinian labor market and the local economy. The paper then discusses a set of possible interventions and solutions to this phenomenon, in order to reduce its negative impact on the local economy.

2. An Overview of the Palestinian Labor Market(2)

The labor participation rate in the Palestinian labour market reached about 45.0% in 2022. This percentage varied at the regional level, amounting to 47.5% in the West Bank compared to 41.0% in the Gaza Strip. The rate also varies between males and females (70.7% for males compared to 18.6% for females).

During the same year, the total number of Palestinian workers reached approximately 1,134,000. In terms of their distribution by the location of their work, 58% work in the West Bank, 25% in the Gaza Strip, and 17% in Israel and the settlements. As for the distribution of workers by sector in 2022, 18% worked in the public sector, 66% in the private sector, and about 17% in other sectors, Israel and the settlements.

In terms of economic activities, Table 1 shows that there is a discrepancy in the relative distribution of workers across various activities in the local market. The rate of employment in industry and quarries increased in the West Bank (16% in the West Bank, compared to 8% in the Gaza Strip), offset by a higher increase in employment in Gaza's services sector (50% in the Gaza Strip, compared to 35% in the West Bank). The figures also point to a significant drop in the percentage of workers in building and construction in the Gaza Strip (only 5%). This is largely due to the strict blockade imposed by Israel on the entry of building materials into the Gaza Strip. Table 1 also shows that Palestinian labor in Israel and the settlements is largely concentrated in the construction sector (58% of total workers); compared to 13% in the trade, restaurants, and hotels sector; and 12% in industry. The remainder is distributed across agriculture; services and transportation; and storage and communications (6%, 9%, and 2% respectively).

(1) https://www.maannews.net/news/2057606.html

(2) Figures cited in this section are sourced from the Palestinian Central Bureau of Statistics (PCBS), 2023. Palestinian Labor Force Survey. Ramallah - Palestine.

Table 1: Distribution of Labor in Palestine by Region and Economic Activity in 2022 (%)

Economic Activity	West Bank	Gaza Strip	Israel and the settlements
Agriculture, fisheries, and forestry	6	7	6
Quarries and transformative industries	16	8	12
Building and construction	13	5	58
Trade, restaurants, and hotels	25	22	13
Transport, storage, and communications	5	9	2
Services and others	35	50	9
Total	100	100	100

Source: PCBS, 2023. Labor Force Survey. Ramallah - Palestine.

With regard to the unemployment rate in Palestine, it reached about 24.4% in 2022 (20% for males compared to 40% for females). The unemployment rate varied between the West Bank and the Gaza Strip. In the West Bank, it reached 13.1%, compared to 45.4% in the Gaza Strip. Unemployment was particularly concentrated among young people, reaching about 42% in the age group 15-24 years, and 33% among the age group 25-34 years. This means that a large percentage of the unemployed are new entrants to the labor market (fresh graduates) who do not have sufficient skills to fill the jobs vacated by those who switched to Israel or to fill new jobs generated in the local economy. Unemployment among females is higher than among males. This is due to the limited number of economic sectors open to female employment compared to males, as female employment in Palestine is concentrated in the services sector (73%).

The female unemployment rate rises as their levels of education increase, confirming the fact that their lack of appropriate skills prevents them from bridging part of the gap in demand for skilled labor in the local market. This is mainly due to the weakness of the education system in providing the labor market with the necessary skills, and to women's reluctance to engage in technical and vocational education and training (TVET). A very high percentage of them prefer academic majors at universities (Morrar and Arman, 2020; Morrar and Khalidi, 2021; Morrar et al., 2021; Morrar and Baba, 2021).

Historically, the problem of unemployment has been a fundamental impediment facing the Palestinian economy for decades, as high unemployment rates became one of its most important features. Since its inception, the Palestinian Authority (PA) has sought to mitigate unemployment and find viable solutions with the tools at its disposal, given its negative economic and social repercussions across both the short and long terms. In addition to the challenges and obstacles created by the Israeli occupation (the Paris Protocol, control of crossings, blockades, checkpoints, land confiscation, etc.), there are structural distortions in the Palestinian economy and weaknesses in public policies, limiting its ability to absorb new entrants to the labor market (MAS, 2022; Makhoul, 2006).

3. Which Professions Face A Labor Shortage in the Local Market?

There is no universally agreed definition of the term "labor shortage". Sometimes, it is used to refer to the shortage that exists in the total number of hands in the labor force, and sometimes to refer to a mismatch between the characteristics/skills of workers and vacancies/opportunities in the economy. Theoretically, the following definition of a labor shortage is used - "a market imbalance between supply and demand, where the required number of workers exceeds the available supply of workers, at the prevailing market wage over a specific period of time" (Barnow, Trutko, & Piatak, 2013).

Based on this definition, a shortage of labor occurs in a particular profession when the demand for labor is greater than the supply of qualified and available workers across a specific period of time, and at a specific wage. Vacancies remain as long as employers seek to hire more workers willing to work at the prevailing wage in the market, without having to raise wages (Labor Month in Review, 1999).

Despite the simplicity of the above definition, in reality, the Palestinian labor market is more complex, especially if we take into account that it suffers from a large gap between demand-and-supply labor indicators, in favor of supply. (3)This is highlighted in the Labor Force Survey 1994-2022, when the labor supply increased by 174%, while demand increased by 147% during the same period, further deepening the gap. This increase in supply was the result of the natural growth in the population, which increased at a rate of 3% annually during the same period. Meanwhile, the labor force participation rate increased from 39% in 1994 to 43.4% in 2022. Basically, the local economy did not grow sufficiently to generate enough job opportunities to absorb the annual increase in the labor force (Flassbeck et al., 2018).

It is clear that the problem in Palestine is not an overall shortage of labor supply in the local market, but is in fact limited to a specific category - namely, skilled labor, especially skills that are not associated with higher levels of education. This was confirmed through in-depth interviews conducted with relevant authorities, (4) which highlighted that the problem is not a quantitative scarcity of labor, but rather labor non-availability in terms of required quality (the skills and experience required to fill available vacancies in the local market). The interviews also revealed that local companies and factories are facing great difficulties not only in attracting new workers but also in retaining their existing ones, especially with the refusal of some workers to accept prevailing wages in the local market, compared to what they would earn if they worked in the Israeli labor market. This challenge did not exist during the past decade until Israel commenced offering improved conditions to attract Palestinian labor. This will undoubtedly have negative effects on the sustainability and development of these enterprises, especially if we take into account that the majority of enterprises in the local economy are small and micro enterprises that cannot long withstand high labor costs. Interviews showed that certain sectors are more affected than others by this lack of skilled labor, especially the agricultural sector, the industrial sector, construction, and tourism.

In the absence of clear indicators to measure the size of the labor shortage, it is possible to benefit from the monitoring of workers, and classifying them according to occupation in either Israel and the settlements, or the local labor market. This might shed light on the increase in the tendency of Palestinian labor to 'migrate' to Israel and the settlements. This is accomplished by determining the change in the number of workers in professions directly related to such sectors. Field interviews identified sectors that faced a shortage of labor during 2015-22. These are primary professions, craftsmen and related professions, machine operators and assemblers, and skilled workers in agriculture and fishing.

Table 2 indicates that the number of Palestinian workers in Israel and the settlements increased steadily during this period, especially workers across all primary professions and craftsmen. Table 2 also shows that after 2020, the rate of increase in the number of workers across all professions in itself increased as well. The number of workers in primary professions increased from 33,600 workers in 2020 to 62,100 workers in 2022. For craftsmen, the increase amounted to 30,000 workers; for machine operators 14,200 workers; and 4,800 workers in agriculture and fishing. Conversely, when monitoring trends in employment for these professions in the local market during the same period, it appears that specifically for the West Bank, the increase in the number of workers in these professions occurred at a reduced pace relative to the increase in Israel. This provides an indication, albeit a simple one, of the preference of Palestinian labor to work in the Israeli labor market at the expense of the local labor market over the past few years, motivated largely by the large wage difference between the two markets.

(3) The demand gap is defined as the difference between the number of workers and the number of individuals in the labor force during a specific timeframe. On the other hand, the demand gap highlights the ability of the local economy to absorb the Palestinian labor force.

(4) Four interviews were conducted with representatives of prominent local authorities: the Palestinian Ministry of Labor, the Ramallah/Al-Bireh Chamber of Commerce and Industry, the General Federation of Palestinian Industries and the Federation of Agricultural Cooperative Societies in Palestine.

Table 2: Number of Palestinian Workers by Profession and Region, 2015-22 (thousands)

Profession/Region	2015	2016	2017	2018	2019	2020	2021	2022
Israel and the settlements								
Skilled workers in agriculture and fishing	2.5	2.5	3.7	1.7	2.8	2.7	3.7	7.5
Craftsmen and associated professions	30.7	31.6	38.1	42.8	40.8	38.0	45.7	68.2
Machine operators/assemblers	8.7	9.3	12.7	10.6	13.5	15.4	16.3	29.5
Primary professions	26.8	26.9	29.9	34.1	38.6	33.6	41.8	62.1
West Bank								
Skilled workers in agriculture and fishing	441.2	447.5	447.4	472.6	544.5	544.7	530.6	541.5
Craftsmen and associated professions	301.0	296.0	292.7	305.2	354.5	350.5	352.7	342.6
Machine operators/assemblers	379.9	376.8	354.5	388.7	406.2	402.6	409.4	409.3
Primary professions	273.0	262.5	271.1	296.2	316.7	323.8	323.4	294.0
Gaza Strip								
Skilled workers in agriculture and fishing	46.8	43.3	42.4	41.7	25.0	17.4	34.4	39.1
Craftsmen and associated professions	44.7	27.7	25.0	20.0	19.3	16.7	20.0	35.4
Machine operators/assemblers	61.6	36.1	39.9	36.8	38.6	30.1	37.6	63.8
Primary professions	68.9	44.9	42.0	33.0	31.7	27.9	31.7	65.8

Source: PCBS 2023. Palestinian Labor Force Survey 2022. Ramallah - Palestine.

4. Causes of Labor Shortages

The reality of the Palestinian labor market cannot be explained purely theoretically. Rather, political and economic factors play a major role in this reality, especially since economic factors are largely dependent on political ones. After Israel occupied the West Bank and Gaza Strip in 1967, it pursued policies that undermined the Palestinian economy and limited its development, imposing restrictions on the movement of people and goods, in addition to tightening its grip on the West Bank and Gaza Strip and cementing their separation. Israel worked to undermine the commercial and economic relationships of these areas with the outside world, limiting them to the Israeli economy. Over the past few decades, these restrictions have led to a deterioration in economic conditions in Palestine, causing structural economic distortions, most notably the degeneration of productive sectors (MAS, 2022b). It also deepened the dependence of the Palestinian economy on the Israeli one, reflected in the permanent and continuous deficit in the balance of payments current account, resulting from the Israeli economy's success in capturing Palestinian markets as important consumption vehicles for Israeli goods and industries (Misyef et al., 2020). These restrictions also limited the operational and absorptive capacity of the Palestinian economy (Makhoul, 2002).

Few studies have examined attributes of labor scarcity in the local market in an in-depth manner. However, analyzing the reality of the Palestinian labor market and the literature that diagnoses it, in addition to in-depth interviews with relevant authorities, revealed two primary reasons:

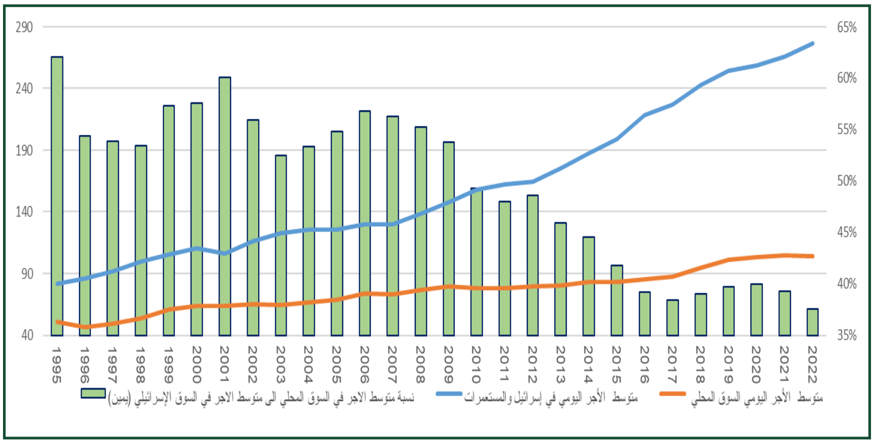
- The increasing tendency of Palestinian workers to work in Israel.
- The skills gap and the incompatibility of vocational education/training in Palestine with the requirements of the labor market.

4.1 The Increasing Tendency of Palestinian Workers to Work in Israel

Over the past few decades, the labor market has constituted one of the most important dimensions of the relationship with the Israeli economy and a pivotal place in the Palestinian economy. Resultantly, it is now possible to divide the Palestinian labor market into two segments: the local labor market, which suffers from chronic labor shortages and unemployment; and Palestinians working in Israel, which is crucial in absorbing surplus Palestinian labor in light of the limited absorption capacity of the local economy.

Given the lack of jobs and low wages in the local market when compared to better-paying job opportunities in the Israeli labor market, a significant proportion of the Palestinian labor force switched to the Israeli labor market, such that it became a major source of Palestinian employment, especially in the West Bank. Palestinian labor in Israel is characterized by circularity and volatility while being hostage to Israeli political and security considerations (Farsakh, 2010). However, the wage differential between the local and Israeli labor markets (as shown in Figure 1) has always been a decisive factor in motivating a significant portion of the labor force in the West Bank and Gaza Strip to join the Israeli labor market.

Figure 1: Mean Daily Wage for Workers in the Local Market vs. Workers in Israel and the Settlements, 1995-2022 (NIS)



Source: PCBS 2023. Palestinian Labor Force Survey, 1995-2022. Ramallah - Palestine.

Table 3 illustrates the significant variation in daily wages between workers in the local labor market and those in the Israeli labor market, across all economic activities. Wages are a decisive factor in favoring Palestinian workers of certain professions and specializations, leading to their exodus to work in Israel and the settlements.

Table 3: Average Wage f Palestinian Workers by Place of Work, 2022 (NIS, thousands)

Economic Activity	West Bank	Gaza Strip	Israel and the settlements
Agriculture, hunting, and forestry	116	24.6	199.0
Quarries and transformative industries	129	29.1	235.2
Building and construction	153	34.8	307.0
Trade, restaurants, and hotels	119	26.0	242.9
Transport, storage, and com-munications	156	30.9	256.1
Services and others	136	84.9	235.2
Total	**135**	**54.8**	**276.0**

Source: PCBS, 2023. Palestinian Labor Force Survey 2022. Ramallah - Palestine.

In-depth interviews showed that the large difference in wages, in addition to the lack of jobs in the local economy in some specialties suffering from high unemployment, forced many recent graduates to accept work in Israel and the settlements in professions/sectors that do not match their academic qualifications. Moreover, many of those who do not receive adequate wages in their work in the local market are encouraged to work in Israel and the settlements in specializations that are incompatible with their experience and skills.

4.2 The Skills Gap and the Incompatibility of the Outputs of Technical/Vocational Education In Palestine With The Requirements Of The Labor Market

There are 76 TVET institutes in Palestine, 58 of which are under the administration of the Ministry of Higher Education and Scientific Research, and 18 vocational training centers under the supervision of the Ministry of Labor. TVET is not an attractive option to most students, with insignificant enrollment rates. TVET, secondary school students amounted to less than 5% of the total number of students in 2018 (Palestinian Ministry of Labor, 2020).

In-depth interviews emphasized the importance of TVET in bridging the gap between supply and demand in the labor market, and its role in providing a pathway for skilled employment. Conversely, field interviews revealed the problems and challenges that the TVET sector suffers from, impeding their ability to contribute to bridging the gap in the demand for work and refuting the provisions of the National Employment Plan for 2021-23 (Ministry of Labor, 2020). Main challenges are outlined below:

- The weakness of the relationship between vocational training and the labor market. This is largely caused by the lack of coordination between TVET programs and the private sector.
- Given inadequate support and funding, employers cannot provide TVET students with appropriate wages, with further negative repercussions on building a labor force. After students finish their training, they secure employment elsewhere, especially in the Israeli labor market. Their acquisition of skills during their training increases their chances of securing work with higher pay in Israel.
- Outdated and limited vocational education programs, and the weakness of the apprenticeship system adopted for managing the relationship between the student and the employer.
- From the point of view of employers, TVET graduates lack life skills in languages, customer services, perseverance-on-the-job, and other basic skills required to succeed at work.
- Weak coordination and governance in the TVET sector, as service providers operate in a fragmented regulatory environment subject to the supervision of different ministries, and lacking a unified system for the accreditation and issuance of certificates. This leads to the dilution of the TVET system, with little control over its outputs.
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5. Potential Economic Impact

Given the increasing tendency of the Palestinian labor force to work in the Israeli market (and their preference to work in this market at the expense of the local one), questions arise on the economic effects associated with this trend, especially in sectors that face a shortage/scarcity of labor, as well as at the level of the economy overall. Labor shortages in these sectors can lead to disruptions in production (supply) chains, raising price levels and causing a decline in economic activity.

5.1 Declining production in certain vital sectors

The Israeli labor market's absorption of a significant part of the skilled, Palestinian labor force leads to a reduction in the quantity of labor in the local market, especially in some vital economic sectors such as agriculture, industry, construction, and tourism. Field interviews showed that these sectors were more affected than others by the migration of skilled Palestinian labor to the Israeli market.

In the agricultural sector, the average daily wage for workers in the local market constitutes only 58% of the average daily wage for workers in this sector in Israel and the settlements. This leads to the reluctance of skilled, local labor to work locally, preferring to work in the Israeli labor market, whether in agricultural or other sectors. This, in turn, leads to a reduction in the labor force required to sustain this sector, negatively affecting volumes of production. This situation is further compounded by the small amount of land allocated to agriculture; as well as the scarcity of water resources (as a result of systematic, destructive, Israeli policies to destroy agriculture Palestinian lands); the confiscation of land for settlement expansion; and Israeli control over Area C and water resources (MAS, 2022b).

Likewise, in the industrial sector, the wage difference between the local market and the Israeli market prompted skilled labor to switch to the Israeli labor market (double the daily wage). Local factories have recently struggled to find skilled labor, qualified to fill vacant jobs. The interview with the Ramallah/Al-Bireh Chamber of Commerce revealed that several factories cannot find workers who are willing to accept the prevailing wages in the local market, especially factories in the food processing sector, plastic sector, and furniture sector. (5)The interviews also illustrated that the preference of the labor force commuting to work in Israel poses a real threat to the sustainability of numerous industrial establishments, particularly in light of the fact that the majority of industrial establishments in Palestine are small- to medium-sized enterprises. Therefore, the shrinking of the labor force - combined with the lack of alternative resources (a qualified and efficient labor force) negatively affects the production capabilities of these enterprises, which in turn negatively affects their sustainability. An inability to attract more labor given local wages (and the large wage difference in favor of the Israeli labor market) impedes the growth prospects and development of these establishments and their ability to increase production, as they cannot pay local labor the same wage that they would otherwise receive in the Israeli labor market.

Concerning the tourism sector, it is currently facing a severe shortage in finding labor across various professions and specializations related to the tourism sector, especially after the Corona pandemic. Thousands of workers in this sector were forced to search for other jobs during the pandemic, especially in the Israeli market. These workers lost their jobs as a result of complete sector paralysis, prompting them to work in Israel in other professions that are not necessarily related to tourism.

The construction sector is the largest in terms of absorbing Palestinian labor, absorbing 57% of Palestinian workers in Israel and the settlements. Local contractors face great difficulties in finding labor in various trades and professions related to this sector, and in persuading labor to work at the prevailing wage in the market. Contractors were forced to raise daily wages to convince workers in this sector to refrain from working in the Israeli market. Undoubtedly, raising the daily wage will raise the (already) high cost of construction, due to the high prices of raw materials.

5.2 Raising Wages and its Impact on the Downsizing of the Productive Sectors. The Decline in the Competitiveness of Palestinian Products in the Local Market Compared to Imported Goods, and in Foreign Markets

As indicated previously, the migration of Palestinian labor to the Israeli market and the resulting scarcity of manpower in some sectors is not a new trend. Unsurprisingly, the figures for the next few years will continue to reflect this reality, and the same, prevailing economic relationship of the past. With the continued increase in the number of Palestinian workers in Israel and the settlements, incomes in the local economy will rise given the increase in the volume of remittances made by Palestinian workers in Israel. With this increase in income, the volume of economic activity in the overall economy will increase. In the long term, the increase in cash transfers to Palestinian workers in Israel will have negative effects on the local economy, represented by price distortions and the contraction of local productive sectors (MAS, 2022b).

With the increase in Israel's absorption of Palestinian workers, the volume of employment in the local economy will decrease, leading to an increase in wages for workers in the local economy, without any noticeable improvement in productivity. Resultantly, the cost of Palestinian production will rise, weakening the competitiveness of Palestinian products in the local market, in which they face unequal price competition with imported products, especially Israeli ones. It will also raise the price of local products compared to the price of products in foreign markets, further mitigating the competitiveness of Palestinian products in foreign markets (Flassbeck, Kaczmarczyk, Paetz, 2018; Al-Naqeeb & Atyani, 2003).

Moreover, the increase in incomes in the Palestinian economy, resulting from remittances made by workers in Israel, will lead to an increase in overall demand in the economy. This increase in demand will not be met by increased local production but by increasing imports.(6) At the same time, an increase in imports of internationally traded commodities will raise the prices of those that are not internationally traded, creating a price distortion in favor of the latter. As a result, the economy's share of commodity-producing sectors (agriculture and industry) will decline in favor of the services sector (Flassbeck, Kaczmarczyk, Paetz, 2018; Al-Naqeeb & Atyani, 2003).

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(5) An interview with Ayman Al-Mimi, Director of the Training and Business Development Department at the Ramallah/Al-Bireh Chamber of Commerce and Industry, and Ms. Hanan Al-Rifa'i, Coordinator of the Italian Project at the Chamber of Commerce, on 04/04/2023.

(6) Non-tradeable goods are goods and services that are produced and consumed locally, and have no alternatives in terms of imports. The clearest examples are buildings, housing, personal services, and goods that cannot be imported from abroad, whether due to logistical/natural difficulties or political constraints. The essential difference between exchangeable and non-exchangeable goods is that the prices of the first are determined in the international market, while the prices of the second are determined by the internal conditions of supply and demand in each country.

6. Possible Interventions and Questions for Discussion

Economies facing a labor shortage usually resort to raising wages to attract and encourage qualified workers to take up vacant jobs or attract workers from abroad. In the Palestinian case, the second solution is not a feasible option, for reasons related to the Israeli occupation and its control over the movement of people in and out of Palestine. With regard to raising wages, this solution is difficult to implement in light of the economic and political challenges that the Palestinian economy faces, and in view of the exacerbation of negative effects (as discussed previously) on the local economy, such as the deterioration of the productive sectors and distortions in prices.

Field interviews confirmed the difficulty (and even the impossibility) of local operators paying workers in the local market (across various professions and specializations) the same wages that they would otherwise receive in the Israeli market, in order to limit the tendency of Palestinian labor to switch to Israel and the settlements. Given the current circumstances, the majority of local enterprises cannot afford the high operational costs resulting from any attempts to match prevailing local wages with those in the Israeli labor market. On the other hand, in-depth interviews revealed a set of measures, mostly related to improving the work environment, which employers can adopt to help retain their current employees (Palestinian Ministry of Labor, 2020). Though most of these measures require focused and sustained policy action, however, there are no quick fixes:

- Encourage employers to improve the work environment, provide flexible working conditions, reduce working hours, increase vacation days, allow remote work in jobs where this is feasible, and increase wages for unsocial working hours.
- Develop applicable social protection systems within each facility/factory/company, including health insurance, sick leave, and unemployment benefits.
- Intensify policies aimed at encouraging the retraining of job seekers, including recent graduates, while providing intensive training programs to vocational education graduates to match their skills with the local labor market.
- Work on the governance of the vocational education sector through the establishment of a specialized TVET regulatory authority. Its main purpose should be to address gaps in management and coordination between the main players in this sector.
- Develop human resources, in that employers and industry must play a greater role in defining workforce priorities through accurate assessments of the skills they require. Employers should be involved in shaping the education system, especially TVET.
- Maximize the benefits to the private sector from investing in their human resources. They ought to increase their investment in promoting TVET and experimentation, as well as investing in the development of new vocational education programs.
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7. Discussion Questions

1. Can employers and industry in the local economy raise wages in an attempt to reduce the tendency of Palestinian labor to work in the Israeli market? To what extent can they raise wages, and is this feasible across all sectors?
2. Are there any specific roles that the private sector can perform to mitigate this phenomenon?
3. What should be the role played by the government to limit the negative effects of this phenomenon?
4. What is the assumed role of the regulators of the higher education and TVET sectors?
5. What is required in order to enable women in the local labor market to play a greater role in skilled employment?

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List of Interviewees

Name	Organization
Mr. Odeh Shehadeh	Secretary General of the General Federation of Palestinian Industries
Mr. Azmi Hajj	Director General of Labor Policies - Palestinian Ministry of Labor
Mr. Nidal Dweikat	Union of Agricultural Cooperative Societies in Palestine
Mr. Ayman Al-Mimi	Director of the Training and Business Development Department, Ramallah/Al-Bireh Chamber of Commerce and Industry
Mrs. Hanan Al-Rifai	Coordinator of the Italian project, Ramallah/Al-Bireh Chamber of Commerce and Industry