

# A FEMINIST ECONOMIC ANALYSIS OF COVID-19 IMPACT ON THE PALESTINIAN ECONOMY



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# EXECUTIVE SUMMARY

**The COVID-19 pandemic exacerbated the socio-economic crisis in State of Palestine in which women have suffered more than men** in almost all aspects of their labour-market participation and wellbeing. More than one in every two critical workers in health and education is a woman. In these sectors, increased working hours to fight the spread of the virus revealed one line of pandemic burden that fell disproportionately on women.

**Women more persistently lost jobs than men, particularly in the personal services, accommodation, and trade sectors.** As a result, women's wage mass saw a stronger decline. However, for most sectors, excluding trade, job losses were likely concentrated among low-pay and informal workers, recurrently resulting in increasing average wages.

**Women more frequently lost their jobs and faced stronger relative reductions of their working hours in the Gaza Strip than in the West Bank.** The evidence on Palestinian workers inside Israel and settlements is mixed, with some signs of men being less negatively impacted (in terms of employment and working hours) than in the State of Palestine.

**Women who owned or led businesses were severely impacted by the pandemic and considerably more so than men.** Women entrepreneurs in the critical and high-contracting sectors experienced job losses likely associated with the closure of their businesses. Most of the businesses closed or jobs lost by female entrepreneurs were in the grey economy. These businesses did not employ other workers in most cases, potentially reinforcing their subsistence role.

**The unemployment rate declined during the pandemic, for both men and women, which shows increased passivization of the labour market.** However, women in the State of Palestine were already underrepresented in the labour market, so that the additional passivization has been rather negligible in relative terms. Within the overall passivization, discouragement was observed, yet this was primarily a male phenomenon, both for those who were inactive and for persons not in employment, education or training (NEET).

**Women did not see an increase of hours devoted to unpaid work in their own households.** While an increase was noted in aggregate, it was mainly salaried women and unemployed housewives who reported an increase in the workload for household chores. Unpaid contributing members of the household and inactive women generally saw a decline of such workloads, probably because of the need to compensate the potential reduction in hired workers in agriculture and the already high shares of time devoted to household and care.

**Palestinian authorities undertook measures to counteract the negative economic outcomes of the COVID-19 pandemic and to protect the livelihoods of workers,** including those who are informally employed (social aid programmes) and the self-employed (funds

for MSMEs); and particularly of those who lost jobs during the pandemic. While the response was timely and strongly donor-supported, various stakeholders highlighted its insufficiency, which could also have been related to fiscal strain.

**Immediate and longer-term measures to be undertaken by the Palestinian authorities are needed to ensure a gender-responsive recovery from the pandemic.** Currently, further fiscal support of reemployment subsidies to combat labour-market passivization and scarring as well as extension of social aid may prove key to the recovery phase. Likewise, revised measures related to supporting SMEs, particularly those owned and/or led by women, may give a boost to the post-COVID-19 recovery.

**Deeper structural reforms are needed to address existing vulnerabilities and ensure preparedness for future shocks.** A more comprehensive and better targeted social protection system needs to be designed and instituted in State of Palestine involving, at the minimum, social aid programmes and unemployment insurance. Well-thought-out campaigns may soften the constraint that cultural norms exert on female labour-market participation. Finally, fiscal and monetary policy must be implemented with a gender lens, prioritizing investments in national social and healthcare service infrastructure.

# 1. INTRODUCTION

**“The toughest pressure from the pandemic has been on Palestinian women: not paying their salaries, firing them, not respecting their rights. Women suffered a socio-economic and psychological crisis.”**

- Focus group participant

The State of Palestine has been adversely impacted by the consequences of COVID-19. Even before this outbreak, forecasts for the Palestinian economy for 2020 and 2021 were already bleak after shallow growth of 0.9 per cent in 2019. High poverty and unemployment rates persisted and GDP per capita declined for the third consecutive year as the Palestinian economy continued to slide in 2019 – a decline that was projected to continue in the first half of 2020. GDP for 2020 and 2021 was projected at the beginning of 2020 to decline by 3 to 4.5 per cent. The reasons were manifold. The confluence of the political-military situation strained fiscal finances and the reduced official aid in 2019 played a crucial role in retarding growth<sup>1</sup>. The outbreak of the coronavirus aggravated these circumstances. Over 2020, the economy shrank by 11.5 per cent. The decline was most severe in Q2-2020, reaching 19.5 per cent. The employment rate deteriorated from 33 per cent in 2019 to 30.4 per cent in 2020, including a reduction of the number of Palestinian workers in Israel. As a result, income fallouts are expected to be massive and reach 25 per cent of GNI, resulting in an increase of poverty to around 30 per cent with approximately 1.4 million people living below the poverty threshold<sup>2</sup>. As a result, fiscal revenue has plummeted. These outcomes followed a differential pattern geographically. The COVID-19 impact was more severe in the Gaza Strip than in the West Bank<sup>3</sup>.

Such developments have strong negative gender implications. Women have been at the forefront of the health crisis as they represent the majority of health sector workers. Sectors like trade and entertainment, where more women find employment than men, have been hard hit by the crisis. In agriculture, a sector that has been already severely affected by the occupation, opportunities for women shrunk further. Lockdowns related to COVID-19 led to school closures and imposed a larger burden of childcare and education

on the household, which usually fell to women. Women also suffered because of a lack of access to assets and services, while already experiencing higher unemployment and poverty rates. Women’s increasing share in unpaid family work and as own-account workers poses further vulnerabilities and women are more likely to hold informal jobs, including as domestic workers. The participation rate of women is much lower than that of men. Such inequalities magnify and intersect with the multiple sources of discrimination that women and girls face.

The Government of the State of Palestine reacted to the outbreak of the virus and the unfolding of the crisis in the same manner seen elsewhere: restricting movement, closing public spaces, limiting bank services and hours of operation, restricting travel within the West Bank, limiting employee attendance at government and private workplaces (except for critical staff), and imposing mandatory quarantines for those returning from abroad. Partial easing of restrictions was instituted in late April 2020, with further easing in early August 2020 along stringent health protocols. The Government implemented several socio-economic measures: cash benefits to workers in the hardest-hit sectors, expansion of social aid, funds for SMEs impacted by the crisis, and deferral of loans and public duty obligations.

## Objectives:

The objective of this study is to conduct an economic analysis of the impact of COVID-19 on the participation of women in the Palestinian economy as workers, entrepreneurs, and unpaid care workers. The analysis provides a framework for policymakers to design timely, adequate, and sound policies that guide the necessary surge in fiscal and financial stimulus to make interventions for response and recovery effective for the most vulnerable groups,

1 <https://unctad.org/news/COVID-19-devastates-State-of-Palestines-shattered-economy>

2 <https://www.euromesco.net/publication/COVID-19-in-State-of-Palestine-economic-slump-rising-vulnerability-and-limited-policy-response/>

3 <https://www.arabstates.undp.org/content/rbas/en/home/library/crisis-response/economic-note-on-gaza-crossings-update-and-impact-of-COVID-19.html>

including women. Likewise, some policy reforms to support the longer-term economic recovery as well as preparedness for future shocks are also discussed.

The study has the following specific objectives:

- I. to analyse the effect of the COVID-19 crisis on labour market outcomes in both formal and informal employment,
- II. to provide an overview of the response and recovery measures through a gender lens, and
- III. to propose recommendations for designing gender sensitive fiscal stimulus packages and for tracking the gender impact of future fiscal stimulus packages.

The work therefore contributes to the ongoing discussions and interventions among several national stakeholders – government, international organizations, civil society, and the private sector – on interventions for impact-mitigation responses to this outbreak.

The report is organized as follows. Section 2 contains a short literature review. Section 3 presents a methodological note. Section 4 describes the results and offers a discussion. Section 5 discusses the government measures pursued and their gender implications and Section 6 concludes and discusses policy implications.

## 2. BACKGROUND LITERATURE

Lockdowns, curfews, and social distancing introduced worldwide to curb the spread of COVID-19 negatively affected a range of labour-market outcomes resulting in job losses, working hour reductions, furloughs, and increased incidence of working from home (Coibion et al. 2020; Béland et al. 2020). The crisis imposed a clear gender pattern: women were more adversely affected than men, as confirmed by the emerging global literature on the subject (Collins et al. 2020; Farre et al. 2020; Kristal and Yaish 2020; Montenovo et al. 2020). Negative effects can certainly be observed on women's employment and working hours, but also reach far beyond. The disruptions in the labour market and in the educational system had serious implications for the division of labour at home and gender relations, in particular, increased household and care responsibilities, which fell primarily on women.

The COVID-19 pandemic has also weighed more heavily on women as they are overrepresented in industries that were hard(er) hit by the crisis (ILO, 2020). First, the health and the educational sectors were severely affected. In the health sector, workers faced increased workloads, while in the educational sector, teachers faced both increased loads and abrupt changes in delivery mode. Both sectors are typically acyclical, remaining stable throughout the business cycle (Coskun and Dalgic, 2020). This has not been the case during the COVID-19 pandemic. Both sectors typically have higher proportions of women as compared to other sectors like construction or manufacturing, which are usually pro-cyclical and

male-dominated (excluding some sub-industries such as textile manufacturing).

Second, other sectors that were hit hard by the crisis may also employ large proportions of women (though not necessarily majorities). These sectors include trade, tourism and hospitality, and personal services. These sectors were heavily affected by movement restrictions and the withholding of consumption for non-essential goods and services. Alon et al. (2020) argue that to grasp the degree to which men and women have been affected unevenly in these sectors, understanding the extent to which the work could have been done at a distance (if it were "telecommutable") is essential. In the United States, Alon et al. (2020) document that 28 per cent of male workers and 22 per cent of female workers were employed in highly telecommutable occupations. Hence, men were likely to adapt to new circumstances more easily than women, who were more likely to lose their jobs. Such gaps are expected to be significantly larger in developing economies.

The economic crisis emanating from the outbreak and spread of COVID-19 disproportionately affected women entrepreneurs (Werner, 2020) because female-led or female-owned businesses are typically younger and smaller and hence have fewer buffers, and they are concentrated in industry sectors hit hard by the crisis. Recent data from the Global Entrepreneurship Monitor show that more than 50 per cent of women entrepreneurs operate in the wholesale/retail trade sector, compared to 42.6 per cent of



men entrepreneurs, and 17.2 per cent of women entrepreneurs operate in health/education and social services compared to 10.1 per cent of men (Elam et al. 2019). Closures due to movement restrictions or shrinking demand therefore have imposed a gendered burden on entrepreneurs during COVID-19.

Working women have also been affected by the uneven reduction in working hours, including absences from the workplace (Reichelt et al. 2021). While a share of employers embarked on reductions in working hours and paid absences in response to shrinking demand and closures (particularly when supported by government subsidies), the reduction of working hours and absences has a clear link with caregiving duties and remote schooling for children. The change in these duties also hit non-working women who were inactive and were already devoting high shares of their time to household chores and

care. Arguably, such pandemic-inflicted changes increased the burden on women more than on men (Ma et al. 2020).

Empirical findings so far are mixed. Collins et al. (2020) find that mothers reduced their working hours more than fathers in the United States. Sevilla and Smith (2020) find that time spent on childcare equalized during COVID-19 when men were working from home or had lost their jobs. Bujard et al. (2020) document that both men and women increased their time spent on housework and also found that women did not engage in significantly more housework than men as a response to lockdown measures. Hank and Steinbach (2021) for Germany, Andrew et al. (2020) for the United Kingdom, and Shafer et al. (2020) for Canada, all reported a prime burden for mothers in providing increased time for care during the pandemic.

### 3. METHODOLOGICAL NOTE

The methodology of this assignment consisted of comprehensive data collection and data analysis.

The State of Palestine has quite robust statistics, including the labour market statistics from the Palestinian Central Bureau of Statistics (PCBS) that are based on the Labour Force Survey (LFS). The LFS has a long history in the State of Palestine and is considered a world-standard survey. The PCBS granted UN Women access to the LFS for 2019 and 2020, which we

respectively denote as “pre-pandemic” and “during the pandemic”. In a strict statistical sense, it is worthy to note that the attribution of the differences between the two years to the pandemic would imply that 2019 was an average year, reflecting what is considered normal labour market in the State of Palestine. This assumption may be too strong, and, as such, we highlight the caution needed in the understanding of the findings.

**Table 1 presents the number of individuals of working age (15+) and the number of households, which is the analytic sample with which we are working. We use weights to ensure representativeness at the population level.**

table 1	Sample size	
	Individuals (15+)	Households
2019	77,503	24,364
2020	76,007	23,734

Source: Labour Force Survey

The current analysis examined gender patterns through a set of statistical tools focusing on the following sub-topics:

- Employment (including employment status and informal work)
- Unemployment (including who was more prone to job loss during the crisis)
- Sectoral segregation
- Wages, hours worked, and workplace absences
- Employers and own-account workers (entrepreneurs)
- Gender pay gap
- Inactivity and discouraged workers
- Distribution of time usage outside the labour market.

The quantitative data are supplemented by qualitative data collected through interviews and focus groups. Interviews served to collect primarily qualitative data, complementing some of the findings from the survey. The target respondents of the interviews include stakeholders from the Reference Group formed to oversee the conduct of this analysis. The Reference Group comprised of specialized agencies in the Economic Sector in Palestine. These included the Ministry of National Economy, the Ministry of Women's Affairs, the Palestine Economic Policy Research institute (MAS), the World Bank and the International Labour Organization. Three interviews with five total interviewees were conducted:

1. Dr. Rabeh Morrar and Iman Saadeh, MAS Institute;
2. Mona Ghalayini (Gaza) and Amal Daraghme (West Bank), Women Leaders in the Economic Sector; and
3. Samantha M. Constant, The World Bank.

The following is a non-exhaustive list of issues and questions discussed:

- How do you assess the impact of the pandemic on the Palestinian economy? To what extent has the labour market suffered?
- Has a gendered impact of the pandemic been observed in the State of Palestine? In what manner? Does it extend beyond the health sector?
- Thinking about the loss of jobs, who would you say were hit harder, women or men? In which sectors?
- Globally, what has been observed is an increased exit from the labour force of people who had previously been working or looking for a job. Could you say that this was also the case in the State of Palestine? Were women more prone to labour-market discouragement?
- How about income? How was it affected during the crisis? Were women or men more prone to face income shocks during the crisis?
- It seems that own-account workers were hardest hit. For example, owners of hair or cosmetic salons,

playrooms for kids, etc. Were these predominantly female- or male-led businesses in the State of Palestine? Do you have some examples to share?

- How did women fare in highly placed business or political positions? While they may not have lost their jobs, did they advocate in favour of supporting women and men in the State of Palestine?
- How do you assess the government's measures to combat the consequences of COVID-19?

Focus groups, as with interviews, served to collect qualitative data to complement and provide context to the data collected through the survey. Two focus groups were conducted with the following participants:

1. Six women business owners or women entrepreneurs from the hardest hit sectors; and
2. Seven women who lost their jobs, were put on forced leave or who had reduced working hours or wages.

The following is a non-exhaustive list of issues and questions discussed:

- Tell us about your economic activity before the pandemic. How was your business doing?
- Tell us about the impact of the pandemic. When did you feel the first impact? How strong was it and how long did it last?
- Do you still feel the consequences? In what manner?
- For the employed: What was the primary impact of the crisis? Have you lost your job? Were you sent on forced paid leave? Did you switch to part-time work (reduced working hours)? Teleworking? Anything else?
- For the unemployed: Did you continue searching for a job during the crisis or were you discouraged? Do you plan to return to the job market soon?
- For business owners: What was the primary impact of the crisis? Business closure? Did workload (and revenues) decline? Did you switch work modes (e.g., online sales; work from home, etc.)? Anything else?
- Was government support timely and sufficient? What more or what else would you need?

For both the interviews and the focus groups, the list of questions was used as a starting point and the line of discussion depended on the circumstances. Respondents were allowed to bring up any additional topics that they considered important.

# 4. GENDERED IMPACT OF COVID-19 ON LABOUR-MARKET OUTCOMES

## 4.1. COVID-19 EFFECT ON EMPLOYMENT AND WAGES

The COVID-19 pandemic exerted a negative shock on the overall economy and on employment in the State of Palestine, where 9.9 per cent of all jobs were lost in 2020 (“pandemic year”) compared to 2019 (“pre-pandemic year”), with a slightly stronger negative impact for women: they lost 10.6 per cent of jobs, compared to 9.7 per cent for men (Table 2). At the peak moment of activity closures, in the second quarter of 2020, about 132,000 people lost their jobs, of which 103,000 in the State of Palestine and 29,000 Palestinian workers that cross to Israel. Some employers instituted temporary (paid) lay-offs, but this option was not used extensively<sup>4</sup>. In 2019, 3.3 per cent of the employed reported they were absent, while in 2020, that share was 5.9 per cent. The increase was large (87.8 per cent, Table 2), and almost exclusively

due to ‘other’ reasons<sup>5</sup>, undoubtedly related to the pandemic. Temporary absences usually converted into cessations of working contracts. Absences were more prevalent among men. In total, 26.9 per cent of all employed people in 2020 worked fewer than the usual number of hours, and the number of people working fewer hours during the pandemic increased by 44.9 per cent (Table 2), with a strong gender disparity. The number of women facing reduced working hours increased by 62.4 per cent during the pandemic compared to 41.3 per cent of men. Reducing working hours was an important coping mechanism allowing employers to handle reduced demand while still maintaining contractual relations with employees.

**“There was a switch to hourly payment, because the workload declined.”**

- A woman who lost her job and income

**Table 2 Percentage change from 2019 (pre-pandemic) to 2020 (during pandemic (2020))**

<b>Table 2</b>	Jobs	Job absences	Workers working reduced hours	Wage mass	Average wage
Total	-9.9	87.8	44.9	-7.6	6.2
Men	-9.7	89.3	41.3	-8.7	4.9
Women	-10.6	83.1	62.4	-1.2	13.5

Source: Labour Force Survey

<sup>4</sup> As discussed in Section 5, the PA and chambers of commerce agreed on paying half of the wage of the workers laid-off and sectors closed but not wages below NIS 1,000. However, employers rarely abided to this. By May 2020, almost all jobs at strain were lost.

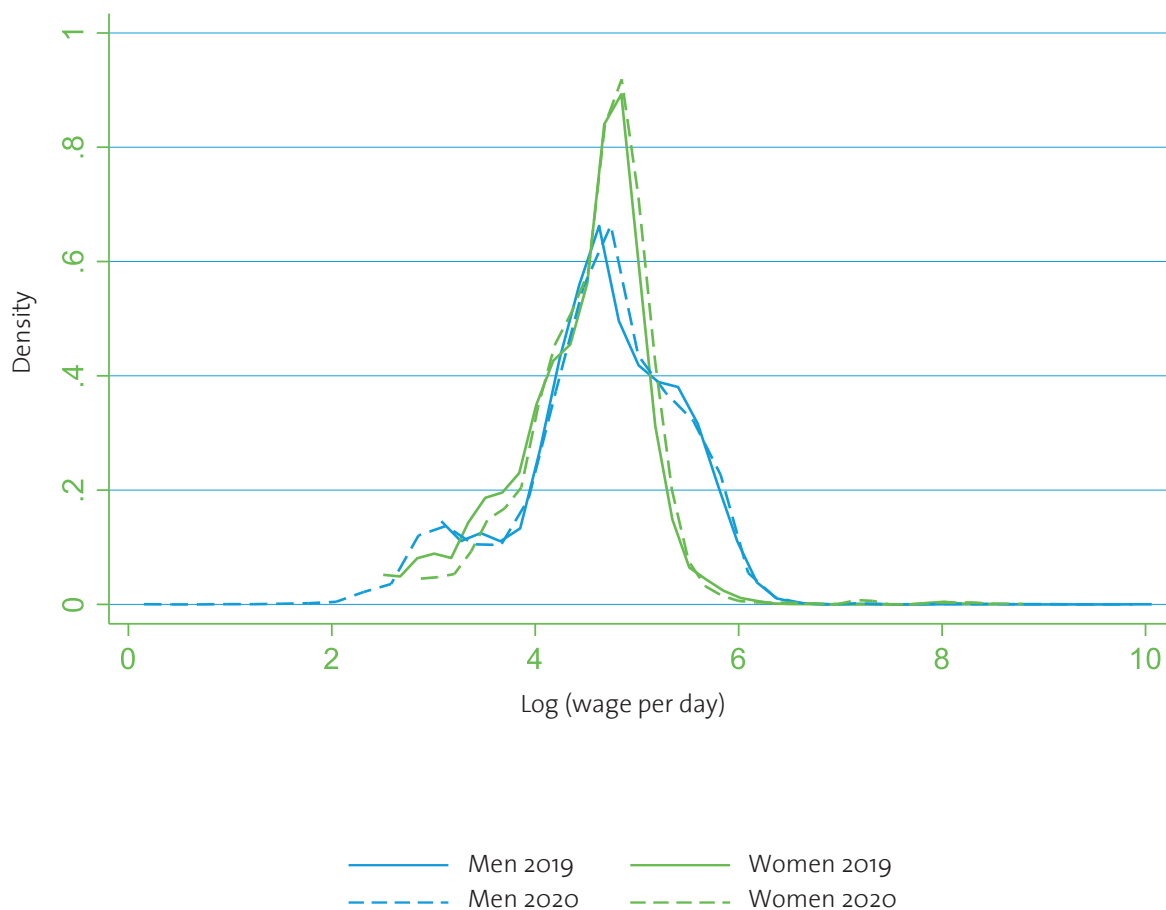
<sup>5</sup> Options for answers about work absences from work (in the previous week) include vacation, illness/injury, maternity leave, strike/closure, temporary stoppage, bad weather, education/training, family responsibilities and other.

The COVID-19 pandemic exerted a strain on workers' wages. While both men and women in the State of Palestine lost jobs, the total wage mass (the average daily wage multiplied by the number of days worked multiplied by the number of workers) declined by 8.7 per cent for men and 1.2 per cent for women (Table 2). The smaller decline of the wage mass of women could be primarily explained by their already low employment rates, though the higher paid average salary may have some role to play. Indeed, Table 2 documents that the average daily wage of men increased by 4.9 per cent, while for women the increase was a sizeable 13.5 per cent. A confluence of factors could explain such increases. First, predominantly

low-pay individuals, and specifically women, faced firing and worked in precarious, informal jobs paying significantly lower than the minimum wage. Their exit from the wage distribution mechanically inflates the average wage. Second, women represent the highest share of workers in the health sector, which experienced wage increases. Third, some of the laid-off workers (predominantly men) went to Israel (illegally, because of the movement restrictions), where wages were higher. Fourth, sectors like finance and business types (large companies) that typically have higher wages and continued to operate without restrictions held up their wages.

**The distribution of the average wage in Figure 1 corroborates this finding. Dashed lines for both men and women appear to the right of the solid lines, reflecting the increase of wages along the entire wage distribution. The increase for women is slightly more visible.**

**Figure 1 Impact on wage distribution, by gender**



Source: Labour Force Survey

While aggregate job losses may not suggest a strong gender difference, they may hide important sectoral patterns. Some sectors were harder hit than others and they may differ in the share of women employed. To begin with, two critical sectors – health and education – faced intensified workloads: the former to combat the health crisis, and the latter to conduct classes after a dramatic switch from classical classroom teaching to distance learning. Both sectors employ large shares of women around the world and in the State of Palestine. Reduced movement and quarantines imposed lower workloads in transport, trade, accommodation and food services, arts, entertainment and recreation, and personal services. Closures occurred in the months of 2020 when suppliers were facing diminished demand by consumers. Likewise, some manufacturing sectors experienced contractions due to reduced demand, both domestic and foreign, and impaired global value chains.

We classified sectors into four categories: first, critical sectors where the output might have even expanded albeit under intensifying and/or deteriorating work conditions due to very high exposure to the virus (human health services) or the abrupt shift to distance learning (education); second high-contraction sectors and third, medium-contraction sectors, in which the pandemic measures slowed down production to varying degrees; and, finally, all other sectors where

output suffered more indirectly with the overall effects of a recessionary economy.

Figure 2 presents the sectoral change in the number of employed individuals in the State of Palestine in 2020 (during the pandemic) versus 2019 (pre-pandemic) for men and women. Figure 3 shows those working fewer hours than usual (including employed but furloughed individuals), while Figure 4 and Figure 5 show total wage mass and average wages, respectively. The bars below the horizontal axis document decreases during the pandemic relative to the pre-pandemic period. The figures contain additional information represented by a dot which indicates the share of women in total sectoral employment in 2019 to roughly indicate whether the sector is dominated by women.

More than half of Palestinian women in employment (52.5 per cent) worked in critical sectors in 2020. We observe that there has been a small reduction of the number employed in education, which was more pronounced for women, yet far from the effects observed in other sectors. However, total hours worked in education declined for both sexes (by about 28 per cent), reflecting the actual cut in hours delivered through online learning, but also the reduced workload of the associated services in schools. Such an outcome is also driven by the full closure of pre-school facilities, nurseries and creches.

**“During the pandemic, our kindergarten was completely closed, with no work and no salaries. So, we lost our jobs during this period. We submitted complaints to the ministries because we were harmed the most.”**

- A kindergarten teacher

In the health sector, the number of jobs increased during the pandemic, but only for men, while women surprisingly experienced a small decline in number of jobs.

The average wage in critical sectors increased much more for women than for men (22.2 per cent in education and 27.2 per cent in health for women, compared to 5.5 per cent in education and 11.6 per cent in health for men). Hence, it is likely that in education, job losses among women were predominantly of low-pay jobs, which translated into a higher average wage. The total wage mass in the sector also increased. The absence of negative

effects on employment in health and increasing wages, particularly among women, likely reflects government spending for this sector amid the health crisis and the resulting increase in labour demand.

The share of women in the high- and medium-contracting sectors is lower and ranges from 0.5 per cent in construction to 28.5 per cent in other services, which includes personal services including hairdressing and cosmetic salons where women likewise experienced stronger job losses than men. A total of 27.5 per cent of female jobs in this sector were lost during the pandemic as compared to only

6 Wage mass: the average daily wage multiplied by the number of days worked multiplied by the number of workers.

11.2 per cent of male jobs. Likewise, 46.8 per cent of hours among women were lost in the sector, as compared to 21.8 per cent among men. These losses resulted in a strong decline in the wage mass for women of 43.5 per cent (as compared to only 1.6 per cent for men)<sup>6</sup>. The increase in the average wage (6.9 per cent for women versus 20 per cent for men) is also potentially due to job losses affecting lower paying jobs.

Within the high-contracting sectors, women's jobs were slightly stronger hit by the pandemic in accommodation and food services: a loss of 30.4 per cent versus 27.4 per cent for men, while the strong job loss for women in transportation only reflects their marginal share in this sector. But, in arts and entertainment where women account for 28.5 per cent of sectoral employment, the loss of low-pay job and the strong loss of hours (61 per cent) led to wage mass loss, which again resulted in a slight increase of the average wage.

Industry and trade in the medium-contracting sectors deserve special attention. They employ non-negligible shares of female workers, 8.4 per cent and 6.8 per cent respectively, and both exhibited a stronger negative effect for women. In industry, 8.1 per cent of female jobs were lost, versus only 3.4 per cent of men.

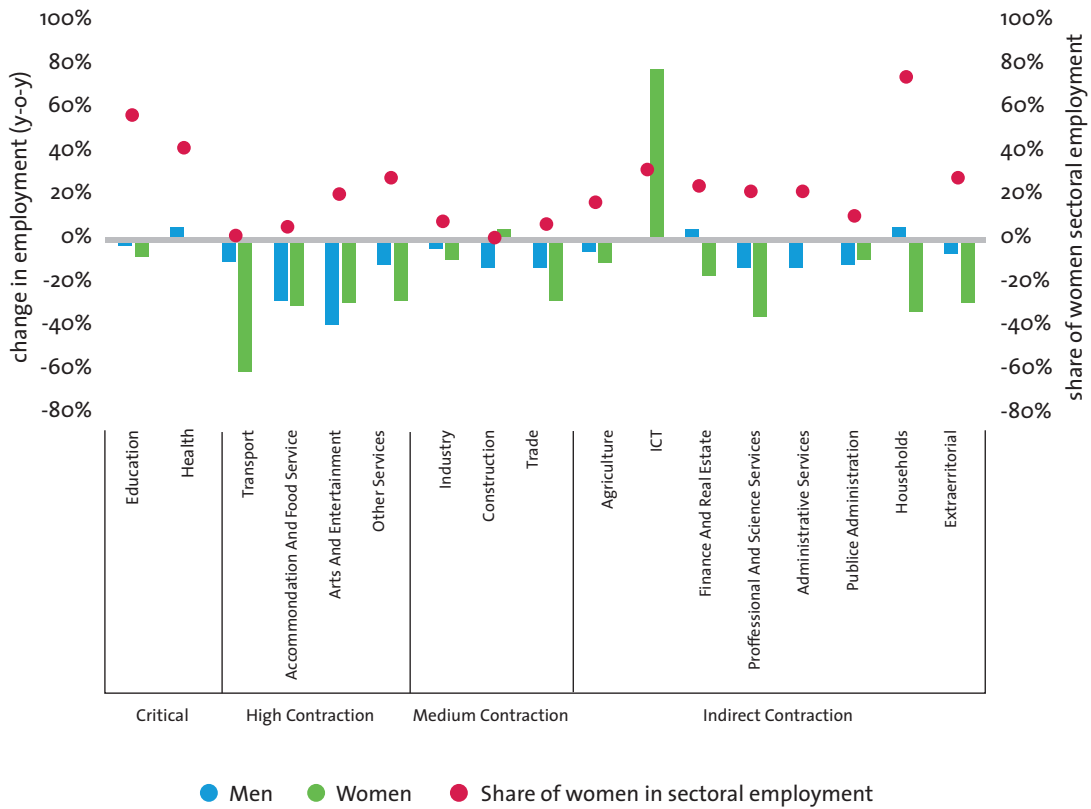
In trade, the loss of female jobs soared to 26.7 per cent compared to 12.3 per cent for men. Similarly, a stronger negative effect is observed for hours lost. However, patterns then diverge, the loss of the wage mass was tremendous for women in trade (44.1 per cent), as was the decline in the average wage (15.6 per cent), suggesting that the impact of the crisis was severe and widespread (job and hours losses among trade workers of all wage levels). In industry, the average wage increased for women, suggesting low-pay jobs were the most affected.

Within the group of indirectly contracting sectors, women suffered more throughout, except in ICT and administration (private or public). Most female jobs were lost in professional, scientific, and technical

services (35.3 per cent) and in households as employees (32.7 per cent), where women dominate as babysitters, cooks, carers and cleaners. In terms of wages, women were harmed more than men in administrative services, public administration, and finance, although these declines were too small to offset the overall growth in the average wage of women in State of Palestine.

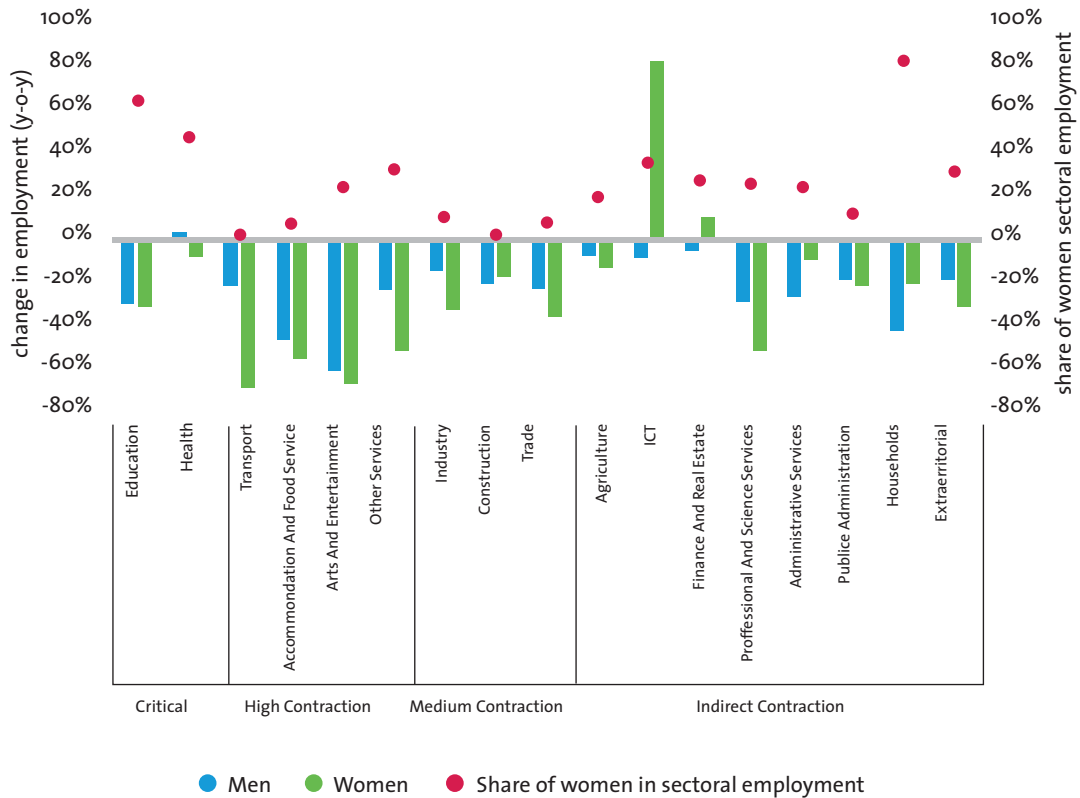
Overall, all sectors suffered in terms of their labour market performance. The critical sectors of education and health were relative exceptions as they benefited from wage increases and were shielded from job losses. There is no evidence of higher labour market losses for women in these sectors. For the rest of the sectors, particularly for the high- and medium-contracting sectors, the observed pattern was of job and hour losses being consistently more prevalent among women, which determined the stronger decline in their wage mass. However, for most of the sectors, except trade, job losses were likely concentrated among low-pay workers, including informal ones, which frequently resulted in increased average wages. This indicates that the contraction in labour supply dominated any contraction in labour demand in these sectors.

Figure 2 Sectoral impact on employment, by gender



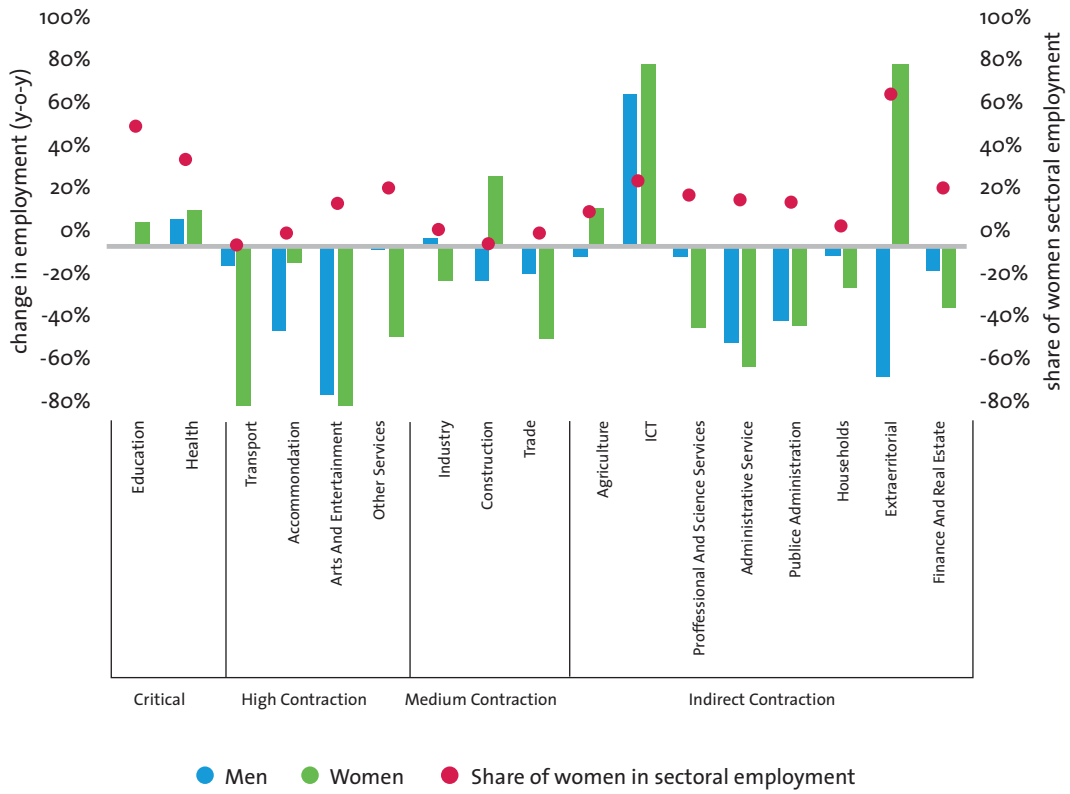
Source: Labour Force Survey

Figure 3 Sectoral impact on hours worked, by gender



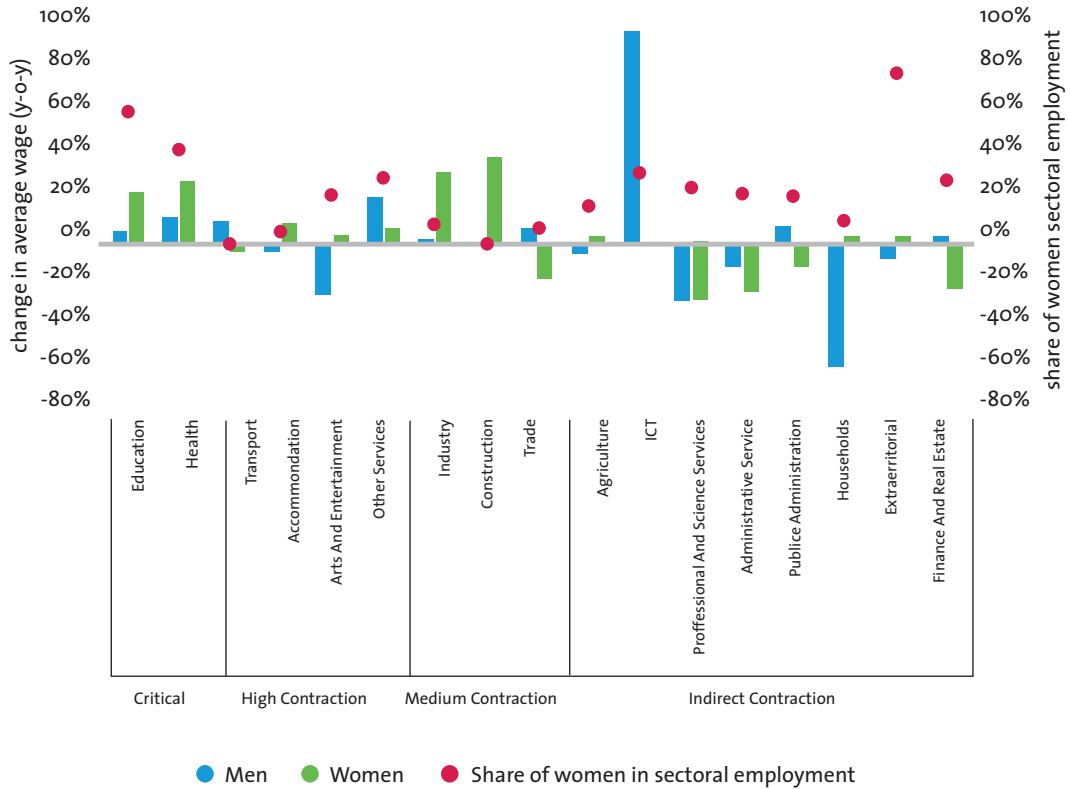
Source: Labour Force Survey

Figure 4 Sectoral impact on total wage mass, by gender



Source: Labour Force Survey

Figure 5 Sectoral impact on average wages, by gender



Source: Labour Force Survey



In the case of the State of Palestine, it is important to disaggregate labour market losses by geographical area: the West Bank, the Gaza Strip, and Palestinians working in Israel and settlements as is done in Figure 6 and additionally by gender, keeping in mind that the number of Palestinian women who work in Israel is too small for robust inference based on the data at hand. There is a notable distinction in the strength of COVID-19 impacts in the West Bank and Gaza, with the latter suffering more job losses. In both regions, women suffered from the COVID-19 impact. Job

losses were observed even in health and education (critical sectors), while the high-contracting sectors unsurprisingly experienced further stronger declines. Women in the West Bank in high-contracting sectors lost 25.1 per cent of jobs during the pandemic (11.1 per cent for men), while in Gaza the losses surged to 46.4 per cent (24.3 per cent of men). Losses were smaller for the medium-impacted sectors in which women lost 17 per cent in the West Bank (compared to 7 per cent for men) and 29.3 per cent in Gaza (20.6 per cent for men).

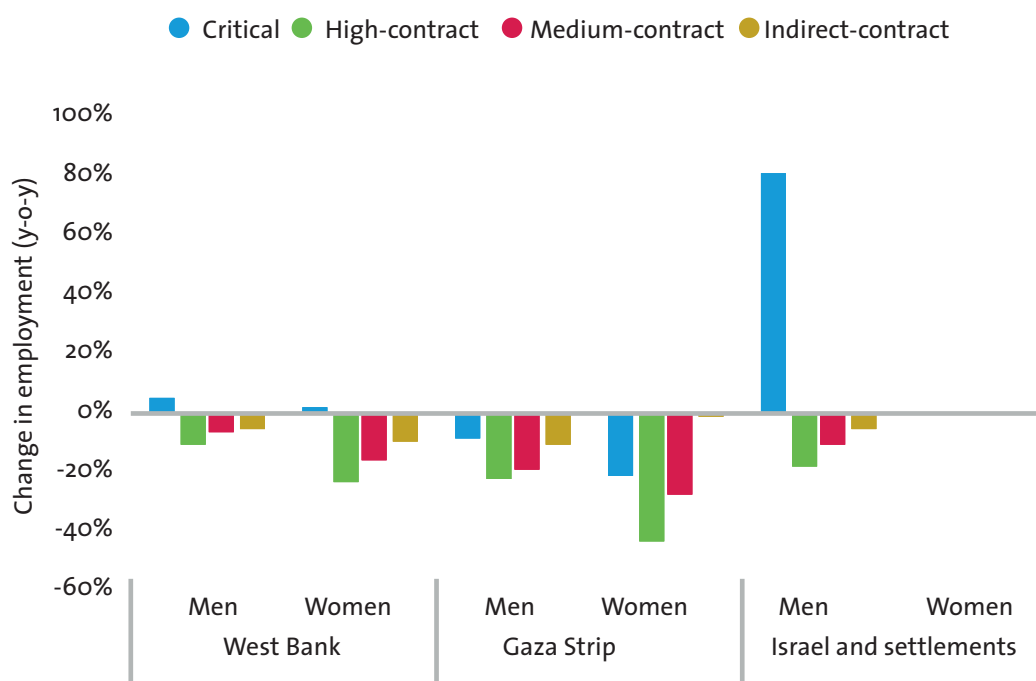
**“In Gaza, everything is being depleted, and there is no particular sector which was not affected; all were affected. 50–70 per cent of business owners had to shut. Gaza relies on the private sector, which was destroyed.”**

- A woman leader from the Gaza Strip

The available robust statistics for Palestinian workers in Israel were only for men, suggesting that employment in critical sectors there increased, which may mean that Israel increased demand for healthcare workers and teachers from the State of Palestine, while declines were observed in other sectors. Limited

evidence from the discussions with the interviewees revealed that those who were losing jobs in the West Bank – particularly men – found ways to transit to work in Israel and ensure basic livelihoods despite the movement restrictions.

**Figure 6 Sectoral impact on employment, by gender and place of employment**



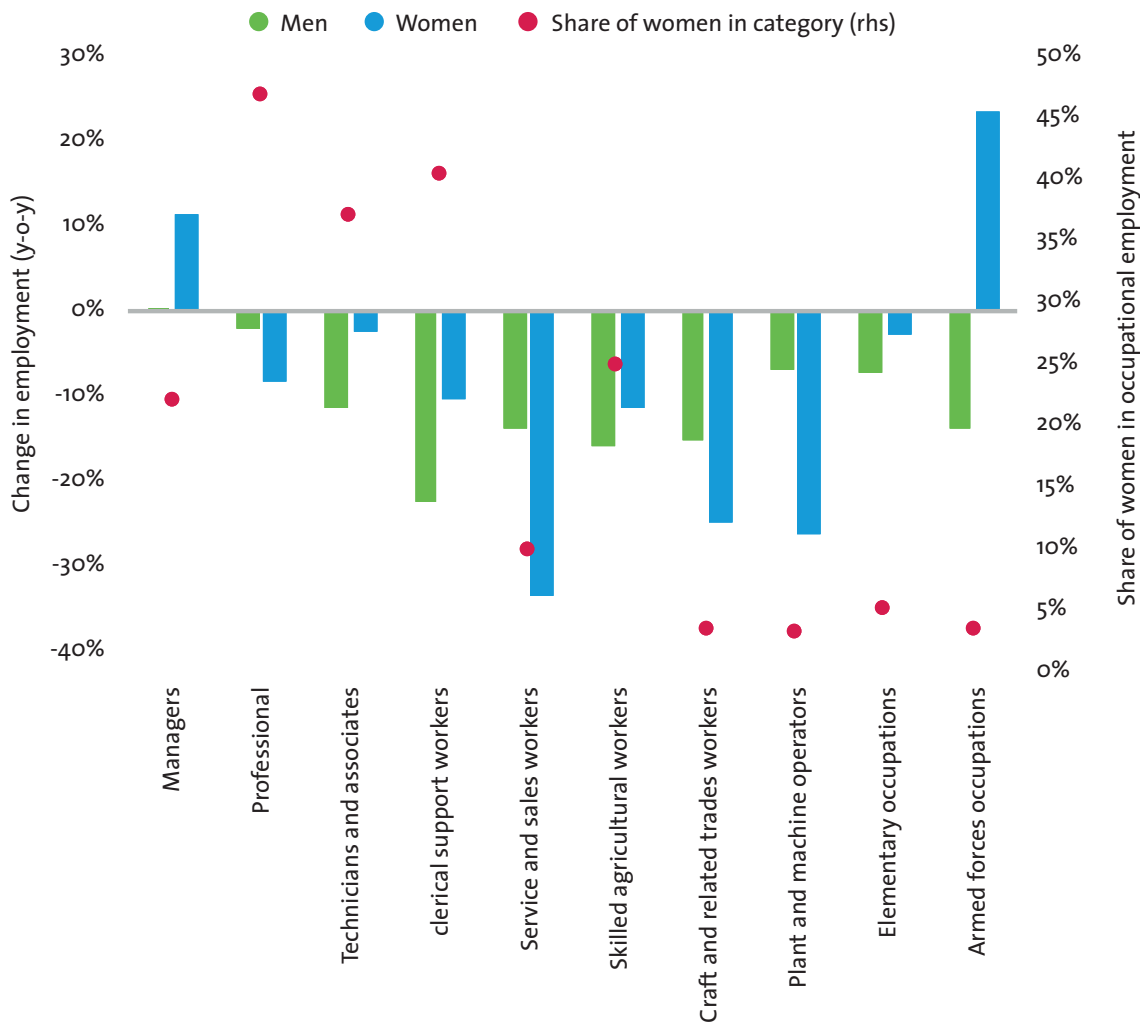
Source: Labour Force Survey

Beyond the employment sector, another important determinant of the differential pandemic impact on the labour market concerned job characteristics such as occupation and employment formality. In many recessionary environments, informally employed workers face higher risks of unemployment and income losses. During COVID-19, such informally employed people may have been the first to have been fired and were faced with no possibility of any government support due to the informal nature of their jobs. (Note that the informality status of a job is observed only for wage employees).

Figure 7 presents the impact of COVID-19 on employment by occupation. Job losses were generally spread among occupations, with some variation in patterns. For example, women in managerial positions benefited during the pandemic, however, their share in this type of occupation hovered around

20 per cent. Women were more severely hit than men in professional occupations in which the female share in employment is close to 50 per cent. Female sales and service workers were strongest hit (a 31.3 per cent decline of jobs) followed by plant and machine operators (24.6 per cent) and craft and related trades (23.1 per cent). In these occupations, the negative effect for men was significantly lower. However, the significance of such results may be attenuated by the fact that women have small shares of these occupations. Conversely, among skilled agricultural workers, women suffered less than men. Limited evidence on agricultural women within the discussions suggest that they were hit by the crisis but coped by finding new sales and marketing channels for their products, thus continuing to secure basic livelihoods instead of shutting ventures as occurred in other professions.

Figure 7 Occupational impact on employment, by gender

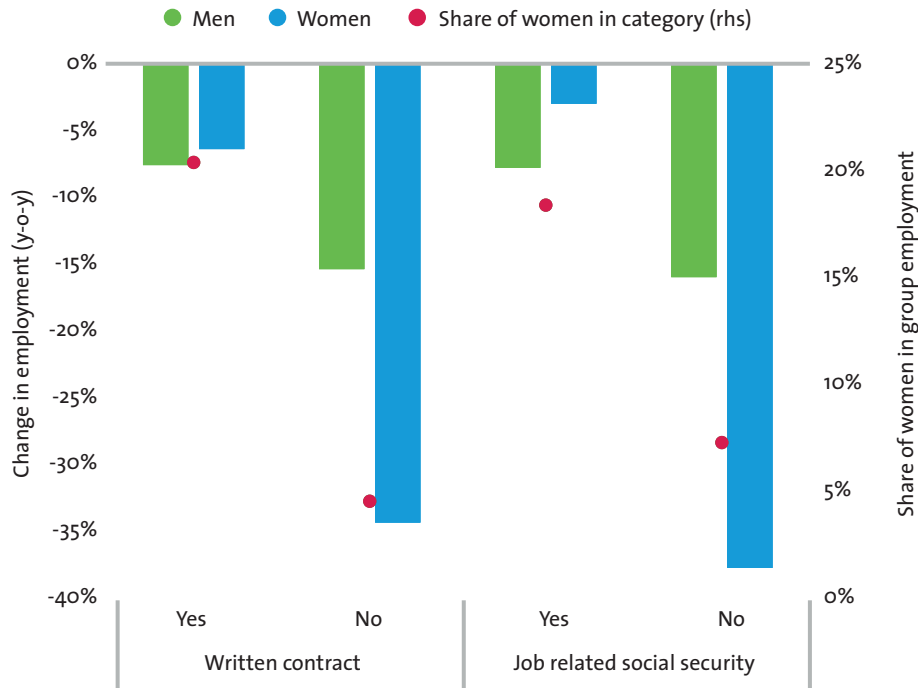


Source: Labour Force Survey

Figure 8 presents the impact of the pandemic on employment in the categories of formal and informal workers, by gender. Informal workers faced considerably larger job losses than formal ones; women working in informal jobs particularly impacted with job losses exceeding 30–31 per cent

when informality is measured by the absence of a written contract and 34.1 per cent when observed through lack of social security. Women in the State of Palestine, however, are less frequently informal workers than men.

**Figure 8 Impact on employment, by gender and informality**

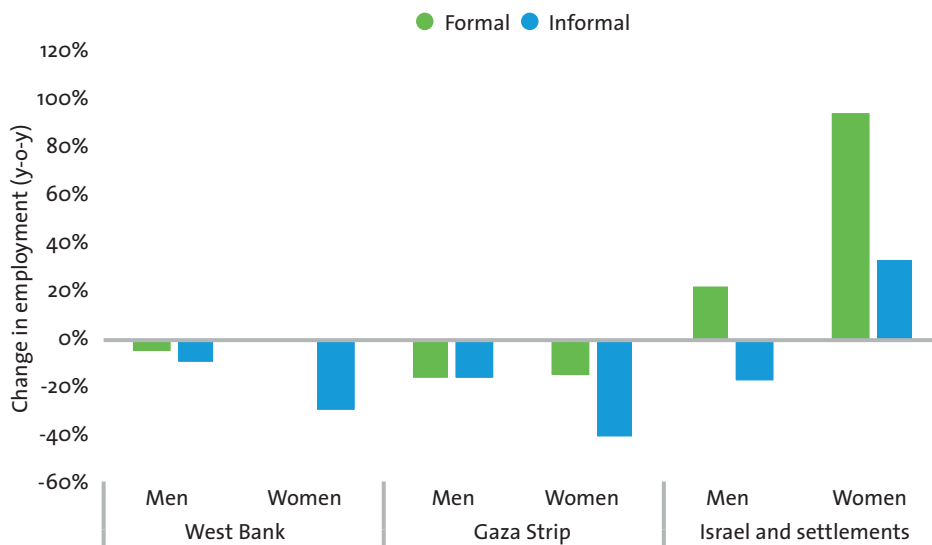


Source: Labour Force Survey

It is worth investigating job informality a bit further. Figure 9 presents changes in employment by job location, by men and women. The Gaza Strip was hit more strongly by the pandemic, and particularly for women working in informal jobs. Interestingly,

informal jobs were created in Israel for Palestinians. However, the sample size of people working in Israel – particularly women – is small, so any conclusions should be noted with caution.

**Figure 9 Impact on employment, by gender, informality, and place of employment**

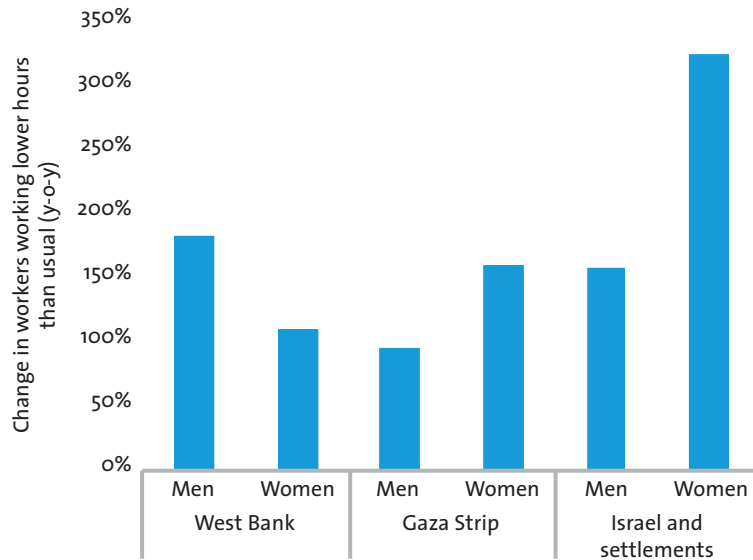


Source: Labour Force Survey

We next observe the loss of working hours by informality and geographical location. Diverging patterns are observed when the sample is disaggregated by work location (Figure 10). Women in the West Bank faced a lower impact on working hours

than men, but the situation was reversed in the Gaza Strip and for Palestinian women working in Israel. However, the latter sample size may be too small to allow robust inference.

**Figure 10 Impact on hours worked, by gender and place of employment**

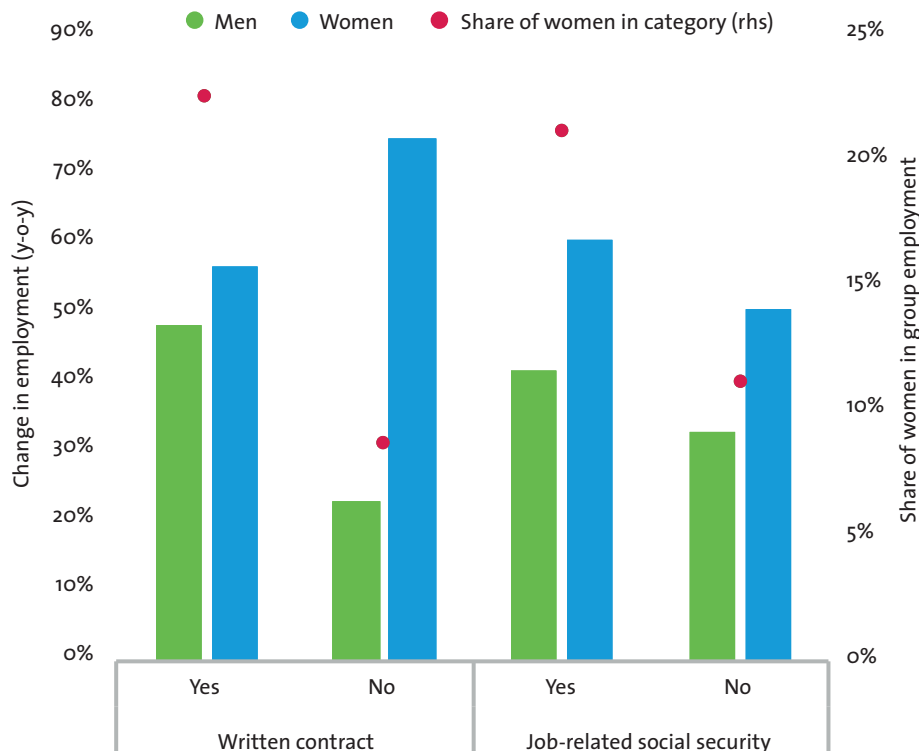


Source: Labour Force Survey

Finally, women were stronger hit in terms of hours lost, whether the job was formal or informal (Figure 11). However, the loss of working hours was significantly

higher among women in informal employment, particularly compared to men in informal work.

**Figure 11 Impact on hours worked, by gender and informality**

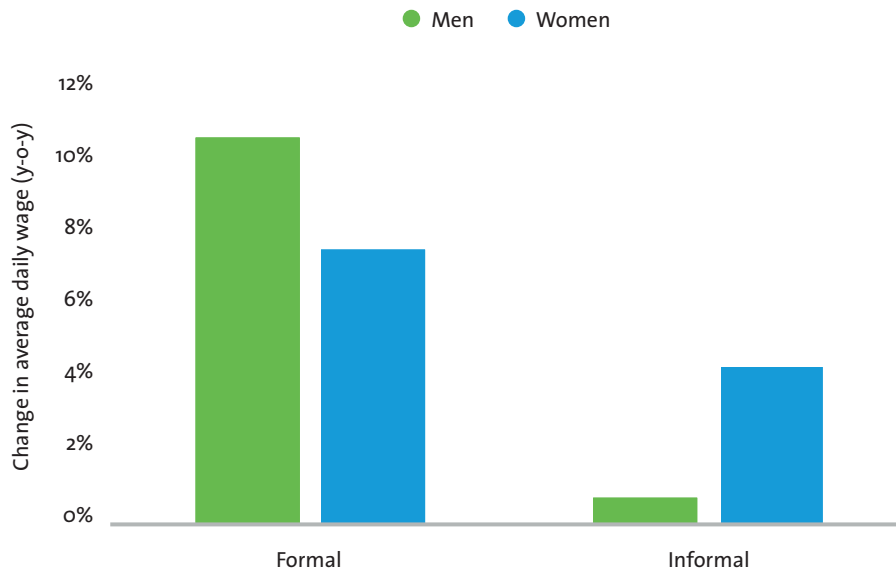


Source: Labour Force Survey

Lastly, we observe wage developments by informality and settlement. As expected, wage growth was stronger for formal workers in the State of Palestine (Figure 12). However, men in informal work experienced almost no growth in the average wage, as compared

to informal female workers who exhibited 4.5 per cent growth of the average wage. Such developments may have also resulted from the fact that a larger share of women than men lost their jobs in the informal sector.

**Figure 12 Impact on wages, by gender and informality**

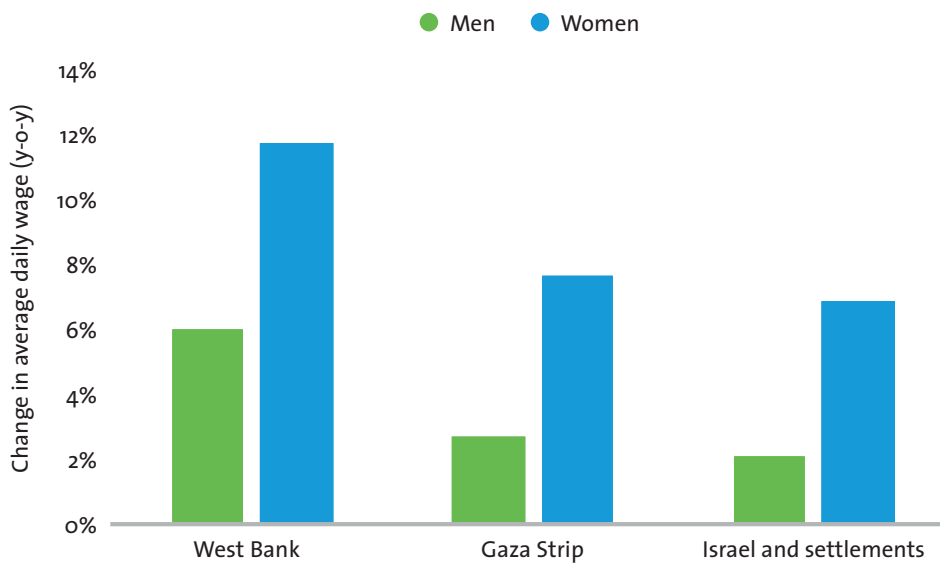


Source: Labour Force Survey

Finally, we observe that wages increased with a regional differentiation of the place of work (Figure 13), and women exhibited stronger wage growth in

all three places of work. However, relative growth was largest in the West Bank, followed by the Gaza Strip, and then by Israel and its settlements.

**Figure 13 Impact on wages, by gender and place of employment**



Source: Labour Force Survey

## 4.2. COVID-19 EFFECT ON ENTREPRENEURS

In this section, we disentangle the pandemic impact on self-employed individuals. We first observe the impact of the crisis by employment status (Figure 14). Wage employees clearly experienced the smallest decline in jobs (besides unpaid male family workers).

The largest relative decline in employment was observed among female employers, their share in this category, however, is the lowest among all four (5.8 per cent) categories. This was strongly confirmed during focus group discussions.

**“The pandemic was devastating for us. We were the first to have to close, because they considered we were the core for the spread of the virus. I thought about closing. I am thinking of it every day.”**

- Gym owner

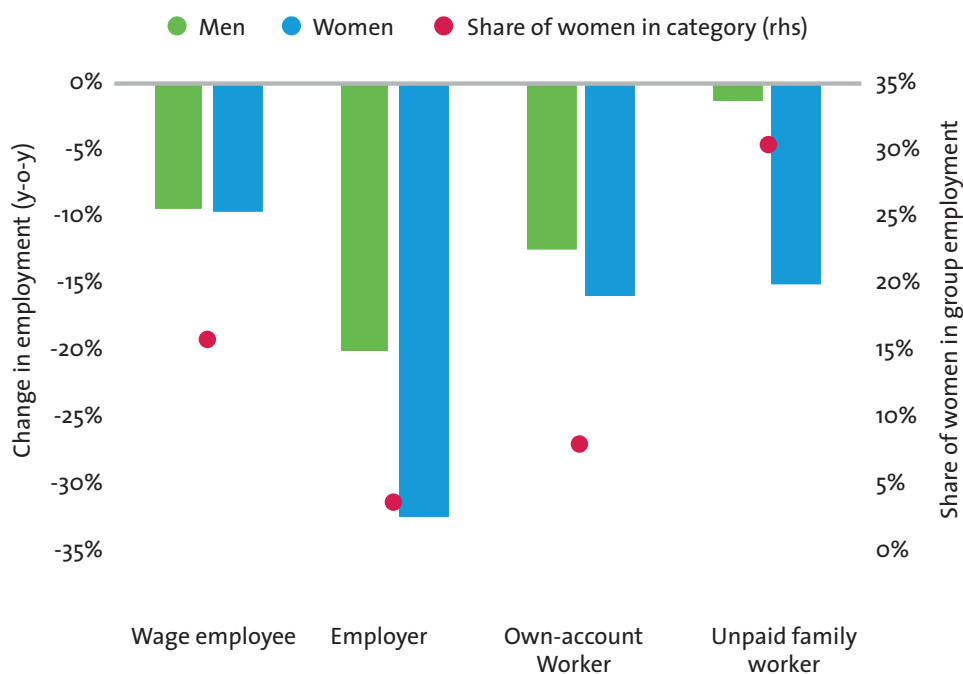
**“We suffered a lot of booking cancellations. We had six employees; half were women. At the end of April 2020, I had to fire them all.”**

- Travel agency owner

A differential gender impact, to the detriment of women, was also observed among own-account workers and unpaid family workers. (We will analyse unpaid family workers in Section 4.5.) In this section, we aggregate employers and own-account workers

into one category (due to small sub-samples inter alia) that we denote as “self-employed” or “entrepreneurs” and provide some statistics on how they fared during the pandemic.

**Figure 14 Impact on employment, by gender and status in employment**



Source: Labour Force Survey

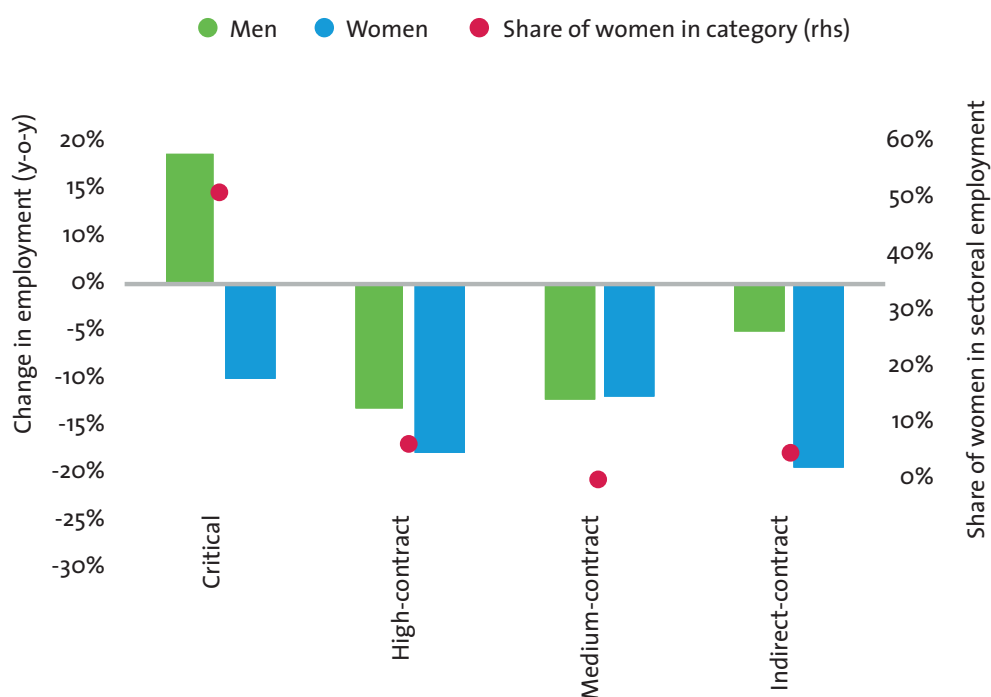
Almost all entrepreneurs (97.9 per cent) operate in the private sector, hence it is worth observing the sectoral impact of the crisis. Figure 15 documents that even in the critical sectors (health and education), women were severely hit compared to men, whose self-employment rose during the pandemic. Still, one must keep in mind that the share of self-employment in these sectors is only 3.4 per cent of total self-employment. Men might have been employers or

owners of private health ambulances and clinics, whose workload intensified, while women were more likely to be in schools that faced closures (even language classrooms and kindergartens). In the high-contracting sectors, again, the businesses of women suffered more than those of men. This was confirmed in the focus group, primarily composed of business-owners in the high-contracting sectors, including tourism, craftwork, personal services, food processing.

**“Before the pandemic, we were serving a large share of hotels with food. With the pandemic, no hotel was buying our products, so I lost about 75 per cent of my income.”**

- Female owner of a food-processing firm

**Figure 15 Sectoral impact on entrepreneurs, by gender**

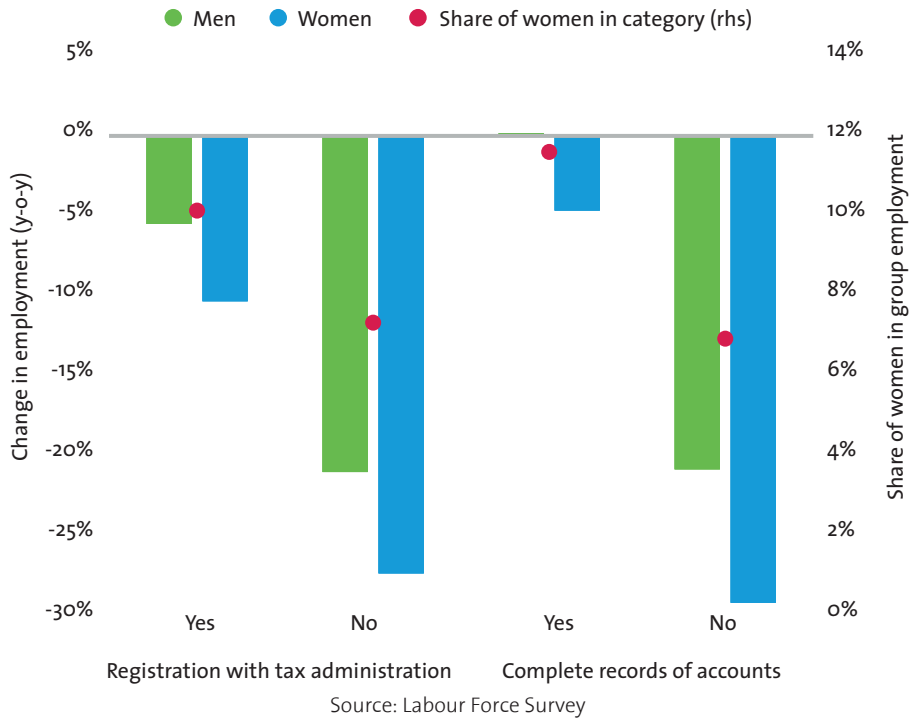


Source: Labour Force Survey

Informal businesses suffered more. Figure 16 shows own-business formality status, according to whether they were registered with the tax administration and if they kept complete records of accounts. Based on both measures, about 75 per cent of businesses that experienced a closure or contraction were informal.

In both formal and informal categories, women entrepreneurs suffered the highest changes in employment, and the difference is particularly striking for informal female entrepreneurs, as the closures of their entrepreneurial activity soared to 25 per cent compared to the pre-pandemic period.

**Figure 16 Impact on entrepreneurs, by gender and informality**



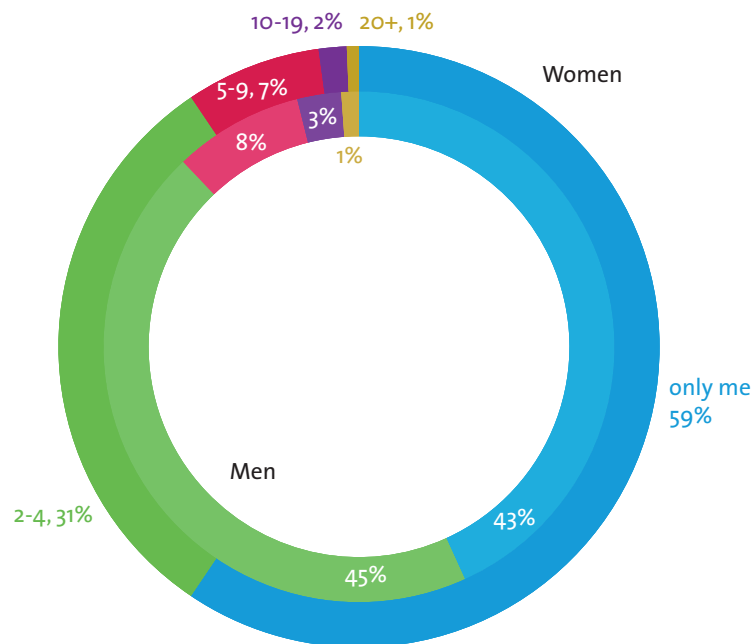
The impact of the pandemic on entrepreneurship of women is critical considering that more often than men, women do not employ others in their firm (59 per cent of the time, see Figure 17). This reinforces the notion that the loss of a job during the pandemic meant a business closure more frequently for women.

However, focus group participants were mainly employers who were employing other workers. Most decided to immediately fire employees, while in some cases the arrangement was switched to “on call”, with hourly instead of monthly payments to manage the financial burden of the business.

**“The priority was to keep the business alive.”**

- A gym owner

**Figure 17 Number of employed in own business, by gender (2020)**



Source: Labour Force Survey



Finally, it should be noted that given existing vulnerabilities, businesses in the Gaza Strip were

particularly crunched during the pandemic.

**“COVID-19 had a more adverse impact on the tourism sector, compared to the commercial sector. 80 per cent of our businesses suffered. Gaza is totally different than the West Bank because it is completely blocked from all crossings, it is extremely difficult to have any visitors or tourists or to import raw materials.”**

- Woman leader from the Gaza Strip

Yet women-entrepreneurs also revealed some positive externalities of the pandemic. Embroiderers switched to sewing of masks and related necessities during the pandemic; women cooperatives started

searching for new channels for sales and marketing of their products, craftswomen commenced new products based on natural materials, repositioned their merchandises and created their own brands.

**“As a women’s organization, we managed to create new things, and this is also how women escaped the economic and social dangers of the pandemic.”**

- A representative of a women’s organization

### 4.3. COVID-19 EFFECT ON THE GENDER PAY GAP

In Figure 1, we observed that the distribution of men’s wages is more spread out than that of women’s wages, particularly for higher wages. Thus, men in the State of Palestine are paid more, which results in a gender pay gap. Next, we analyse some of the correlates of this gender wage gap more systematically. We run a simple Mincer wage regression, where the “raw” wage gap is estimated by the coefficient on the sex dummy variable in a simple bivariate regression. We then progressively add control variables, including age (and its square), education, marital status, sectors, occupations, and location variables (commonly used regressors in such a function). Results are presented in Table 3.

The raw gender pay gap in the State of Palestine in 2019 was 20 per cent, suggesting that women on average earned a fifth less than men. When socio-demographic characteristics are added (column 3), the adjusted gender pay gap increases to 32 per cent. This suggests that employed women in the State of Palestine have characteristics that tend to be associated with higher wages, which increases the gap. When sector and occupations are added (column 4), the gap becomes 23.8 per cent, suggesting that women are concentrated in the lower-paid sectors

and/or occupations, an observation confirmed during discussions. However, when geographical areas are added (West Bank – Gaza – Israeli settlements; and the urban-rural divide), the gender pay gap soars again, suggesting that women are more frequently found as workers in geographical locations that pay higher wages (most notably in the West Bank compared to the Gaza Strip).

The most important finding for this analysis is the comparison of the 2019 gender pay gap with that of 2020. We observe that the raw gap declines to 12.6 per cent, which is a reduction by a sizeable 37 per cent, while the adjusted gap declines to 31.5 per cent, a decline of 7.9 per cent<sup>7</sup>. Such declines are not strange if we consider that the average wage of women increased significantly more than that of men (Table 2), as well as some of the findings we observed in Section 4.1. If women who were on the lower scale of the wage distribution, i.e., those who earned predominantly lower wages, were losing their jobs more often (which is also corroborated by our finding that more women in informal employment were losing their jobs), then they no longer appear in the wage distribution, and the resulting effect is that the average difference with male wages is reduced.

7 To test the significance of the difference in the gender pay gap between the two years, we run a pooled regression with a dummy variable for the year and an interaction of gender and year. We obtained a positive coefficient, signifying those female wages during the pandemic improved compared to male wages before the pandemic, and the coefficient was significant at 5 per cent. This corroborates the significance of the decline of the gender pay gap observed in Table 3.

	Dependent variable: Log of daily wage									
	2019					2020				
	Raw gap	Adjusted gap				Raw gap	Adjusted gap			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Woman	-0.200***	0.255-***	0.320-***	0.238-***	0.342-***	0.126-***	0.170-***	0.257-***	0.207-***	0.315-***
Age		0.0596***	0.0470***	0.0469***	0.0388***		0.0452***	0.0328***	0.0274***	0.0275***
Age squared		0.0005-***	0.0004-***	0.0004-***	0.0004-***		0.0004-***	0.0002-***	0.0002-***	0.0002-***
Secondary (ref. = Primary or less)			0.0167-	0.0531***	0.0713***			0.0288	0.0850***	0.0781***
Tertiary or more			0.176***	0.236***	0.230***			0.210***	0.243***	0.251***
Married (ref. = Single)			0.0494**	0.007-	0.0909**			0.0316	0.015-	0.0710***
Other			0.0106-	%2.9-	0.00494			0.0191	0.0119	0.0166-
Industry (ref. = Agriculture)				0.401***	0.273***				0.481***	0.317***
Construction				0.978***	0.500***				1.060***	0.573***
Market Services				0.156***	0.192***				0.206***	0.181***
Non-market Services				0.243***	0.460***				0.374***	0.525***
Professionals (ref. = Managers)				0.322-***	0.244-***				0.291-***	0.187-***
Technicians and associates				0.394-***	0.345-***				0.349-***	0.271-***
Clerical sup.				0.409-***	0.352-***				0.395-***	0.325-***
Service and sales workers				0.589-***	0.451-***				0.531-***	0.322-***
Skilled agr.				0.16-	0.320-***				0.286-***	0.409-***
Craft				0.275-***	0.361-***				0.238-***	0.298-***
Plant and machine				0.569-***	0.510-***				0.486-***	0.415-***
Elementary				0.476-***	0.544-***				0.481-***	0.486-***
Armed forces				0.344-***	0.331-***				0.333-***	0.277-***
Gaza Strip (ref. = West Bank)					0.848-***					0.840-***
Israel/settlements					0.776***					0.770***
Rural (ref. = Urban)					0.0510-***					0.0476-***
Camp					0.0409-***					0.0708-***
Constant	4.611***	3.270***	3.446***	3.462***	3.756***	4.648***	3.583***	3.687***	3.743***	3.879***
Observations	17,108	17,108	17,083	17,083	17,037	15,618	15,618	15,618	15,618	15,584
R-squared	%0.9	%8.1	%9.0	%27.7	%60.7	%0.4	%5.4	%6.6	%25.6	%59.3

## 4.4. UNEMPLOYED AND INACTIVE PERSONS DURING COVID-19

The COVID-19 pandemic affected not only employed individuals, through the loss of jobs, working hours and incomes as well as business closures, but also individuals who were unemployed. Table 4 shows that the number of unemployed during the pandemic actually declined in the State of Palestine, with a threefold stronger relative effect among women. This

may be a plausible, yet unexpected, movement since we observed that individuals have been progressively losing their jobs, with a slightly stronger effect for women. The reason for this phenomenon lies in the fact that during the pandemic, people have been increasingly exiting the labour force.

Hence, in Table 4 we observe the increase in inactive men and women, but passivization of men was stronger in relative terms simply because the number

of inactive women in the State of Palestine was already very high.

**“A large percentage of women had to leave their job and deactivated.”**

- Member of a local think tank

**Table 4 Impact on employed, unemployed and inactive, by gender (percentage)**

Table 4	Men	Women
Employed	-9.7	-10.6
Unemployed	-7.4	-21.8
Inactive	15.5	1.2

Figure 18 presents the unemployment rate (number of unemployed divided by the total of the active population above the age of 15) and suggests that this rate slightly rose for men because the number of employed men was declining faster than the number of unemployed men. An opposite movement in the case of women led to a decline of the female unemployment rate. Yet, the unemployment rate for women remained almost double that of men, with a gender unemployment gap of 17.6 percentage points during the pandemic.

Figure 18 also presents the inactivity rate (number of non-participating individuals divided by the working-age population above the age of 15) and suggests that it rose for both sexes. The increase for men was larger, going from 29.6 per cent to 34.8 per cent. However, the number of women outside the labour force in the State of Palestine was already very large before the pandemic, 81.3 per cent, which increased to 83.9 per cent during the pandemic.

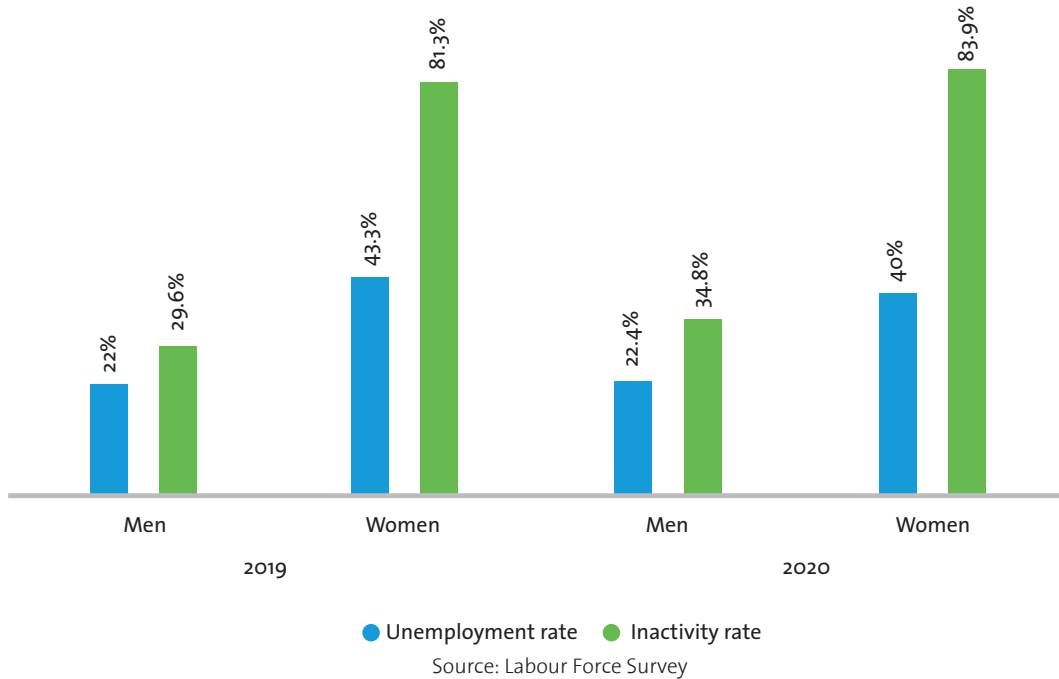
**“The pandemic increased the need for women to stay at home, to take care of the children and the household, which is work assigned to women according to the social norm. So, this increased the chances for women to be fired .”**

- Member of a local think tank

Therefore, the cultural surroundings imposed on women the sacrifice of their already vulnerable jobs to the increasing needs for care and learning support for

children, while the option to work from home (where possible) was constrained with the standard agency relationships in the patriarchic household.

**Figure 18 Impact on unemployment and inactivity rates, by gender**

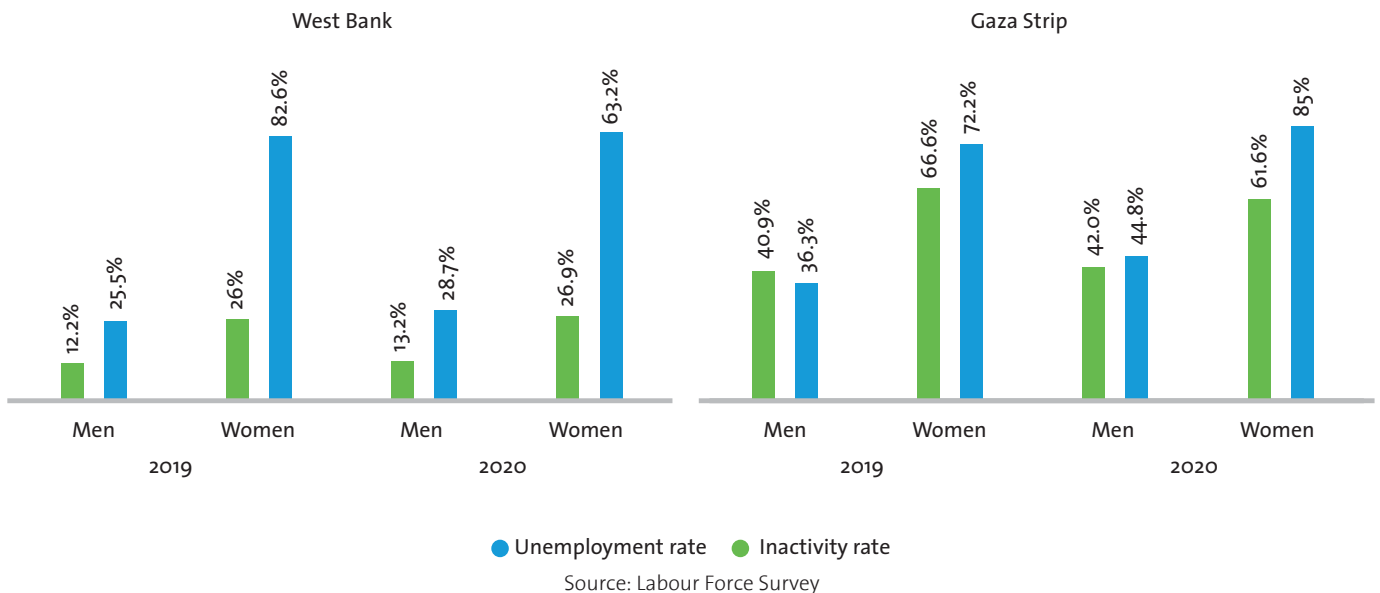


Source: Labour Force Survey

The Gaza Strip faces more than double the unemployment rates of the West Bank (Figure 19), while inactivity is similar among women. The unemployment rate during the pandemic behaved similarly across the West Bank and Gaza Strip, slightly

increasing, mostly among men. Likewise, inactivity rates were mainly on the rise across the two regions, with the inactivity of both men and women in Gaza rising significantly more than in the West Bank.

**Figure 19 Impact on unemployment and inactivity rates, by gender and residence**

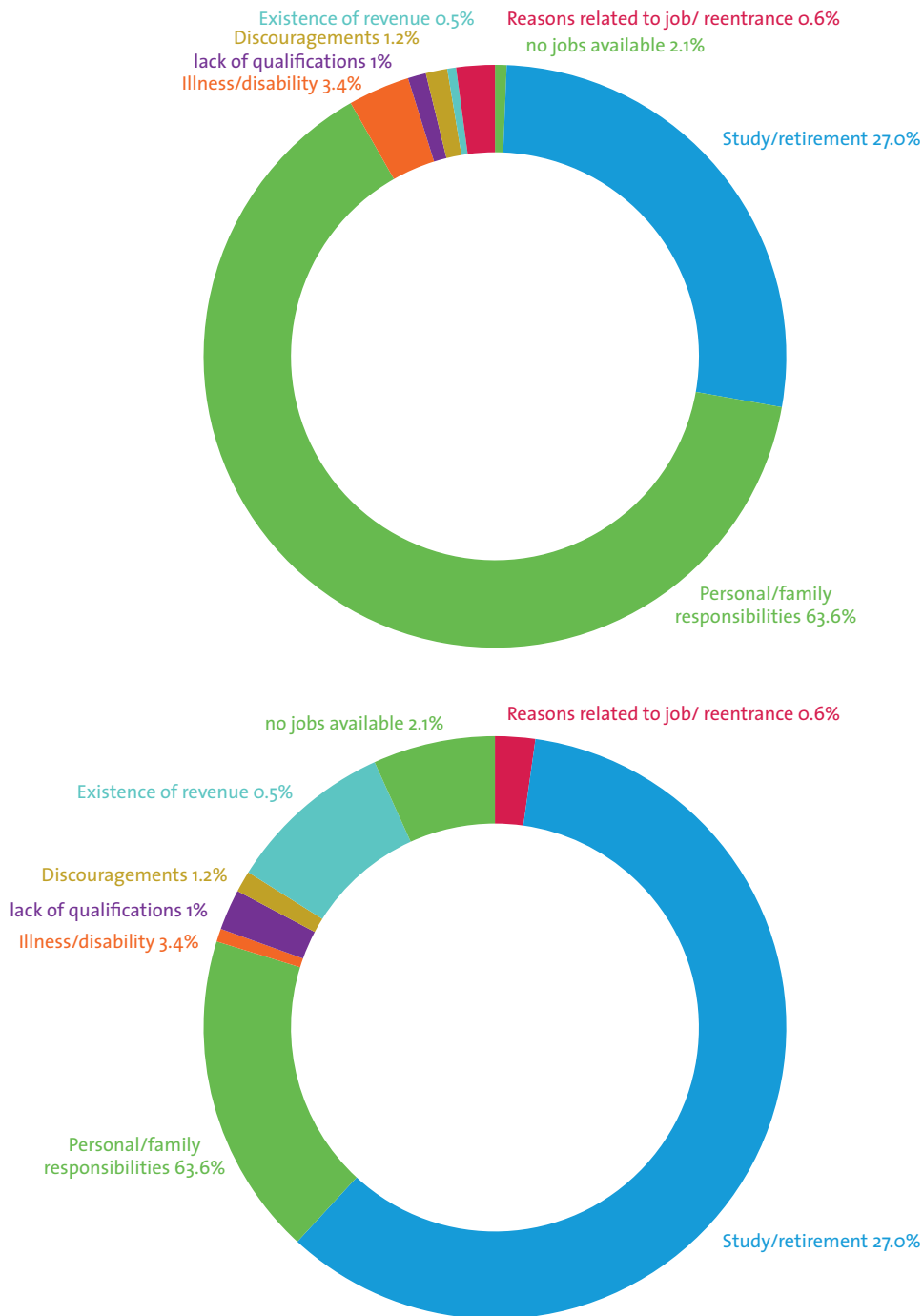


Source: Labour Force Survey

The phenomenon of passivization was quite strong during the pandemic, suggesting that individuals who were losing jobs were discouraged to search for a job in uncertain times. We delve into this trend in more detail. Figure 20 presents the reasons for inactivity of men and women during the pandemic. We do not present the pre-pandemic distribution, because

there have been no significant changes. The contrast between men and women is apparent: while men are mainly inactive because of study and retirement, women are inactive because of their personal and family responsibilities, referring to household chores and care work.

Figure 20 Reason for inactivity during the pandemic, by gender

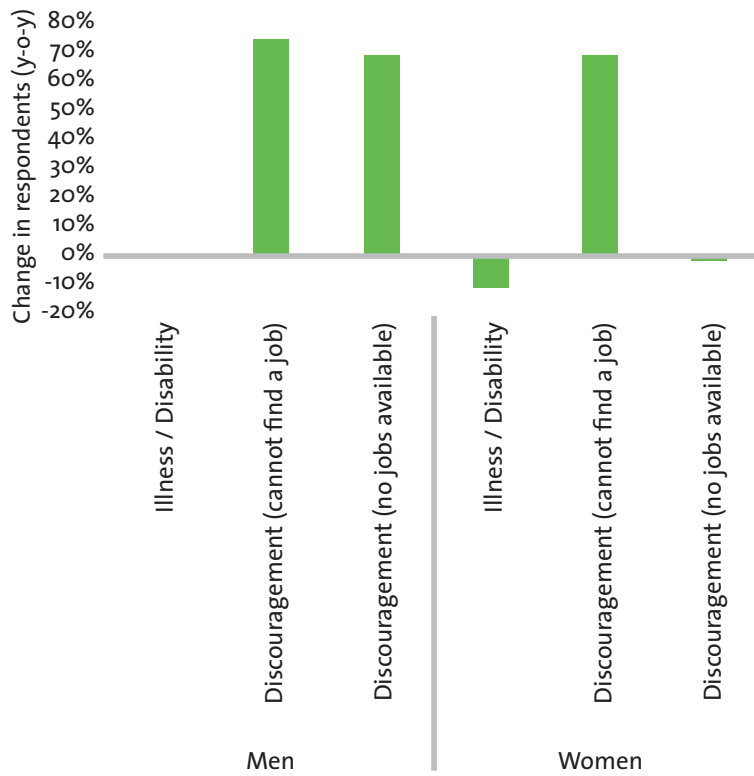


Source: Labour Force Survey

Three reasons could be potentially related to the pandemic: illness (in case the respondent catching the virus and being unable to actively search for a job); and two forms of discouragement, the inability to find a job and the perception that there were no jobs available. Figure 21 suggests that the health aspect of the crisis was not a reason for passivization. However, discouragement was strongly in play in the Palestinian labour market, particularly for men. A total of 69.4 per

cent more women than in the pre-pandemic period reported that they left the labour market because they could not find a job, while men were passivizing to a similar extent on the two discouragement reasons. Given that the activity of men on the labour market in State of Palestine is considerably higher than that of women, it is expected that during the crisis, discouragement would be more prevalent among the more active population.

**Figure 21 Impact on discouragement among inactive, by gender**

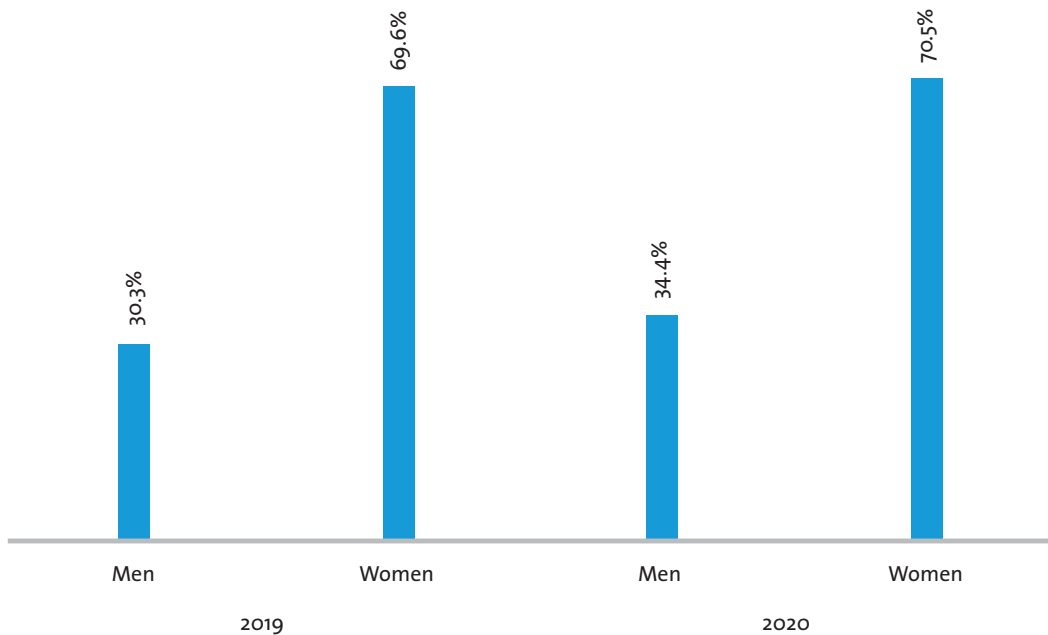


Source: Labour Force Survey

A critical part of the non-employed working-age population might have been those who were without a job and not in employment, education or training (NEET). Expectedly, the NEET rate is considerably

higher for women (Figure 22). During the pandemic, NEET rates increased – for men and women – but the increase was larger for men, likely reflecting the stronger discouragement observed among them.

**Figure 22 Impact on NEET rates, by gender**

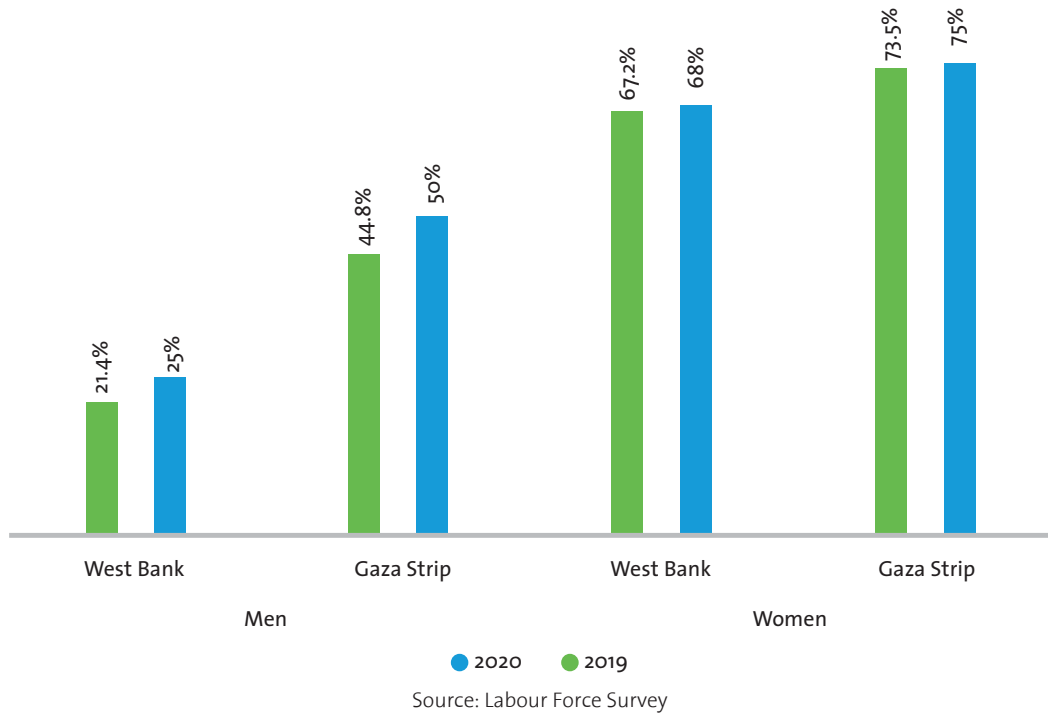


Source: Labour Force Survey

The Gaza Strip suffers higher NEET rates than the West Bank, but the difference is more pronounced for men (Figure 23). During the pandemic, both men

and women recorded increases in NEET rates, but the increase was largest among men in the Gaza Strip.

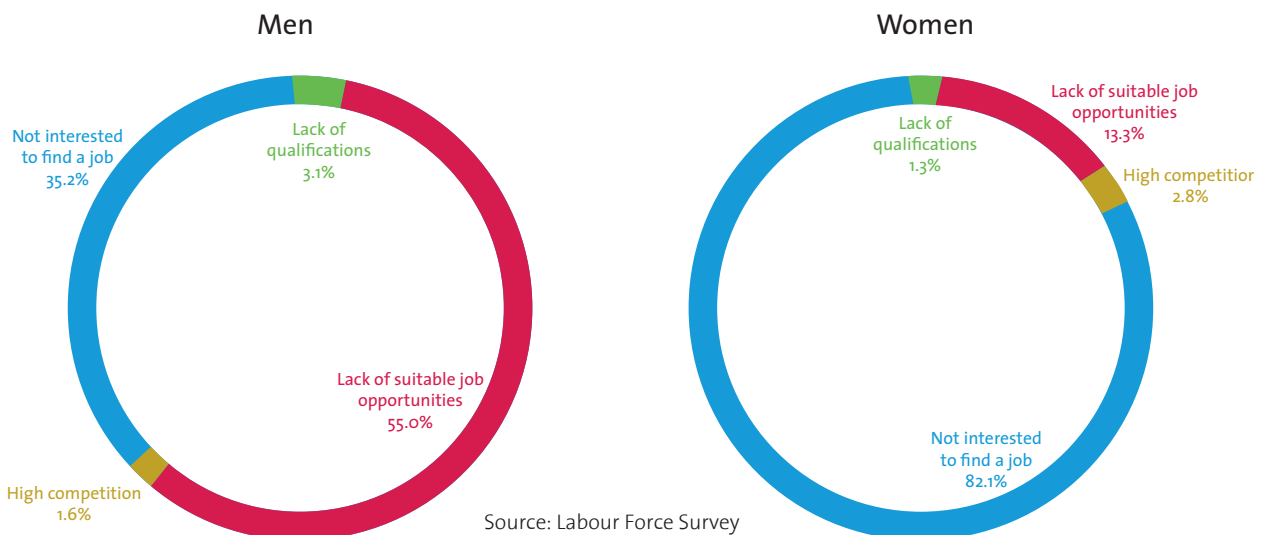
**Figure 23 Impact on NEET rates, by gender and residence**



Male and female NEETs are quite different in terms of their work preferences: 55 per cent of men consider that there were no suitable job opportunities, while

82.1 per cent of women were not interested in finding a job (Figure 24). This structural setup did not change compared to the pre-pandemic period.

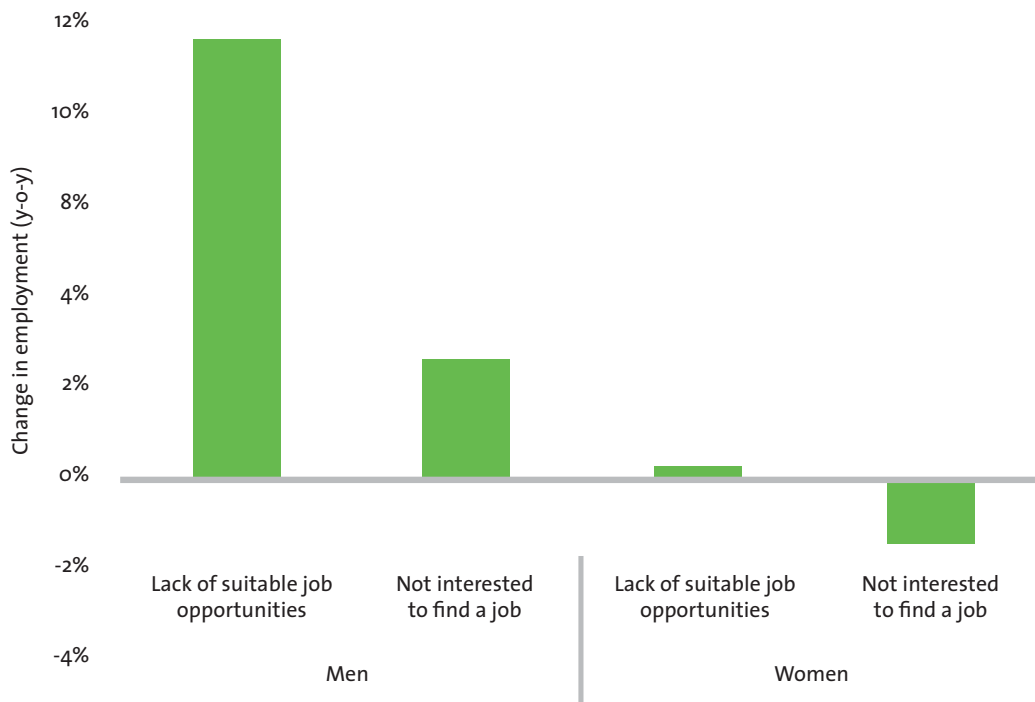
**Figure 24 Reason why a job cannot be found among NEETs, by gender (2020)**



Discouragement among male NEETs is observable on the Palestinian labour market (Figure 25). Two of the four reasons could be associated with discouragement: lack of jobs and lack of interest in searching for a job.

There was an increase in the number of male NEETs during the pandemic stating both reasons, but this was not the case among female NEETs.

**Figure 25 Impact on discouragement among NEETs, by gender**



Source: Labour Force Survey

## 4.5. UNPAID WORK DURING COVID-19

The Labour Force Survey underpins some analysis of the unpaid work carried out by individuals<sup>8</sup>. We disentangle five types of unpaid work: unpaid family work, unpaid service work in own household, unpaid trainee work, volunteer work and work on own production (including subsistence work)<sup>9</sup>. Table 5 presents the pre-pandemic and during pandemic

shares of respondents conducting various types of unpaid work by gender. Two types of unpaid work stand out: unpaid family work as an employee; and unpaid domestic work in own household. The other three types of unpaid work have negligible numbers of participants (1.2 per cent or less) and we thus disregard them from further analysis.

**Table 5 Impact on unpaid work, by gender**

Table 5	2019		2020	
	Men	Women	Men	Women
Unpaid family worker	3.1	8.3	3.4	8.0
Household work	48.0	88.9	54.7	91.3
Trainee	0.3	0.1	0.2	0.1
Volunteer	0.5	0.4	0.2	0.2
Own producer	1.2	1.2	0.6	0.7

Source: Labour Force Survey

Note: Share of “employed workers” for unpaid family workers. Share in working-age population for all others.

<sup>8</sup> Despite the limited availability of information on unpaid work in the LFS, particularly compared to the standard surveys on time use. However, the findings presented here based on LFS generally corroborate earlier findings based on the Time Use Survey 2012/13; see here:

[https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/12/english\\_policybrief\\_palestine.pdf?la=en&vs=2927](https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/12/english_policybrief_palestine.pdf?la=en&vs=2927)

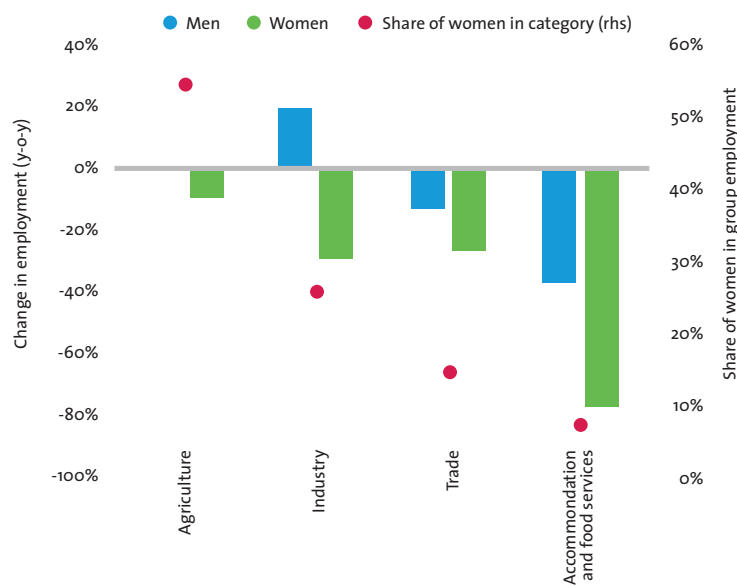
<sup>9</sup> Categorization of the LFS (State of Palestine).



We first overview the pandemic impact on unpaid family workers (family members who contribute to the household production, usually in agriculture). Only 1.2 per cent of unpaid family jobs were lost among men, while 14.1 per cent were lost among women, suggesting a strong impact on women (see Figure 14). About 90 per cent of unpaid family workers are concentrated in four sectors. Figure 26 presents the pandemic impact on jobs. A total of 8.2 per cent of female unpaid jobs in agriculture were lost, which is the lowest decline among the four sectors, but agriculture is the sector

where 54.5 per cent of unpaid workers are women. This is aligned with the insights from the discussants who reported that agricultural workers, particularly women, continued securing livelihoods from their agricultural work, but their sales and marketing channels were impaired and saw restructuring. In the rest of the sectors, the detrimental gender impact is visible. In industry, unpaid family female workers were negatively affected, as compared to men who gained such jobs. In trade and accommodation, the job loss among women was about double that of men.

**Figure 26 Sectoral impact on unpaid family workers, by gender**

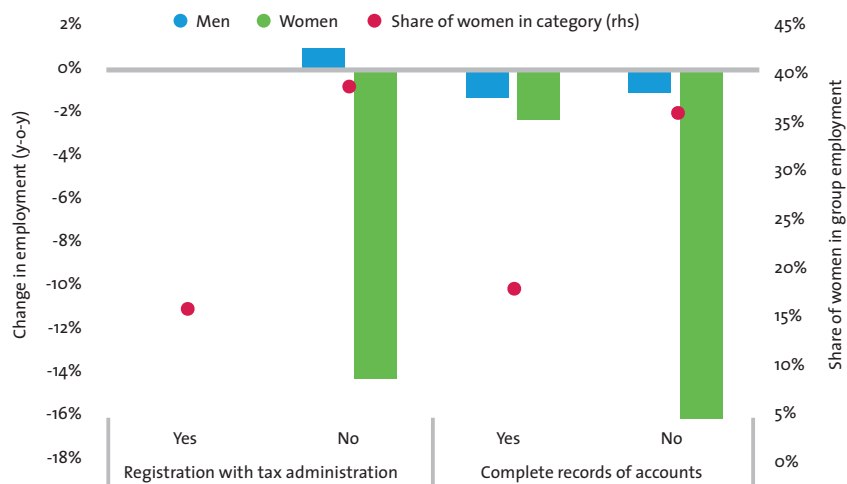


Source: Labour Force Survey

Unregistered unpaid family workers suffered most. Figure 27 presents the formality status, according to whether the venture was registered with the tax administration and if it kept complete records of the accounts. The impact on informal unpaid women

workers is clearly more negative than on men; the finding is particularly striking if we consider that nearly 40 per cent of informal unpaid family workers are women (compared to about 15 per cent among formal workers).

**Figure 27 Impact on unpaid family workers, by gender and informality**

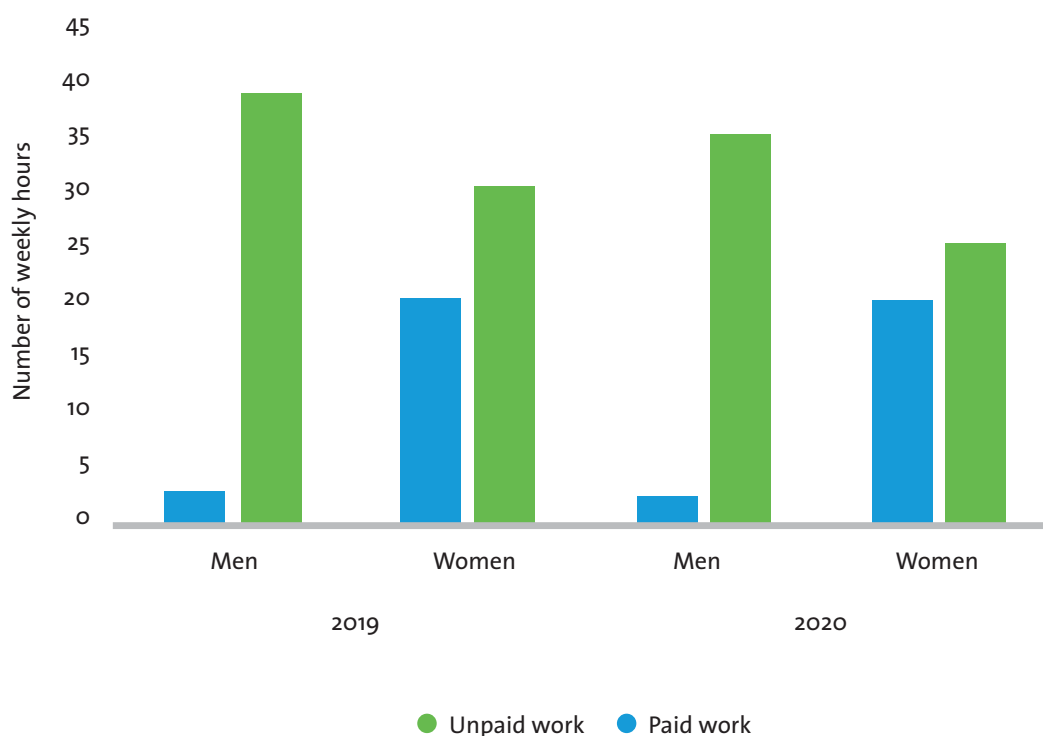


Source: Labour Force Survey

We turn our discussion to unpaid work in own household. Figure 28 presents the number of hours individuals on average worked in paid work as employees and in unpaid household-related work. Paid work hours dominate all the way through; paid hours declined for both men and women during

the pandemic. This was not the case with unpaid household work, which remained at the same level as the pre-pandemic period. Unsurprisingly, women spend eight times more hours on unpaid domestic work than men (20.3 versus 2.6 hours per week).

**Figure 28 Impact on paid and unpaid workload, by gender**



Source: Labour Force Survey

Men actually reduced their unpaid working hours in the household during the pandemic (Figure 29). This reduction was as high as 20 per cent and is likely correlated with the agency issue within the household, whereby men expect that the potentially increased burden of housework (including support to children around education) should be borne by

women, which further aggravated women’s labour-market activity. The change during the pandemic followed a different pattern for women. Women employees actually increased their unpaid work in the household by about 50 minutes weekly, on average, while unpaid work in the household shrunk for the other three employed statuses.

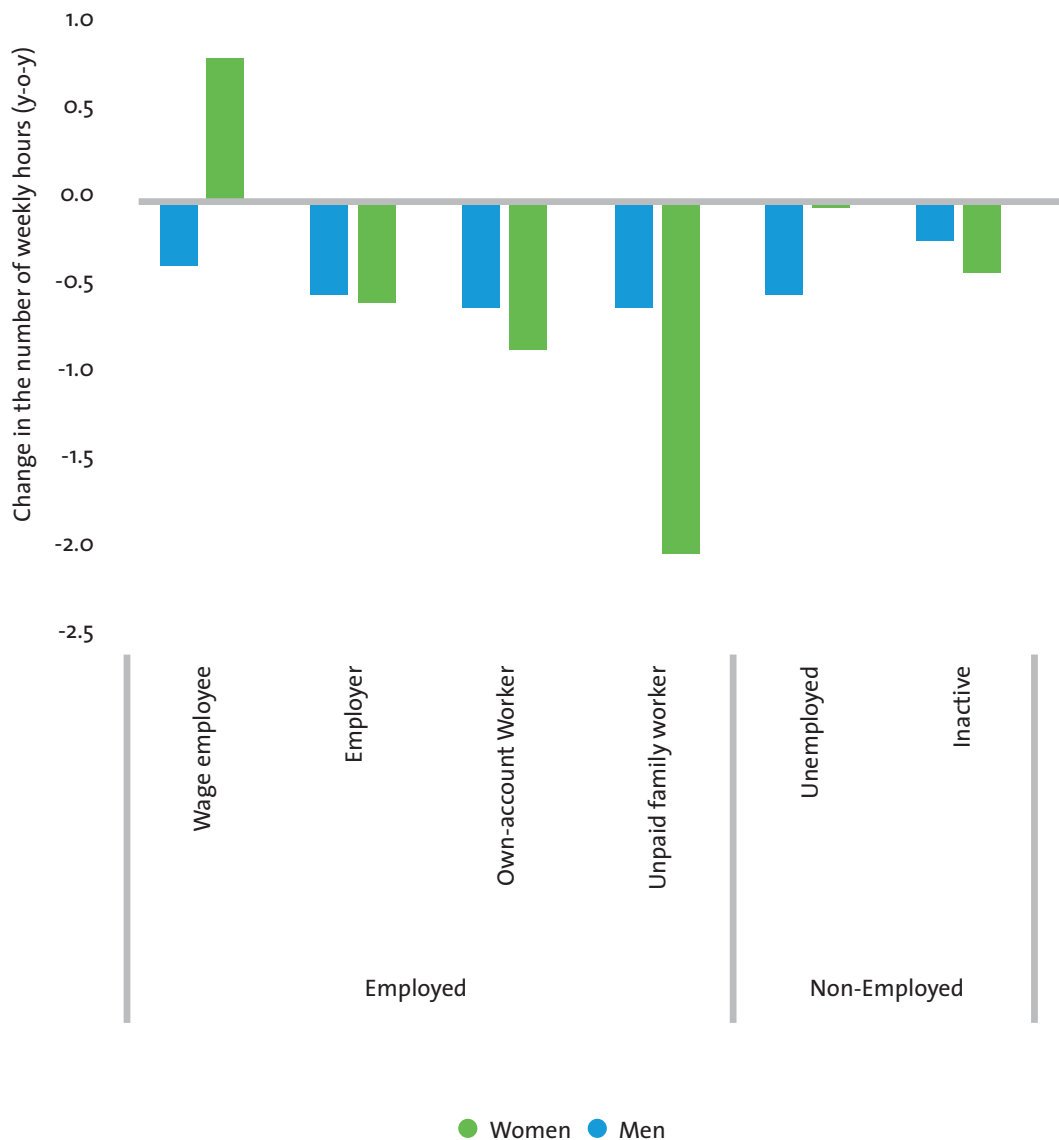
**“As a mother, I was pressed with my own work, the work in the household, my son who is in school, my daughter who is at university.”**

- A woman who lost her job in the educational sector

Interestingly, unemployed women did not change their unpaid workload, while inactive women reduced

unpaid work by 25 minutes weekly on average.

Figure 29 Impact on unpaid workload, by gender and working status

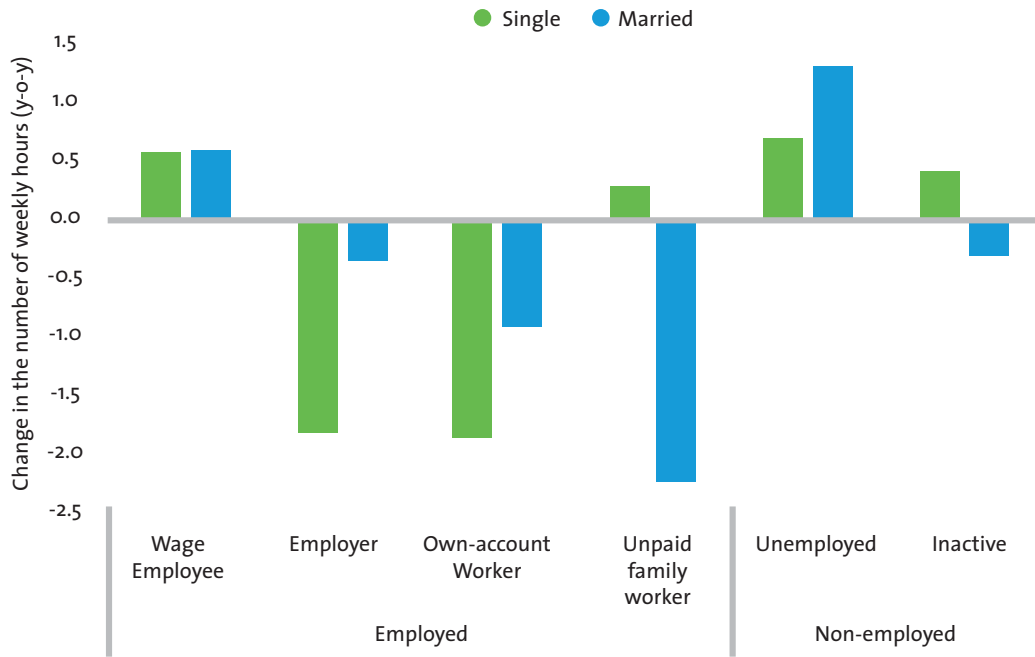


Source: Labour Force Survey

We delve a bit deeper into this issue to understand the niche of women who faced increased unpaid domestic working hours during the pandemic. Figure 30 presents the change in weekly hours devoted to unpaid household work of women during the pandemic, by marital and working status. Note that we use marital status as a proxy for having children, because the LFS does not contain information for children under the age of 10 years. Household-related workloads increased for wage employees and unemployed women, but the increase was larger for the latter, and particularly for unemployed housewives (by about 80 minutes weekly, on average). The decline

of workload for household chores is smaller among married self-employed women, while it is larger for unpaid family workers. The latter may be associated with the potential increase of agricultural workloads due to the shortage of seasonal hired workers who may have been unable to overcome movement restrictions during the pandemic. Likewise, inactive housewives faced a tiny reduction of the time spent on household work, probably because they already devoted much of their time to this activity before the pandemic.

**Figure 30 Impact on unpaid workload of women, by marital status and working status**

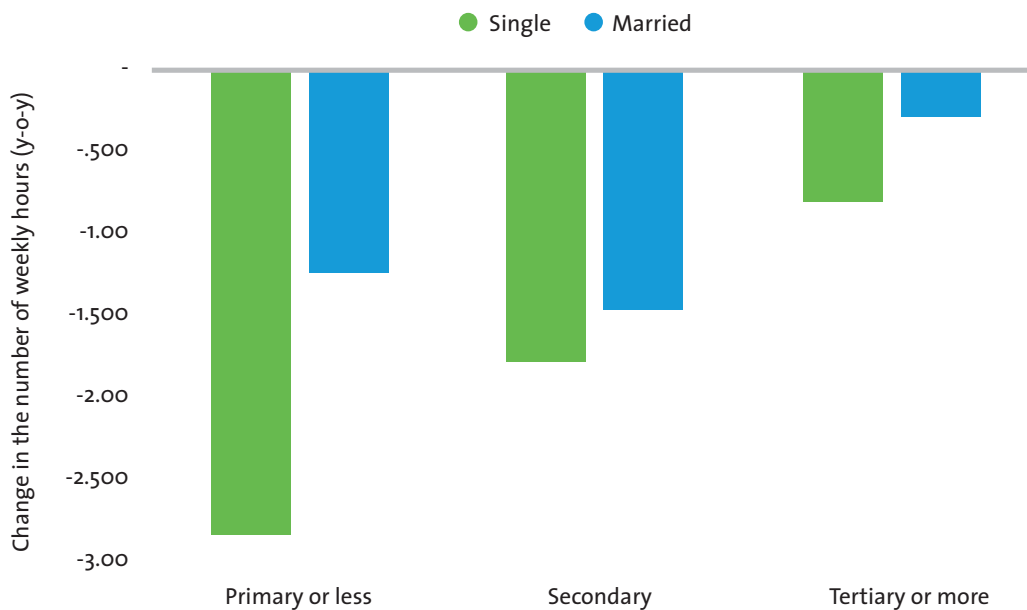


Source: Labour Force Survey

Finally, declines in hours devoted to household chores have been mainly associated with single women with primary education or less (Figure 31), while in the case of housewives in the same category, the reduction

was more constrained. Interestingly, women with tertiary education – single and married – experienced the smallest declines in unpaid domestic workload.

**Figure 31 Impact on unpaid workload of women, by marital status and education**



Source: Labour Force Survey

# 5. MEASURES TO FIGHT SOCIO-ECONOMIC CONSEQUENCES OF COVID-19, FROM A GENDER PERSPECTIVE

**“Women in Palestine were harder hit by the pandemic because they were less supported by any government programme – they received no money, e.g., for closed businesses, for unpaid labour, for losing a job. They were really left on their own as they used to be.”**

- Woman leader in the State of Palestine

The Palestinian Authority faced a considerable shrinking of fiscal space over 2020 due to the unfolding of the COVID-19 crisis and the suspension of coordination with the Government of Israel. The pressure to increase health and social spending for vulnerable groups, along with the erosion of fiscal revenues (by about 5 per cent)<sup>10</sup> due to declining economic activity already posed a significant problem for public finance sustainability. Then, in May 2020, Israel suspended clearance revenue transfers, which constitute more than two thirds of public revenue. The revenue transfer resumed six months later in November 2020, releasing some of the fiscal pressure.

Public expenditures increased by 5.5 per cent in 2020, mainly driven by higher transfers. Total spending of the Palestinian Authority related to COVID-19 in 2020 is currently estimated at 712 million New Israeli Shekels (NIS) or 1.2 per cent of GDP, including health spending of NIS 499 million (0.8 per cent of GDP), social protection spending of NIS 151 million (0.3 per cent of GDP), and spending on workers who lost their

income amounting to NIS 62 million (0.1 per cent of GDP).<sup>c</sup> This does not include the measures by the Palestinian Monetary Authority (PMA), which also worked to contain income losses among businesses and individuals.

In this section, we review the key measures related to workers, businesses, and the labour market in general. This implies that we refrain from an exhaustive look at all the possible measures undertaken to combat COVID-19 and its consequences. At the onset of the crisis, a tri-partite agreement between the Ministry of Labour, the Palestine General Federation of Trade Unions and the Private Sector Coordination Council established that the private sector would commit initially to pay 50 per cent of wages for March and April, but that they would not pay amounts below the minimum wage and would pay the remaining months later to prevent termination of contracts. However, this policy did not go smoothly in practice, as many employers did not meet their obligations.

**“80-85 per cent of the companies did not abide to this agreement, especially in the tourism sector, restaurants, etc. So workers did not retain any of their rights. By September, they had not received anything and incurred a lot of losses. This is especially true for women, who were forced by the employers to accept a lower salary or to leave the job. ”**

- A representative of a local think tank

After the initial shock, a couple of measures were instituted in two broad areas: labour market and social protection. Table 6 presents the transfers in three

categories relevant for the COVID-19 labour market effects and reveals they increased by 12 per cent<sup>12</sup>. An additional NIS 218 million (\$66.5 million) were injected

<sup>10</sup> <https://unctad.org/news/covid-19-devastates-State-of-Palestine's-shattered-economy>

<sup>11</sup> <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#W>

<sup>12</sup> Hence, the PA managed to save on other items in the budget, like goods and services, which were reduced because a large share of public employees worked from home during the height of the crisis.

into the economy, of which the unemployment benefit exhibited the strongest relative increase (42.8 per cent). The other three line items refer to the disbursement of social assistance to the poor and to households that are vulnerable to poverty, so they

are not directly related to employment outcomes. However, considering the large shares of informal workers in the State of Palestine who do not qualify for unemployment benefits, social assistance has important labour market implications.

**Table 6 State aid distributed by the Palestinian Authority (in NIS million)**

Table 6	2019	2020	Difference due to COVID-19	Percentage change
Unemployment benefits	145	207	62	42.8
Aid to poor households	1,031	1,063	32	3.1
Aid to vulnerable families	646	765	119	18.4
One-off aid	-	5	5	100
TOTAL	1,822	2,040	218	12

Source: Palestinian Authority Ministry of Finance

In April 2020, the Palestinian Authority planned to spend NIS 20 million (\$6 million) to support workers losing jobs and for unemployment benefits.<sup>13</sup> The latter involved a one-off financial payment to workers in the hardest-hit sectors (e.g., construction, tourism, services, transport) in the amount of NIS 700 (\$216), to cover about 40,000 labourers and was distributed in May 2020. The programme expanded its coverage

in September 2020 to an additional 68,000 workers who had not previously received such assistance, who did not have a stable income or a public sector job – prioritizing the tourism and construction sectors. This included daily wage workers<sup>14</sup>. For the initial intake, the interest for receiving the unemployment benefit was sevenfold (276,000 claimants), which likely resulted in shortages and, hence, dissatisfaction.

**“Many people registered for the payment but did not get it – the mechanism was somewhat unclear. Who decided that these people deserved or did not deserve the aid? 700 shekels is nothing if you look at the poverty line in the State of Palestine. It is not sufficient to cover even a week.”**

- A representative of a local think tank

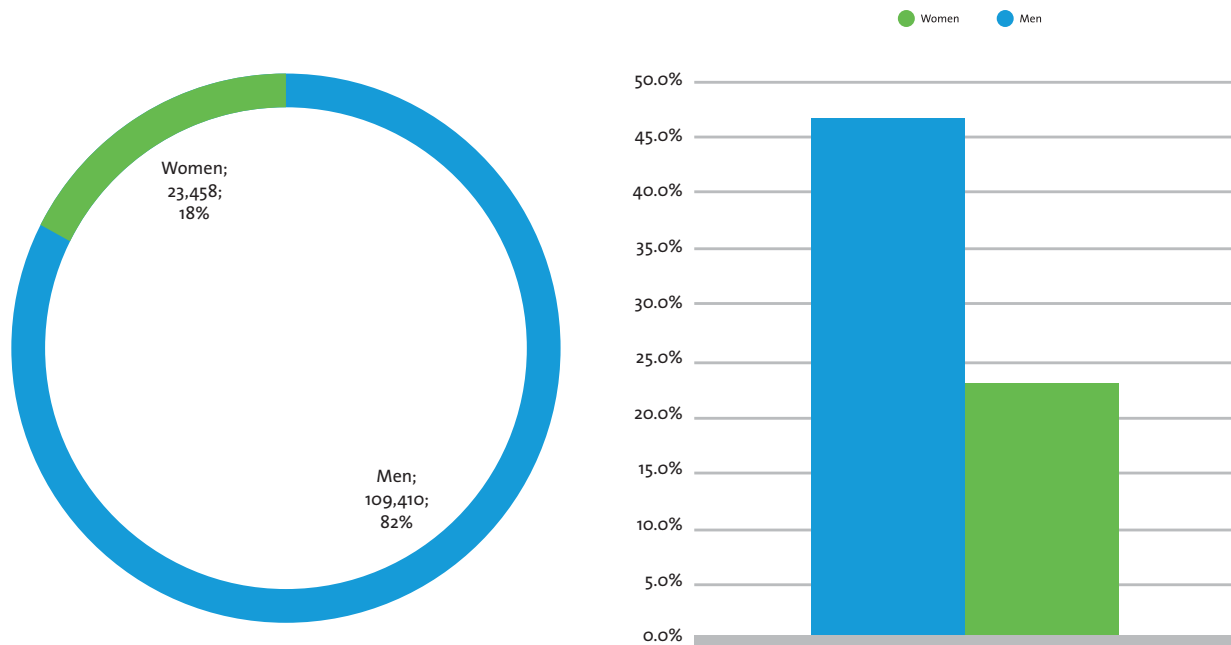
In 2020, unemployment-benefit spending soared to a total of NIS 207 million (\$64 million), which was tenfold the originally planned amount for support of workers and 42.8 per cent more than the spending on unemployment benefits in 2019. Figure 32 (left) presents the gender distribution of the new unemployed in the second quarter of 2020. We do not claim all received an unemployment benefit, but the distribution may approximate the gender-related disbursement of the unemployment-benefit funds.

Figure 32 suggests that during the highest peak of the crisis, men received about four fifths of the funds, while women received less than a fifth. While such a distribution is strongly determined by the high gender employment gap in the State of Palestine, it is highly disproportional compared to the share of new unemployed in total unemployed (Figure 32, right). Men were again more badly hit, but the intensity is only double that of women (46.6 per cent compared to 23.1 per cent).

<sup>13</sup> <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#W>

<sup>14</sup> <https://documents1.worldbank.org/curated/en/467521607723220511/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-December-11-2020.pdf>

**Figure 32 New unemployed in Q2-2020, by gender**



Source: Labour Force Survey

Related to the unemployment benefit, the PA instituted one-time financial payments of \$100 for three months to 1,200 female workers in nurseries and creches that had stopped working (and whose salaries had been cut off). Workers were also affected by the decisions of the Palestine Monetary Authority

to postpone monthly/periodic loan repayments to all borrowers for the four months after the crisis, and for the tourism and hotel sectors for the next six months. It also suspended the collection of fees, commissions, or additional interest on deferred payments. However, some fees relevant for entrepreneurs remained intact:

**“I have a license from the Ministry of Economy; if you do not make the renewal, you have to stop working, but they did not consider reducing the fee.”**

- Craftswoman

Social assistance programmes expanded as a response to the COVID-19 pandemic in the amount of NIS 151 million (\$46 million) (Table 6), of which \$20 million were covered by a World Bank grant.<sup>15</sup> Cash transfers targeted 89,400 poor and vulnerable-to-poverty households affected by COVID-19 in the State of Palestine, divided into two programmes: (i) new COVID-19 relief support launched by the Ministries of Social Affairs, of Labour, and of Local Government, and (ii) support to poor households already registered in the State of Palestine system for social assistance. The first was one-time assistance with a target of 60,000 vulnerable households<sup>16</sup> who were not part of the social-assistance system, those who were not poor but vulnerable-to-poor households and who were severely hit by the COVID-19 crisis. The second programme secured a second quarterly payment

for 2020 to about 21,400 beneficiaries to cover their basic needs and help them avoid falling deeper into poverty. Urgent, one-off financial aid of NIS 500 for families with no source of income, or with an income of less than NIS 1,400 was disbursed. A total of 9,504 low-income households were considered eligible at a total cost of NIS 4.8 million (\$1.45 million) provided by the Waqfet Ezz Fund. While we have no data to evaluate the two social-assistance programme expansions and the one-off aid, it is likely that they affected women-headed households more than men-headed households, because women faced worse labour-market outcomes than men (women had lower wages and employment levels and higher levels of informality). Women also fell more frequently below the poverty threshold.

15 <http://documents1.worldbank.org/curated/en/357071595970203856/pdf/West-Bank-and-Gaza-Emergency-Social-Protection-COVID-19-Response-Project.pdf>

16 In the end, the programme reached nearly 115,000 households.

The social component of aid related to COVID-19 also included a couple of in-kind programmes, mainly distributing food vouchers – part of which directly targeted women. Their coverage reached over 400,000 people, mainly poor and food insecure. Donor support was key in this regard.

Finally, the Palestine Monetary Authority (PMA) launched an SME fund to provide soft loans to SMEs impacted by the crisis. Loans were disbursed with 3 per cent-interest rates and a repayment period of 36 months. The size of the SME fund was set at \$300

million, of which \$210 million came from PMA bank reserves. In August 2020, the PMA announced that \$32 million in credit facilities had been extended to SMEs affected by the pandemic through the 'Istidama programme. By the end of 2020, the PMA received support from the EBRD to complement the SME fund with \$15 million, of which \$2 million were dedicated to women-led micro, small and medium-sized enterprises. However, focus groups participants were either unaware of such support or did not find it of interest.

**“I was told about it through the Ministry, but many of us are religious and we do not want to deal with interest, while other people are already in debt and they do not want any more.”**

- A female worker

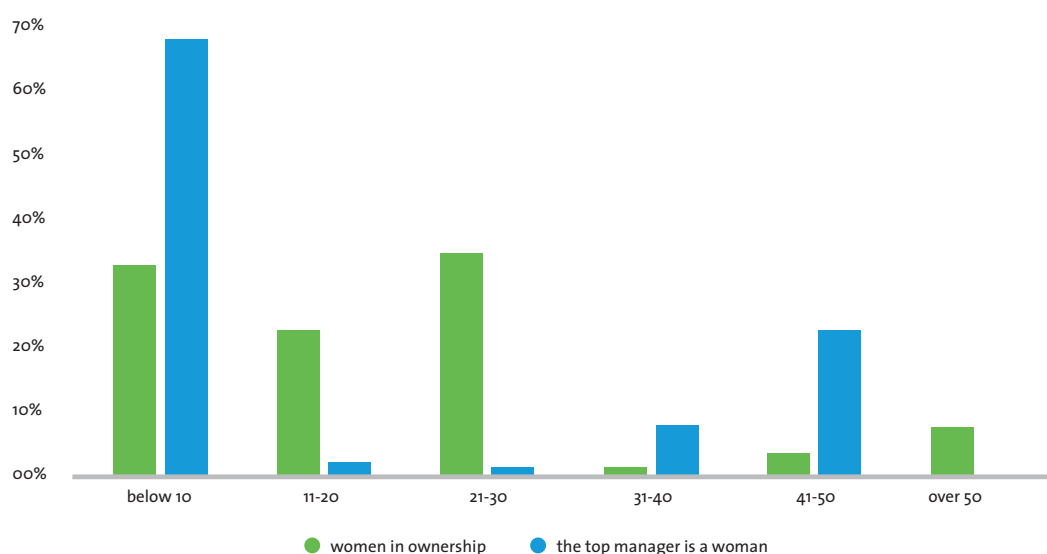
Moreover, the programme had conditions similar to standard loans, like collateral and documentation requirements, which further reduced attractiveness and rendered it impossible for hard-hit women to access the loan as they usually lack collateral and even literacy.

Similarly, the Palestinian Investment Fund launched the “Isnad” programme to support SME access to cash to pay wages during the pandemic and in the recovery phase. The programme has been implemented through financing organizations and is expected to reach 2,500 SMEs. Several moves by the Ministry of the National Economy supported SMEs, particularly women-led SMEs, by covering salaries and rent for more than 70 start-ups and SMEs with a special focus on supporting

women entrepreneurs from the Innovative Private Sector Development (IPSD) programme and the reallocations targeting SMEs and women entrepreneurs within existing projects supported by the French and Canadian governments.

Such SME support programmes to alleviate the COVID-19 impact on the Palestinian economy are of particular importance in terms of gender, as two thirds of women top managers lead a micro-enterprise (employing up to 10 employees) (Figure 33). One third of women who own or co-own a business own a micro-enterprise, another 22 per cent own a small enterprise (11–20 employees) and another 34 per cent own a small-to-medium-sized enterprise (21–30 employees).

**Figure 33 Women’s participation in enterprises, by size of enterprise**



Source: Enterprise Survey 2019

17 <https://documents1.worldbank.org/curated/en/467521607723220511/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-December-11-2020.pdf>

18 <https://www.ebrd.com/news/2020/ebd-and-bank-of-palestine-boost-small-businesses-in-west-bank-and-gaza.html>

19 <https://al-ain.com/article/palestinian-investment-fund-corona>



# 6. CONCLUSIONS AND POLICY IMPLICATIONS

## 6.1. CONCLUSIONS

The direct impact of the COVID-19 pandemic on employment in the State of Palestine has been significant. Women suffered more than men in almost all aspects of their labour-market activities and participation, which is clearly apparent in the following overall conclusions:

1. In aggregate, women faced relatively more job losses than men, and sectoral disaggregation revealed exacerbating patterns. More than one in every two critical workers (health and education) is a woman. This highlights the crucial contribution of women's presence in the labour market during the pandemic. This is despite the extremely low female employment rate in the State of Palestine (only 10.1 per cent), and underlies the strong job gender segregation, with the few employed women heavily concentrated in the care sectors. Hence, one line of burden onto employed women has been through increased working hours to fight the virus spread, particularly given that women in critical sectors less frequently saw a drop in working hours than men.
2. In the high- and medium-contracting sectors, women more persistently lost jobs than men, particularly in the personal services, accommodation, and trade sectors. This suggests that the risk of losing jobs and incomes was more highly concentrated among women, which led to a stronger decline in the wage mass. However, for most sectors, excluding trade, job losses were likely concentrated among low-pay and informal workers, thus recurrently resulting in an increased average wage. Such developments brought about a reduction of the gender pay gap in the State of Palestine during the pandemic.
3. The pandemic's negative impact on women was also observed through their more intense losses of informal jobs, despite men dominating informal employment in the State of Palestine. The latter is particularly important as informal workers would not qualify for any support aimed at job retention.
4. Women more frequently lost their jobs and faced stronger relative reductions of their working hours in the Gaza Strip than in the West Bank, which was a clear territorial pattern in the crisis. The evidence on Palestinian workers inside Israel and

settlements is mixed, with some signs of men being less negatively impacted (i.e., employment and working hours) than in the Palestinian territories, while the limited evidence for women (constrained by the small sample size) provides some early signs of small-scale transition of jobs lost in the State of Palestine to jobs created in Israel (both formal and informal).

5. Women who owned or led businesses were severely impacted by the pandemic, and considerably more severely than men. Women entrepreneurs in the critical sectors of health and education experienced job losses likely associated with closure of their businesses, while men expanded self-employment. In the high-contracting sectors, both men and women were negatively impacted, but women more intensely so than men. Most of the businesses closed or jobs lost by female entrepreneurs were in the grey economy and these businesses did not employ other workers in most cases, potentially reinforcing their subsistence role.
6. The unemployment rate declined during the pandemic, for both men and women, at the expense of increased passivization of the labour market. However, women in the State of Palestine were already underrepresented in the labour market (an inactivity rate of 83 per cent), so that the additional passivization has been rather negligible in relative terms. Within the overall passivization, discouragement was observed, yet this was primarily a male phenomenon, both for those who were inactive and for persons not in employment, education or training (NEET).
7. Women did not see an increase of the hours devoted to unpaid work in their own households. However, salaried women and unemployed housewives reported an increase in the workload for household chores. Unpaid contributing members of the household and inactive women generally saw a decline of such workloads, probably because of the need to compensate potential reduction in hired workers in agriculture and the already high shares of devoted time to household and care.

The measures undertaken by the Palestinian Authority to counteract the negative economic outcomes of the

COVID-19 pandemic can be roughly divided into two groups:

1. Measures to protect livelihoods of workers, including those who are informally employed (social aid programmes) and the self-employed (fund for MSMEs); and particularly of those who lost jobs during the pandemic; and
2. Measures to address the basic needs of the low-income poor and vulnerable households through cash and in-kind transfers.

While the response was timely and strongly donor-supported, various stakeholders highlighted its

insufficiency, which could also be related to the fiscal strain experienced by the PA. Particularly, one-off cash transfers whose value ranged up to half the minimum wage per household usually paid over three months were considered insufficient, despite being complemented with in-kind support in the form of food packages, in addition to some expansion in the financial envelope for SMEs. Limited evidence suggests that disproportionately smaller parts of COVID-19 social aid went to the Gaza Strip as compared to the West Bank, further aggravating the geographic strain exerted by the pandemic, which was already obvious through existing pre-pandemic vulnerabilities.

## 6.2. POLICY RECOMMENDATIONS

The unprecedented character of the COVID-19 pandemic and the pre-existing gender economic gaps in the State of Palestine require that labour-market and social policy measures be upgraded and/or amended to ensure a gender-responsive recovery. The following is a non-exhaustive list of potential policy interventions that the PA could undertake immediately:

### **Policy actions in the short run on social protection and employment:**

- A premium for women, (e.g., a 10 per cent higher subsidy for women) could be contained in both of the two previous policy options to incentivize not only employers but also female employees to accept a faster return to the labour market and counteract the already high and increasing passivization during the pandemic labour market;
- Continue the provision of gender-responsive social assistance at the expanded level at least throughout 2021 (as part of a broader systematic institutionalization of gender-responsive budgeting). Households falling under the extreme poverty line (\$1.9 per day per person PPP) should be targeted as well – to the extent provided by the fiscal space – those falling between the poverty and vulnerability lines (e.g., \$3.2 or \$5.5 per day per person PPP) in particular. This is important to support women who fell into destitute poverty, either because they were already poor before the pandemic or because they became poor after losing their small informal incomes and/or ventures;
- Introduce stronger accountability and monitoring frameworks now and in the future, to ensure that the mechanisms for deciding who can benefit from government measures introduced in difficult economic periods are clear and

transparent in advance. Increase the clarity of such mechanisms with TV and social-media ads to avoid misperceptions about who can qualify for the programme and to circumvent dissatisfaction;

- Develop a gender-responsive monitoring mechanism for social aid programmes by taking into consideration different priorities and needs of women and men, and the gender-differentiated implications of the protection programmes. The mechanism should particularly take care of proper mainstreaming gender tools in social aid programmes, e.g., not to exclude activities where women are concentrated and face difficult working conditions, such as the sectors of kindergartens and domestic workers;
- Immediately ensure – through the legal and inspection system – that workers who continued working during the pandemic without pay, particularly female workers, are paid as soon as possible. Swiftly resolve complaints of women submitted to court;
- Revise the Labour Law, if possible, to secure effective practices for flexible working hours and schedules, regulate paid work hours that remain within legal weekly limits to address the needs of both female and male workers with care responsibilities. Such a regulatory change is also required to institute a move towards a better work-life balance, particularly encouraging men to undertake higher shares of unpaid work in the household;
- Introduce awareness-raising campaigns targeting women to inform them about their rights and responsibilities with regard to their employment and labour market participation, strongly focusing on rights emanating from a formal employment contract and the provisions it secures.

### **SME support and recovery policy actions:**

- Revise the measures related to supporting SMEs, particularly those owned and/or led by women. While some programmes against COVID-19 impacts in the State of Palestine were devised to support SMEs, their conditions were not different than those of commercial banks or finance cooperatives, hence they did not provide further incentives, particularly among women entrepreneurs of micro-businesses, to take a loan. Hence, programmes such as 'Istidama' should have fewer requirements in terms of collateral and documentation, as well as a zero effective interest rates to incentivize take up (both in the religious-cultural context, as well from the viewpoint of the financial burden to be undertaken);
- Ensure that technical/documentation support and training in digital technologies and on-line businesses is secured to make the funds work effectively for impacted SMEs in securing SME loan funding;
- Immediately undertake activities to secure SME funds with a grant component no lower than 30 per cent of the total amount, now and in future similar shocks. Ensure that women's organizations, women-led community groups and networks, and women from marginalized groups are included in response and recovery decision-making mechanisms to enable the incorporation of a gender perspective in response and recovery decision-making;
- Call on the private sector to incorporate a gender perspective into their recovery from the pandemic, ensuring that gender dimensions are embedded within recovery plans. The global platform of UN Women and UN Global Compact "Women's Empowerment Principles" (<https://www.weps.org/>) can serve as a good avenue for such endeavours (networking, awareness-raising, technical support, access to various resources and knowledge products);
- Last, but not the least, ensure that vaccination is massive, swift and gender neutral. If herd immunity is attained before the autumn of 2021, it will be the strongest boost to economic recovery, which will constitute a gender-responsive economic recovery if supported through the measures listed above.

### **Structural policy actions in the medium or long run that the PA should undertake with proper planning, design, consultation, and execution:**

#### **On social protection and employment:**

- Design and institute a more comprehensive, better-targeted and more gender-responsive social protection system in the State of Palestine, whose absence was evident in the insufficient social protection leading to the large strain inflicted by the pandemic. While this is heavily dependent on the fiscal space, which is already tight and strongly dependent on the political context, the only long-term viable option for reducing poverty and addressing vulnerabilities in the State of Palestine is to work in this direction, potentially with the technical and financial support of development partners. At a minimum, the social protection system should introduce/expand:
  - Social aid programmes, and
  - Unemployment insurance (which proved indispensable as an automatic stabilizer to absorb the first and hardest hit of the current pandemic).
- Increase investment in high-return sectors that are also inclusive in terms of job creation and leadership for female workers, and ensure their vertical distribution. Currently, women are concentrated in education and health and have borne the burden of the health crisis, while not fully that of the economic crisis. For future shocks of an unknown nature, it is important that women workers have access to workplaces with more variety, particularly in sectors like agriculture, crafts and textiles.
- Implement fiscal and monetary policy with a gender lens, prioritizing investments in a national social and healthcare services infrastructure.
- Enact gender-sensitive procurement laws, policies and procedures – one way to introduce the notion of gender-responsive budgeting that is relatively easier to implement as a means of stimulating women's entrepreneurial activities.
- Implement campaigns to alleviate problems in the medium- to long run and impact cultural and social norms that are the hardest elements to change over the short run. Such campaigns should encourage participation of women in the labour market and change attitudes towards searching for and accepting a job. Secondly, such campaigns should empower women to undertake stronger roles in the household, in terms of access to household assets and social/public services.

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