

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

EXECUTIVE SUMMARY



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. 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 and reducing of the gender pay gap. Women entrepreneurs in the critical and high-contracting sectors experienced job losses likely associated with the closure of their businesses, most of which operated in the grey economy.

Palestinian authorities undertook measures to counteract the negative economic outcomes of the COVID-19 pandemic and to protect the livelihoods of workers. 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.

Introduction

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.¹ 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.² 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.³

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

¹ <https://unctad.org/news/COVID-19-devastates-State-of-Palestine's-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-response0/economic-note-on-gaza--crossings-update-and-impact-of-COVID-19.html>

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, 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 analysis 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.

Methodology

The methodology of the analysis is consisted of comprehensive data collection and data analysis. The primary source of data is the Palestinian Labour Force Survey. Two years of the survey are used: 2019 (pre-pandemic) and 2020 (pandemic), hence assuming that 2019 represented an average year with usual circumstances. The gender patterns in the following sub-topics are analysed: employment, unemployment, sectoral segregation, wages, hours worked, and workplace absences, employers and own-account workers (entrepreneurs), gender pay gap, inactivity and discouraged workers, and

distribution of time usage outside the labour market. The quantitative data has been supplemented by qualitative data collected through interviews and focus groups, with key stakeholders and representative women of the groups of entrepreneurs and unemployed and inactive women.

Main findings and recommendations:

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, 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.