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# **Background Paper**

## **Round Table (4)**



**The Future of Palestinian Employment  
in the Israeli Labour Market  
in light of Political and Economic Realities**

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The Future of Palestinian Employment in the Israeli Labour Market in light of Political and Economic Realities

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The Palestinian Economic Policy Research Institute (MAS) convenes a round table discussion series to collectively discuss policy challenges and issues of general priority on the economic agenda, and to produce recommendations based on the scientific evidence and sound policy approach with the participation of experts and representatives from all relevant national and international partner sectors. These sessions often reveal a need for more research or consultative effort. In this context and in line with the Institute's follow-up of labour market and workforce issues in its various research (studies, quarterly Monitor, etc.), we return to address that thorny issue that has always dominated the Palestinian development prospects, positively at times and negatively at others, and has become the difficult number in the Palestinian efforts to break free from the colonial dependency imposed by the occupation, namely the massive flow of Palestinian labour to the Israeli labour markets, including its settlements.

## **1. Introduction – With Economic Peace Begins Economic Annexation**

The past decade has witnessed a steady rise in the number and proportion of Palestinian workers in Israel. According to the Palestinian Central Bureau of Statistics (PCBS), the number of workers in Israel increased from 78,000 by the end of 2010 (PCBS, 2011) to 173,400 in the first quarter of 2022 in addition to 31,000 employed in Israeli settlements (PCBS, 2022). The last five years have witnessed the largest and fastest increase in these numbers, an increase that the Palestinian economy has not seen in the last two decades. Today, it even exceeds the total number which was reached in 1999 when about 140,000 Palestinians (from the West Bank and the Gaza Strip) were working in Israeli markets accounting for 22.9% of total workers at that time (PCBS, 2000). While labour income in Israel accounted for 6% of Palestinian gross national income in 2011, reliance on this labour has increased in recent years to a percentage that has not been seen since the establishment of the Palestinian National Authority – PNA (which constitutes about 3 billion dollars).

Today, quarterly data from the PCBS show that the value of workers' compensation in Israel in the first quarter amounted to \$945.9 million (16% of gross national income). Based on the forecast of the economic performance for 2022 of the PCBS that net income from abroad will grow at a rate of 7.4% according to the base scenario, compensation for workers from Israel is expected to reach about \$3.4 billion, and in the optimistic scenario compensation for workers from Israel is expected to increase by 19.65% to about \$3.8 billion. These estimates may not have taken into account this year's accelerated increase in the number of workers in Israel, and the final estimate of income from workers in Israel is likely to be higher than the optimistic scenario.

One paradox in the history of Palestinian development policy formulation since Oslo is that the strongest justification for the quasi-"customs union" option, which was imposed on the Palestinian negotiator in Paris in 1994 instead of the free trade system that was theoretically preferred, lies in the fact that it was not possible to break away from the Israeli labour market at that stage, which needed to build a local economy capable of absorbing surplus labour, and that this could only be done during the five-year transitional phase. Thus, there was no choice at all. After a quarter of a century, dependency has become greater and the national economy is still not equipped to absorb its manpower.

High unemployment rates in Palestine and the large and growing difference between Palestinian and Israeli wages seem to be logical reasons for this increase to occur from an economic perspective. However, in a broader context, despite the increasing demand within Israel for cheaper structural and service labour, this growth comes in the context of overt attempts to impose economic peace proposals. Such proposals are one of the fundamental constants of Israeli policies towards Palestinians under occupation, namely to manage the population and to thwart national liberation as opposed to settlement expansion on the ground. This is evident when comparing the West Bank and the Gaza Strip. Unemployment rates in the Gaza Strip are much higher than in the West Bank (PCBS, 2022), and the difference in wages between the Gaza Strip and Israel is also higher, but Israel allows only a limited number of workers in the Gaza Strip to enter Israel. Thus, the key and decisive factor in determining the size of employment in Israel is Israeli occupation's policies of domination and exploitation, not free market forces.

However, as the paper will clarify in detail, Israeli decisions in recent years have not only increased the work permit quotas granted to Palestinians, but have also included the introduction of quotas in sectors that had not previously had quotas, such as the high-tech sector, the health sector (intended for nurses or doctors to distinguish them from cleaners in the health sector who fall into the service sector), hotels

and restaurants (previously accounted for in the quota of the service sector). Beginning in 2021, it included allowing Gaza workers to enter Israel to work on an initial quota of around 20,000 workers distributed among the construction, agriculture, and services sectors (Israel stopped allowing workers in the Gaza Strip to enter Israel in 2006). These decisions have eventually included changes to the permit system and payment mechanisms for workers.

These decisions were reflected in many of the measures taken by the Israeli Civil Administration, including the launching of “The Coordinator” mobile application, the campaigns to lift the security ban, the improvements on some of the crossings, and what the Civil Administration calls the “360-degree workers plan”, which it announced in mid-June 2022.<sup>(1)</sup> Its first phase will include increasing workers’ quotas, changing the conditions for receiving a work permit, conducting a broad campaign to lift security bans, extending the duration of the job search permit, and taking strict steps against permit brokers. These actions can be seen as falling within the context of improving and raising the efficiency of the framework of colonial domination and exploitation system administered by Israel and its continuous development since the 1970s “to ensure that Israeli employers are able to exploit Palestinian labour, without adversely affecting Israeli workers and their employment opportunities” (Farsakh, 2010: 167).

All of this is accompanied by systematic and aggressive Israeli propaganda, led by the Civil Administration and the so-called Coordinator of the Israeli Government’s activities in the territories (COGAT), which seeks to portray Israel as being concerned about workers’ safety, rights and ability to find employment, presenting itself as a “true” sponsor of the PNA, as well as an alternative capable of responding to the needs of the people and the economy. However, it always emphasizing the link between the requirement of continued calm and surrendering to occupation control, to the ability of Palestinians to enter Israel to work. It also continues to renege on any of the steps it might announces for any security-related justification, as recently happened in the case of the permits in the Gaza Strip.<sup>(2)</sup> This highlights the sensitivity and vitality of this historic relationship between the supply of Palestinian labour and the changing economic and political needs of the occupying power.

The above-mentioned developments imply that Israel is seeking to go beyond simply “buying peace with economy.” The nature of the procedures, the manner in which they are presented, and their geopolitical context indicate that Israel’s actions on the ground aimed at the de facto annexation of the West Bank economy cannot be separated from what it is doing to deepen the Palestinian economic dependence on Israel, particularly in the area of employment. In all cases, regardless of the objectives, all of this confirms that, for Israeli policymakers, the labour channel of action has been the cornerstone of creating and perpetuating Palestinian economic dependence on Israel.

Leila Farsakh explains in her reference book the mechanisms of laying off Palestinian workers in the agricultural sector, and pushing them towards paid work in Israel, which contributed to the elimination of the Palestinian agricultural sector. Fadle Naqib (2003) UNCTAD (2009), and many other publications (MAS, 2020 and (Aghbey, 2018), illustrate the mechanism through which labourers revenues in Israel affect the supply and demand systems in the Palestinian economy, lead to the weakening of the Palestinian productive sectors and pave the way for commodity dependence on Israel and import through it, creating and reproducing Palestinian “path dependence” on the Israeli economy.

## 2. Overview of Palestinian employment in Israel as of the end of Q1 2022

As Table (1) shows, the total number of Palestinian workers in Israel in the middle of 2022 was 204,400 workers, which constitutes approximately 25% of the labour force in the West Bank alone. Only 1,000 of them come from the Gaza Strip and the rest from the West Bank.<sup>(3)</sup> While 102,700 of them hold work permits, 43,500 work without a work permit, and are obliged to spend long periods of time illicitly inside Israel, while 57,200 of them carry Israeli (Jerusalem) ID (PCBS, 2022). The vast majority of permit holders are men (about 99%). About 40%<sup>(4)</sup> of workers’ work permits are issued for brokerage fees ranging from NIS 1,500-2,500.

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(1) See: <https://fb.watch/ekibfYxTxO/>

(2) See: [shorturl.at/InoT1](https://shorturl.at/InoT1)

(3) In fact, the current number is even greater and reaches about 12,000 workers (the source).

(4) Data on the percentage of permits granted through permit brokers were calculated based on studies dating back to 2020, taking into account the high employment

**Table (1): Distribution of workers (15 years and over) from Palestine by workplace and region (ICLS 19TH ILO Standards) January 2022**

Place of Work	Region					
	The West Bank		The Gaza Strip		Palestine	
	Number	Percent-age	Number	Percent-age	Number	Percent-age
Palestine	625,500	75.4	2780,400	99.6	903,900	81.6
Israel and the settlements (holder of a work permit)	102,700	12.4	900	0.3	103,600	9.3
Israel and the settlements (no work permit)	43,500	5.3	100	0.1	43,600	3.9
Israel and the settlements (holder of an Israeli card)	57,200	6.9	-	-	57,200	5.2
Total	828,900	100	279,400	100	1,108,300	100

Source: PCBs, Labour Force Survey, Q1 2022; Ramallah, Palestine.

The average daily wage of Palestinian workers in Israel is about NIS 268.2 compared to an average of NIS 128 and NIS 113 in the local public and private sectors, respectively. As for their sectoral distribution, more than half of the workers work in the construction sector, while about 13% work in the commercial and industrial sectors as shown in Table (2) below.

**Table (2): Relative Distribution of Employees (15 Years and Over) by Economic Activity and Place of Work**

Place of Work	Place of Work			
	The West Bank	The Gaza Strip	Israel and the Settlements	Total
Agriculture, hunting, forestry and fishing	6.4	7.2	4.6	6.3
Mining, quarrying and manufacturing	15.9	7.7	12.9	13.3
Building and construction	13.2	5.6	53.7	18.8
Commerce, restaurants and hotels	24.5	21.7	12.8	21.7
Transport, storage and communications	5.1	7.6	3.9	5.5
Other Services and Branches	34.9	50.2	12.1	34.4
Total	100	100	100	100

Source: PCBs, Labour Force Survey, Q1 2022; Ramallah, Palestine.

60% of Palestinian workers in Israel still work in unskilled jobs, which has been prevalent since the beginning of the occupation, while professional craftsmen make up only 2.4% of all workers in Israel (Table 3). This confirms that the high level of education of Palestinian workers in Israel was not reflected in the nature of the occupations they work in or the level of wages they receive. The proportion of educated Palestinian workers (13 years and over) increased from 5.7% in 1999 to 10% in 2017 (Al-Falah and Mikhail, 11:2019),<sup>(5)</sup> then to 17% in 2020. The proportion of uneducated women fell from 5% in 1992-2000 to 1% in 2020. However, this is not reflected in the distribution of occupations occupied by Palestinian workers in Israel, i.e., the majority of Palestinian workers are employed in jobs that do not require higher education, implying a return on education for Palestinian workers in Israel at zero (Ibid.).

rate in Israel during the period 2020-2022. See in this regard: MAS Institute, "Palestinian Workers in the Israeli Labour Market: Brokerage Mechanisms Associated with Issuing Work Permits" (Roundtable Session, 9), Ramallah: Palestinian Economic Policy Research Institute (MAS), 2020. See the following link: <https://mas.ps/publications/2917.html>.

(5) Mikhail, Duja, & Alfalah, Bilal. (2019). A Reading in Selected Labour Market Indicators Based on PCBS Surveys. Ramallah: Palestine Economic Policy Research Institute (MAS), 11.

**Table (3): Occupational Distribution of Palestinian Workers in Israel by Educational Achievement 1999 and 2020**

Occupation	Low education- al achievement 1999	Educated 1999	Low education- al achievement 2020	Educated 2020
Directors, professionals, technicians and clerks	2.8%	20.5%	2.6%	19.8%
Services and sales workers	3.3%	3.4%	6.5%	6.0%
Skilled workers in agriculture	2.5%	0%	0.7%	0.6%
Craft and commercial jobs	33.7%	31.7%	44.7%	32.2%
Machinery operation and assembly	5.5%	13.1%	8.1%	5.1%
Primary occupations	51.9%	31.0%	37.2%	36.1%

### 3. Changes and developments imposed by Israel regarding Palestinian workers since 2016

On December 18, 2016, the Netanyahu government issued Government Resolution No. 2174 entitled “Increasing the Employment of Palestinian Workers in Israel from the Judea and Samaria Area, Improving the Manner of Issuing Work Permits and Ensuring Fair Working Conditions for Palestinian Workers.”<sup>(6)</sup> There have been dozens of government decisions during the last decade or so regarding Palestinian workers in addition to the ongoing deliberations in Knesset committees and within the various state agencies.<sup>(7)</sup> However, this decision appears to be a foundational stage in Israel’s attempt to pursue a new policy regarding Palestinian workers, which can be summarized in three areas, as is clear from the title of the resolution itself:

1. Increasing the volume of Palestinian workers, especially in the construction sector, and starting to allocate quotas to Palestinian workers coming from Gaza starting from the year 2022.
2. “Improving” (actually “transforming”) the way permits are issued in which brokers play a significant role in exploiting workers, and deducting part of their wages.
3. Changing working conditions by developing a system of payment of workers’ wages so that cash payment mechanisms are gradually replaced by bank payment mechanisms by transfers between Israeli and Palestinian banks.

Together, these three axes, initially outlined in resolution 2174, form the basis on which the Israeli government has been building its policies towards Palestinian workers from 2016 to the present day. The resolution was built upon by a bundle of subsequent resolutions, so that Israeli policies regarding Palestinian workers appear to have remained consistent under Resolution 2174 despite the change of Israeli governments since 2016. The changes brought about by the Israeli Governments in each of the three axes above are detailed below.

#### 3.1. Increasing the number of Palestinian workers since 2016

Table 4 shows the increases (in some cases, updates) in quotas allocated by the Civil Administration (based on decisions of the Israeli Government) to Palestinian workers, craftsmen, technicians and professionals in various sectors.<sup>(8)</sup> The total number of quotas has doubled from about 71,000 at the end of 2016 and just before the adoption of Resolution 2174, to about 141,000 in the summer of 2022. The following

(6) See Israeli Government Resolution No. 2174 of 2016, at the following link: [https://www.gov.il/he/departments/policies/2016\\_dec2174](https://www.gov.il/he/departments/policies/2016_dec2174)

(7) See a table of the most important decisions since 2008, at the following link of the Israeli Population and Migration Authority: [https://www.gov.il/BlobFolder/policy/gouta\\_palestinian\\_workers/he/gouta\\_palestinian\\_workers07072022.pdf](https://www.gov.il/BlobFolder/policy/gouta_palestinian_workers/he/gouta_palestinian_workers07072022.pdf)

(8) The quota, which is the highest limit set by the Israeli government for the number of Palestinian workers allowed to enter Israel to work according to a work permit issued by the Civil Administration, is thus classified by Israel as “legal” workers so that the permit allows them to enter the records of the Population and Immigration Authority, and to obtain workers’ rights and benefits under Israeli law. However, the actual number of Palestinian workers in Israel and settlements exceeds this overall quota, so that the additional number is classified as “illegal” by Israelis and is thus denied various rights and entitlements.



changes that are shown in the table (a central planning mechanism that monitors shifts in the nature of Israeli demand for the Palestinian workforce) should be noted.

**Table (4): The increase in the quotas of Palestinian workers between 2016 and 2022 according to the sector and based on government decisions**

Date	Resolution	Increase or introduction in quotas in the sector								
		Con- struction	Agriculture	Seasonal cultiva- tion	Real Estate	Ser- vices	Health	Hotels	High- tech	Restau- rants
Until December 2016		50800	5000	10300	2800	2250	0	0	0	0
18/12/2016	Governmental Resolution <a href="#">2174</a>	6000	1250	1250	0	2250	0	0	0	0
11/1/2018	Governmental Resolution <a href="#">3431</a>	7000	1000	1000	0	1000	270	1300	0	1500
23/7/2018	Governmental Resolution <a href="#">4022</a>	1500	0	0	0	0	0	0	0	0
1/8/2018	Governmental Resolution <a href="#">189</a>	14700	0	0	0	0	0	0	0	0
25/7/2021	Governmental Resolution <a href="#">175</a>	0	0	0	0		0	1000		0
7/11/2021	Governmental Resolution <a href="#">602</a>	0	0	0	800	4100	0	0	500	0
27/3/2022	Governmental Resolution <a href="#">1328</a>	12000 (Gaza)	8000 (Gaza)	0	0	50 (Gaza)	0	0	0	0
26/6/2022	Governmental Resolution <a href="#">1686</a>	0	0	0	0	3500	0	0	0	0
<b>Total</b>		<b>92000</b>	<b>15250</b>	<b>12550</b>	<b>3600</b>	<b>13150</b>	<b>270</b>	<b>2300</b>	<b>500</b>	<b>1500</b>

Source: Previous Government Resolutions, published on the Israeli Government page.

With reference to Table (4), the following can be noticed:

First: Beginning in 2022, pursuant to the Bennett government's Resolution No. 1328 of March 27, 2022, Gaza workers were allowed to enter Israel to work on an initial quota of about 20,050 workers distributed in the construction, agriculture and services sectors. While it is likely that the quotas of Gaza workers will increase in the coming periods (subject to political calculations and maneuvers regarding the relationship of the Government of Israel with the Strip), this will have implications to be considered regarding the impact of Gaza workers (low living standards) on wage ratios in the sectors to which they are admitted, and how this will affect West Bank wages. On the other hand, the Gaza labour market has become a new destination for brokers and contractors whose work, and the mechanics of looting workers' wages, overlap with other players that include state employees (in Israel and Palestine), self-employed profiting contractors, and the Israeli private sector.

Second: Quotas have been introduced in sectors that previously did not have quotas, such as the high-tech sector, health sector personnel (intended to be nurses or doctors in order to distinguish them from cleaners who fall into the service sector), hotels and restaurants (who were previously accounted for in the service sector). Two considerations could filter out of these changes. First, Israel seems to have a tendency to increase the dependence of the Palestinian economy on Israel by introducing into the quota system sectors other than wage workers, such as professionals and craftsmen. Although high-tech tech-

nicians are entering Israel for the first time under the work permit system, health sector employees have been receiving permits in the past without an official quota stipulated by the Civil Administration and the Israel Population and Immigration Authority. This may generate Palestinian competition within each sector for such permits which are limited in number due to its consequences on work rights and fees, and the legality of entry into Israel. The second consideration is that these changes may imply imposing the use of “The Coordinator” mobile application in the future on categories other than workers, thereby increasing the dependence of these categories on the bureaucratic system of civil administration, not to mention cyber surveillance, and to an extent that goes entirely beyond the bodies and institutions of the PNA.

With the exception of Gaza workers, who are subject to a strict confinement system, and cannot go beyond the system of movement across the border with Israel, West Bank workers are able in various ways to cross the border and mobility system imposed by Israel to enter its territory. According to the PCBS the number of workers in Israel and settlements without a work permit (meaning that their entry into the Israeli workplace was not in accordance with the quota system) reached about 30,000 in the year 2021 alone and have since continued to grow. This means that Israel turned a blind eye to the smuggling of workers, the use of “illegal” openings in the wall, the brokering of workers in settlements “illegally”, and the use of workers for permits that have not been assigned to work, such as permits for treatment, work seeking, special needs permits, trade permits, and others.<sup>(9)</sup> The claim that Israel turned a blind eye to “illegal” workers or those not included in the quota system became clear following Israel’s “temporary” emphasis on securing the Wall openings following individual attacks that hit Israel in 2022, before Israeli military control over these openings was “eased” after subsequent waning in Israeli media attention.

## 3.2 Changes to the permit issuance system

In 1970, the military governor of the occupied territory issued a “public declaration” whereby all Palestinian workers from the West Bank and Gaza Strip could enter Israel to work there. This decision allowed the entry of hundreds of thousands of Palestinians to work in Israel so that in the mid-1980s about 40% of the Palestinian workforce was working inside Israel, transferring their wages to the occupied territory. In 1991, the “public permit” was repealed and a comprehensive closure on the Bank was imposed. Later, under the Foreign Employment Law of 1991, every Palestinian worker wishing to work within Israel was required to have an “individual permit” issued by the Population and Immigration Authority (under the Ministry of the Interior)<sup>(10)</sup>. This method (the old permit system) remained in effect until 2020 (until the new permit system was introduced)<sup>(11)</sup>.

### 3.1.1 The old permit system

Previously, every Israeli operator or owner of a company registered in the Israeli Register of Companies, was able to apply for the employment of Palestinian workers. The number of Palestinian workers employed by each Israeli employer is determined by the “employer’s quota,” the size of which is determined by the employer’s size on the Israeli market, and can reach hundreds of permits. The operator applies to the Immigration and Population Authority for work permits to be issued to all workers whose names and identification numbers are provided by the operator. Accordingly, work permits are issued to each worker pursuant to an application made to the Immigration and Population Authority by the employer in a way in which work permits were owned by the employer and included in the employer’s quota of the permits.

The total quotas of all employers must not exceed the general quota established by the Israeli Government for Palestinian workers and distributed according to the sector of employment. However, after the construction of the annexation wall, a Palestinian worker who had received a work permit from the employer

(9) MAS, “Palestinian Workers in the Israeli Labour Market: Brokering Mechanisms Associated with work Permit Issuance” (The 9<sup>th</sup> Round Table Session). Ramallah: Palestinian Economic Policy Research Institute (MAS), 2020. Refer to the following link: <https://mas.ps/publications/2917.html>.

(10) See the full text of the Foreign Workers Act, 1991, at: [https://www.nevo.co.il/law\\_html/law01/p178\\_002.htm#Seif28](https://www.nevo.co.il/law_html/law01/p178_002.htm#Seif28); for more on the evolution of the permit system see:

Waleed Habbas, “West Bank-Israeli Wall during COVID-19: Migration Labour Upends Border Function”, *Borders in Globalization Review*, vol. 2, no. 1 (2020): 54-57.

(11) Israeli Population and Immigration Authority, “Regulations on Employment of Palestinian Workers in Israel in the Construction Sector”, published on 22 May 2022. See the following link: [https://www.gov.il/BlobFolder/policy/palestinian\\_workers\\_constructions\\_procedure/he/9.1.1001.pdf](https://www.gov.il/BlobFolder/policy/palestinian_workers_constructions_procedure/he/9.1.1001.pdf)



was required to have a transit permit to Israel by the Civil Administration. A transit permit must be based on a work permit issued by the operator himself and subject to security and social considerations controlled by the Civil Administration and the General Security Service.

For example, in 2008, the general quota allocated by the Israeli government for construction workers from the West Bank was only 14,500. These are distributed to operators so that Employer X (an Israeli company) gets a stake of, say, 160 permits, and Employer Y has a stake of 30 permits..., etc. This means that a person's work permit belongs to an employer (say, Employer X), and the person is required to work only for Employer X, whereby the employer is the one who grants this person a work permit, after which he can obtain a transit permit to Israel from the Civil Administration (i.e., an employment permit for Employer X only). The system allowed the operators to sell their work permits on the black market so that X, which actually needed only 70 workers but was large enough to obtain 160 permits, was able to sell the rest to contractors, brokers and permit dealers. Thus, the permit market became active. Because this person, who received a work permit from Employer X but wanted to work for the Israeli Employer Z because the Employer X who issued the permit did not need more workers, the broker could sell the permit to this person, who was illegally employed by Employer Z, and this person would lose a large part of his labour rights and would be subject to a permit broker who could at any moment suspend his work permit.

### 3.1.2 The new permit system

On 30 July 2015, the Israeli government passed Resolution No. 317, which approved an increase in the number of Palestinian construction workers in Israel, and the formation of a joint ministerial committee to ensure that employers receive quotas commensurate with their real needs until the issue of brokering permits is overcome<sup>(12)</sup>. At the end of 2016, the joint ministerial committee produced its report, recommending the establishment of a system of screening, sorting, training and placement of Palestinian workers who wish to legally work in Israel in the construction and industry sectors, and the initiation of a database of Palestinian workers, thus issuing work permits only to those registered in this database.

Under the new system, the Civil Administration has established an electronic platform (also a database) in which the Palestinian worker registers. Instead of being linked with the Israeli operator, the quota is now linked with the worker himself, who gets it through his subscription to the electronic platform supervised by the Civil Administration. Thus, an employee who holds a work permit with any employer can move between operators as he or she sees fit, provided that any employer he or she works for has an authorization to employ Palestinian workers. Under the new system, the Civil Administration distributes the general quota of workers to individual workers. For example, in 2021, the quota of construction workers reaching 80,000 as distributed among 80,000 workers, while the number of those seeking a work permit may reach up to 120,000, meaning that there are tens of thousands of those registered on the platform, who are not able to issue a permit due to the full allocation of the quota (80 thousand) to other workers. If a worker with a work permit through the platform has been unemployed for 60 days, he will lose his permit (i.e., his personal quota) which will be given to another worker on the waiting list, and will have to wait his turn on the long waiting list until another quota is available for him to receive.

This new method is supposed to prevent all Israeli operators, who previously received quotas more than their operational capacity and were selling additional permits, from continuing to broker and sell permits on the black market. However, the permit market has actually continued with the recent growth of Palestinian permit companies and offices in West Bank cities. These offices have connections with so many Israeli state employees that they are able to bring any worker to the platform, bypass civil administration regulations, and grant workers individual quotas for high fees. It can be considered that the new permit system is still in development and is intended not to eliminate brokering, but to increase control over Palestinian workers by transforming the civil administration into the largest and only operator, which has an online platform that inevitably serves as a gateway to obtain a work permit and enter into Israel.

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(12) See Israeli Government Resolution No. 317 of 2015, at: [https://www.gov.il/he/departments/policies/2015\\_dec317](https://www.gov.il/he/departments/policies/2015_dec317)

### 3.1.3 Israeli Proposals for Permit Systems

In addition to this tangible change in the permit system for workers, it is necessary to note important Israeli “initiatives”, which are still in circulation and some of them are hidden from the Palestinian media and public opinion, but may have important implications for Palestinian workers in the future:

1. The deliberations of the Israeli Knesset: There are committees within the Israeli Knesset that discuss the issue of Palestinian workers. One of the most important of these committees is the “Special Committee for Foreign Workers” which was chaired by the Knesset member Ibtisam Mara’anah of the Israeli Labour Party. This committee has held several sessions to combat the phenomenon of permit brokering, which is still going on heavily, and the most important of these sessions was on February 14, 2022.<sup>(13)</sup> In addition, there are committees for political surveillance affairs (deliberations were held on December 1, 2020).<sup>(14)</sup> The importance of these sessions lies in the nature of the audience (officials, policy makers, representatives of forces, associations and contractors’ associations, etc.) and in their role in influencing the decisions of Israeli governments by bringing forward change initiatives and projects directly affecting the lives of Palestinian workers. However, while it is important for Palestinian decision makers to be informed about these sessions, since many of the discussions then usually turn into government decisions, they have not yet come up with a concrete conclusion. The only exception was the proposal which appeared on May 25, 2022 in the Foreign and Security Committee’s deliberations to establish an employment agency, a large intermediary company proposed to distribute Palestinian workers among employers and become the sole employer of all Palestinian manpower in Israel. The proposal is currently in the offices of the Population and Immigration Authority for careful study.<sup>(15)</sup>
2. Conflict Reduction Committee: It is a new but widely effective committee that has links with decision makers and attends almost all Knesset sessions related to workers. The committee aims to apply the principles of economic peace and “facilitate” the social life of Palestinians by pushing for qualitative steps for Palestinians.<sup>(16)</sup> The committee was instrumental in increasing the quotas of Palestinian workers over the previous year, forming a powerful lobby with right-wing and left-wing figures to “hide” the occupation by improving the conditions of life for Palestinians, including workers.<sup>(17)</sup>
3. A proposal to replace the work permit with a green card: his proposal was submitted by Israeli labour associations, such as the “Together (Ma’an)” association headed by Assaf Adiv, and other Israeli human rights organizations in a position assessment published in 2022 and calls for the regulation of Palestinian employment in Israel through a “Green Card” system, which grants the worker semi-permanent permit.<sup>(18)</sup>
4. A proposal by some Israeli researchers specialized in the Palestinian labour movement in Israel suggests imposing a national authority tax on the income of workers in Israel, the proceeds of which would be allocated to finance the deficit of the Palestinian treasury<sup>(19)</sup>, while previous international studies<sup>(20)</sup> have suggested that such a tax be used in investments that generate local jobs.

(13)For recordings of meetings of the Special Committee on Foreign Workers, see the following link: <https://www.knesset.tv/committees/ovdimzarim/> [The link does not work from within the Palestinian territories, and an Israeli VPN or server can be used.]

(14)See the following link: <https://bit.ly/3c9pM3w> [The link does not work from within the Palestinian territories, and an Israeli VPN or server can be used.]

(15) For minutes of deliberations related to the establishment of this company, see the minutes of the Knesset session at the following link: <https://bit.ly/3zclTTC>, [The link does not work from within the Palestinian territories, and an Israeli VPN or server can be used.] Or see Tali Haruti-Super, “Resolving the Work Permit Trade for Palestinian Workers: Establishment of a Labour Committee and Agency”, De Marker, May 25, 2022. See/at the following link: <https://bit.ly/3PvfY2g>

(16)To delve into the concept of conflict reduction, which seems to be at the top of the Israeli government’s agenda, see “Background, ends and interests, ed., Madar, Israeli Papers 75” (Ramallah: Palestinian Center for Israeli Studies - Mudar, 2021). See/at the following link: <https://bit.ly/3v9IPCz>

(17)Conflict Reduction Initiative, “Improving the Permit System for Palestinian Workers in Israel”, September 2020. See the following link: <https://bit.ly/3RSBm3J>.

(18)Workers’ Organization “Together (Ma’an)”, “The Way to Stop the Permits Trade - Green Card Grants to Palestinian Workers”, Position Assessment Paper, January 2022. See the following link: <http://heb.wac-maan.org.il/?p=4921>

(19) Etkas Haggay and Klor Esteban (2022) “Improving the Palestinian Authority’s Fiscal Outlook”. Tel Aviv: The Institute for National Security Studies- INSS,. See: <https://www.inss.org.il/publication/pa-fiscal/>.

(20)UNCTAD, “Report on UNCTAD Assistance to the Palestinian People: Developments in the Economy of the Occupied Palestinian Territory”, Geneva: UNCTAD, 2008.

These changes, which have occurred during the last two years, or the intense deliberations still taking place within the Knesset, have not yet brought about any significant change in the permit trade, exploitation of workers, or working conditions, despite the continuous rise in the number of workers inside Israel. However, we do not see in the face of such Israeli planning, organization and consultation among various stakeholders, anything to indicate that the Palestinian side have realized the need to move from passive/reactive to a proactive attitude in planning the future of the Palestinian workforce, which remains hostage to the requirements of the Israeli economy and security, at the expense of building the national economy and moving away from colonial dependence.

### 3.3. Improving the system of paying workers' wages

Resolution 2174 of 2016, mentioned above, stipulated in its third clause the assignment of an inter-ministerial team headed by the Director General of the Ministry of Finance or his representative and with the participation of representatives of the Budget and Public Accountant Department of the Ministry of Finance and the Capital Market, Insurance and Savings, and the Ministry of Labour, Welfare and Social Services<sup>(21)</sup>. That same year, Israel's Hapoalim Bank and Discount Bank, Israel's only banks dealing with Palestinian banks (i.e., with clearing houses), announced their intention to stop dealing with Palestinian banks out of fear of the US anti-terrorism legislation.<sup>(22)</sup> This prompted the creation of an Israeli banking company, Correspondence Bank Ltd, which would collect wages of Palestinian workers from Israeli employers and transfer them to bank accounts in Palestinian banks through the Israeli Central Bank and under the supervision of various Israeli security authorities and agencies.<sup>(23)</sup> These new arrangements in bank transfers to Palestinian workers come in the context of accelerated financial digitization in Israel and in line with the legal limits for cash trading under the Locker Law of 2018.<sup>(24)</sup>

In 2021, Israel began, for the first time, to transfer wages of 7,000 Palestinian workers to Palestinian banks as a kind of piloting of the process, with the assumption of eventually expanding the new process to include most Palestinian workers. The PNA is supposed to set up a parallel banking firm to coordinate the relationship with the new Israeli banking firm, which is expected to transfer not only workers' wages, but also other financial exchanges between Palestinian and Israeli banks. According to the analysis carried out by MADAR, the transfer of the salaries of Palestinian workers working in Israel to Palestinian banks may also mean "introducing more than 100-120,000 Palestinian workers into the Palestinian banking system, and thus they will be able to access credits and loans, and enjoy all Palestinian banking services that are granted only to everyone who receives a salary through the bank."<sup>(25)</sup> In mid-July 2022, the COGAT announced that, until 1 August 2022, all workers with permits and under the individual quota system must sign (through "The Coordinator" application) an authorization approving their wages to be transferred to Palestinian banks. The announcement indicated that a worker who refuses to sign may lose his individual quota, and may not be able to maintain his work permit in Israel. This announcement indicates Israel's intention to extend the issue of bank transfers to all Palestinian workers.

In addition, the Israeli Government had allowed itself to dispose of the entitlements of Palestinian workers unilaterally. What is meant here is the deductions that Israel collected for sick days for Palestinian workers, which amount to about NIS 300 million. According to Chapter IV of Israel's Foreign Workers Law, 1991,<sup>(26)</sup> the amounts collected in lieu of workers' sick leaves allowances are deposited into a designated fund and administered by the State through private companies. As of 31 August 2018, the fund was accruing 2.5% of workers' wages in lieu of sick leave allowance, which was discontinued in September 2018 by a decision of the Israeli government which requested that the "sick leave allowances" be transferred directly to

(21) See Israeli Government Resolution No. 2174 of 2016, at the following link: [https://www.gov.il/he/departments/policies/2016\\_dec2174](https://www.gov.il/he/departments/policies/2016_dec2174)

(22) Waleed Habbas, "What's Behind the Creation of a New Israeli Bank to Regulate the Relationship with the Palestinian Monetary Authority," Israeli Scene Addendum-Madar, June 13, 2022. See the following link: <https://bit.ly/3AYnaQE>

(23) Israeli Ministry of Justice, Memorandum of Correspondence Services Law of 2022 (Israeli Ministry of Justice, 17 May 2022). See the following link: <https://bit.ly/3QhGcGz>

(24) See: [main.knesset.gov.il](https://main.knesset.gov.il)

(25) Waleed Habbas, "What's Behind the Creation of a New Israeli Bank to Regulate the Relationship with the Palestinian Monetary Authority," Israeli Scene Addendum-Madar, June 13, 2022. See the following link: <https://bit.ly/3AYnaQE>

(26) See the full text of the Foreign Workers Act 1991, at: [https://www.nevo.co.il/law\\_html/law01/p178\\_002.htm#Seif28](https://www.nevo.co.il/law_html/law01/p178_002.htm#Seif28)

the Palestinian worker. However, the fund now contains some NIS 300 million, and in July 2022 the Israeli Ministry of Finance published a statement to the Israeli public asking them how the money could be used to “serve Palestinian workers”, so that the Israeli Ministry of Finance proposes to choose from among the following things to invest the money in:<sup>(27)</sup>

1. Financing the training of workers, giving them lessons in Hebrew, and providing them with vocational training in areas of work considered of high quality.
2. Training Palestinian workers and qualifying them professionally in the fields of high-tech.
3. Improving the crossings and the movement of workers, but this improvement does not include improvements within the crossing (these are the responsibility of the security services and the civil administration), but may be in the form of building a huge parking garage on the Palestinian side of each crossing, logistics of transportation and distribution of workers inside Israel, development of environmental conditions on the Palestinian side of the crossing, asphaltting of pedestrian paths on crossings, lighting, etc.

Apparently, Israel’s tendency is to absorb the most skilled workers, professionals, and talented minds as well as to exploit unskilled workers. When reading these proposals of the Ministry of Finance in conjunction with the Government’s decisions to grant high-tech workers work permits in Israel as well as professionals such as doctors and nurses, it would appear that Israel is seeking to “absorb” a new type of Palestinian employment other than that which it has been used to for 50 years. The Ministry of Finance published mailing addresses to receive proposals and invited the public to participate in a discussion session on investment and disbursement of the abovementioned funds on 4 August 2022 (the views of the employers) and on 11 August 2022 (the views of workers’ representatives). Neither the Palestinian Government nor the Palestinian trade unions were consulted on all these crucial issues for Palestinian workers and the national economy in general.

#### 4. Conclusion and discussion questions

Is Israel paving the way for the return of the Unified Labour Market?

Several scholars define the period from 1974 to 1987 as the period during which Israel imposed what could be termed a “unified labour market”, during which Israel granted general permission for individuals to move between the West Bank, the Gaza Strip and the occupied territory, and during which wages were equalized on both sides of the Green Line. This was accompanied by a package of Israeli measures and obstacles restricting domestic economic activity, which led to an average of 30-40% of the Palestinian workforce relying on work in Israel during that period.

Since Oslo, the proportion of workers in Israel had steadily increased to reach 18.4% in Palestine and 24.5% in the West Bank by 2022. In light of the data reviewed here, which illustrate Israel’s intentions to expand its exploitation of the Palestinian labour force and to improve and enhance the efficiency of the regulatory framework for colonial domination and exploitation, the question arises, and indeed becomes urgent, as to whether Israel is paving the way for the re-establishment of the single labour market (albeit through various, more rigorous, disciplined and sophisticated mechanisms). On the ground, this trend emerges as part of the larger creeping process of annexation of the West Bank, as labour market developments are not isolated from a broader context of Israeli policy and practical actions aimed at deepening and perpetuating the state of Palestinian economic dependence, whether through subcontracting or commodity exchange.

The steady increase in Israeli employment has, on the other hand, been accompanied by what can be arguably termed a perverse phenomenon in the Palestinian labour market, where the latter suffers from high unemployment and at the same time there is evidence of scarce employment. The problem has come to the fore following statements on the issue by the Prime Minister and the Palestinian Private Sector Coordination Council. This is because the high unemployment rates are concentrated among university graduates, and even more so among female graduates. For those groups, working in Israel is not a viable option. As for the unskilled labourers, the fact that a large part of the workforce is moved to work in Israel,

(27) July 2022. See the following link: [https://www.gov.il/BlobFolder/policy/palestinian\\_sickleave\\_procedure/he/9.0.0006.pdf](https://www.gov.il/BlobFolder/policy/palestinian_sickleave_procedure/he/9.0.0006.pdf); See also “Inviting the public” for suggestions on the disbursement mechanism, at: [https://www.gov.il/he/departments/publications/Call\\_for\\_bids/kol-kore-sick-foundation](https://www.gov.il/he/departments/publications/Call_for_bids/kol-kore-sick-foundation)

motivated by the wage gap, has led to a skill shortage in the domestic market and to higher wages in certain sectors. This is confirmed by the results of a series of interviews and focus groups conducted by MAS over the past two years, which included employers, private sector representatives, the Palestinian Ministry of Labour and trade unions (MAS, 2022).

Finally, all this Israeli “reform” of the colonial control system is progressing year after year with a clear goal and technical and political work from all parts of the state and the economy. On the other hand, the Palestinian scene lacks a strategic vision on the economic relationship and in the field of employment with Israel, and it is obliged to be drawn along with Israeli plans and diktat. There is also a lack of the public and private investment required to build local productive capacity that would enhance the chances of disengagement and the focused employment of dispersed Palestinian human capacities. In the face of Israel’s recently reported acceptance of the PNA request to activate the Joint Economic Committee (JEC) provided for in the Paris Protocol (which had ceased to function since the Second Intifada), there is no agreed Palestinian policy approach on the Palestinian agenda for the JEC, nor is there a coordinated and coherent negotiating agenda among its departments of trade, employment, money, agriculture, natural resources and urban expansion. Perhaps more problematic is the new Israeli approach to imposing economic realities on the ground that reinforce the colonial political and security realities, only offering the prospect of more settlement and control over the resources of all the Palestinian people in an economic annexation that may precede the legal and political annexation.

In light of all this, the paper raises the following questions as topics for discussion during the session:

- 1- Is there an integrated Palestinian (political, economic, legal) position on the issue of workers in Israel? Is the required the greatest possible number of jobs in Israel, or the least possible?
- 2- What is the official position on the unilateral changes introduced by Israel to manage and regulate this file?
- 3- What is the fate of the arrangements under the Paris Economic Protocol with regard to the employment aspect, especially in light of the Israeli proposal to resume the work of the JEC?
- 4- How do the Ministry of Labour, the trade union and the concerned Palestinian bodies and authorities deal with the return of Gaza workers to work in Israel, especially in light of the continuing Palestinian division?
- 5- What positions and actions can the Palestinian government and the labour movement adopt in the face of recent developments? Is it possible to levy a tax on workers’ income from Israel to generate resources for investment in local job creation?



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