



PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE - MAS

## **Policy Brief**

**Issue (7)**

# **The Decision to Raise the Minimum Wage: Opportunities for Implementation**

The Palestine Economic Policy Research Institute (MAS) regularly publishes applied and scientific studies, in addition to brief research papers, as part of an annual series of roundtable sessions on important economic topics of interest to the public and decision-makers. The policy briefs outline the key recommendations of selected scholastic activities, in order to disseminate this information and maximize the benefits derived from this series of sessions. This roundtable session was sponsored by Heinrich-Böll-Stiftung (Palestine and Jordan).

**2022**



**MAS**

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The Decision to Raise the Minimum Wage: Opportunities for Implementation

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This paper was prepared with funding from Heinrich Boll Stiftung (Palestine and Jordan)

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## Background

The new Resolution issued by the Palestinian Council of Ministers (No. 4 of 2021), which took effect early 2022, raised the minimum wage level across all Palestinian governorates up to NIS 1,880 per month (NIS 85 per day and NIS 10.5 per hour). This decision culminated rounds of negotiations between the Palestinian government and representatives of workers and employers. This decision sparked discussion about the timing of its passage, which came after the Coronavirus pandemic had wreaked havoc on the Palestinian economy, and its impact on the compliance capacity across various economic sectors. Added to those challenges are the difficulties associated with implementing the decision in the Gaza Strip, as it suffers from hard economic conditions caused by Palestinian divisions and the Israeli blockade of more than 15 years. Some also note that despite this decision, the number of workers who are paid less than the initial minimum wage (NIS 1,450 per month) is still high, especially among women. This raises questions about the feasibility of raising the minimum wage even further, and the ability of the Palestinian government to enforce compliance.

### **The Main Challenge: The Extent to which the Palestinian Private Sector Complied with the Initial Minimum Wage**

Based on Q1 2022 data in the Labor Force Survey, the percentage of workers in the West Bank who are paid below the new minimum wage was around 22% (34% for females compared with 18% for males). As for the private sector alone, the number of those below the minimum wage levels was about 6 percentage points more. As expected, the largest share of those paid less than the minimum wage in the private sector are females, whose percentage rose from 30% to 50% following the raising of the minimum level. This also applies to the NGO sector. It should be noted that around 6% of the public sector employees in the West Bank were still paid below the minimum wages at the end of Q1 2022. The value of the new minimum wage is around 60% of the value of the average monthly wage for private sector workers in the West Bank (58% for males compared with 89% for females). Also, the average daily wage for those earning below the new minimum wage in this sector is NIS 59 (NIS 64 for males compared with NIS 49 for females).

Based on previous figures and data, many questions arise about the opportunities for implementing the new minimum wage, especially in light of large differences between the minimum and actual values of wages for those who receive less than the minimum, especially females. Undoubtedly, the answer lies in several factors: most importantly, the extent to which lessons have been drawn from the experience of applying the first minimum wage. It is clear from the details of the dialogue that led to the decision to raise the minimum wage, that the same approach used to reach the initial minimum wage of 2012 was followed. In the discussions leading to the agreement, representatives of employers in low-income sectors, who happen to be the most affected by its implementation, were excluded. Therefore, it is not expected that they will voluntarily comply with this decision, especially since the gap between actual wages and minimum wages has doubled when compared to the old minimum wage. Noteworthy, this category of employers largely did not comply with paying the minimum wage in the first place.

In light of the previous experience of applying the minimum wage over the past years, it can be anticipated that the prospects for enforcing the decision to raise its level are not promising. This cannot be corrected without a new strategic approach taken by the Ministry of Labor (MoL) to manage this file. This includes intensifying inspection efforts on a wider range and tightening penalties for violators. Compliance with the resolution will also be weak without enhancing the representation of workers. To this end, democratic reform of workers' unions, a renewal of their legitimacy, and broader mobilization of the working class by energizing unions, in a way that matches professional unions, such as the teachers' union in the public sector, as lawyers, doctors, and engineers.

## **Recommendations**

1. Maintain tripartite dialogue as a permanent exercise to follow up on the implementation of the minimum wage and the extent of compliance with the decision, especially by the private sector. Also, it is important to ensure proper representation of workers in the different economic sectors in which low-income workers are concentrated.
2. Providing a package of economic and financial incentives for vulnerable sectors facing difficulties in complying with the minimum wage decision, such as the nurseries and kindergartens sector, to enhance their revenues and improve their ability to comply
3. Excluding the Gaza Strip from applying the new minimum wage level, given its difficult economic conditions and long-lasting blockade, and Palestinian internal division, all of which complicate the possible implementation of the decision.
4. Strengthening the supervisory role of the MoL on private sector enterprises to ensure their compliance with the minimum wage decision. This requires the government to increase the number of staff working in inspection and provide the necessary resources (inspection vehicles, for example).
5. Activating judicial measures against non-compliant enterprises that fail to apply the minimum wage.
6. Energizing the role of workers' unions, and using effective union methods to put pressure on employers and the government towards achieving labor rights.