



Palestine Economic Policy Research Institute (MAS)

Evaluating the Level of Adherence to the Palestinian Labor Law

**Ibrahim Abu Hantash
Obaida Salah**

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The Palestine Economic Policy Research Institute (MAS)

Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

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Strategic Objectives

- ♦ Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision-makers.
- ♦ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ♦ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ♦ Disseminating up-to-date socio-economic information and research results.
- ♦ Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- ♦ Strengthening economic and social policy research capabilities and resources in Palestine.

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Palestine Economic Policy Research Institute (MAS)
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Foreword

This study aims at assessing the level of compliance with the Labor Law No. 7 of the year 2000. The labor law is considered crucial because of its long term influence on both society and economy. It should provide a work environment of balanced cooperation between all partners of production. It should also foster a competitive environment in the job market and thus assure the rational distribution of resources and the stimulation of productivity.

Labor law sets the rules for managing the relationship among partners or parties of economic development in terms of rights and responsibilities, such as setting the maximum number of working hours, vacations and their duration, the working conditions of female labor and the work of minors, and the compulsory labor insurance...etc. It also specifies the minimum level of hygiene conditions and professional safety procedures in the working place to ensure a safe working environment. The law also includes mechanisms of resolving conflicts caused by restructuring layoffs and demands for higher wages.

This study comes 10 years after the promulgation and enforcement of the law. The study will focus on the level of compliance with the law, mainly the adherence to its basic provisions. This is necessary for the purpose of developing the law and making it better suited to the Palestinian labor market. The method of research stems from the well known rule that practice is the best judge of the quality of a theory (or law). Any lack of enforcement of a provision either partially or entirely represents a problem. The provision in question can be inapplicable for one reason or another; it could be the case that either implementing it may cause problems or that the executive authorities have no means of implementing it. This is done with the aim of developing the law, recognizing its deficiencies, and figuring out reasons behind the lack of adherence to the law, through taking the necessary administrative measures, developing the inspection and supervision capacity, and developing the judiciary body.

In the occasion of the release of this study, I would like to thank the Minister of Labor and his staff for their interest and enriching participation in the study's workshop. I would also like to thank the reviewers of this study and experts from MAS researcher or outside of MAS. Also I would like to extend my thanks to the main researchers for their good efforts in

completing this study successfully. Finally, I thank our partners in Friedrich-Ebert-Stiftung (FES) for supporting this study.

Dr. Samir Abdullah
Director General

Executive Summary

The Palestinian labor law has drawn the attention of the different sectors and parties that are involved in enforcing it and adhering to it. During the lengthy process of drafting and adoption, numerous debates among decision makers and other related parties took place. This was primarily a result of the fact that the law and its implementation has numerous economic, social, and political dimensions; many of which are complicated and contentious. This reality has no doubt impacted upon the effectiveness of the legislation in terms of achieving its intended objectives. Due to this, along with the fact that the law is now ten years old, there has been an acknowledged need for a comprehensive study that evaluates the level of compliance among different parties with the provisions of the legislation.

The aim of the study is to explore the level of adherence to the labor law, and more specifically, with the individual provisions of the legislation. Moreover, the study examines the factors which determine levels of compliance, in addition to identifying key economic implications of compliance or non-compliance. In light of the results, the study deduces a number of constructive recommendations that can be used when attempting to improve levels of adherence to the law.

The importance of this study stems from the fact that it is the first to evaluate levels of adherence to the labor law. Previously, few researchers and research institutes have been interested in such an evaluation. Furthermore, and in light of this research, decision makers will be able to come up with methods and mechanisms to achieve a wider and more comprehensive application of the law in economic institutions.

The research team used various instruments to measure the level of compliance and the size and nature of the violations of the law that were reported. These included the collection of data from the Palestinian Central Bureau of Statistics, relevant ministries, the Palestinian Courts database, and the labor unions databases. In addition, the research team interviewed a selection of representatives from three relevant parties, and held focus groups which were attended by professionals and experts in the field.

The study showed that the level of compliance to the law by Palestine establishments is generally below average. The law is violated in many

areas including those relating to over-time end of service benefits, injury compensations, and delays in the payment of salaries. Although the majority of violations can be classified within the categories mentioned above, it is difficult to generalize these findings to all workers, establishments or to the Palestinian economy in general. This difficulty stems from the limited ability of inspection bodies, labor unions and specialized labor centers to monitor these violations, the lack of workers awareness of their rights according to the law, and the limited human and economic resources invested in the ministry's inspection teams.

The study's findings also show that the degree to which institutions comply with the law is affected by various determinants, the most important of which is the quality of the text of the labor law and its consistency and suitability to parties affected by it. In addition, the study also concludes that many defects and shortcomings exist in the contents of the law resulting in a decline in levels of compliance. Those shortcomings and controversial issues include: end of service benefits, employment contracts, child labor, vacations, weekend holidays, mechanisms for resolving labor conflicts and insurance on work-related injuries. As a result, these provisions continue to be unfulfilled.

In addition, a number of issues related to the performance of the executive bodies in charge of the law's enforcement were identified by the study. These bodies face many problems that limit their abilities to exercise its regulatory and educating missions. Many other factors contribute to reductions in the overall level of compliance, such as the geographical distribution of establishments, the range and prevalence of institutions operating in the informal sector, in addition to the fact that most establishments are family businesses, and the general economic situation. On the other hand, the judicial system faces many difficulties that limit its efficiency in settling disputes emerging from the enforcement of law. Additional contributing factors include the dispersion of labor unions, and the weak representation of the working class in unions.

Results have shown that the level of adherence to the law has impacted upon many social and economic indicators. This is due to the fact that production costs are linked to levels of compliance. These increases in costs could be compensated by increasing the loyalty of workers and thus increasing their level of productivity. The level of adherence to law affects and is affected by the employment rates, since the high level of unemployment in the Palestinian Territory effectively strengthens the negotiating position of employers and, as a result, levels of compliance

decrease. On the other hand, the low rates of adherence to certain provisions of the law affect the willingness of individuals to enter the labor market and may even cause some to refuse employments in establishments that do not abide by the provisions of the law. This is clearly evident in relation to females in the labor market.

The labor law and the level of compliance also impacts upon other economic sectors such as the insurance sector. Low rates of adherence to the workers' insurance law (insurance on work-related injuries and other types of insurance), causes a reduction in the number of those benefiting from insurance services. This in turn results in lower investment opportunities and negatively impacts upon the performance of the companies working in the insurance sector.

Based on the results obtained, the study concludes with a set of recommendations designed to increase levels of compliance and to address obstacles that hinder the application of a wider and a more comprehensive law. These include:

- ✧ It is important to conduct a comprehensive and accurate review of the labor law in order to identify its shortcomings. The law should then be revised to address these gaps.
- ✧ It is important to improve the performance of the inspection panels at the ministry by eliminating obstacles facing its development and performance and to provide a proper work environment and tools for their staffs.
- ✧ It is necessary to develop the awareness and the educational goals targeting workers to familiarize them with their rights provided by the labor law. Such education will contribute to reductions in violations and breaches of the law.
- ✧ All previous efforts should be accompanied by new efforts to develop the performance and the efficiency of the judicial system, through the establishment of competent labor courts that are supported by the necessary human resources.
- ✧ The conditions of Palestinian labor unions should be improved, considering that they represent one of the safeguards that protect the rights and interests of workers.