

معهد أبحاث السياسات الاقتصادية الفلسطيني (ماس)



Palestine Economic Policy Research Institute (MAS)

**استراتيجيات التأقلم التي طبقها موظفو
القطاع الحكومي في الضفة الغربية خلال
فترة أزمة الرواتب 2012**

**Coping Strategies Implemented by
Government Employees in the West Bank
in Response to Delayed Salaries 2012**

2013

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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.

Mission

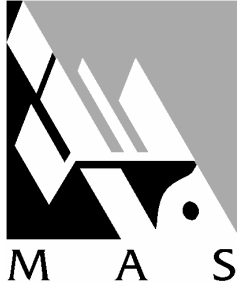
MAS is dedicated to producing sound and innovative policy research, relevant to economic and social development in Palestine, with the aim of assisting policy-makers and fostering public participation in the formulation of economic and social policies.

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- ♦ 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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A Team of MAS Researchers

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Foreword

It has become obvious that finding a solution to the mounting financial crisis, which the PNA faces, is not possible under the ongoing Israeli occupation and hostile practices hindering the development of the Palestinian Territory. The ability of the PNA to pay salaries to its employees on regular basis has become dependent on Israel's compliance with its obligation to transfer the taxes it collects on behalf of the PNA, comprising two thirds of PNA's total revenues, and on the willingness of international donors to finance the huge deficit in the PNA's budget. However, both of these financial sources are exposed to unpredictable variables, which has borne the urgent need to come up with policies, mechanisms and tools that help governmental employees cope with delayed or irregular salaries. Indeed, most public employees along with their families rely heavily on their monthly salaries. In addition, these salaries are not large enough to allow for savings that can be used at times of delays in the payment of salaries. Therefore, civil servants resort to borrowing from relatives, friends, and neighbors; to buying food on credit; and defaulting on payments of utility bills and bank loans, which has increased the percentage of public employees indebted to banks. Those strategies might be sustainable if salaries are paid late or in installments. However, such mechanisms are not sustainable if salaries are not paid at all or if only a portion of the salary is paid for an extended period. In the latter cases, public employees and their families will require other strategies to meet their basic needs.

This study attempts to investigate the mechanisms needed to help civil servants overcome possible future crises, while maintaining their dignity, morale, and loyalty to the governmental institutions which they serve. These are basic requisites for public employees to be able to do their duty and to carry out their tasks of providing vital services to society. The good performance of public employees is crucial for the preservation of the stature and the prestige of, and the citizens' faith in, the PNA, which in turn is vitally important for the prevalence of the rule of law and the prevention of a drift into chaos and social disintegration, which would result in a weakening of citizens' steadfastness and their ability to resist the Israeli occupation.

To achieve its aim, the study sought to identify the strategies implemented by households of public employees in 2011 and 2012, benefiting from a

survey conducted by MAS's staff on a random sample of governmental employees and two issues of the Socio-Economic and Food Security Survey (2011 and 2012), produced by the PCBS in cooperation with FAO, UNRWA and WFP. Coping strategies implemented by civil servants during delays in the payment of their salaries were identified, and effective strategies were made publicly known in order to encourage their use in the future.

In closing, MAS would like to thank the research team, the General Personnel Council, and the ministries that provided the required information, which facilitated the task of the research team. We also thank all those who took part in evaluating and discussing the draft study during the workshop held by MAS. Finally, we would like to extend our sincere gratitude to the Friedrich-Ebert Stiftung for funding this study.

Nabeel Kassis, Ph.D.
Director General

Executive Summary

The second half of 2012 witnessed continuous delays in the payment of public sector salaries as a result of the financial crisis faced by the Palestinian National Authority (PNA). This irregularity of payment inevitably had a negative impact on households with one or more members working in the governmental sector. In order to address this important issue, the present study identifies and analyzes the coping strategies which the tens of thousands of affected families in the West Bank implemented at the time of the crisis to mitigate its harmful consequences on their consumption and well-being. The ongoing financial crisis is likely to continue causing economic distress to civil servants and those financially dependent on them. That is why this study not only investigates the strategies applied by public employees' households during the most recent delays in salaries payments but also provides a set of recommendations to assist families in the case of another crisis.

The methodology comprised of analysis of data collected through three surveys: a coping strategies survey conducted by MAS in the first half of 2013 and two issues of the Socio-Economic and Food Security Survey (2011 and 2012), produced by the PCBS in cooperation with FAO, UNRWA and WFP. The paper, prepared in July-October 2013, looked at two different groups of households dependant on governmental salaries: 1) households with a member working in the public sector (i.e., households receiving some income from governmental salaries) and 2) households for which governmental salaries is the only source of income and whose monthly income does not exceed 4,000 NIS. Intuitively, the second category of households, comprising 28% of the total sample, is more likely to face challenges in satisfying their basic needs in case of adversity. The survey conducted by MAS used a random sample of 302 civil servants working in ministries and other governmental bodies in various governorates of the West Bank with monthly income of 4,000 NIS or less. With regards to the Socio-Economic and Food Security Survey, it has proven to be an effective tool in evaluating food security status in the West Bank and the Gaza Strip and a good source of data on the socio-economic conditions of vulnerable groups. The present research benefited most significantly from the data on coping strategies adopted by households dependent on income from the government, which also attempts to measure their financial resilience.

Within the embraced conceptual framework, the concept of coping strategies refers to the mechanisms and procedures which households implement to resist the harsh conditions associated with economic crises or natural disasters. A distinction was made between poverty and vulnerability and coping strategies were related to the latter. Households' behavior and manners of tackling adverse conditions depend on their awareness of the existence of such conditions and the perceived impact on their standard of living. Thus, the type and intensity of adopted coping strategies are determined by households' assessment of the gravity of the crisis and their decisions regarding it.

Moser (1997) classified coping strategies into four categories: individual strategies (individuals' strategies within the household), intra-households strategies (strategies applied by the family as a whole), inter-household strategies (strategies adopted by different families), and community-level strategies (strategies involving the entire society). The present study examined these four levels of coping strategies in investigating the effect of delayed payment of salaries on the nature of coping strategies. This analysis was achieved through comparison of the two Socio-Economic and Food Security Surveys as 2011 was a relatively stable year (no delays in the payment of civil servants' salaries), while the second half of 2012 brought about multiple delays in the payment of public sector wages.

In conclusion, West Bank households dependent on governmental income are well aware of the choices they make and the available alternatives for tackling financial crises. Households' assessment of their specific conditions and resources dictates their decisions regarding the most appropriate strategies to mitigate the adverse effects of the crisis. Noticeable, the intensity of coping strategies was higher among households whose entire income comes from the government and whose monthly income does not exceed 4,000 NIS.

At the time of the adversity, households dependant on governmental salaries adopted a range of coping strategies discussed below. Most importantly, 45.3% of households partially dependant on governmental wages and about half of households fully dependant on public sector salaries bought food on credit in the last six months of 2012. In general, the households under questions did not reduce their overall food consumption and continued having the same number of meals per day. However, they resorted to purchasing fewer types of and cheaper food items such as bread instead of meat and also started collecting wild plants for consumption.

Another set of coping strategies included the postponement of the payment of utility (water, electricity, and telecommunications) bills in order to secure cash for satisfying food needs. About one-third of all studied households and of those entirely dependant on governmental income implemented this measure. In addition, some families started spending their savings and/or took loans from banks and other lending institutions.

With regards to inter-household strategies, the study investigated the so-called informal social solidarity networks. Informal social solidarity relations intensified in the West Bank in 2012 in comparison with 2011 in response to the financial crisis. Importantly, family connections were a major determinant of these networks. While as many as 44% of households fully dependant on governmental income received assistance from relatives, only 22.3% of them received aid from friends or neighbors.

Community-level strategies were the least important since formal governmental and non-governmental institutions were virtually absent in providing support to the studied households. Generally, formal institutions did not take into consideration these vulnerable households. The only significant exception came from the Palestine Monetary Authority (PMA), which issued frequent circulars requesting from banks to adjust loan installments deductions for governmental employees proportionately to the transferred portion of their salaries. The PMA also asked banks to charge transfer commission only once per month regardless of the number of transfers of salary and not to deduct commission fee on returned checks drawn on the accounts of civil servants during delays in the payment of their salaries.

In terms of expenditure priorities at the time of the crisis, households with monthly income of 4,000 NIS or less and entirely dependent on governmental wages ranked food at the top of the expenditure pyramid. Food expenditures were followed by electricity bills, water bills, health care, and transportation in that order. Importantly, all abovementioned expenditures are considered of vital importance.

Overall, in their management of financial adversities, households did not adopt long-term strategies to increase and diversify their income, such as starting a micro or small income-generating project or looking for an extra part-time job. Instead, the studied households preferred quick solutions, including buying food on credit and postponing the payment of utility bills, which provided comfort in the immediate future until salaries were paid in full.

While the measures implemented by West Bank households of civil servants helped them mitigate the adverse impact of the crisis to an extent, these strategies did not allow them to maintain their previous standard of living, at least during the salaries delay. The crisis undermined households' financial resilience to such a degree that one-third of households under investigation could hardly survive another month or two without external support.

Finally, the present study prepared a set of recommendations to assist households in future crises. First and foremost, families receiving governmental income are advised to establish their own micro and small income-generating projects in normal times, while micro-lending institutions and banks are urged to finance these projects. In addition, civil servants are encouraged to find additional jobs outside the governmental sector, which would allow them to secure a more stable source of income, provided that these jobs do not conflict with their governmental jobs and that they obtain the necessary permit. The study also suggests that the PMA encourage small loans for productive projects implemented by households of public sector employees and limit consumer loans.

Another recommendation is to open cooperative stores for governmental employees, where they can buy basic food items at wholesale prices and on credit guaranteed by their salary. This action would increase the food security of households dependant on governmental income and spare them the need to look for other stores where to buy food on credit, which undermines their dignity and potentially exposes them to higher-than-market food prices. Thus, cooperative stores will allow households to maintain their purchasing power even in case of delays in the payment of their salaries.

The study also recommends the signing of a cooperation agreement between the PNA, on the one hand, and electricity and water providers, on the other. This agreement will first secure households' uninterrupted access to these vital utilities and second assure the payment of bills when salaries are fully paid by the government.