



Palestine Economic Policy Research Institute (MAS)

Skills Shortages and Gaps in the Industrial Sector in the Occupied Palestinian Territory

Bilal Fallah

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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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- ♦ 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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Skills Shortages and Gaps in the Industrial Sector in the Occupied Palestinian Territory

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Foreword

This is the fourth and last in the current series of studies that have been carried out by the Palestine Economic Policy Research Institute (MAS) upon the request of the Palestinian Ministry of Labor. Dwelling on these studies is an expression of the mutual commitment of MoL and MAS, as well as that of the Arab Fund for Economic and Social Development, which funded these studies, to contribute to increasing job opportunities and reducing the ratio of unemployment in Palestine. With is in mind, the studies in this series set out to identify skills shortage and gaps on the demand side of the various employment sectors. The first study addressed the building and construction sector, the second the health sector, the third the tourism sector, and this concluding one the industry sector.

These studies were well received in the workshops that were held to discuss their conclusions and recommendations. The participants were stakeholders from those sectors, including employers and those concerned with technical and vocational training. This is not surprising, given that the recommendations drew heavily on the recommendations of the employers. Yet, we need some time to find out how these studies have impacted the plans and programs of technical and vocational education and training (TVET) institutions in their endeavor to supply skilled laborers that meet the employers' needs in the studied sectors as well as other sectors, and also to induce the employers to improve work conditions so as to reduce the seepage of skilled Palestinian laborers to the Israeli labor market.

MAS does not aim to have the publication of this study mark the end of the road for the Institute's efforts in this respect. There are other important employment sectors, such as education, information technology, specific engineering disciplines, and financial services, that merit similar investigation, so as to determine needs and direct efforts towards meeting them in fulfillment of one of the main recommendations of the MAS Economic Conference 2016, which called for intensifying efforts in the provision of TVET as a main intervention towards limiting unemployment and developing the national economy.

On behalf of MAS, I would like to commend the main researcher and the research team for their efforts and also to express our gratitude to the Arab Fund for Economic and Social Development for their continued support to the Institute in its endeavor to enhance the process of economic decision making and to develop the Palestinian economy.

Nabeel Kassis, PhD
Director General

Executive Summary

The paper measures the extent to which workers in Palestinian industrial enterprises possess effective job-specific skills, and it identifies the skills needed as well as the strategies used to attain such skills. Subsequently, the paper then proposes relevant policies that, if designed and implemented properly, would help supply the Palestinian industrial sector with manpower that possess in-demand skills, while preparing workers to deal with changing modes of production -and ultimately, support manufacturers in producing competitive goods.

In analyzing the demand for skilled workers in the industrial sector, the paper used a targeted sample of 262 manufacturers across 14 sub-sectors in the West Bank and the Gaza Strip. Most of the surveyed manufacturers are members of associations affiliated with the Palestinian Federation of Industries. The authors placed special emphasis on large-scale manufacturers in each sub-sector, and made sure the sample covered diverse activities within the same sub-sector.

In defining the skills available, the study differentiated labor shortages (employers unable to find staff to fill vacancies) from skills gaps (staff lacking the needed skills). The study revealed labor shortages in the sector determined the skills required to fill the vacancies, and also found skills gaps between employees in the West Bank and their counterparts in the Gaza Strip.

The West Bank employers reported the following causes of labor shortages in order of importance. First, only few of those applying for a job have the necessary skills and experience; second, a major proportion of skilled workers choose the Israeli labor market; and third, although far less pronounced, is the lack of suitable programs offered by degree-granting institutions. In the Gaza Strip, many of those applying for a job lack the necessary skills and experience, and often their qualifications do not match the needs of the labor market. Building on data from the Palestinian Central Bureau of Statistics, the vast majority of job-seekers (both in the West Bank and in the Gaza Strip) cited the lack of suitable work opportunities as the main reason

for their unemployment. The conflict in views provides evidence that job-seekers and employers have trouble reaching each other effectively.

West Bank employers identified some of the adverse repercussions associated with labor shortages, namely failure to complete work on time and additional pressure on existing employees' workloads. In the Gaza Strip, there is an array of negative impacts, such as high production costs, poor access to new work technologies, failure to complete work on time, and relatively low quality of production. The results generally indicate that the extent and nature of the negative impacts vary between each industrial branch.

In identifying strategies used by the West Bank employers in recruiting staff to fill vacancies (to overcome labor shortages), the study reveals three frequently used strategies. These are (in order of importance): reaching out to potential employees through personal connections (relatives and acquaintances); social networking sites; and job websites. In the Gaza Strip, in addition to these three strategies, employers collaborate with educational institutions in finding ways to find the right staff. On the other hand, findings suggest that job-seekers have different methods for reaching out to potential employers, with the vast majority of them preferring direct contacts with employers. This suggests that the level of communication is poor between employers and job-seekers, which highlights employers' difficulties in recruiting staff with the necessary skills and expertise.

The study's findings suggest there are skills gaps in most of the industrial branches. The majority suffer from lack of skilled labor who can service and operate machines, especially due to short schooling for technicians, which makes it difficult for manufacturers to utilize modern production technologies. The study also defined the skills that are needed, but not met in each sub-sector in the West Bank and Gaza Strip. As for life skills, the employers in the West Bank reported a gap in English language proficiency and computer skills. In the Gaza Strip, the gap was broader, with ineffective skills in English language, communication, persuasion and teamwork. In terms of cognitive skills, the West Bank employers cited inadequate critical thinking and analysis skills, lack of problem-solving capability, and difficulties in

handling new tasks. In the Gaza Strip, the gaps are by and large similar to those of the West Bank. The level and nature of cognitive and life skills gaps differ per sub-sector.

The study also examined the training plans designed to address the skills gaps. The analysis shows that most of the industrial companies (both in the West Bank and in the Gaza Strip) have regular training plans for newly-hired workers. Often, training is delivered internally by senior co-workers. Our results also show that 40% of existing employees in industrial enterprises in the West Bank receive training, compared to 50% in the Gaza Strip. The study also found a training gap between different sub-sectors; a focus on hard skills at the expense of soft skills; and irregular training schemes (i.e. training provided only when needed).

The study found that a small number of industrial companies allocate funds regularly for external training, and that about 55% of enterprises utilizing external training services receive support or grants from specialized federations, chambers of commerce or other agencies. However, this support is often irregular and volatile, and most enterprises experience difficulties when arranging external training for their workers. Here, the study defined the skills sets that require the use of external training services, which cannot be provided in-house.

Most employers believe that degree-granting institutions only moderately prepare their graduates for the labor market, regardless of their level of education. However, the employers' perceptions vary in terms of different educational levels. For better preparedness of graduates, employers proposed a set of recommendations: first, strengthening coordination and communication between the industrial sector and educational institutions; second, better integration of training within academic programs; focusing on teaching methods to increase modern machine maintenance skills; sharing information about available vocational and industrial education; and promoting the importance of cognitive and life skills.

Based on the findings, the study concluded with recommendations as to how employers can better reach out to job-seekers and match job

specifications with the applicants' profiles. This could be done especially through an effective Palestinian labor market information system. It is also important to improve the working conditions in industrial enterprises so as to reduce labor drain to the Israeli labor market, and empower clusters and specialized associations to address the training gap.