Young educated women in Palestine disenchanted with labor market due to declining job opportunities

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Policies that will improve the demand for young educated women are needed to boost their connections to the labor market and increase their labor-force participation.

The Palestinian government should adopt a more gender-balanced policy to boost employment for young educated women.

Increased educational attainment but declining employment rates for young women in Palestine

Women’s educational attainment grew rapidly between 1999 and 2011 in Palestine—the share of women who completed more than twelve years of education doubled, rising to 17%. However, during the same period, their employment rate decreased.

Limited job opportunities for women

Job opportunities for young (aged 19-29) educated women became scarcer over the 1999 to 2001 period, which may have prompted many to remain outside the labor market. By the end of the Second Intifada (2000-2004), the employment rate for young educated women had dropped from 77% to 48%.

Around half of Palestine’s educated working women are employed in the public sector, most (about 85%) of whom work in education. Following the Second Intifada, the Palestinian government increased employment for security personnel—predominantly men—with the aims of quelling tensions in the occupied Palestinian territories and curbing the rising unemployment rate. Employment distribution between public sectors shifted, with employment in education declining.

Various studies have highlighted education attainment as a key factor in increasing women’s labor-force participation (LFP), however, this does not hold true for a number of Middle East and North African countries. A team of local PEP researchers sought to establish a cause for educated women’s sluggish labor-force participation in Palestine in order to identify policies that can enhance their LFP and promote female empowerment.

The analysis

The research team analyzed quarterly labor force data, collected from West Bank districts between 2005 and 2011 by the Palestine Census Bureau of Statistics. The researchers measured overall employment growth (i.e., for all economic activities), the employment growth for services activities, and the employment growth of services subsectors that are relevant to (hiring) a young, educated cohort. To explore the causal effect of labor demand, they employed a fixed-effects model using the instrumental-variable approach. They examined the extent to which overall labor demand, employment changes in the services sector, and cohort-specific changes in the services sector affected the labor-force participation of educated young men, older men, young women, and older women.
Key findings

Changes in demand for educated women affect women’s labor-force participation (LFP). Specifically, the stagnation of women’s LFP is associated with a decline in demand for women workers, particularly young women.

- Decreasing employment by 1% for young educated women decreases their LFP by 1.3%
- The same decrease in employment for older educated women decreases their LFP by 0.7%

After the end of the Second Intifada, demand for educated workers was largely generated from the services sector. However, employment opportunities in this sector varied across cohorts. In particular, opportunities for young educated women decreased relative to those available to similarly situated men.

This decrease in demand is mostly due to a reduction in jobs dominated by women, rather than job competition with educated men.

- Demand for young educated women in commerce—the fastest growing service sector—decreased
- There were negative shocks to the public sector, particularly the female-intensive sub-sector of education

Additionally, overall employment growth is not found to affect the LFP of educated women.

Conclusions and policy messages

Just as limited job opportunities reduce young educated women’s labor-force participation, boosting labor demand for this cohort is expected to enhance their LFP. However, as changes in overall labor demand do not affect young women’s LFP, it is unlikely that this cohort would benefit from general improvements in the labor market. Instead, policies that will improve the demand for young educated women are needed to boost their connections to the labor market and increase their labor-force participation.

Policies that will encourage hiring young educated women should be implemented. As expanding public employment beyond the present capacity is likely to be challenging in the current financial context, the government should adopt a more gender-balanced policy to boost employment for young educated women. This can be done in sub-sectors that are dominated by men. One example is security, in which more young women can be hired to fill soft vacancies such as administration, IT, and procurement.

Another potential intervention is an employment or wage subsidy. This policy would boost labor demand by sharing employment costs with firms. The policy could be implemented through different channels, including tax cuts for firms that, for example, hire a minimum number of young educated women or adopt gender balanced employment practices. The government can also cooperate with international donors to initiate temporary (contract based) employment programs for young educated women.

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