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# DAILY WAGES COMPARISON FOR WAGE EMPLOYEES IN THE PUBLIC AND PRIVATE SECTORS IN PALESTINE

Case  
Study

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## **Keywords**

*Wages,  
Public sector,  
Private sector,  
Palestine,  
West Bank,  
Gaza Strip*

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## **JEL Classification**

*E24, F66, J31*

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## **Abstract**

*This paper discusses the daily wages of employees in the public and private sectors in Palestine. Based on the Palestinian Central Bureau of Statistics (PCBS) labour force survey, the author used a paired samples t-test to examine the difference in wages among the public sector, private sector, and Israel and the settlements between 2000 and 2015. The results show that the maximum wages are among the workers who work in Israel and the settlements. The wages in the public sector have become slightly higher than the wages in the private sector since 2005. The daily wages of wage employees in Israel and the settlements are significantly different from the public and private sectors. The employees' daily wages in public and private sectors are strongly correlated, but there is no significant difference between the two sectors in the West Bank. Regarding Gaza strip, the correlation is moderate and there is a significant difference between the two sectors.*

## INTRODUCTION

The Public and private sectors are very crucial to each other in the labour market. The shortage of jobs supplied by the private sector can be supplemented by the public employment programmes (Oláh, 2014).

Wages in the public and private sectors can have an effect on unemployment in Palestine; this is one of the greatest challenges that the country faces in these times. Knowing if the wages are different between the public and private sectors will help to uncover whether these wages are one of the causes of unemployment or not, and how this information can be a useful tool for decreasing unemployment; in particular, among young and educated people.

Palestine has two main sectors in its labour market; which are, the public one and the private one. But in addition to these Israel and the settlements can be included to these two sectors and all employees in Palestine distributed among these three sectors (public, private, and Israel and settlements). The labour force participation rate is 45.8%, employment percentage 74.1% and unemployment is 25.9 % (Palestinian Central Bureau of Statistics (PCBS), 2016a). The private sector has the maximum share of employees in the labour market, after that comes the public sector and the lowest share is in the Israel and the settlements. Figure 1 shows the percentage of employed persons by sector in Palestine. In 2000 the private sector was covered 61.9 % of employees share, and in 2015 increased to 66.3%, and between 2000 and 2015 the maximum share of employees was in 2003 70.8%. On the other hand, the public sector started the employees share at 19.3% in 2000 and ended at 22% in 2015, and in the case of Israel and the settlements the share began at 18.8% in 2000 and closed at 11.7% in 2015. Palestine has two parts, West Bank and Gaza Strip. In the West Bank, the labour force participation rate is 46.1%, employment percentage 82.7%, and unemployment is 17.3 % (PCBS, 2016a). On the other hand, the Gaza Strip labour force participation rate is 45.3%, employment percentage 59%, and the unemployment rate is 41% (PCBS, 2016a). In 2014 and according to Palestinian Central Bureau of Statistics (PCBS) (2016b), Gross Domestic Product (GDP) was 7463.4 (Million USD) in Palestine (base year is 2004 and part of Jerusalem is not contained in the data), 5754.3 (Million USD) goes to the West Bank and only 1709.1 (Million USD) for the Gaza Strip. The GDP Per Capita is (USD) 1737.4 in Palestine, 2269.3 (USD) in the West Bank and just 971.1 (USD) in the Gaza Strip (PCBS, 2016b). In the two parts (West Bank and Gaza Strip), the larger share of employees goes to the private sector, but there is a larger gap between private and public sector in the West Bank and

Gaza Strip, where a smaller difference can be found in the Gaza Strip as compared to the West Bank (figure 2 & figure 3). In West Bank, the difference between the private and public sector was 50.2% in 2000 and 57% in 2003 and ended at 51.5% in 2015. While in the Gaza Strip it started from 24.4% in 2000, 35.7% in 2003, and in 2015 was 26.2% (figure 2 & figure 3). On the other hand, the Israel and the settlements got some of employees' share from both parts (West Bank and Gaza Strip); which began at 21.4 % in 2000 and ended at 16.5% in 2015 in the West Bank. In the case of Gaza Strip, it is started with 12.6% in 2000 and finished at 0% in 2015. After 2006 the people of Gaza Strip were not allowed to work in Israel and the settlements anymore (figure 2 & figure 3).

Many studies produced about the public and private sector wages, for example, Masayuki (2014) mentioned that the difference in wages among regions in the private sector is higher than the public sector. In the European countries and the U.S. as well, many studies prove that the wages of the public sector are different from the wages of the private sector (Masayuki, 2014). The earning of workers in the private sector is less than the public sector in Pakistan (Nasir, 2000). Nielsen and Rosholm (2001) in their study about Zambia, mentioned that the private sector wages are less than the public sector wages. On the other hand, Gorodnichenko and Sabirianova Peter (2007) found that in the Ukraine the public sector wages are less than the private sector wages. In their study about Latin America, Mizala et al. (2011) found that earning of the workers in private sector is less than the earning of the workers in public sector, which can be supported by Panizza and Qiang (2005).

Glinskaya and Lokshin (2005) stated that in India, the public sector wages are more than the private sector wages. To summarize, many of the studies were conducted to understanding the difference between the wages in the public and private sectors. Some of these studies claimed that, wages in the public sector are higher than the wages in the private sector, and some of these studies claimed the opposite. To understand the case of Palestine, we will test the two following hypotheses:

H1: the public sector daily wages are higher than the private sector daily wages in Palestine.

H2: the public sector daily wages are less than the private sector daily wages in Palestine.

## METHOD

According to the Palestinian Central Bureau of Statistics (PCBS, 2016) Labour Force Survey, the average daily wages of wage employees in public and private sectors, and in addition to the average daily wages of wage employees in Israel and the settlements between 2000 and 2015 will be

analyzed using paired samples t- test to understand the difference between the average wages in the three cases (public, private, and Israel and settlements). Paired samples t- test are used to test wages difference year by year over 16 years. The average daily wages of wage employees used the New Israeli Shekel (NIS) currency as (PCBS) had used.

## RESULTS

### 1. Daily Wages for Wage Employees in Palestine

Figure 4 shows the average daily wages in NIS for wage employees in Palestine. The average daily wages of wage employees in Israel and the settlements was 110.5 NIS (New Israeli Shekel) in 2000 and continuously increased until it reached 198.9 NIS in 2015, which means it increased with 88.4 NIS from 2000 to 2015. On the other hand, the public sector started with average daily wages of 59 NIS in 2000 and reached 99.6 NIS in 2015, while in the case of the private sector, the average daily wages began with 66.8 NIS in 2000 and closed at 75.6 NIS in 2015. The change in daily average wages for wage employees was 40.6 NIS and 8.8 NIS increase in public and private sectors respectively. In total, the average daily wages in Palestine started with 76.6 NIS in 2000 and closed at 103.9 NIS in 2015; which means a 27.3 NIS increase between 2000 and 2015 (figure 4).

### 2. Daily Wages for Wage Employees in the West Bank and Gaza Strip

In the West Bank, the average daily wages of wage employees in Israel and the settlements was 108.6 NIS in 2000 and continuously increased until it reached 198.9 NIS in 2015, which shows an increase of 90.3 NIS from 2000 to 2015. On another side, the public sector starts with average daily wages of 62.9 NIS in 2000 and ends up with 107.8 NIS in 2015, while in the case of the private sector, the average daily wages begins with 73.7 NIS in 2000 and closed at 88 NIS in 2015. In total, the average daily wages in the West Bank starts with 82.8 NIS in 2000 and closes with 120.1 NIS in 2015, which means a 37.3 NIS increase between 2000 and 2015 (figure 5).

In the Gaza Strip, the average daily wages of wage employees in Israel and the settlements was 117.2 NIS in 2000 and continuously increased until it reached 122.2 NIS in 2004; and after that, the people of Gaza strip were not allowed to work in Israel and the settlements started from 2005. On another side, public sector starts with average daily wages of 55.2 NIS in 2000 and ends up with 84.7 NIS in 2015, while in the case of the private sector; the average daily wages began with 49.2 NIS in 2000 and closed at 50.7 NIS in 2015. In total, the average daily wages in the Gaza Strip starts with

64.1 NIS in 2000 and closes with 61.9 NIS in 2015, which means 2.2 NIS decrease between 2000 and 2015 (figure 6).

### 3. Paired samples t- test

The public and private sector in Palestine are strongly correlated and significant (correlation= $r=0.806$ ,  $p\text{-value}=\text{sig.}=0.000$ ) (Table 1) and there is a significant difference between the two sectors in terms of the daily wages of wage employees (sig. =0.029) (Table 2). On the other hand, the daily wages of wage employees are significantly different between the public sector and (Israel and settlements) (sig. =0.000), and private sector and (Israel and settlements) as well (sig. =0.000) (Table 2). In (public sector and (Israel and settlements), and private sector and (Israel and settlements)), the correlation is strong ( $r= 0.953$ ,  $r= 0.793$  respectively) and significant (sig. =0.000) (Table 1). In the West Bank, the public and private sector are strongly correlated and significant ( $r=0.871$ , sig. =0.000) (Table 1) and there is no significant difference between the two sectors in terms of the daily wages of wage employees (sig. =0.285) (Table 2). On the other hand, the daily wages of wage employees are significantly different between the public and private sector in the Gaza Strip (sig. =0.000) (Table 2), and the correlation is moderate ( $r=0.436$ ) and not significant (sig. =0.092) (Table 1).

## DISCUSSIONS

We examined average daily wages of wage employees in Palestine between 2000 and 2015 in public and private sectors in addition to the average daily wages of wage employees in Israel and settlements. The public and private sectors' wages are significantly different compared to Israel and the settlements wages. The wages of the private sector were slightly higher than the wages of the public sector from 2000 to 2004. Nevertheless, the wages of the public sector have gradually increased from 2005 to 2015. The public sector wages were close to the private sector, but public sector wages have become more than private sector wages since 2005. Wages have a significant difference in public and private sector. The public and private sector wages do not look significantly different in the West Bank, while it is significantly different in the Gaza Strip.

Based on the results, the first hypothesis (H1) is accepted from 2005 to 2015. By contrast, the second hypothesis (H2) is accepted from 2000 to 2004. The average daily wages of employees in Israel and the settlements is higher than the public and private sectors in Palestine (figure 4). The reason can be due to the difference in living standards between Palestine and Israel, which can

be one of the reasons that made Palestinian workers in Israel and the settlements enjoy these wages. In 2000, the difference of daily wages between Israel and the settlements and the public and private sector in Palestine was high. After 2000 the gap between Israel and the settlements and the public and private sector in Palestine started to increase continuously (figure 4), which can be because of the market demand and the quality of Palestinian workers as a results of being limited in numbers year after year to work in Israel and the settlements. The average daily wages of wage employees in Israel and the settlements was 110.5 NIS in 2000 and continuously increases until it reached 198.9 NIS in 2015(95 NIS more than the total daily average in Palestine in the same year) (figure 4). In Palestine, the public and private sector did not change notably between 2000 and 2015, but wages have a significant difference between public and private sector. In addition, the two sectors wages are significantly different compared to Israel and the settlements wages. The private and public sector wages do not look significantly different in the West Bank, while it is significantly different in the Gaza Strip. The question is why the West Bank and Gaza Strip have different results? In case of West Bank, this can be the results of a higher standard of living than the Gaza Strip, and in addition to more opportunities in the West Bank in the private sector, which come as a results from more employees preferring to work in Israel and earn more than work in the private sector in Palestine. Due to this, the private sector wages are close to public sector in the West Bank. In case of the Gaza Strip, the situation is different. After 2005, the employees from this part were banned from working in Israel and the settlements. This put more pressure on the private sector and not only this, but after 2007, no more jobs were offered for people of Gaza strip in the public sector. Therefore, the public sector wages stay almost the same and the private sector has to cover and absorb new employees especially after the people of the Gaza strip were finally banned from working in Israel after 2005. Because of that, more pressure on the private sector in the Gaza Strip and in addition to the competitive market and high unemployment rate with 41% compare to the West Bank 17.3% in 2015(PCBS, 2016a), we can see that the average daily wages in the private sector in the Gaza Strip stayed almost same with some fluctuations, over time between 2000 and 2015; but surprisingly, the public sector average daily wages increased and the gap between the two sectors became wider and difference between the two sectors wages reached 34 NIS for the public sector side (figure 6). The increase in the average daily wages in the public sector in the Gaza Strip can be due to some changes in the market, the demand, and living costs.

On the other hand, in the West Bank, the gap between the two sectors of average daily wages is small (figure 5), which as we mentioned above can be due to the more opportunities in the West Bank to work in Israel and earn more than work in the private sector in Palestine. On the other side, the unemployment rate (which is higher in the Gaza Strip than the West Bank (41%, 17.3% respectively)) can affect the wages in private sector (Afonso and Gomes, 2010).

According to PCBS (2016b), exports in Palestine increased between 2012 and 2014 and reached 944 (Million USD) in 2014(part of Jerusalem is not contained in the data) (PCBS, 2016b). Exports generate profits for the private sector and as a result of these profits, the wages reflect what the private sector earns. In the West Bank 777 (Million USD) exports in 2012 and it increased to 938 (Million USD) in 2014, while in the Gaza Strip only 5 ((Million USD) in 2012, and reached 6 (USD Million) in 2014 (PCBS, 2016b); this made wages of employees in the private sector different in the West Bank and Gaza Strip. As a result for all of that, the low wages in private sector in Palestine can be one of the reasons for high unemployment, in addition to the limited job offers from the public sector.

## CONCLUSIONS

In this paper, we discussed the difference between the public and private sectors in terms of the daily wages of wage employees in Palestine. We used paired samples t-test to examine the difference in wages among the two sectors and in addition to wages in Israel and the settlements year by year. During the period from 2000 to 2015, the maximum wages were among the workers who work in Israel and the settlements. The wages of the private sector were slightly higher than the wages of the public sector from 2000 to 2004. Nevertheless, the wages of the public sector have gradually increased from 2005 to 2015. There is a significant difference between the two sectors in terms of the daily wages of wage employees in Palestine. The daily wages of wage employees in Israel and the settlements are significantly different from the public and private sectors. The correlation of the public sector and private sector with Israel and the settlements is strong and significant. In the West Bank, the public and private sectors are strongly correlated and significant. Additionally, there are no significant differences between the two sectors in terms of the daily wages of wage employees. On another side, the daily wages of wage employees are significantly different between the public and private sector in the Gaza Strip and the correlations are moderate and not significant. Our findings related to wages among the two

sectors (public and private) indicate how wages can affect unemployment among individuals. It is valuable to introduce some policies by the government of Palestine to increase the wages, especially in the private sector. Moreover, it should provide more jobs in the public sector. Further research should be conducted to determine the relationship between the wages, education level, and gender in Palestine.

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## ANNEXES

### Tables

Table No.1

*Paired Samples Correlations for (public and private, public and Israel & settlements, private and Israel & settlements) sector in Palestine and public and private sector in the West Bank and Gaza Strip.*

<b>Paired Samples Correlations</b>				
		N	Correlation	Sig.
Palestine	Public & Private	16	0.806	0.000
Palestine	Public and (Israel & Settlements)	16	0.953	0.000
Palestine	Private and (Israel & Settlements)	16	0.793	0.000
West Bank	Public & Private	16	0.871	0.000
Gaza Strip	Public & Private	16	0.436	0.092

*Note:* level of significant is reported with p- values

*Source:* author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey: Annual Report: 2015).

Table No.2  
*Paired samples t- test results for (public and private, public and Israel & settlements, private and Israel & settlements) sector in Palestine and public and private sector in the West Bank and Gaza Strip.*

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Palestine	Public - Private	6.8313	11.3442	2.8361	0.7863	12.8762	2.409	15	0.029
Palestine	Public - Israel & settlements	-65.3875	15.0544	3.7636	-73.4094	-57.3656	-17.374	15	0.000
Palestine	Private - Israel & settlements	-72.2188	25.0438	6.2609	-85.5636	-58.8739	-11.535	15	0.000
West Bank	Public - Private	3.3375	12.0449	3.0112	-3.0808	9.7558	1.108	15	0.285
Gaza Strip	Public - Private	19.3813	9.4378	2.3595	14.3522	24.4103	8.214	15	0.000

Note: level of significant is reported with p- values

Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey:Annual Report: 2015).

Figures

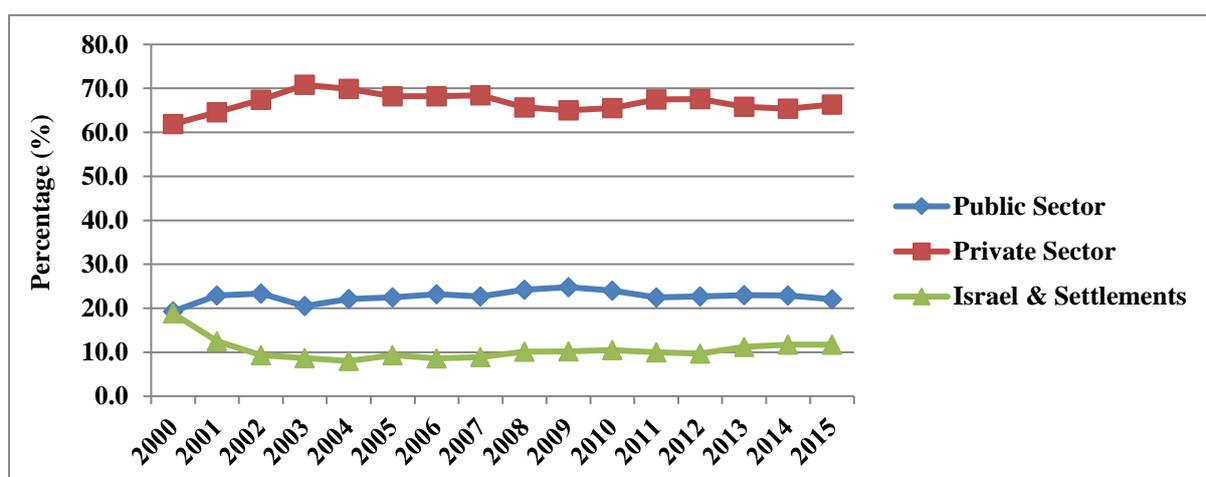


Figure No.1: Percentage of Employed Persons by Sector in Palestine

Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey: Annual Report: 2015).

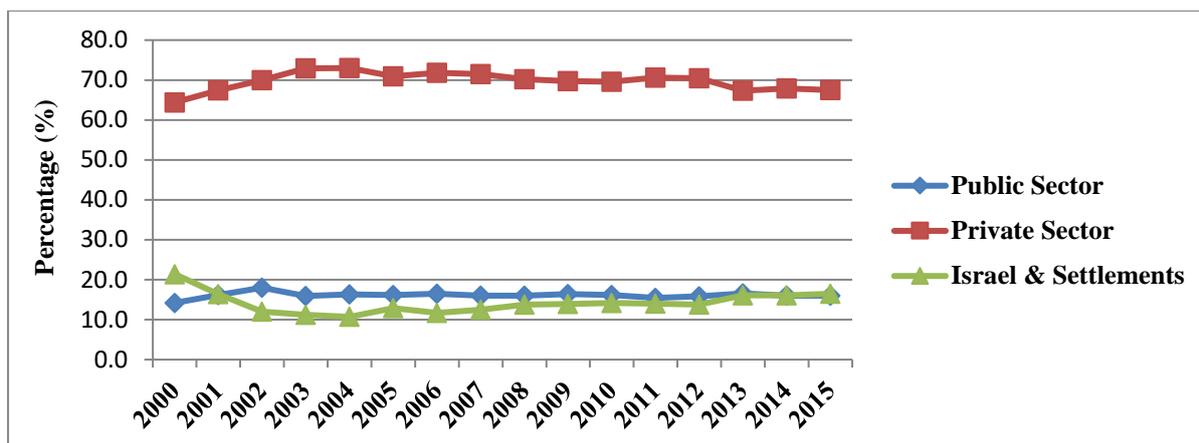


Figure No.2: Percentage of Employed Persons by Sector in the West Bank  
Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey:Annual Report: 2015).

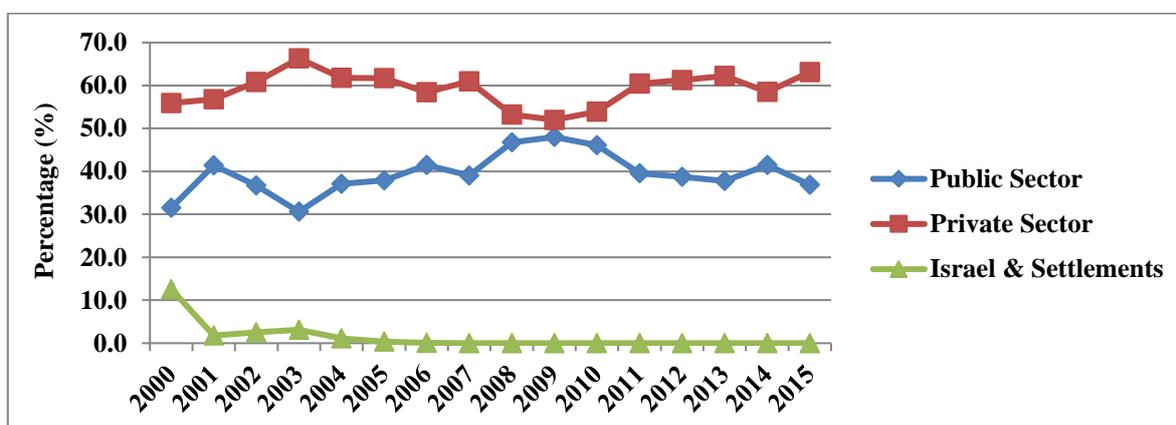


Figure No.3: Percentage of Employed Persons by Sector in the Gaza Strip  
Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey:Annual Report: 2015).

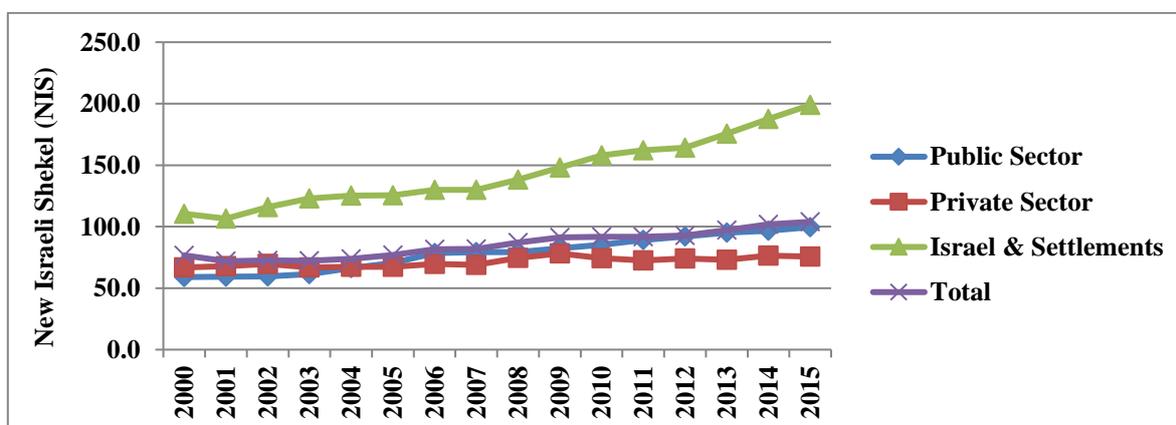


Figure No.4: Average Daily Wages in NIS for Wage Employees in Palestine  
Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey: Annual Report: 2015).

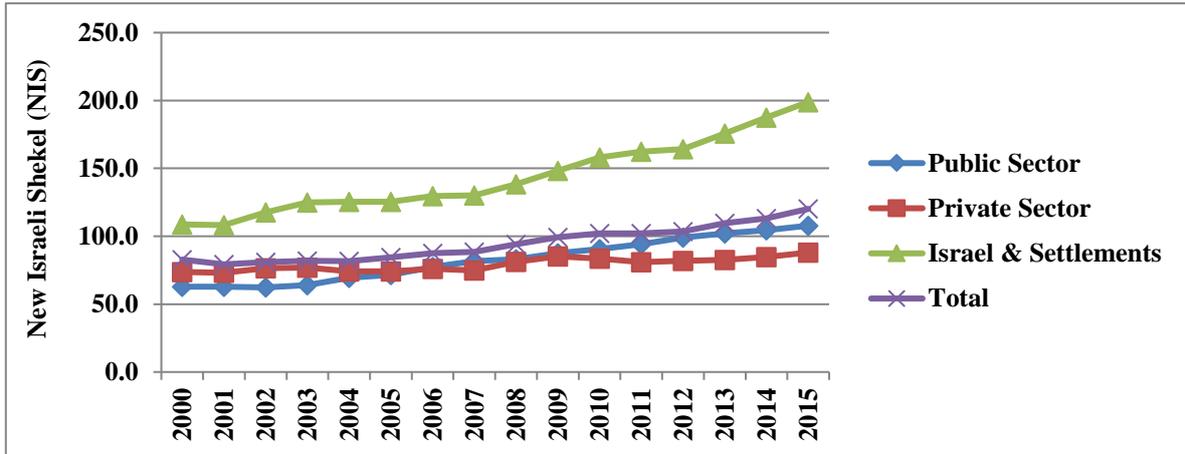


Figure No.5: Average Daily Wages in NIS for Wage Employees in the West Bank

Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey: Annual Report: 2015).

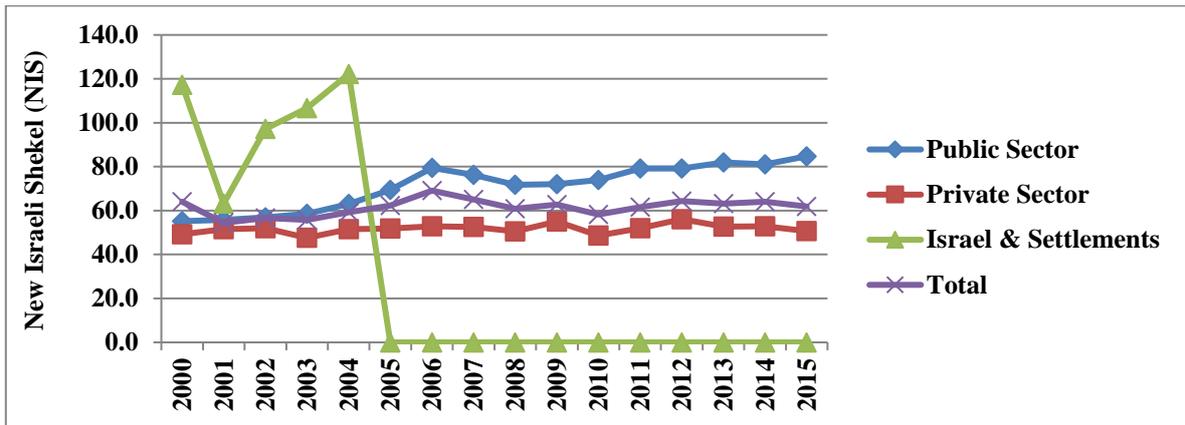


Figure No.6: Average Daily Wages in NIS for Wage Employees in the Gaza Strip

Source: author development based on (Palestinian Central Bureau of Statistics, (PCBS). Labour Force Survey: Annual Report: 2015).