Palestinian Laborers Should Not Be Allowed Back into Israel

written by Ruth Pines-Feldman | 16.01.2024

Executive Summary

- The present policy that prevents Palestinian laborers from Judea and Samaria (the West Bank) from entering Israel should be continued for the time being.
- The case for allowing them back into Israel is based on concern that economic distress, frustration and unemployment in Judea and Samaria will lead to violence against Israel by the already frustrated population. An additional consideration is the impact of the closure on the Israeli economy and particularly on the construction sector.
- The counterargument is based on concern about terror attacks carried out in Israel by Palestinian laborers . The current war in Gaza drives a desire for revenge attacks, especially in light of the images and messages that Al-Jazeera constantly broadcasts.
- From the perspective of the Israeli economy, especially from a long-term perspective, it is a mistake for the construction industry to rely on Palestinian workers.
- Instead of bringing back Palestinian laborers, the arrival of foreign workers from other countries should be encouraged, and barriers to the operation of foreign construction companies in Israel should be reduced. Also, Israelis need to be drawn into the construction sector.
- Quotas on foreign workers should be cancelled and the employment of foreign workers in all sectors should permitted, while levying appropriate taxes on their employment.

Background

The regulation of Palestinian labor in Israel began in the late 1960s. However, there have been several times during which Israel significantly reduced the number of Palestinian workers, during the intifada periods and during terror attacks, after the disengagement, during the Covid pandemic[1] and during times of heightened security sensitivity.

In recent years there has been an increase in the number of Palestinian workers in Israel, particularly after the permit reform that Israel passed in 2022.[2] As of the first quarter of 2023, over 150,000 Palestinian workers worked in Israel, of whom 30,000 did not have a permit. The construction industry was the largest employer of Palestinian workers in Israel; it employed some 125,000 non-Israeli workers, of whom 104,000 were Palestinians.

The Problem

Integration of Palestinian workers in Israel also has negative economic aspects. The substantial demand that exists demonstrates the dependence of the Palestinian labor market on the Israeli economy. Bank of Israel statistics from as far back as 2014 show that work in Israel is very important to the Palestinian economy. According to the Palestinian Central Bureau of Statistics, Palestinian workers in the Israeli economy made up 11.7% of the Palestinian labor force in Judea and Samaria, and their total wages in 2013 were equivalent to 12.3% of the Palestinian economy in Judea and Samaria.[3] Since then the number of Palestinian workers in Israel has risen from 92,000 to over 150,000.

Because the majority of Palestinian workers work in Israel in professions that do not require training involving study courses or academic degrees, but instead are manual labor positions in construction and agriculture, this situation creates a disincentive to pursue studies and higher education, and does not encourage workers to work in their fields within the Palestinian Authority. Wages in Israel are sometimes twice as high as in the Palestinian Authority, including in jobs that require professional training or studies.[4] This created a body of workers within the PA who enjoy wages that are significantly better than those workers who do not work in Israel. As a result, a dynamic is created of economic pressure to give permits to workers from the PA, subject to Shin Bet authorization, with all that this implies.

In addition to the substantial growth in work permits given to Palestinian laborers in 2022, Bank of Israel statistics indicate that 15,000 Palestinian workers without permits (illegally present) were employed in the construction sector during this period. Other assessments place the number higher, at 40,000 or more illegally present workers. Some sleep in their places of work, such as construction sites. In total, the number of Palestinian laborers Israel brought into its territory, with and without permits, reached some 160,000, almost all men working in manual

labor.[5]

From the point of view of the Israeli economy and from a long-term perspective, the reliance of the construction sector (as well as other sectors) on low-cost Palestinian labor causes several problems. These include: A disincentive to invest in improving sector productivity through investment in physical capital and advanced technology; harm to the wages and employment of low-education Israeli workers, especially Arab young people (which increases the phenomenon of crime in Arab society in Israel); significant harm to these sectors during periods of closures and temporary cessation of entry of Palestinian laborers (which are typically sudden and unplanned), as is occurring now – and as a result of this harm, creation of heavy lobbying and political pressure by the heads of organizations from the industry (contractors, farmers and more) for emergency assistance from the government, while imposing the costs on the public at large.

Entry by Palestinian Laborers from Judea and Samaria to Israel should be Prevented for Security Reasons

1. There is a real security concern from terror attacks inspired by or imitating Gaza.
2. Revenge attacks for the IDF's widespread and unprecedented action in the Gaza Strip: workers who have family members in the Gaza Strip and who are fed by Arab press outlets broadcasting the dimensions of Israeli attacks in Gaza and the scope of damage there, from within the Strip, are likely to carry out revenge attacks on Israeli territory.
3. Revenge attacks for Israeli activity in Judea and Samaria: In this arena as well, Israeli security forces are working to eliminate and topple Hamas, which is causing destruction and not a few deaths.
4. The security system needs to focus on Gaza. The entry of Palestinian workers from Judea and Samaria will demand constant monitoring and intelligence gathering by security forces, especially the Shin Bet. This is a time when maximum attention should be paid to the ongoing fighting in Gaza.
5. A "margin of error" must be taken into account before reexamining the policy of bringing Palestinian workers into Israel who have been checked and granted permits, in light of testimonies that Palestinian workers from Gaza who entered Israel to work in the Gaza Envelope region gathered intelligence for the 7.10 massacre and assisted Hamas-ISIS. "Those who

have been burned by scalding water, must be careful even with cold water."

Economic Gaps caused by Non-Entry of the Workers

The primary sectors harmed by the non-entry of the Palestinian workers are construction, agriculture, industry, health, restaurants, and cleaning.

Each of these sectors will require specific solutions that are independent of one another, but there are broad steps that can be taken to reduce gaps.

Considering the war and the ban on Palestinian worker entry, there are many pressures from employers, especially in the construction sector, to massively increase the quotas for foreign workers designated for work in this sector. There are already quotas today that are not being fully exploited; foreign workers are very fearful of coming to Israel during wartime; and foreign governments will not rush to sign new bilateral agreements. It should also be taken into account that, as fighting continues, construction workers from China could be asked by their families or by their government to leave due to worsening relations with Israel. This took place with many Thai workers, after foreign agricultural workers in the Gaza Envelope were seriously harmed on Black Saturday, 7.10. Over 30 foreign workers from Thailand and 10 from Nepal were murdered; some were held in Hamas captivity, and some were injured.[6] The medium-long term damage will be heavy; massive increases in quotas, especially for the construction sector (which already enjoys high quotas today in comparison to the rest of the economy) will make advancing a reform in the future very difficult.

It may also be the case that in the future Palestinian workers will be permitted to return to Israel, but it will be difficult to impossible to rapidly reduce the number of foreign workers in the sector. Furthermore, the future economic influence of Palestinian and foreign workers on the Israeli labor market is likely to be much more serious than it was in the past decade, when the macroeconomic situation was very good, and the unemployment rate of low-skilled Israeli workers was relatively low.

Solutions

In light of the war, the government began to operate to reduce the economic damage caused by the non-entry of Palestinian workers: it increased the foreign

workers quota from 30,000 to 50,000 in four tranches.[7] Government ministries that deal with this subject are likely to sign bilateral agreements with different countries to bring workers, including India, Sri Lanka, China and Moldova.[8] Furthermore, the Ministry of Housing streamlined the allocation process for foreign employment companies, which currently handle 12,000 workers, and will be increase by another 3,000 workers.

In addition to these actions, the gaps and needs in the economy caused by the non-entry of Palestinian workers can be overcome by taking the following proposed actions:

Recommendations

1. Employment of foreign workers in all sectors, while taxing their employment appropriately, at rates that will constitute fair compensation for the government and the public for the negative impact of employing foreign workers (economically and socially). Under the current policy in Israel, there are quotas for foreign workers in specific industries, which are the subject of positive discrimination in relation to other industries – these should be cancelled. The quotas for these specific industries have yet to prove their value, at least for some of them, and it appears that the industries that enjoy this benefit are those that managed to apply the most effective political pressure. Responding to these pressures would be a serious mistake from a socioeconomic perspective. The taxation that exists today in most industries that receive quota allocations is insufficient and does not cover the external costs to the market and to society. On the other hand, a blanket ban on bringing foreign workers other than in those specific industries is not optimal and creates an imbalance amongst employers in different sectors, incorrect market resource allocation and harm to productivity and growth.
2. Reducing regulation and other barriers that prevent foreign companies from participating in the Israeli economy. For example, there is no special reason to bring workers from China to work for Israeli contractors, if a Chinese construction company can carry out a project more efficiently and for a lower price, while bringing its own workers from China.
3. Encouraging populations in Israel that have high rates of unemployment to enter the workforce in affected industries, by offering tax benefits and economic incentives, and strengthening the interface between the

construction sectors and the Israeli Employment Service.

4. Encouraging automation processes, the use of robotics and AI (for example promoting "smart agriculture" in Israel) in various businesses and markets harmed by the war. The government can temporarily promote this end via limited-term support and subsidies.

[1] "Palestinian employment in the Israeli economy during the Covid crisis," Bank of Israel, 29 December 2020. https://boi.org.il/publications/pressreleases/29-12-20 [Hebrew]

[2] Government decision no. 1328 from 27 March 2022. https://www.gov.il/he/departments/policies/dec1328_2022 [Hebrew]

[3] "Section of a Bank of Israel report for 2014 that will be published soon: Expanded Palestinian employment in Israel and its characteristics", Bank of Israel, 3 March 2013. https://boi.org.il/publications/pressreleases/-קטע-מדוח-בנק-ישראל-לשנת-2014-שיתפרסם-בקרוב-התרחבות-התעסוקה-הפלסטינית-בישראל-ומאפייניה/ [Hebrew]

[4] Haggay Etkes, "The impact of employment in Israel on the Palestinian labor force", Bank of Israel, November 2011 https://www.boi.org.il/media/qpclxnvw/dp201111h.pdf [Hebrew];

Haggay Etkes and Esteban Klor, "A proposal for improving the fiscal and economic situation of the Palestinian Authority," Institute for National Security Studies, 16 June 2022. https://www.inss.org.il/he/publication/pa-fiscal

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[5] Yuval Nisani, "90,000 Palestinian laborers work in construction. Who will replace them?" Globes, 27 October 2023 https://www.globes.co.il/news/article.aspx?did=1001461063 [Hebrew]; Sonia Gorodisky and Hili Yaakobi-Handelsman, "Within two years – the number of illegally present workers in Israel doubled," Israel Hayom, 19 May 2022 https://www.israelhayom.co.il/business/article/11099138 [Hebrew].

[6] "Issues relating to labor migrants due to the Iron Swords War," Kav Laoved Worker's Hotline, 29 October 2023. [Hebrew]

[7] Government decision no. 1002 from 27 October 2023, increasing quotas for

foreign workers in the construction industry due to the Iron Swords War and amendment to government decision. https://www.gov.il/he/Departments/policies/dec1002-2023 [Hebrew]

[8] Yaara Shapira, “The program to replace Palestinian workers in the Israeli economy – permanently.” Kan, 31 December 2023 https://www.kan.org.il/content/kan-news/defense/666536 [Hebrew]