



## Palestinian Central Bureau of Statistics

### Poverty Profile in Palestine, 2017

#### Introduction

Poverty statistics reported here are based on an official definition of poverty developed in 1997. The definition combines absolute and relative features and is based on a budget of basic needs for a reference household. Two poverty lines have been developed according to actual spending patterns of Palestinian households. The first, termed “deep poverty line,” which was calculated to reflect a budget for food, clothing and housing. The second line adds other necessities including health care, education, transportation, personal care, and housekeeping supplies. The two lines have been adjusted to reflect the different consumption needs of households based on their composition (household size and the number of children).

There are significant differences in the cost of living among regions in the State of Palestine, notwithstanding its small size. In general, prices appear to be lower in Gaza Strip compared to the West Bank and higher in East Jerusalem. A spatial price deflator was used covering three regions: West Bank, East Jerusalem ( $J1^1$ ); and Gaza Strip.

To determine the extent to which poverty is changing over time in Palestine during the years 2011-2017, the poverty lines of year 2011 are used to ensure that poverty lines over time reflect the same purchasing power, which necessitates that the poverty line is adjusted for price inflation using official CPI. The two poverty lines were derived depending on the reference household (2 adults and 3 children), and they were adjusted to reflect the different consumption needs of households based on their composition (household size and the number of children using the equivalence scale:  $EQ = (adults + (0.46 * children))^{0.89}$ ).

Thus, in 2017, the poverty line and deep poverty line for a reference household of five individuals (2 adults and 3 children) were, respectively, NIS (New Israeli Shekels) 2,470 and NIS 1,974.

While poverty was measured at the household level, statistics on poverty status could be presented for individuals as well as households; (We could present poverty information on individuals by simply considering all members of a household as poor or not poor). For policy targeting purposes, the household is the natural choice for presenting information on poverty status. Yet, counting the number of poor people is important for policy analysis. Even so, we chose to present tabulations of poverty status for individuals.

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<sup>1</sup> Those parts of Jerusalem which were annexed by Israeli Occupation in 1976.

Poverty assessment requires the adoption of an overall aggregate measure of poverty, summarizing the information on the well-being of the poor. Foster-Greer-Thorbecke (1984) decomposable class of poverty measures were used:

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q n_i \left( \frac{z - y_i}{z} \right)^{\alpha},$$

Poverty estimates are calculated using a nationally representative household survey with consumption data, (*The Palestine Expenditure and Consumption Survey*; PECS 2017). The PECS is a sample survey of about 3,739 households conducted during period from October 2016 to September 2017 on monthly basis by the Palestinian Central Bureau of Statistics to collect detailed household expenditures using the diary method as well as background information on individuals and households. The provision of data for the measurement and monitoring of living standards across locations and over time is one of the main objectives of the survey.

## Main Findings

### *The incidence of poverty is strikingly high in Gaza Strip*

About one out of three individuals (29.2 percent) were living below the poverty level in 2017. With 53 percent of individuals in Gaza Strip found to be poor in 2017, the poverty rate for Gaza Strip was more than four times higher than of the West Bank rate of 13.9 percent.

More significant, perhaps from a policy point of view is that Gaza Strip contributes more to national poverty than the West Bank. It's share of the poor population is 71.2 percent compared to 28.8 percent of the West Bank. More important is the fact that the contribution of Gaza Strip to national poverty increases to 78.3 percent when the poverty gap index is used. The contribution of Gaza Strip to national poverty increases even further to 82 percent when the poverty severity index is used.

**Table 1: Poverty Rates among Population by Region, 2017**

Region	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
West Bank	13.9	28.8	2.8	21.7	0.9	18.1	5.8	21.0
Gaza Strip	53.0	71.2	15.7	78.3	6.5	81.9	33.7	79.0
Total	29.2	100.0	7.9	100.0	3.1	100.0	16.8	100.0

Moreover is the fact that 33.7 percent of individuals living in Gaza Strip were suffering from deep poverty compared with 5.8 percent of the West Bank; (which means that they are unable to meet the minimum required for food, clothing and housing). This indicates that the poor Individuals in Gaza Strip were poorer than those of the West Bank.

**Table 2: Percentage Distribution of Population by Poverty Status**

Region	Deep Poverty		Over Deep and Lower Poverty		Non-Poor		Total	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
West Bank	5.8	21.0	8.1	39.3	86.1	73.9	100.0	60.8
Gaza Strip	33.7	79.0	19.3	60.7	47.0	26.1	100.0	39.3
Total	16.8	100.0	12.5	100.0	70.8	100.0	100.0	100.0

### *Poverty is more widespread than previously believed*

Poverty is more widespread than previously believed; 29.2 percent of individuals were living below the poverty level in 2017 and this is higher than the corresponding rate of nearly 26 percent in 2011. Moreover, the incidence of deep poverty increased from nearly 13 percent in 2011 to 16.8 percent in 2017.

While, poverty in the West Bank declined by 22 percent, it increased by almost 36 percent in Gaza Strip. A similar, but larger, increase was apparent in Gaza Strip for the poorest of the poor as measured by the deep poverty index, the poverty gap index, and the poverty severity index. This was not so for the West Bank; however, deep poverty decreased from 7.6 percent in 2011 to 5.8 percent in 2017. Thus, while Gaza remains much poorer than the West Bank, the situation of the poor was worsening in Gaza Strip compared to the West Bank.

**Table 3: Poverty Rates among Population by Region and Selected Years**

Year	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
<b>2011</b>	<b>25.7</b>		<b>5.9</b>		<b>2.1</b>		<b>12.7</b>	
West Bank	17.6		3.9		1.4		7.6	
Gaza Strip	38.9		9.3		3.2		21.0	
<b>2017</b>	<b>29.2</b>		<b>7.9</b>		<b>3.1</b>		<b>16.8</b>	
West Bank	13.9		2.8		0.9		5.8	
Gaza Strip	53.0		15.7		6.5		33.7	

### What are the factors that make some people poor but not others

In order to better understand the determinants of poverty in 2017, it is useful to distinguish between permanent and transitory characteristics associated with poverty. Identifying permanent characteristics associated with poverty are helpful for understanding structural causes and consequences of poverty and are useful for targeting. Transitory characteristics of poverty are important to identify as they will help understanding the potential impact of macroeconomic and sectoral policies on poverty alleviation in the short run.

#### *Poverty increases with household size*

As expected, the composition and household size affects the likelihood of being poor. Poverty rates are high among individuals living in households with many children and elderly relatives to the number of working-aged adults. Presumably for the same reason, poverty rates for individuals in large households are significantly higher than for individuals in smaller households.

**Table 4: Poverty Rates among Population by Household Size, 2017**

Household Size	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
1	13.6	0.3	3.5	0.3	1.3	0.3	7.2	0.3
2-3	11.8	3.2	2.3	2.3	0.7	1.7	5.9	2.8
4-5	17.9	14.6	4.3	13.0	1.5	11.5	9.6	13.7
6-7	27.4	33.3	6.9	30.9	2.5	28.7	14.0	29.6
8-9	36.9	27.9	9.7	27.1	3.6	25.4	22.2	29.3
10+	61.1	20.7	21.1	26.0	10.2	32.5	41.2	24.4
Total	29.2	100.0	7.9	100.0	3.1	100.0	16.8	100.0

#### *Living in female-headed households does not lead to be more likely Poor*

Households maintained by females constitute about 10.1 percent of Palestinian households in 2017. Although this group is one of the highest recipients of public assistance in both Gaza Strip and the West Bank, poverty rates among individuals living in female-headed households stood at 30.6 percent compared to 29.2 percent between those living in male-headed households. About 20 percent of the individuals living in female-headed households suffer from deep poverty, unable to fulfill the minimum required for food, clothing and housing, compared to about 17 percent of the male-headed households.

**Table 5: Poverty Rates among Population by Sex of Head of Household, 2017**

Sex	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
Male	29.2	93.6	7.9	93.8	3.1	94.5	16.6	92.9
Female	30.6	6.4	8.0	6.2	2.8	5.5	19.6	7.3
Total	29.2	100.0	7.9	100.0	3.1	100.0	16.8	100.0

### ***Refugee status of the head of the household***

The poverty rate among individuals living in refugee households is slightly higher (38.7 percent) than are those in non-refugee households (22.3 percent). On the other hand, living in a refugee household does not directly lead to poverty. But the higher incidence of poverty between refugees is due to higher incidence poverty in refugee camps (tend to have larger families, higher dependency ratios) and are more likely to be living in Gaza Strip, where all those factors increase the probability of poverty.

**Table 6: Poverty Rates among Population by Refugee Status of Head of Household, 2017**

Refugee Status	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
Refugee	38.7	56.2	10.5	56.7	4.1	56.3	22.6	57.4
Non-refugee	22.3	43.8	5.9	43.3	2.4	43.7	12.4	42.6
Total	29.2	100.0	7.9	100.0	3.1	100.0	16.8	100.0

### ***Labor force participation of the head of the household***

The incidence and depth of poverty are expected to vary according to the economic characteristics of the head of household. Of particular relevance here are variables relating to the human and social capital of the head, earning capacity, position in the labor force, and access to labor market.

Participation in the labor force reduces the incidence of poverty substantially. Indeed, a poverty rate among individuals living in households whose their heads are out of the labor force is much higher (42.1 percent) than a rate of about 25.8 percent for those in the labor force. While about 14 percent of the poor participants were in deep poverty unable to meet their very basic needs, the corresponding rate among non-participants was about 29 percent. The same conclusion is reached using the poverty gap index of 13.1 percent for non-participants and 6.5 percent for participants.

**Table 7: Poverty Rates among Population by Labor Force Status of Head of Household, 2017**

Labor Force	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
In-Labor	25.8	69.7	6.5	65.0	2.5	62.5	13.5	63.7
<i>Unemployed</i>	59.5	7.5	19.8	9.3	8.6	10.2	38.7	8.5
<i>Employed</i>	24.2	62.2	5.8	55.7	2.2	52.3	12.3	55.2
Out-Labor	42.1	30.2	13.1	35.0	5.6	37.5	29.0	36.3
Total	29.2	100.0	7.9	100.0	3.1	100.0	16.8	100.0

Labor force participants are of course a hybrid group, consisting of employed and unemployed persons. Employment is perhaps a more meaningful factor than participation in the labor force for use in determining poverty status. Indeed, a poverty rate among individuals living in households whose their heads are unemployed is much higher (59.5 percent) than a rate of 24.2 percent for those are employed.

As expected the unemployed have higher incidence of poverty than the working population. However, poverty varies according to the employment status of the head of the household. Indeed, a poverty rate among individuals living in households whose heads are irregular waged employees is much higher (49.1 percent) than a rate of 24 percent for those are regular employees.

**Table 8: Poverty Rates among Population by Employment Status of Head of Household, 2017**

Employment Status	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
Employer	14.4	5.1	3.0	4.2	0.9	3.4	5.7	3.9
Self-employed	29.2	19.7	7.7	20.6	2.9	20.4	17.1	21.8
Waged employee	24.0	64.0	5.4	56.8	1.8	50.9	11.4	57.5
Irregular wage employee	49.1	11.2	20.2	18.4	10.6	25.3	38.9	16.9
In-Labor	25.8	100.0	6.5	100.0	2.5	100.0	13.5	100.0

Given these characteristics of the labor market, perhaps a better measure of work is long-term employment rather than short-term participation in the labor force. About 55 percent of individuals living in households whose head worked for up to 6 months last year were poor in 2017. This rate is more than double the rate of 20.9 percent among those were employed fully last year. Thus, full-time work greatly reduces a person's likelihood of being poor.

**Table 9: Poverty Rates among Population by Working Months of Head of Household, 2017**

Working Months	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
1-6 months	55.0	25.8	17.8	33.4	8.1	39.6	36.8	32.9
7-11 months	23.1	13.8	6.2	14.9	2.6	16.2	13.0	14.9
12 months	20.9	60.4	4.5	51.7	1.5	44.2	9.5	52.2
In-Labor	25.8	100.0	6.5	100.0	2.5	100.0	13.5	100.0

In order to better understand which kinds of workers are more likely to be poor, it is useful to compare the characteristics of the unemployed to the characteristics of the employed labor force. The unemployed headed-households tend to have less education than do currently employed workers. Even when they were working, the many jobs of the unemployed held were sporadic or seasonal ones.

**Table 10: Characteristics of Unemployed Heads of Households Compared with Employed, 2017**

	Employment Status		Total
	Employed	Unemployed	
<b>Education</b>			
Less than elementary education	7.7	9.3	7.8
At least Elementary to Secondary	68.1	68.3	68.1
More than Secondary	24.2	22.4	24.1
Total	100.0	100.0	100.0
<b>Type of Job (current\ previous job)</b>			
Regular	96.8	62.4	95.2
Seasonal \ Sporadic	3.2	37.6	4.8
Total	100.0	100.0	100.0
<b>Location of Job Held (current\ previous job)</b>			
Palestine	84.5	84.8	84.5
Israel\ Israeli Settlements	15.1	12.7	15.0
Abroad	0.4	2.5	0.5
Total	100.0	100.0	100.0
<b>Nature of Contract (current\ previous job)</b>			
Written contract for a limited period	5.5	11.5	5.8
Written contract for unlimited period	41.3	1.0	39.4
Group agreement	0.5	-	0.5
Verbal agreement	40.7	69.2	42.0
No	12.0	18.3	12.3
Total	100.0	100.0	100.0
<b>Location of Residence</b>			
West Bank	64.7	42.2	63.8
Gaza Strip	35.3	57.8	36.2
Total	100.0	100.0	100.0

Although unemployment is a crucial determinant of poverty, a significant proportion of the poor are currently working. For the so-called working poor, creating jobs will not relieve their poverty; for them, poverty reduction requires increasing their productivity and earnings. The working poor have less stable jobs; low levels of education; and they are more likely to live (and work) in Gaza Strip.

**Table 11: Characteristics of Poor Currently-Employed Heads of Households, 2017**

	Poverty Status	
	Poor	Not-Poor
<b>Nature of Job</b>		
Full-time\ Regular	88.9	97.4
Part-time	1.7	1.3
Seasonal\ casual\ occasional	9.4	1.3
Total	100.0	100.0
<b>Working Hours</b>		
1-14 hours	2.9	2.2
15-34 hours	10.7	4.0
35 hours and more	86.4	93.8
Total	100.0	100.0
<b>Employment Status</b>		
Employer	4.9	10.7
Self-employed	21.5	16.2
Waged employee	64.4	69.2
Irregular wage employee	9.1	3.9
Total	100.0	100.0
<b>Education</b>		
Less than elementary education	11.4	6.5
At least Elementary to Secondary	76.1	65.6
More than Secondary	12.5	27.9
Total	100.0	100.0
<b>Location of Residence</b>		
West Bank	32.0	75.2
Gaza Strip	68.0	24.8
Total	100.0	100.0
<b>Location of Work</b>		
Palestine	92.1	82.0
Israel\ Israeli Settlements	6.9	17.7
Abroad	1.0	0.3
Total	100.0	100.0

***About 1 out of 2 poor households receive public assistance***

As expected, many households who rely mainly on other sources of income make use of public assistance as a supplementary measure. As mentioned before, 29.2 percent of the population had consumption levels below the national poverty line even after including the value of the public assistance they consumed. When the value of public assistance be subtracted, 33.7 percent of the population would fall below the national poverty line. In other words, public assistance has served to lower the poverty rate from 33.7 percent to 29.2 percent; a reduction of almost 13 percent.

**Table 12: Poverty Rates among Population before Receiving Assistance by Region, 2017**

Region	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
West Bank	15.8	28.4	4.0	20.6	1.9	17.0	7.5	21.4
Gaza Strip	61.6	71.6	24.1	79.4	14.5	83.0	42.6	78.6
Total	33.7	100.0	11.9	100.0	6.9	100.0	21.3	100.0

The incidence of poverty among households who receive public assistance as a whole (45 percent) is double the overall rate (24.1 percent). More significant perhaps is the fact that about 28.9 percent of the former groups of poor are in deep poverty compared to about 8.4 percent of the poor households that were not receiving assistance in 2017. Furthermore, those who receive assistance constitute a relatively large proportion of the poor households, amounting to about 44.5 percent.

**Table 13: Poverty Rates among Household by Receiving Assistance, 2017**

Receiving Assistance	Poverty Rate		Poverty Gap		Severity of Poverty		Deep Poverty	
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
Yes	45.0	44.5	13.4	51.9	5.6	57.6	28.9	51.9
No	17.6	55.5	3.9	48.1	1.3	21.4	8.4	48.1
Households	24.1	100.0	6.1	100.0	2.3	100.0	13.3	100.0