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Employment and Retirement of Arab Men Approaching Old Age – Trends, Barriers, and Policy Recommendations

Steven Laufer¹ Tamar Ramot-Nyska²
Oren Tirosh¹

¹ Myers-JDC-Brookdale Institute

² Bank of Israel

Editor: Sigal Ashkenazi

English translation (Abstract): Steven Laufer

English editing: Suzanne Brown

Graphic design: Anat Perko Toledano

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Myers JDC Brookdale Institute

P.O.B. 3886, Jerusalem 9103702, Israel

Tel: 02-6557400

brookdale.jdc.org.il/en | brook@jdc.org

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Abstract

Background

The employment rate of Arab men aged 25-44 (82%) is six percentage points lower than that of non-ultra-Orthodox Jews of the same age. This gap in employment rates increases with age, so that by ages 55-64, prior to retirement age, the employment rate of Arab men (62%) is 21 percentage points lower than the rate among non-ultra-Orthodox Jews (83%; Central Bureau of Statistics [CBS], 2023). Relatively low employment rates in the Arab population, combined with low education levels, low wages, and relatively low incomes, result in a higher incidence of poverty in the Arab population compared to the Jewish population. This increases economic inequality between the Jewish and Arab populations and lowers the average standard of living for Arab households approaching retirement age, and even more so after it.

Objective

To characterize the reasons and mechanisms that lead to early retirement from employment among Arab men, focusing on two central questions: (1) What are the supply and demand factors causing the widening gaps in employment rates between Jewish (non-ultra-Orthodox) and Arab men approaching old age? (2) What are the differences between the sources of income and financial needs of Arab and Jewish households after retirement?

Methodology

The study was based on a combination of quantitative and qualitative methods and has three parts: (1) an analysis of the CBS Labor Force Surveys; (2) in-depth interviews with Arab men aged 45-66 and with labor market experts; (3) a telephone survey of Arab and Jewish men.

Main findings

According to the analysis of the CBS Labor Force Surveys, the early retirement of Arab men aged 45-54 compared to Jewish men is largely associated with low levels of education and, to a lesser extent, with their employment in physically demanding work. For older Arab men, i.e. those aged 55-64, who are still in the labor market, the picture is the opposite and early retirement is actually associated with higher levels of education. The other key variables – employment in physically demanding work and physical disability – are correlated with retirement similarly to the younger age group. However, Arab men in this age group are (statistically significantly) more likely than Jewish men to retire from the workforce even after controlling for the other characteristics observed in the survey.

The analysis of the telephone survey administered for this study, which also included questions about health status, revealed that Arab men reported that health-related considerations were the main reason for leaving the workforce. Arab men who were employed in physically demanding work were more likely to have poor health than Arab men who did not work in physically demanding jobs, but many Arabs who weren't in physically demanding jobs also reported that they stopped working due to considerations related to poor health.

In addition to health status and level of education, cultural differences were also found to explain some of the tendency of Arab men to stop working. Arab men were more likely than Jewish men to rely on the financial support of their children in old age, and also reported a decreasing need to earn a living to finance their children's expenses. Many also reported difficulties finding suitable jobs.

A breakdown of the contributing factors based on reports from those retiring from employment suggests that approximately 54% of the unemployment gap between Jews and Arabs can be attributed to health reasons among Arab men who worked in physically demanding jobs, 20% to health reasons among Arab men who did not work in physically demanding jobs, 10% to cultural reasons, and 16% to a variety of other reasons.

Arab men younger than 65 who were not working reported economic difficulties and insecurity regarding financial planning for retirement. Arab men's expectations for sources of livelihood after retirement tended to rely less on occupational pensions and savings compared to Jewish men and more on National Insurance Institute benefits and financial support from relatives.

Men's work until retirement age is seen as important in Arab society, and it seems that employment instability and the early retirement of many Arab men before the accepted retirement age is not planned. Finally, despite claims that informal work is widespread in Arab society – more so than in other population groups in Israel – the study found no evidence of this behavior.

Policy Recommendations

The findings clearly indicate the need to expand occupational diversity in the Arab population and to invest significantly in the following areas: public health and preventive medicine, education, vocational training for both the unemployed and the employed, financial literacy, enforcement of workplace safety rules, and enforcement of social provisions for employees. These investments are expected to yield benefits which include reducing early retirement among Arab men, reducing poverty, reducing the Arab population's reliance on the welfare system, and improving the health status of elderly Arabs.