SHORESH
Institution for Socioeconomic Research

Shoresh Research Paper
editor: Dan Ben-David

Gaps in the golden years: employment and income trends in Israel

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Abstract

Life expectancy in Israel has risen significantly in recent decades. As older adults rely on their limited savings, this process – despite its positive aspects – may lead to a decline in the average standard of living of the older population. In addition, the expected increase in the share of older adults in Israel's total population is likely to strain the support systems that serve them. That said, over the last decade and a half, employment rates of individuals aged 65 and over have increased, as have their incomes. At the same time, since the increase in employment has been concentrated among the relatively strong populations, gaps between population groups within the older population have widened.

In light of these changes, support systems for the older population must be adjusted to enable better coping with demographic changes and with overall trends in the employment and income of older citizens. In particular, it is necessary to assist the weaker population groups, who rely more on welfare systems and less on labor income, in reducing the gap between them and other groups. The demographic growth of the Haredi (ultra-Orthodox) population, which at present does not fully integrate into the labor market, is particularly challenging, since it is expected to substantially contribute to an increase in income gaps among the older population in the future, making it more difficult for welfare systems to cope with these gaps.

December 2025

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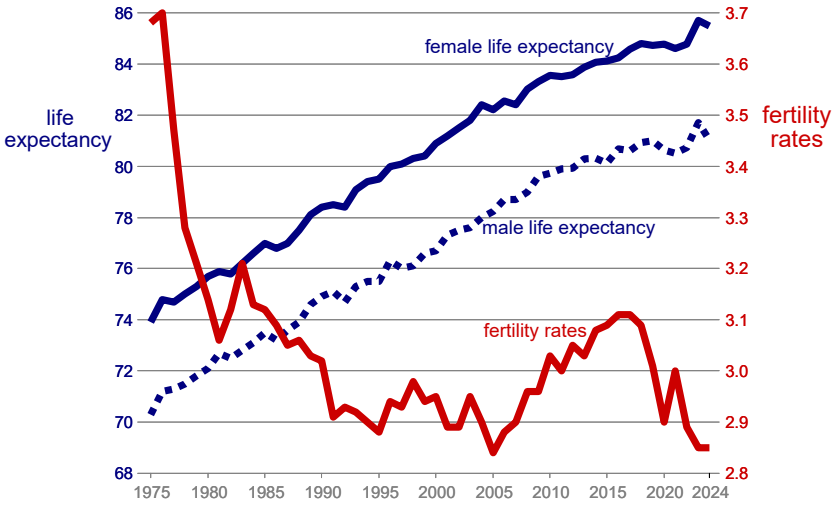
Introduction

Israel's population is aging. As in other developed countries (OECD/Generation, 2023), a combination of rising life expectancy and declining fertility (Figure 1) is leading to a growing share of older adults in the population. Between 1975 and 2023, life expectancy in Israel rose by more than ten years and is now among the highest in the world (Figure 2). Moreover, according to Israel's Central Bureau of Statistics (2023), life expectancy at age 65 rose by more than five years over the same period. As a result, the share of the population aged 65 and over, which was 5% in 1960, rose to 10% in 2000 (Shnoor and Cohen, 2023), reaching 12% in 2022, and is expected to grow to 15% by 2065. The aim of this study, utilizing various sources, is to characterize trends in employment and in income among households of older adults, before and after reaching retirement age, in order to assess the extent of their adjustment to demographic changes and to examine the need for policy changes.

Figure 1

Life expectancy and fertility rates in Israel

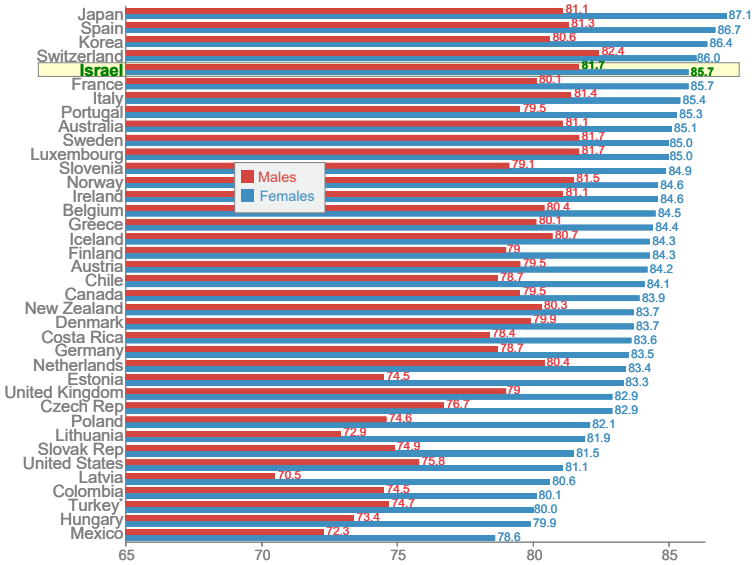


* Life expectancy data for 2023 excludes those killed in the war that began on Oct.7.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Figure 2

Life expectancy in the OECD, 2023



* Turkish data from 2022.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: OECD

Research shows that population aging is expected to slow economic growth (e.g., Kydland and Pretnar, 2019; Kotschy and Bloom, 2023). Absent policy changes, population aging is also expected to increase the burden on support systems for older adults – particularly by greatly increasing National Insurance Institute expenditures on old-age benefits (Sheshinski and Zaken, 2020) and reducing benefits paid by pension funds (Menahem-Carmi and Kimhi, 2018; Sheshinski et al., 2021).

The retirement age was raised by two years starting in 2004, to 67 for men and to 62 for women. In 2022, a further gradual increase in the retirement age for women began, slated to reach 65 in 2032.[1] However, male life expectancy in Israel rose from 78 in 2004 to 81.7 in 2023 (Figure 1)[2], meaning that the impact of the 2004 increase in men's retirement age has already been exhausted.[3]

Even if the retirement age is raised again, the demographic trends may make it difficult for the older population to maintain its standard of living, and more older adults may fall into poverty. On the other hand, more older adults may continue working after reaching retirement age, whether out of interest, or to maintain the standard of living to which they are accustomed (Lanir, 2015). For example, a survey in the United States found that 70% of workers on the verge of retirement plan to continue working (Merrill Lynch, 2014).

Such a trend of lengthening employment horizons for older Israelis was already observed in the first decade of the millennium (Kimhi and Shraberman, 2013). It is possible that, at least in part, this trend stems from the fact that reforms in Israel's pension system do not adequately address increased life expectancy, especially for relatively weaker populations (Menahem-Carmi and Kimhi, 2018).

[1] As of early 2024, the retirement age for women is 62 years and 8 months. Apart from Israel, only five OECD countries (Colombia, Costa Rica, Hungary, Poland and Turkey) have a gap between the retirement ages of women and men (OECD, 2023).

[2] This figure does not include the war fatalities in 2023. If the war fatalities are taken into account, Israeli male life expectancy in 2023 was 81 years.

[3] According to the literature, the retirement age should rise by one year for every 1.5-year increase in life expectancy (Sheshinski and Zaken, 2019). Furthermore, in many OECD countries, the retirement age rises by eight months to one year for each one-year increase in life expectancy (OECD, 2023).

The economic literature attributes the lengthening of employment horizons primarily to the deterioration in retirement conditions. (Coile, 2015). For example, Yu (2021) found that most of the rise in older-adult employment in the U.S. is explained by policy changes concerning retirement age and retiree benefits. Jousten et al. (2014) and Van Soest and Vonkova (2014) reached a similar conclusion regarding Belgium and the Netherlands, respectively. Riphahn and Schrader (2018) found that tightening eligibility conditions for unemployment benefits contributed significantly to increased employment among older adults in Germany.

Several studies have found that lengthening careers is also influenced by improvements in health alongside rising life expectancy.[4] Others have focused on changes in the occupational composition in the labor market that make it more suitable for older adults[5]; however, these changes are more applicable for educated workers and may therefore widen disparities among older adults (Rutledge et al., 2017; Berger et al., 2022).

To the extent that those older adults who continue working earn what they regard as a decent living from their work – and perhaps also benefit from the interest that work adds to their lives – this is a welcome phenomenon. But if they work out of necessity and not by choice – and all the more so if these are make-work jobs that do not provide desired living standards – then there's a question as to the nation's responsibility to guarantee a minimum standard of living for older adults without their having to continue working. Extending working careers may also have a positive effect on health (Kuhn et al., 2020; Salis et al., 2022; Xu, 2023)[6] and thus may lead to savings in healthcare expenditures. In addition, longer careers improve older adults' quality of life and even save government expenditures on old-age and disability benefits (Axelrad, Eckstein, and Larom, 2021).

This study relies on periodic surveys of Israel's Central Bureau of Statistics (CBS) and on data published by the OECD. Employment data for Israel were taken from the Labor Force Survey

[4] Achdut et al. (2015); Blundell et al. (2023); Giustinelli and Shapiro (2019); Gustman and Steinmeier (2018).
[5] Maestas et al. (2013); Acemoglu et al. (2022); Battisti and Gravina (2021).
[6] Although some studies reported opposite results (e.g., Insler, 2014; Saporta-Eksten et al. (2021); Barschkett et al. (2022); Abelianskya and Strulik (2023)).

and income data from the Household Expenditure Survey. Changes in the surveys dictated the years covered by the study. A major methodological change in the Labor Force Survey in 2012 means that comparisons between 2011 and 2012 data reflect this methodological shift rather than actual trends in the labor market. The Expenditure Survey underwent more frequent changes; therefore, in some cases, trends are examined within relatively short sub-periods instead of an overall trend.

Using the CBS surveys also dictated the division into population groups in analyzing employment and poverty rates. There are relatively few observations not classified as "Jews" or "Arab-Israelis," and these are relatively similar to observations classified as "Jews." Therefore, for the purpose of comparing population groups, observations were divided into those classified as "Arabs" and all the rest – i.e., "Jews and others." Merging the unclassified observations with those classified as "Jews" did not affect the overall trends reported in this study. For ease of reading, the group "Jews and others" will henceforth be referred to simply as "Jews."

The remainder of this study is organized as follows: the next chapter discusses trends in employment rates over the years – including international comparisons – by age, gender, population sector, and education. The following chapter examines trends in household income and poverty rates, followed by a description of trends in the composition of income by source. The final chapter summarizes the findings, discusses their implications, and provides policy recommendations.

Trends in Employment Rates

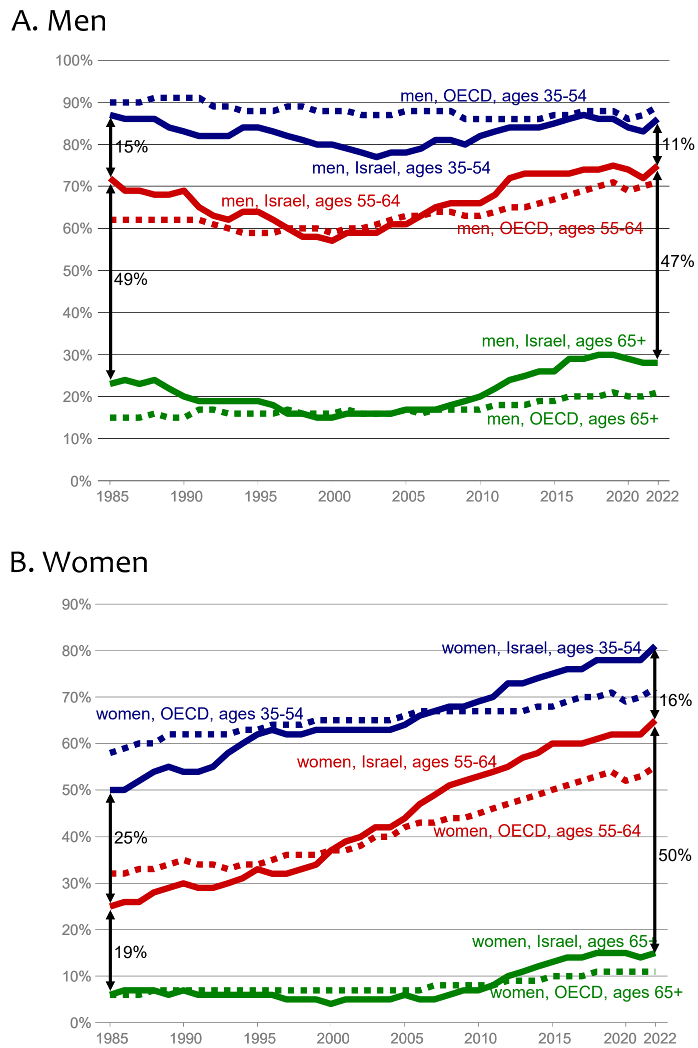
Figure 3 shows that from the mid-1980s to the early 2000s, men's employment rates in Israel were on a downward trend – a trend that reversed following policy changes in the early 2000s (Ben-David, 2016). Since the early 2000s, and for roughly two decades, employment rates in Israel have risen for all age and gender groups in almost every year.[7] Comparing men and

[7] There are a few years in which there is a slight decline in employment rates for a particular population cross-section (age and gender) – mainly the COVID years – but this does not affect the overall trend.

women aged 65+, one can see that in the last decade the employment rates of men aged 65+ are 13-15 percentage points higher than those of women aged 65+. When comparing employment rates before and after age 65, the gap between men aged 65+ and men aged 35-54 and 55-64 has narrowed somewhat. In contrast, among women aged 65+, the gap vis-à-vis younger age groups has increased substantially over most of the period, although the long-term trend was relatively moderate between 2009 and 2019.

Figure 3

Employment rates in Israel and OECD



Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: OECD

In an international comparison, Israel's employment rates are currently higher than the OECD average for all age and gender categories, except prime-age men (35-54). The employment rates of prime-age men were lower in Israel than the OECD average throughout the period examined (1985-2022), although the gap has alternately narrowed and widened, making it difficult to determine the long-term trend. By contrast, for all other age and gender categories, Israel's employment rates converged to slightly below OECD levels from the mid-1980s to the early 2000s, followed by a faster rise in Israel thereafter. In recent years, the faster rise in Israel relative to OECD countries continues among women but seems to have ceased among men.

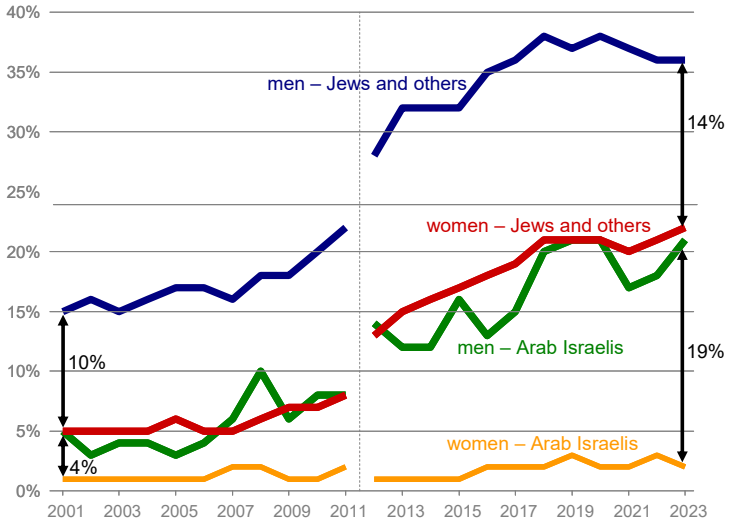
Figure 4 examines employment rates of those 65+ by sector (Jewish/Arab) and gender. Employment rates of Arab women in these ages hardly changed between 2001 and 2023.[8] By

[8] Between 1% and 3% throughout the period.

contrast, employment rates of all other persons aged 65+ increased significantly[9], although since 2018 there has been a decline in the employment rates of Jewish men in these ages. The figure also shows that in these ages, Jewish employment rates are much higher than Arab ones. Moreover, due to rising employment rates among Arab men alongside relative stagnation in employment among Arab women, the gender gap in the Arab sector has grown sharply over time. In fact, the gender employment gap was much smaller in the Arab sector than in the Jewish sector at the beginning of the 2000s, but in recent years it has become larger.

Figure 4

Employment rates among Jewish and Arab Israelis by gender, ages 65+



* The CBS implemented a methodological change in 2012. Therefore, it's not possible to compare the 2011 and 2012 numbers.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

In Israel, as in every developed country, employment rates depend greatly on education. Since there are substantial education gaps between Jews and Arabs (Ben-David and Kimhi, 2021), it is likely that at least part of the employment gap between Jews and Arabs stems from education gaps. In this regard, educational trends in Israel indicate higher education levels in all age groups, a narrowing of the gap between Jews and Arabs, and higher levels among the young (Ben-David and Kimhi, 2018; Blass, 2020).

Figure 5 presents trends in employment rates of those aged 65+ by gender and years of schooling, from 2001 to 2023. While employment rates rose in all education and gender groups, they rose faster among the two more educated groups. Thus, the gap in employment rates between those with secondary education or more and those with only primary education among the 65+

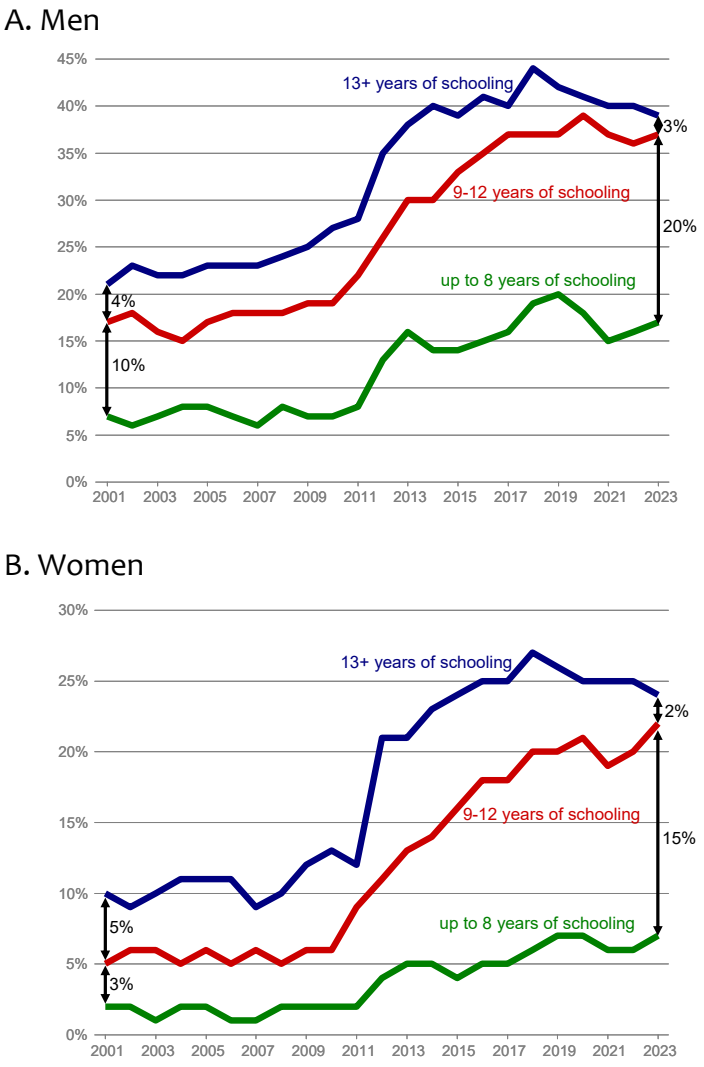
[9] From 15% to 36% among Jewish men, from 5% to 21% among Arab men, and from 5% to 22% among Jewish women. It should be noted that between 2011 and 2012 there was a sharp increase of five to six percentage points in employment rates in all of these groups – an increase that may be attributable to the methodological change made in the Labor Force Surveys between those years.

widened over this period, especially between 2007 and 2016.[10] At the end of the period examined, the increase in the gap halted, but it is too early to determine whether this is a genuine change in the long-term trend.

During the first decade of the 2000s, the employment-rate gap between those aged 65+ with post-secondary education (13+ years of schooling) and those with secondary education (9–12 years) rose from 4 percentage points to about 8 points among men and ranged between 4 and 6 points among women. However, between 2012 and 2023 the gap fell – from about 10 to about 2 points among women, and from about 9 to about 3 points among men.

Figure 6 examines the share of full-time workers out of all workers aged 65+, by gender.[11] From the early 2000s until 2020–2021, the share of full-time employees in Israel rose among both women and men – contrary to slight declines in the OECD. Since 2010, the share of Israeli men working full-time has been about 5-6 percentage points higher than the OECD average. By contrast, the share of Israeli women working full-time remained below the OECD average throughout the surveyed period. However, there is a long-term

Figure 5
Employment rates by education level, ages 65+



* The CBS implemented a methodological change in 2012. Therefore, it's not possible to compare the 2011 and 2012 numbers.

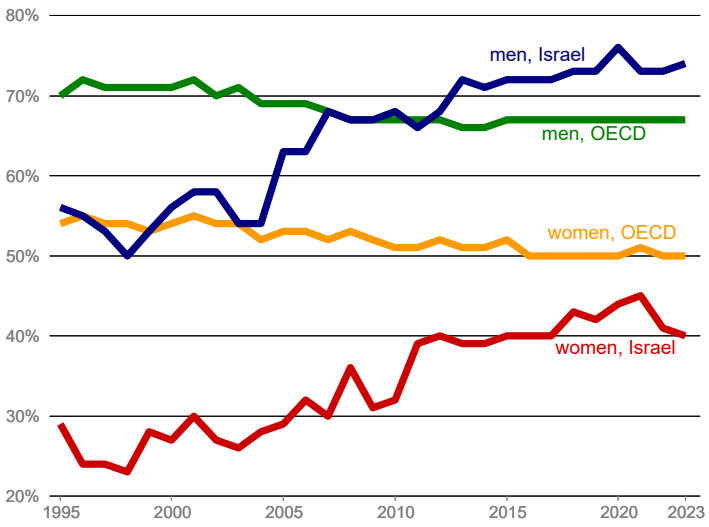
Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

[10] The result does not change even if we net out the change in employment rates between 2011 and 2012, which may stem from the methodological changes the CBS made in 2012 in the Labor Force Survey.

[11] Full-time employment is defined as working at least 30 hours per week. This definition applies to both employees and the self-employed.

– roughly 25 years – trend of narrowing the Israel–OECD gap in the fraction of women working full-time. The gender gap in full-time work among Israelis aged 65+ remained relatively stable throughout. Note that in 2021-2023 there was a decline in the share of full-time workers in Israel in this age group.

Figure 6
Share of fully-employed* out of all workers
Israel and OECD, ages 65+



* At least 30 hours per week.
Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Figure 6 also shows that the share of men aged 65+ employed full-time rose unusually between 2004 and 2007. This may reflect a response to the increase in the retirement age in those years – women from 60 to 62 and men from 65 to 67 (Kimhi and Itin-Shwartz, 2021) – a change expected, inter alia, to encourage employment at older ages. As can be seen in Figure 3, those years saw an acceleration in rising employment among women aged 55-64, but no significant change in the long-term trend for men aged 65+. It may be that men who planned to move from full-time to part-time upon reaching retirement age postponed the change after the retirement-age increase.

Income Trends

Given the rise in employment rates and in work intensity among Israel's older population, one can also expect an increase in their income. Since the standard of living among older adults is affected by the incomes of all household members[12], income trends are examined at the household level. Another reason to look at household-level income is the substitutability between sources of

[12] A household is defined by the CBS as one person or a group of people who live together in a single dwelling on a permanent basis for most days of the week and have a shared expenditure budget for food. It is therefore reasonable that the income of all household members affects each individual's standard of living.

income – for example, among married couples, one spouse may work more when the other retires. To reflect changes in the standard of living, we examine equivalized per-capita gross household income.[13] Henceforth, for ease of reading, "income" will mean "equivalized per-capita gross income."

Because this study focuses on the standard of living of older adults, households were divided according to the age of the oldest household member, and the analysis was conducted separately for households in which the oldest member lives with a partner and for households in which the oldest member does not live with a partner.[14] To allow separate analyses by gender, households headed by a same-sex older couple were omitted, and "single-person" households were split into "single-man" and "single-woman" households.

The distribution of households based on the above division remained relatively stable over time, except for a decline in the share of households headed by a single woman, from 39% in 2004 to 33% in 2022, and a parallel increase in the share of couple-headed households from 50% to 55%. Accordingly, references below to households will be by the age of the oldest household member and whether or not that person lives with a partner. The oldest member is termed the "household head," and in the case of a couple, both are termed "household heads." Thus, "couple households aged 65+" are households that include a person aged 65+ and another person close in age (even if younger than 65); both are considered the household heads (definition of "close" appears in Appendix A). For readability, "household" is sometimes omitted – for example, "single man aged 65+" refers to households that include a man 65+ and do not include an additional household member close to him in age.

[13] The standardized-person equivalence scale is designed to take into account that household expenditures do not increase in direct proportion to the number of family members. The scale commonly used in Israel counts the first person in the household as equivalent to 1.25 persons, the second as 0.75, the third as 0.65, the fourth and fifth as 0.55, the sixth and seventh as 0.5, the eighth as 0.45, and each additional person as 0.4 persons. Equivalized per-capita income is the household's total income divided by the total number of equivalized persons in that household.

[14] Using the age of the oldest household member is supported by the analysis of Yogev and Avraham (2025). Households are classified as "couple" or "single" by the age difference between the two oldest household members. A household is considered "couple" if the oldest household member lives with someone close in age, and "single" if the oldest household member lives without a partner close in age, regardless of family relationship – spouses, siblings, friends, etc. Details of the procedure appear in Appendix A.

Income data were taken from CBS Household Expenditure Surveys between 2004 and 2021. In 2012 and 2019, significant methodological changes were made to these surveys, so caution is required in comparing data before and after those changes. Therefore, trends for 2004-2011, 2012-2018, and 2019-2022 are examined separately, and no attention is paid to changes between 2011-2012 and 2018-2019. Data for 2020 were affected by COVID-19; hence changes between 2019 and 2020 should not be over-interpreted and will receive less attention here, if any. The analysis begins in 2004, when Israel began to emerge from the early-2000s economic crisis. In addition, the Second Intifada prevented proper sampling of Arab residents of East Jerusalem in prior years.

Figure 7 shows that income grew in real terms (i.e., faster than the CPI) for all household types in all sub-periods,[15] except for single men aged 55-64 after 2012. Among couple-headed households, income for the 55-64 age group is higher than for the two other age groups. Among single-man households, income for those aged 65+ is lower than for the younger groups, while among single-woman households, income for ages 55-64 is highest, though the gaps here are relatively small.

Households headed by a single woman have lower income compared with other household groups. At least part of the gap may stem from the fact that single-woman households are larger on average.[16] Overall, among the oldest age group, couples' income is higher than singles', and the incomes of the oldest households grew relative to younger households, mainly in the first decade of the 2000s.

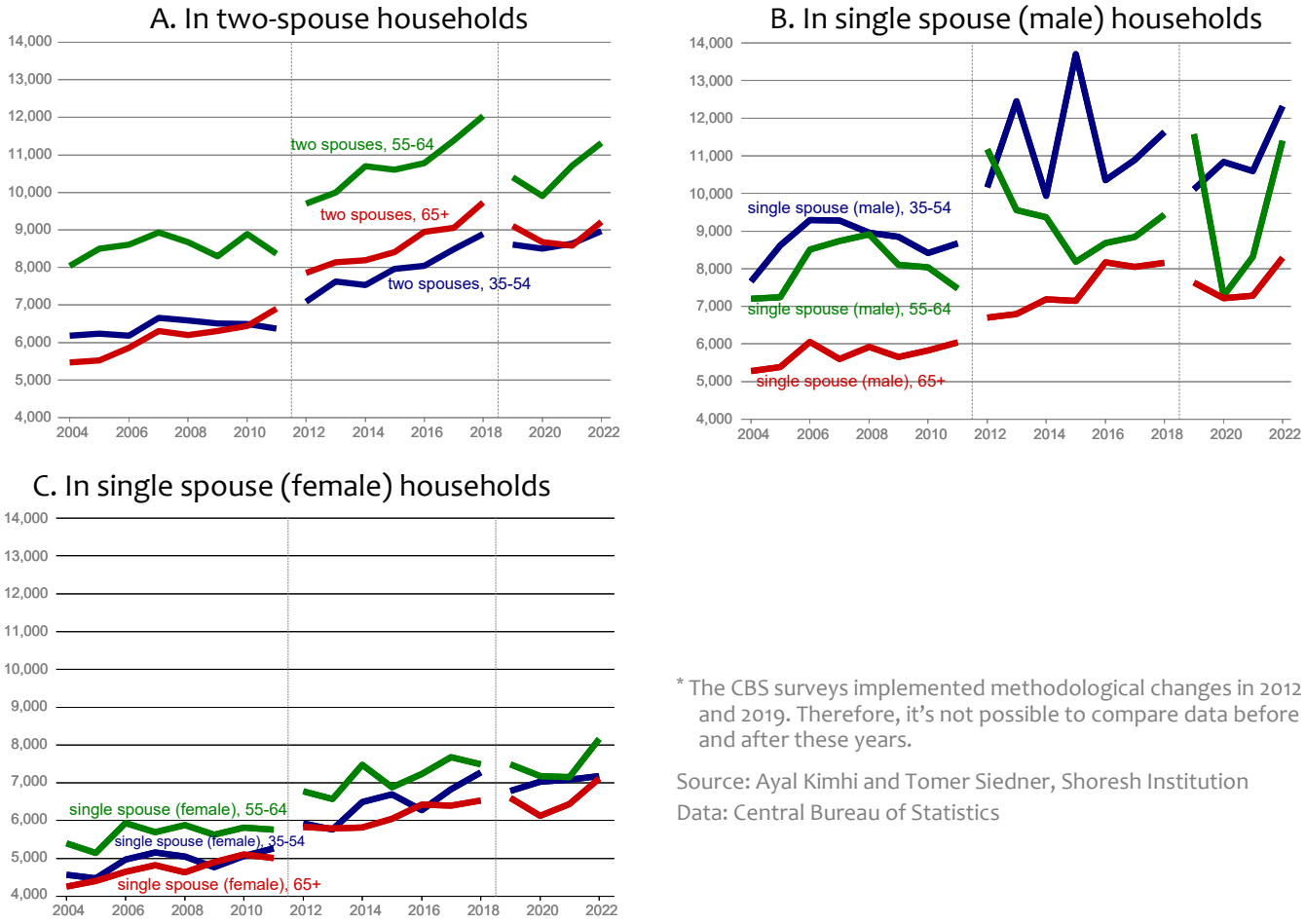
[15] In 2012 and 2019 there were methodological changes in the CBS's expenditure surveys; therefore, the comparison is made within sub-periods up to 2011, between 2012 and 2018, and from 2019 onward.

[16] There are almost two equivalent persons on average per head of household in single-woman households, compared with about 1.6 among couples and even less among single-man households.

Figure 7

Monthly income per standardized person*

Shekels in 2023 prices



* The CBS surveys implemented methodological changes in 2012 and 2019. Therefore, it's not possible to compare data before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Sources of Income

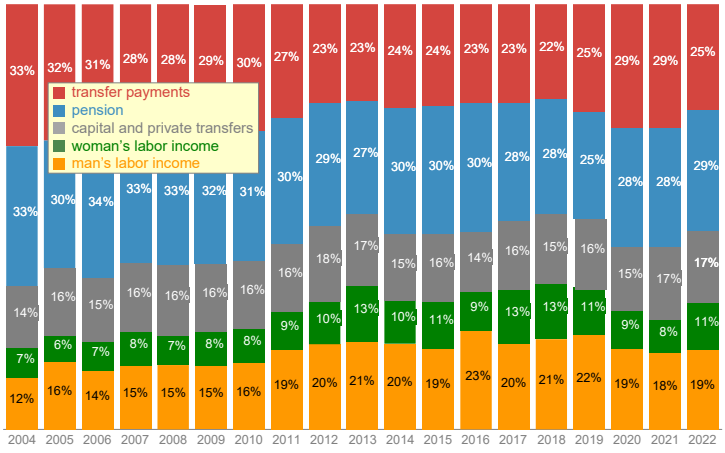
A household's income comes from several sources, the main ones being labor, capital, pensions, and transfer payments (benefits). Following the analysis of trends in total household income, it is natural to examine changes in the composition of income sources.

Figure 8 presents the relative share of each income source in total income for households aged 65+. Most of the income of these households comes from pensions and transfer payments.

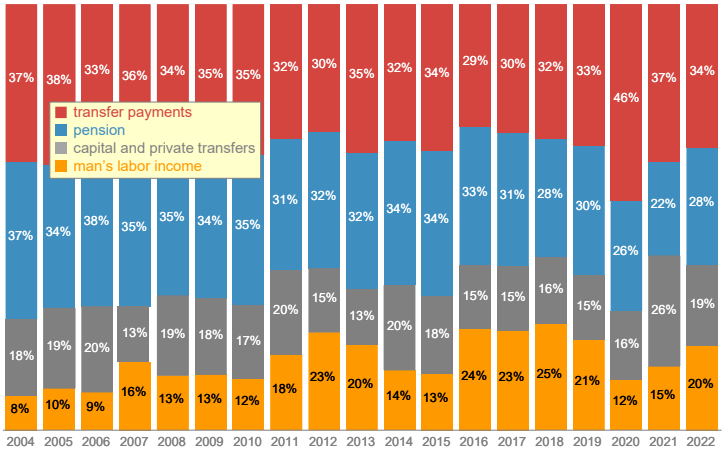
Figure 8

Distribution of standardized income, ages 65+*

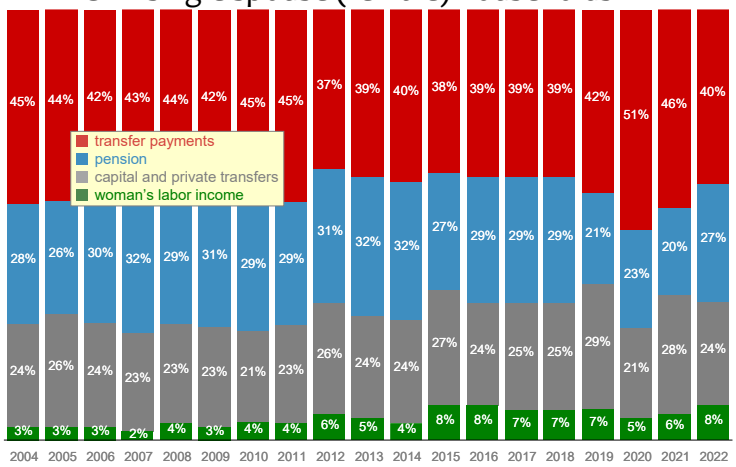
A. In two-spouse households



B. In single spouse (male) households



C. In single spouse (female) households



* Same-sex couples were omitted from the analysis in order to distinguish between male and female income. The CBS surveys implemented methodological changes in 2012 and 2019. Therefore, it's not possible to compare data before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Over the years – and in particular over the main comparison periods[17] – there has been a trend of rising labor-income shares within total income for these households, alongside declining shares from pensions and transfers. This trend is particularly pronounced among couples, but exists, more moderately and less consistently, among single-headed households as well.

Comparing couples with singles in the 65+ age group, the latter derive a larger portion of their income from transfers – especially single women. This gender difference stems, inter alia,

[17] As noted, due to methodological changes, one can compare only between 2004 and 2011, between 2012 and 2018, and after 2019. The last period is short and during it the COVID-19 pandemic occurred; therefore, one cannot infer from it a change in the long-term trend.

from lower employment rates among women (Figure 3), fewer hours of work (Figure 6), lower wages leading to lower pension benefits, gender differences in benefit eligibility, and the fact that single-woman households have more members on average. In couple-headed households, men's labor income is almost double women's in every year and every age group, (see Appendix B for income composition among younger age groups).

It is also interesting to view changes in income composition in light of the retirement-age increases for men and women – from 65 and 60 in 2004 to 67 and 62 in 2009, respectively. As noted, concurrent with this policy change – and perhaps partly because of it – there was a rise in employment among women aged 55-64 (Figure 3) and in full-time employment among men aged 65+ (Figure 6). One would therefore expect an increase in labor-income shares alongside a decrease in pension-income shares among households headed by men aged 65+, and to a lesser extent among couples aged 65+. It is difficult to discern a marked effect among couples. However, during this period there is a significant rise in the labor-income share of single men 65+ from 8% to 13%, and a decline in their pension-income share from 37% to 34%.[18]

As expected, most income at older ages comes from pensions and transfers, and it is interesting to see how these sources evolved over time. As Figure 9 shows, income from pensions and transfers among couple-headed households aged 65+ rose consistently throughout the period, especially between 2012 and 2018.[19] Focusing on households headed by single women, pension income rose until 2011, but has since been relatively stable (aside from a jump in 2022). By contrast, single-women's transfer income rose over most of the surveyed period.

Focusing on households headed by single men aged 65+, both transfer income and pension income were fairly stable until 2011 and began to rise in 2012. However, while the rise in transfer income continued throughout the period (aside from a dip between 2020 and 2021), there has been a sharp decline in pension income since 2016 (about 15% between 2016 and 2018, and about 30%

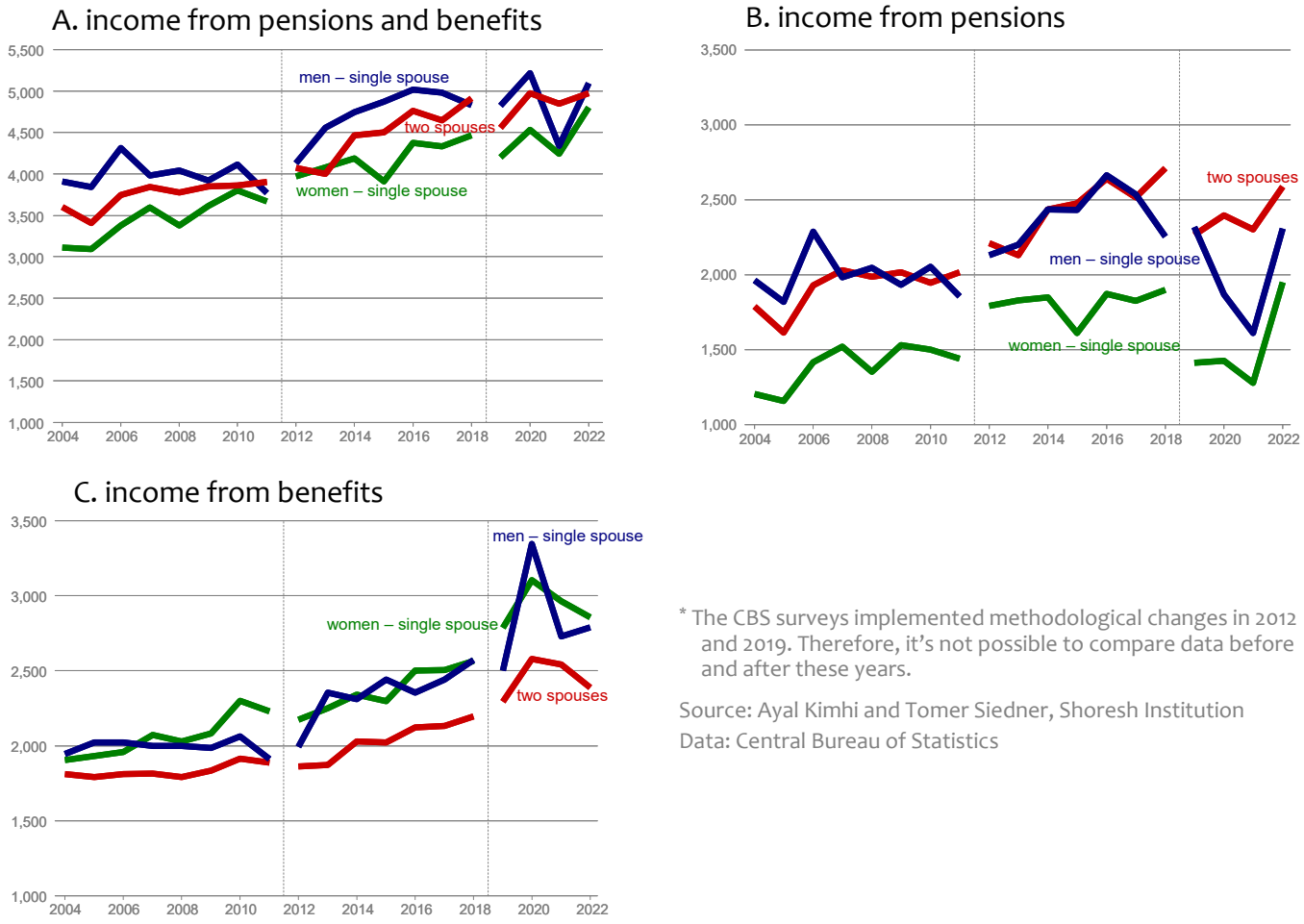
[18] For women aged 55-64, in these years there was indeed an increase in the share of income from work, but there is no clear trend in the share of income from pensions. See Appendix B.

[19] There was a decline between 2020 and 2021; however, 2020 was the COVID year and included a sharp increase in benefits, and therefore no trend change should be inferred from this.

Figure 9

Monthly income per standardized person
by household type, ages 65+*

Shekels in 2023 prices



* The CBS surveys implemented methodological changes in 2012 and 2019. Therefore, it's not possible to compare data before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

between 2019 and 2021) – a decline that rising transfers did not offset. Among single men, as among single women, there was a significant rise in pension-income shares between 2021 and 2022.

Overall, one can see that in all household types aged 65+, transfer income has risen over time, while pension income showed varied patterns – stability and even growth among couples and single women, but a marked decline among single men since 2016.

It should be noted that these are real incomes (i.e., net of inflation), and that Israel – like more than half the OECD countries – protects benefits and pensions from price increases, at least

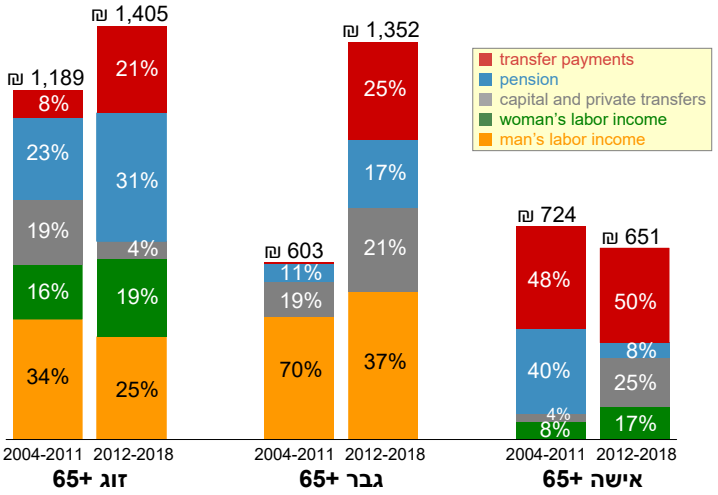
partially (OECD, 2023; Sheshinski et al., 2021). Indexing pensions and transfers to prices is a common and very important protection for older adults' incomes to prevent erosion over years of retirement and to allow them to rely on these incomes for years. However, in years of high inflation – such as the global inflation wave following COVID-19 – this may also entail high costs (OECD, 2023).

Continuing the breakdown of household income by source, it is also interesting to see the specific contribution of each source to the rise in total household income over time. Figure 10 presents the increase in income among households headed by those aged 65+, by household type, over the two main periods examined – 2004-2011 and 2012–2018 – and the contribution of each income source to that increase.

Figure 10

Increase in monthly income per standardized person in households aged 65+, and the proportion of the increase attributable to each income source*

Shekels in 2023 prices



* The CBS surveys implemented methodological changes in 2012 and 2019. Therefore, it's not possible to compare data before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Between 2004 and 2011, the increase in labor income accounted for half of the rise in total income among couples, 70% among single men, and less than 10% among single women. The situation is reversed for pensions and transfers: the rise in pension income accounted for a quarter of the increase among couples, 10% among single men in that period, and 40% among single women. These findings are consistent with the increase in the share of men aged 65+ working full-time during those years (Figure 7), partly as a result of raising the retirement age.

The increase in transfer income between 2004 and 2011 contributed about 8% of couples' income growth, less than 1% in the case of single men, and nearly half of single-women's income

growth. The rise in capital income and private transfers contributed about 20% of the increase among couples and single men, and only about 4% among single women.

Between 2012 and 2018, the rise in labor income accounted for almost 45% of the increase in total income among couples, 37% among single men, and about 17% among single women. At the same time, the rise in pension income accounted for 31% of couples' income growth, compared with 17% among single men and 8% among single women. In that period, the increase in transfer income contributed about one-fifth of couples' income growth, almost a quarter among single men, and about half among single women. The increase in capital income and private transfers accounted for 5%, about 20%, and about a quarter of the increase among couples, single men, and single women, respectively. Table 1 in Appendix C presents the contribution of each income source to overall income growth in greater detail.

Overall, among couples in both periods, the rise in labor income accounted for about half of the increase in income; the rise in pension income – and especially transfers – was much more significant in the second period than in the first; and the rise in capital income and private transfers was much more significant in the first period. Among single men, the share of labor-income growth in total income growth fell sharply between the periods, while the share of pension-income growth, and even more so, the share of transfer-income growth, rose markedly. Among single women, by contrast, the contribution shares of labor-income growth and of capital income/private transfers to overall income growth rose between the periods. At the same time, the contribution share of pensions fell sharply, while the contribution share of transfers remained almost unchanged.

Summary and Conclusions

As a result of rising life expectancy and declining fertility, the share of Israelis aged 65+ is growing, raising concerns that support systems for older adults will struggle to ensure them an adequate standard of living. Moreover, the expected increase in expenditures by systems supporting older adults may also burden support systems for other population groups. Therefore,

support systems for the older population must be adjusted to cope both with demographic change and with overall trends in employment and income among the older age group.

This study finds that employment rates of Israelis aged 65+ have risen over the last decade and a half – even relative to the OECD average – and in fact Israelis' employment rates are currently higher than the OECD average. Compared with younger households, employment rates for those 65+ have risen among men and fallen among women.

However, among those 65+, there are large gaps in employment rates between different groups – between Jews and Arabs, between men and women, and between those with secondary/tertiary education and those with only primary schooling. Moreover, similar to findings from Europe (Aliaj et al., 2016), the increase in older-age employment has been larger among stronger (e.g., educated Jewish men) workers over most of the period examined. In recent years there has been a slowdown in the growth of these gaps – and sometimes even a narrowing – but it is too early to conclude that this is a genuine reversal.

The faster rise in employment among stronger workers – particularly those with higher education – supports the hypothesis that changes in the economic behavior of older adults stem from choice rather than economic necessity. It may also be that the faster rise in employment among stronger workers is due to increased demand for educated older workers relative to uneducated older workers (Rutledge et al., 2017; Berger et al., 2022).[20] It is possible that the rise in employment among weaker workers – although smaller than among stronger workers – stems from economic necessity. Whatever the reasons, growing gaps are likely to increase inequality among older individuals.

Consistent with rising employment, real equivalized per-capita income has risen among households headed by those aged 65+. In the last decade, equivalized per-capita income of couple-

[20] Although the incomes of stronger households are expected to be more adversely affected by retirement from work, it is likely that these older adults have larger savings and assets, and therefore it is not clear whether, in practice, the decline in the standard of living of the stronger older adults will be greater or smaller than the decline in the standard of living of the weaker workers. In light of the above, it is not clear in which group the expected decline in the standard of living – if it exists – provides a greater incentive to continue working.

headed households aged 65+ has been higher than among couple-headed households in the prime working ages, 35-54. In contrast, among single-headed households, income of those 65+ has been lower than for younger households, and income of a single woman aged 65+ has been lower than for all other household types.

Among households of those 65+, the share of labor income within total income has grown over the years, and the rise in labor income accounted for a large portion of overall income growth among both couples and single men. Among single women, by contrast, most of the rise in income stemmed from increases in pensions and transfer payments.

Another finding, consistent with previous research (e.g., Kunze, 2018; Kimhi, 2022), is that women earn considerably less than men. Thus, among those aged 65+, households headed by single women have the lowest income of all household types; and among couple-headed households, men's labor income is almost double women's in all age groups.

Given the widening income gaps among older adults, it is necessary to consider adjustments to the welfare system to target those most in need. For example, if the rise in employment among those 65+ in the relatively strong population stems from desire and choice, and among the relatively weak stems from economic necessity, the latter should be identified and provided with greater support to help them maintain their standard of living in old age.

For instance, options to consider include increasing income-based discounts and exemptions for services such as healthcare and public transportation; increasing the supply of public housing for these ages; indexing total benefits (old-age plus income supplement) to the poverty line, to the minimum wage, or to the cost of an age-appropriate subsistence basket; expanding the state safety net that protects pensions; improving methods to help access benefits; and more (Ploskov, 2018; Sheshinski et al., 2022; Sheshinski et al., 2021). In the longer term, it is also necessary to consider employment-encouraging policies at earlier ages that will raise income during the working years – and consequently increase pension savings.

At the same time, and especially in light of rising life expectancy, there is room to promote policies that support continued growth in employment among those aged 65+. Of course, population aging and the encouragement of older-age employment are not unique to Israel, and in recent years a variety of policy measures have been proposed and tried worldwide. These include public campaigns to change social norms and perceptions; encouraging employers to hire older workers by supporting training for older employees, tax relief, or even subsidies (Albanese and Cockx, 2019); financial benefits for older workers, such as grants and reducing the penalty on benefits due to income from work; adjusting employment conditions to older workers' needs (e.g., flexible or reduced hours, rest options); and raising the retirement age, making it gradual, or even replacing it with function-based retirement.[21]

Studies in other countries have found that people's employment decisions around retirement age are particularly sensitive to economic incentives, and therefore can be influenced more readily.[22] Even if such policy measures entail budgetary expansion, the expected return on extending employment horizons in terms of economic growth is likely to compensate for it – and more (McDonald, 2020). The faster and more decisively that policy is adapted, the more the negative economic consequences of population aging can be avoided (Bloom and Luca, 2016).

In any event, solutions must be found to enable poorer population groups – particularly prevalent among Arab households, households headed by someone with only primary education, and single-headed households (especially single women) – to reduce the gaps between them and other groups. These households rely more on welfare systems and less on labor income. Naturally, possible side-effects of policy measures such as those described above must be considered. For example, raising the retirement age may increase the number of disability-benefit claimants (Li, 2010; Bertoni, 2018), while broadening welfare support may dampen the effect of measures intended to encourage labor-force entry (Oshio et al., 2023), and so on.

[21] For additional policy measures as well as further details on the above measures, see Tal-Spiro (2013), Israel's Ministry for Senior Citizens (2014), Sheshinski and Zaken (2019), and Nagarajan and Sixsmith (2023).

[22] For example, Banks and Emmerson (2018); Kotakorpi and Martikainen (2021); Gebler et al. (2022); Hernæs et al. (2023); Oshio et al. (2023); Hampton and Totty (2023).

This study focused on the economic challenges arising from population aging and rising life expectancy – chiefly, the increase in employment and income among older adults. In recent years, steps have been taken to address older adults' needs – for example, raising the retirement age, the "Experience Wanted" project to encourage employment of older adults, raising old-age benefits, and more. However, these steps do not seem sufficient. Moreover, policies concerning the older population must be examined from a holistic and long-term perspective that relates to additional aspects and challenges arising from rising life expectancy and population aging, such as physical and mental health. In particular, policy measures should be set as a function of national goals to be defined on this topic – e.g., guaranteeing a minimum subsistence level, ensuring a reasonable standard of living or maintaining the standard of living of the older population, eradicating poverty among older adults, and so forth.

Looking broadly ahead, income disparities among older households largely reflect differences in accumulated pension savings during working years. Since pension-saving levels are closely tied to employment and income during the prime working ages, one can point to a chain linking education in youth, employment in the prime working years, and economic security in old age. Against this backdrop, it should be remembered that the share of the Haredi population – characterized by very low education levels – doubles every 25 years, a growth rate far faster than the pace of educational progress in that population (Ben-David, 2025). This trend may exacerbate economic gaps among older households as early as the next generation. Possible implications include growing burdens on welfare systems – both in support for older adults and in overall social budgets. Accordingly, addressing education gaps at earlier stages may be a key lever for reducing economic inequality among future generations of the older population.

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Appendix A: Classification of households by age and marital status of the oldest household member

For the purpose of this study, households were classified into age groups according to the age and marital status (whether living as a couple or not) of the oldest household member. If the two oldest members of the household are close in age, the household was classified as a "couple"; otherwise, the household was classified as a "single woman" or a "single man," according to the gender of the oldest member.

Income data were taken from the CBS Income and Expenditure Surveys, which during the period under review classified individuals into the following age groups: "15-17", "18-24", "25-34", "35-44", "45-54", "55-64", and "65+". Based on this information, a household was classified as a "couple" if the oldest household member was a woman and the difference between the two oldest individuals was at most one age group, or if the oldest household member was a man and the age difference between him and the next oldest household member was up to two age groups.

For some individuals, information exists on the family relations of the oldest household member, which enables assessing the accuracy of household classification based on age differences.[23] For example, in 2012-2020 there is information on the family relations of the oldest household member in about 99.5% of households (64,265 out of 64,606), and the type-1 misclassification rate was less than two percent. Moreover, even when examining each household category separately,[24] only in two categories did the misclassification rate exceed two percent: 20 out of 247 households that were classified by age differences as single men aged 55-64, and 38 out of 223 households classified by age differences as single men aged 65+ (8.1% and 17%, respectively), were identified by the direct information on family relations as living as a couple.

[23] Accordingly, the criteria defined in the previous paragraph were constructed as follows: a gap of one age group if the oldest household member is a woman, and a gap of two age groups if the oldest household member is a man. These are the criteria that yielded the highest accuracy for households for which information exists on the family relationships of the oldest household member.

[24] Men aged 35-54, couples aged 65+, and similar.

The type-2 error rate – that is, the error rate when identifying from the categories constructed according to family relations (for example, the share of households classified by age differences as living as a couple among households that the family-relationship variables identified as a "single woman") – is much higher, reaching even 58% in the group of men aged 65+ (of 430 households identified as singles based on the family-relations information, 248 were classified as couples according to age differences). However, this is not necessarily a problem, since for the purpose of understanding older adults' standard of living, two older adults living together are more similar to a couple than to a single, whether they are spouses, siblings, friends, etc.

Finally, same-sex couples and mixed couples were combined into one group, except in the analysis of income sources, in which same-sex couples were excluded so as to enable a separate analysis of men's and women's earnings. In total, there were 2,203 households identified as same-sex couples compared with 112,278 households identified as mixed couples, out of a total of 162,548 households.[25]

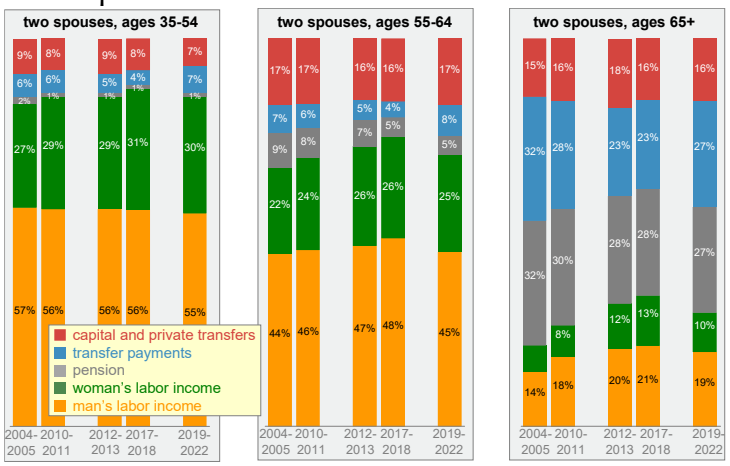
[25] All other households were classified as "singles."

Appendix B

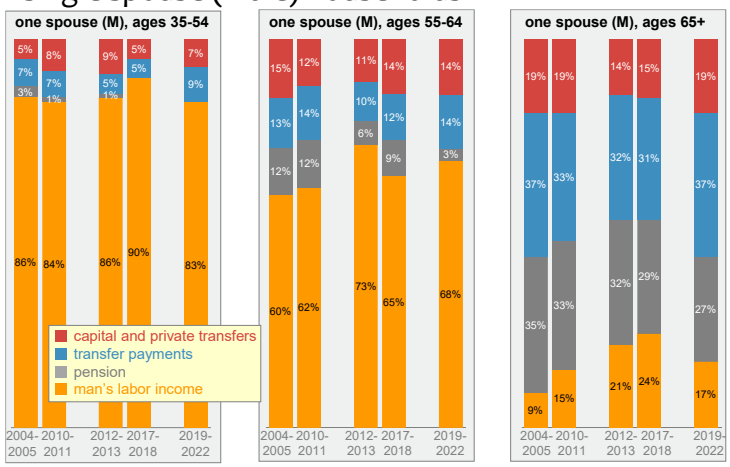
Figure A1

Distribution of standardized income, ages 65+*

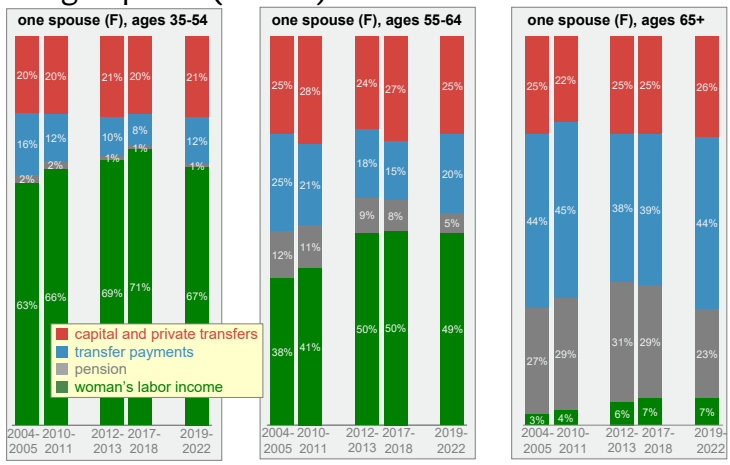
A. In two-spouse households



B. In single spouse (male) households



C. In single spouse (female) households



* The CBS implemented methodological changes in 2012 and 2019. Therefore, caution should be exercised when making comparisons between what occurred before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics

Appendix C

Table A1

Monthly income per standardized person in households aged 65+ *

Shekels in 2023 prices

Household type	Total	Capital & private transfers	Transfer benefits	Pensions	Women's labor income	Men's labor income
Couples 65+						
2004-2005	5,540	837	1,799	1,756	377	771
2010-2011	6,729	1,060	1,895	2,032	563	1,180
difference	1,189	223	96	276	186	409
difference as % of total differences	100%	19%	8%	23%	16%	34%
2012-2013	8,065	1,419	1,853	2,233	940	1,622
2017-2018	9,470	1,480	2,146	2,669	1,202	1,973
difference	1,405	61	293	437	263	350
difference as % of total differences	100%	4%	21%	31%	19%	25%
Single men 65+						
2004-2005	5,335	996	1,984	1,890	0	465
2010-2011	5,938	1,111	1,987	1,955	0	885
difference	603	115	4	65	0	419
difference as % of total differences	100%	19%	1%	11%		70%
2012-2013	6,752	963	2,173	2,166	0	1,449
2017-2018	8,104	1,249	2,506	2,396	0	1,953
difference	1,352	285	333	230	0	504
difference as % of total differences	100%	21%	25%	17%		37%
Single women 65+						
2004-2005	4,332	1,094	1,918	1,181	138	0
2010-2011	5,056	1,122	2,265	1,470	199	0
difference	724	28	347	289	61	0
difference as % of total differences	100%	4%	48%	40%	8%	
2012-2013	5,812	1,450	2,212	1,812	338	0
2017-2018	6,463	1,614	2,536	1,862	451	0
difference	651	164	324	51	113	0
difference as % of total differences	100%	25%	50%	8%	17%	

* The labor force surveys implemented methodological changes in 2012 and 2019. Therefore, it's not possible to compare data before and after these years.

Source: Ayal Kimhi and Tomer Siedner, Shoresh Institution
Data: Central Bureau of Statistics