

ARAB SOCIETY AMID THE WAR: EMPLOYMENT AND ECONOMY

BRIEFING PAPER



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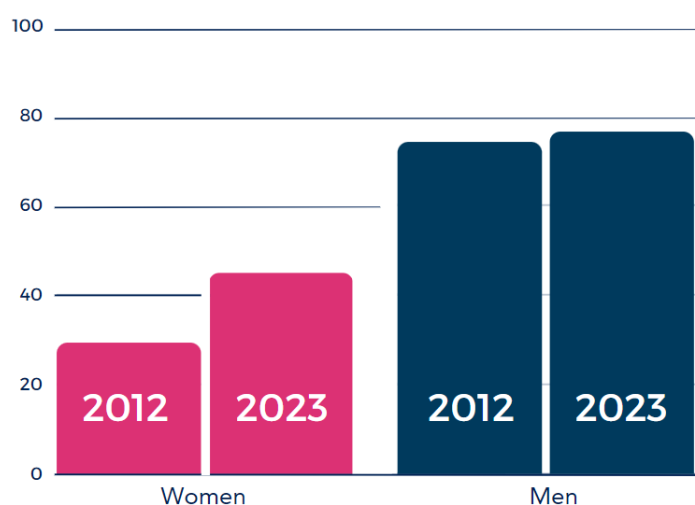
Arab Society Amid the War: Employment and Economy

The aftermath of October 7th and the ongoing war continue to have profound impact on the mental, social, and economic well-being of both [Jewish and Arab citizens in Israel](#). Arab society, socio-economically weak before the war, has been hit hard, raising concerns about the potential setback for progress and momentum around narrowing gaps for more than a decade. With looming cuts to Arab economic-development budgets, numerous Jewish and Arab leaders and officials are sharing their concerns that deterioration in the socio-economic status of Arab citizens has implications for Israel's overall economic recovery, as well as for Jewish-Arab relations and efforts to promote a shared future.

The economic cost of the war and recovery budgets are only part of the issue. Unprecedented tensions and an atmosphere of mistrust between Jewish and Arab citizens have their own economic repercussions. Jewish customers avoid Arab localities and Arabs reduce spending due to lower income. Arab-owned businesses suffer due to reduced activity during the war and limited government assistance. Additionally, certain key sectors see a significant absence of Arab workers driven by fear of harassment, business closures, and instances of disciplinary actions. According to [an INSS survey](#), two-thirds of Arabs are suffering economic hardships since the onset of the war.

This brief provides an overview of the impact of the crisis on Arab employment and economic well-being, along with a summary of some of the major initiatives aimed at mitigating these effects.

Background: Decades of Progress, Persistent Gaps



Employment Rate among Arab Men and Women in 2012 and 2023.

Over the past two decades, government and philanthropic [efforts](#) to enhance the rate and quality of Arab education and employment and narrow socio-economic gaps [yielded notable results](#). The employment rate of Arab women especially rose from 29.3% in 2012 to an impressive 44.9%, and from 74.1% to 76.4% among Arab men, in 2023.^a Arab

professionals have integrated into key positions in civil service, academia, and the private sector; a new Arab middle class has grown.^b

Today Arab employees make up approximately 15% of the total workforce in Israel^c, including significant representation in vital systems—especially during crisis periods—such as healthcare and education, where Arabs constitute 15%¹ and 16% of the workforce, respectively.^d

Still, overall gaps remain large. Around 80% of the Arab workforce is engaged in sectors with relatively low wages. Arab workers have high and disproportional representation in industries such as construction (39%), transportation (29%), hospitality and catering (23%), and commerce (20%). Around half of the of Arabs across industries are [wage employees](#) which implies that their earnings are not fixed, especially during times of crisis, and they are often overlooked in governmental compensation programs.

While Israel experienced a robust economic recovery after Covid-19, Arab society hasn't stabilized post-pandemic and still suffers from [elevated poverty rates](#), especially [the young](#): 37% of Arab youth are [NEETs](#).

“The crisis has had a pronounced impact, particularly on vulnerable groups, including women, those with lower education, minorities, and young people. Notably, individuals belonging to multiple vulnerable categories, such as young, uneducated Arabs, face an elevated risk of exclusion from the job market, and their reintegration is likely to be more challenging.”^e

Impact on Employment Trends

The war raised immediate concerns about the impact both on upwardly mobile employment trends, and on the livelihood of the significant portion of Arab households who are low-wage workers living at or near poverty.

“We now have a threefold problem,” says Hussam Abu Bakr, CEO of Alfamar. “The restrictions imposed by the war and the security situation, a deep economic crisis that is expected to accompany the war, and a severe crisis of trust between Jews and Arabs, damage the basic foundations of the integration of the Arab population into the economy.”

¹ Nearly half of new doctors entering the field in Israel are now Israeli Arabs or Druze, [along with 24 % of nurses and about 50 % of pharmacists](#).

Unemployment Surges, Income Declines

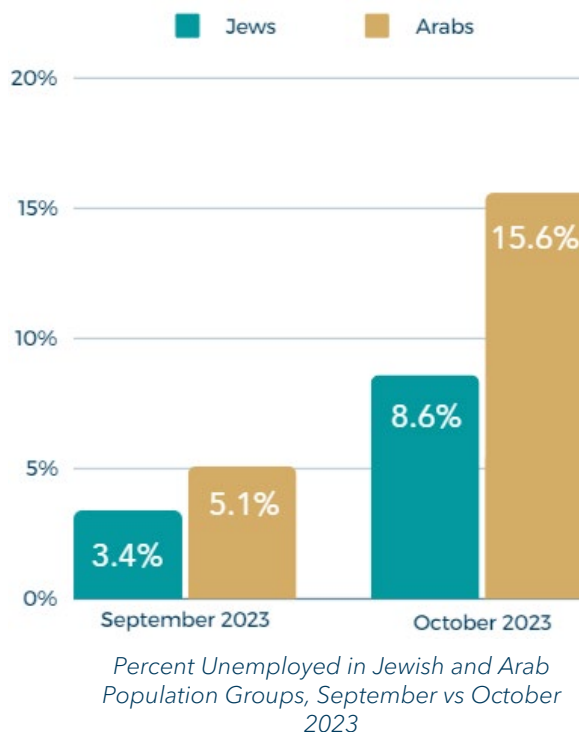
[The October 2023 CBS's labor force survey](#) reveals that 30% of employed Arabs were absent for at least a week from their workplaces due to conflict-related reasons. 15.6%,² were [unemployed](#)³ in October, up from 5.1% the previous month.

Some of these workers will not qualify for [unemployment benefits](#) as they have already exhausted their eligibility within the past four years due to the COVID pandemic.

In December, the CBS reported that [the general unemployment rate went down to 6.1% \(from 10.4% in October\)](#). An overall improvement, this data is not available per population group as of this writing.

[The Israeli Employment Service](#) also reports a decrease in registered job seekers across all population groups compared to November 2023, though not uniformly. In December, there was a 4.5% reduction of Arab job seekers, though they still comprised 28% of the total. Haredi and non-Haredi Jews saw higher returns to work, with job seeker numbers dropping 16% and 11.8% respectively. By cities, the highest percentage of job seekers is concentrated in Arab and mixed cities, with rates of 11.8% in Rahat, 11.4% in Um Al-Fahem, and 8.7% in Akko.

A recent survey commissioned by the Ministry of Social Equality's Authority for the Economic Development of the Minority Sectors reveals [a 48.8% decrease in income](#) among employed Arabs since the war began.



² According to Hassan Towafra, since October 2023, 41,000 out of all unemployed Arabs registered as job seekers with the [Employment Service](#), with 55% of them aged 35 and below.

³ [The Israel Central Bureau of Statistics \(CBS\)](#) publishes two unemployment rates: a broad and a narrow one. [The broad unemployment rate](#), discussed in this brief, encompasses four groups: 1) the unemployed, 2) the underemployed, 3) individuals marginally attached to the workforce due to workplace closures, unpaid leaves, and reserve duty, 4) those who have given up looking for work.

Arab Employees at Risk

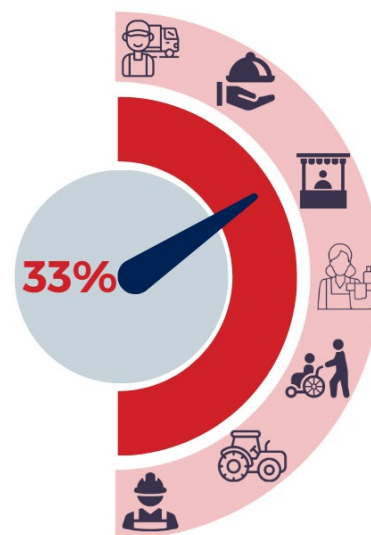
[According to the Bank of Israel](#), 33% of Arab workers are at high risk of economic harm due to closures or reductions in employers' activities. Leisure, tourism, hospitality, trade sectors have significantly [contracted](#), leading to layoffs.

Industries like construction,⁴ agriculture, caregiving, and sanitation, where a significant number of blue-collar workers are Arabs, faced higher risks in the initial weeks after Oct 07.

The Ministry of Social Equality's [mid-November survey](#) highlights the sectors in which a significant number of Arab workers was sent on an unpaid leave: 66% in agriculture, 25% in construction. 25% in transportation, 20% across industries.

The situation seems to have since [improved](#) due to the pressure of [manpower shortages](#). Older workers, women⁵ and young professionals, however, face more difficulties re-entering the job market after extended breaks.

Bedouin society in the Negev faces [increased vulnerability](#) due to the war. Ongoing evacuations and the displacement of numerous communities in the South continue to constrain economic activities, leaving many workplaces still closed.



"33 % of Arab Workers are at High Risk of Harm."

Applications and Recruitment Decline

In October, there was [a standstill in job applications](#) across various sectors.⁶ Field reports indicate that Arab candidates have been hesitant to apply for jobs in the Jewish market due to fear and insecurity. In addition, there is a noticeable decline in recruitment. In November, [the Ministry of Labor reported](#) an almost 40% decrease in the volume of job postings and an [18% reduction in job openings](#).

Although the last quarter of the year tends to be the peak of hiring season for high-tech professionals and teachers, companies and schools are currently not prioritizing Arab recruitment. Hi-Tech integration NGOs like [ITWorks](#) and Tsofen report a decline in recruitment. [Merchavim](#), which places Arab teachers in Jewish schools, report a 16%

⁴ According to the reports from [Kav Mashve](#), the construction sector was the most affected, with only 10% of construction sites operating in October 2023.

⁵ According to the Arab Economic Forum report, employment and income among Arab women have been disproportionately affected in mixed workspaces compared to those employed in predominantly Arab businesses.

⁶ The situation seems to be slowly improving.

decline in recruitment and fewer schools participating in the program since October 7.⁷

Small Businesses Struggle

The impact of the war has been acute for the small business sector in Arab and mixed localities. Predominantly led by [male owners \(83%\) with non-academic education \(75%\)](#), entrepreneurship is one of the most prevalent [paths for earning a living in Arab society](#).⁸ These businesses play a vital economic role as well⁹, employing two-thirds of Arab workers.



Since Oct 7, one in every four small businesses has suffered [maximal damage to its workforce](#).¹⁰ Fewer Jewish-Arab interactions also contribute to the economic downturn: Jewish customers avoid Arab localities, and Arabs cut spending due to decreased incomes. With more than 76% decline in November revenues, these businesses have received limited state support as non-essential entities.

Bayanat-Up's¹¹ research found that in Arab society, [the hospitality industry](#) is one of the hardest hit. Most restaurants are family-owned and run, with family members handling various roles. During crises, the entire family is affected by the vulnerability of the business. Additionally, strict banking policies and challenges Arab citizens face accessing credit—restaurant-owners especially, add to the challenges and risks.

Workplace Tensions

The war sparked tensions among Jews and Arabs, impacting relationships among management, staff, and peers. This has been particularly pronounced in sectors where collegial Jewish-Arab workplace relations were previously [taken for granted](#): education, healthcare, and hi-tech.

⁷ The program, initially successful with 37 teachers recruited in 2018, expanded to 268 by 2022. However, post-October 07, the numbers decreased to 226, marking a 16% decline. While 100 new schools embraced the initiative in 2022, only 46 did so this year.

⁸ Self-employed individuals in Arab society, compared to salaried workers, [earn higher incomes and have higher employment rates](#) in their residential areas for both men and women.

⁹ About 96% of Arab businesses are categorized as small, constituting [17% of all businesses in Israel](#).

¹⁰ [The Shomrim Media Center](#) defines maximal damage as when less than 20% of workers are available.

¹¹ Bayanat-Up is a company specializing in business, financial, and organizational consulting based on market research and data collection within the Arab community.

Stigmas about the Arab population as the “internal enemy” intensified and fueled dismissals, scrutiny, and a “[witch-hunt](#)” atmosphere for Arab citizens. According to data from the [Arab Emergency Committee's dashboard](#) until November 16, 2023, 109 Arab workers were fired, with 61 fired after a hearing committee and 48 dismissed directly without a hearing committee, more face hearings, and suspensions, primarily for expressing views on social media or attempting to demonstrate, classified as attempted incitement.

While these numbers are relatively small, prominent dismissals included [doctors](#), pharmacists, [nurses](#), [lawyers](#) and [teachers](#) whose stories made headlines in Israel and on social networks. This contributed to an atmosphere in which Arab employees felt their online and in person views—much less any expression contrary to the consensus—could lead to reprimand, dismissal, and even arrest.

In the first weeks of the war, [there were instances](#) of Jewish residents and leaders demanding that Arab blue-collar workers not return to their workplaces, adding to these concerns. As per the Bank of Israel's report, Jewish-Arab tensions expose approximately [7% of Arab workers to a high risk of unemployment](#).

[Rebuilding trust in Jewish-Arab relations](#) is a priority for many leaders in Israeli society, though most acknowledge it will take time. Many public and private sector employers have been seeking out civil society organizations like Co-Impact, aChord, Kav Mashve, Merchavim to support intergroup processes, address workplace tensions, and retain Arab staff and employee cohesion. The overwhelming interest in such support is an indication of the commitment that has been built in Israeli institutions and the private sector.

Samer Far, VP of Knowledge and Consulting at [Co-Impact](#) underscores the dedication of Arab workers: *“CEOs have reported that [Arab workers are going the extra mile during this challenging period, showcasing a strong desire for full integration into the workforce.](#)”*

Additional Economic Vulnerabilities

- **Overall Vulnerability and Cuts:** [Hindered investment](#) and an enormous financial burden of the war are expected to cause [further economic turmoil in Israel](#). The expected across-the-board cuts to [the 2024 state budget](#) range from [3% to 8%](#) of the total budget. Meanwhile, the Finance Ministry is pushing for a 15% cut to the multiyear plans for socio-economic development (GR-550) and combating

crime in the Arab society (GR-549) totaling NIS 1.2 billion in 2024, and NIS 4.7 billion through the remainder of the plan. This is poised to affect the already [vulnerable Arab society](#), and is liable to lead to "increased alienation, a sense of not belonging and a lack of commitment by the state," according to [a Shin Bet's statement](#).

➤ **Changes in Job Market:**

- A significant number of Jewish employees¹² were called to the reserve service. Arab workers have filled this gap, some on a temporary basis, highlighting potential job insecurity and limited rights.¹³ There is a concern that once Jewish workers return, Arabs may face layoffs, with diminished chances of re-employment compared to their Jewish counterparts at high-level employment.¹⁴
- Concurrently, the decrease in foreign and Palestinian workers has created [a manpower shortage](#) across critical blue-collar sectors. The Bank of Israel points out the unlikely return of Palestinian workers soon might lead to [increased blue-collar job opportunities](#) for Arab citizens in the future.

➤ **Access to Credit:** Despite state efforts to provide guaranteed [loans to small and mid-sized businesses](#), challenges in language accessibility of the services and eligibility criteria pose difficulties for Arab-owned businesses, potentially leading to [a high rate of loan rejections](#). Furthermore, the provided compensation tends to be inadequate, especially for small businesses in Arab society, where insufficient financial support may lead to bankruptcy and perpetuate the cycle of poverty.

➤ **Local Authority Revenues:** The business crisis may impact local authorities' revenues, both during and after the war, with non-residential municipal taxes comprising [about one-third of their total income](#). If businesses struggle, it will negatively affect local authorities' overall revenue.

➤ **Aspects of Personal Security:**

- **Resurgence of Crime and Crime Organizations:** Social and economic vulnerability reinforces the already [dire situation with crime and violence](#). They remain one of the primary concerns for Arab society. Despite a

¹² [Around 300,000](#) reservist soldiers.

¹³ (Alfanar 6).

¹⁴ (Alfanar 6).

decrease of more than 50% in homicides for several weeks following Oct 07, there has been a noticeable [resurgence in December](#), returning to the elevated levels [documented earlier in 2023](#).

- **Grey Market Expansion:** As income dwindles and businesses struggle, there is a growing risk of an [expansion in grey market activities](#). Unregulated loans may lead to the involvement and empowerment of violent criminal elements as was observed [during the pandemic](#), and could result in the collapse of the businesses involved and worse.

The impact of the war on Israel's entire economy and the potential outcomes during the recovery period are considered a significant risk to the unprecedented advancements made in integrating Arab society into various fields over the last two decades. In its recent report, [the IDI emphasizes](#) that *"we can no longer afford - literally - to allow huge sectors of our society to be left out of our economy. There is much work to be done in broadening economic opportunities for Arab Israelis. <...> That will require a wholly new approach by government, philanthropists, and civil society organizations."*

Workplace Initiatives

There is widespread mobilization to prevent deterioration in the overall economic status of Arab society and preserve socio-economic development budgets that involve a broad spectrum of Jewish and Arab civil society organizations, government officials, ministries, economists, and more. Within this, a number of initiatives were quickly launched, including [one run by the Ministry of Labor](#), to respond to overwhelming demand from employers across Israeli society seeking support in mitigating tensions, retaining Arab employees, and preserving shared Jewish-Arab workplaces in the height of escalations. A selection of those is highlighted below.

- [Power in Diversity](#) organizes [workshops](#) for managers and employees on how to deal with the conflicts and tensions over the ongoing situation at work, engaging over 200 investors and start-up companies.
- [Kav Mashve](#) advises organizations on crisis management at shared workspaces. In an initiative with **AJEEC**, **aChord**, **Abraham Initiatives**, and **the Regional Council for the Unrecognized Arab Villages**, Kav Mashve produced several [videos](#) highlighting the shared experiences of the two communities in Israel. In response to the current needs of Arab students, they also provide mentoring opportunities to the students and work with the academic institutions to

offering adaptive tools and ideas to address the challenges faced by Arab students.

- **ITWorks** conducts webinars on mental resilience and has opened a hotline in partnership with Kav Mashve to provide immediate assistance to Arab employees dealing with work-related issues.
- **Merchavim** created a platform for school administrators to share and consult on the issues. They also provide workshops for teachers with a focus on creating a professional shared space, adaptation for internships, and providing guidance for teachers and school principals. **AChord** and Merchavim collaborate on guides for teachers and school principals. Funding for their initiative faces uncertainty, with the Ministry of Education freezing its support.
- **AChord's employment division** partners with employers in mixed workplaces, assisting management in navigating their organizations through the ongoing conflict. They've crafted comprehensive [guides](#) for managers addressing the crisis, providing psychological insights into behaviors in diverse groups along with practical recommendations. The Authority for Equality in Employment (Ministry of Economy) partners with AChord, funding support for public and private employers, such as hospitals, healthcare managers, banks, and service providers. The authority hosts public webinars for hundreds of employers, focusing on managing diversity in conflictual times.
- **Tsofen** conducts dialogue and skill workshops for Arab and Jewish engineers, offers mental health services, expands mentoring programs, and engages hi-tech companies through workshops and inclusive hiring campaigns, fostering cooperation and community bonds.
- **Co-Impact**, in collaboration with the President of Israel Office, the Ministry of Social Equality, and NGOs, supports organizational resilience by offering guidance, workshops, and surveys, and strengthens workplace engagement through mentoring programs and a public relations campaign to rebuild trust between Jews and Arabs.

Acknowledgments

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Institute, the Givat Haviva Center for Shared Society, Tsofen High Technology Centers, Ameer Bisharat from the National Council of Arab Mayors, ItWorks, the Arab Economic Forum.

^a Abu Bakr, Hussam, and Ayman Seif. *HaHashpa'ot HaMiyadaiot shel HaLachima al ovdim meHaChavera HaAravit, Skirat Matzav HaChavera HaAravit baShuk HaAvoda lifnei protz HaMilchama veHaHashpa'ot haEfshariyot akharei'a*. [The immediate impacts of the war on workers from Arab society: Review of the status of the Arab community in the job market before the war outbreak and the potential impacts thereafter]. Alfanar, 2023.

^b Miari, Sami, and Arnon Barak. *HaShpa'at HaMilchama u'Migamot Ta'asuka beHevra HaAravit - doch revi'i beSidrah*. [The impact of the war and employment trends in the Arab society - fourth report in the series]. Arab Economic Forum, 2023.

^c Kolot MeHaShtach: Tmunat Matzav beChevra HaAravit beTzel HaMilchama beHeibetim chevratyim-ezrachiyim u'Psichologiyim - ad 2023.11.23, doach sikra rishonit. [Voices from the Field: Snapshot of the Arab Society Amidst the War: Social-Civil and Psychological Aspects - Until November 23, 2023. Preliminary Review Report]. Shalom Hartman Institute, The Center for Shared Society, 2023.

^d Abu Bakr, Hussam, and Ayman Seif. *HaHashpa'ot HaMiyadaiot shel HaLachima al ovdim meHaChavera HaAravit, Skirat Matzav HaChavera HaAravit baShuk HaAvoda lifnei protz HaMilchama veHaHashpa'ot haEfshariyot akharei'a*. [The immediate impacts of the war on workers from Arab society: Review of the status of the Arab community in the job market before the war outbreak and the potential impacts thereafter]. Alfanar, 2023.

^e ibid.