

# Self Employed Workers in Israel

1983, 1995, 2008

Shlomo Swirski and Ariane Ophir

November 2014

P.O. Box 36529, Tel Aviv 6136400

Telephone: 972-3-5608871

Fax: 972-3-5602205

www.adva.org

Barbara@adva.org

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# Executive Summary

The following report examines the changes that took place over the last generation among the population of Israeli workers defined as “self-employed,” based on the censuses conducted by the Central Bureau of Statistics (hereinafter: CBS) in the years 1983, 1995 and 2008.

Research on self-employed workers usually classifies them according to the standard occupational categories common in workforce statistics: a breakdown into professional and administrative occupations, skilled occupations and unskilled occupations.

We chose to classify self-employed workers under two different categories, according to the type of service they provide: corporate and public services or neighborhood and home services. This classification reflects an internal stratification among self-employed workers.

1. The percentage of self-employed workers in the workforce did not change significantly between the three censuses: 12.9% in 1983, 13.0% in 1995 and 13.4% in 2008;
2. However, the number of self-employed women multiplied by 4.7 over the same period, from approximately 20,000 in 1983 to approximately 93,000 in 2008; their percentage among the self-employed doubled, from 15.7% to 29.4%; and their share among all women in the workforce grew from 5.5% to 8.5%;
3. In 2008, the majority of self-employed women (41.9%) had a high level of education (college degree) or a medium level of education – high school education + non-academic degree (38.9%). In contrast, most self-employed men had a medium level of education (32.9%) or a low level of education – up to 12 years of schooling without matriculation (38.3%);
4. The highest rate of self-employed workers was registered among first and second generation Ashkenazi Jews: in 2008, 16.4% and 16.7%, respectively, compared with 13.0% and 11.3% in 1983. A high rate of self-employed workers was also registered among Arabs: approximately 16% throughout this entire period. The lowest rate was registered among immigrants from the former USSR: 6.1% in 2008.
5. The most significant change that took place over the period is the transition from a dominance of self-employed workers providing neighborhood and home services (67.6% of all self-employed workers in 1983, compared with 47.5% in 2008) to self-employed workers providing corporate and public services (52.5% in 2008, compared with 32.4% of all self-employed workers in 1983).
6. In 2008, among self-employed men, about half provided corporate and public services and the other half – neighborhood and home services; among self-employed women, approximately 60% provided corporate and public services.
7. There are self-employed occupations that are distinctly female (i.e. have a large majority of women), first and foremost care providers (89%), beauticians and hairdressers (75%) and cleaners (72%). Parallel to those, there are self-employed occupations that are completely male, first and foremost electricians (100%), operators of excavation, road-building and lifting equipment (100%), and plumbers (100%). There are only five occupations in which men and women are equally represented: academics in the field of humanities, journalists, accountants, physicians/pharmacists and veterinarians;
8. Working in corporate and public services was common (in 2008) particularly among first and second generation

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Ashkenazim and among Jews who are third generation in Israel – 65.2%, 72.2% and 67.8%, respectively. By contrast, neighborhood and home services were particularly common among Arabs, first generation Mizrahim and immigrants from the former USSR – 67.7%, 62.5% and 59.1%, respectively;

9. In 2008, second generation Mizrahim and Arabs constituted more than half the workers in those occupations: mechanics (30.6% of mechanics were Arabs and 28.8% were second generation Mizrahim), construction (28.8% and 31.9%, respectively), sales (24.9% and 26.9%, respectively) and drivers (22.9% and 34.7%, respectively);

In the field of hairdressing and beauty treatments, immigrants from the former USSR were prominent – 21.2% of the workers in this field. The most dominant group in this field are second generation Mizrahim – 31.9% of the workers in the field;

Insurance services, real estate and legal services are employment areas of second generation (Ashkenazi and Mizrahi) Jews, with Mizrahim leading the field of insurance, real estate and travel (27.3%, compared with 24.7%) and Ashkenazim leading the field of legal services (28.7%, compared with 19.5%);

10. In 2008, most of the self-employed – 65.3% – worked alone, without employing others. 18.8% employed 1-2 salaried workers and 15.9% employed 3 salaried workers or more;
11. The rate of men employing others (40.5% of all self-employed men in 2008) is higher than that of women employing others (20.9%). 79.2% of self-employed women worked alone;
12. The share of self-employed persons in the workforce significantly increases after the age of 70. In 2008, there were 13,316 self-employed persons over the age of 70, and they constituted 35.3% of persons aged 70-74 in the workforce, 46.3% of persons aged 75-79 and 48.9% of persons aged 80 and more. Moreover, the rate of workforce participation of self-employed persons aged 70 and more has risen over the years;
13. In 2008, most of the self-employed who were active after the age of 70 were men – 82.8%. Most of them belonged to three ethnic origin groups: first generation Ashkenazim (35.2%), first generation Mizrahim (27.9%) and second generation Ashkenazim (22.1%); 59.5% of them worked in the large cities that are part of “Forum 15” (comprising 15 of Israel’s cities that do not receive special financial aid from the government). Most of them worked in corporate and public services.
14. In each of the three censuses we used for the purpose of this report, the income data of all employed persons,

including self-employed, was, of course, gathered. However, we chose not to discuss income in the framework of this document, due to the fact that a survey conducted by the CBS indicated that self-reported income data among the self-employed is tainted with severe reliability problems, “as naturally it is more difficult for them to report their income, and their non-response rates to the income question are high compared with those of salaried workers”;

However, we find it worth noting that existing data indicates that the income of most self-employed workers is lower than that of most salaried workers: The average income of self-employed workers (aged 25-69) in 2008 was approximately NIS 7,000, which is lower than the average wage of salaried workers for that year – NIS 9,564. The median income of self-employed workers in this age group was NIS 5,100, compared with NIS 6,700 for salaried workers (all figures are nominal for 2008);

15. One of the conclusions derived from this report is that the category of “self-employed” does not contribute to the understanding of historical political-economic processes. For example, the period reviewed by the three censuses – 1983, 1995 and 2008 – is characterized by movement from an economy that is largely guided by the state to a market economy, a movement that commenced with Israel’s Emergency Economic Stabilization Plan in 1985. This is the period in which family-owned business groups first became prominent in Israel, and the period of privatization of government high-tech defence enterprises and the proliferation of the start-up phenomenon. It is also the period in which what is currently known as “the top one percentile” was formed. Due to the fact that the term “self-employed” is associated with entrepreneurship, it would have been expected that the data on self-employed persons would reflect this political-economic transformation, but this expectation was proven wrong. The main reason for that is the fact that the category “self-employed” is chiefly a taxation category rather than a sociological or political-economic category. While most of the self-employed are not at all entrepreneurs, a large part – if not a majority – of entrepreneurs who fit the common image are salaried employees, or more accurately “employees who are holders of controlling interests.”
16. A main practical recommendation that emerges from this document is to merge self-employed workers – certainly those working alone, but possibly also those who employ no more than 1-2 workers – with the population of salaried workers. If we add this group of self-employed to the population of salaried employees – which is currently some 87% of workers in the market – we will have pooled data concerning approximately 98% of persons in the labor market.
17. The distinction between salaried and self-employed workers carries with it considerable disadvantages for a majority of self-employed persons. For example, self-employed workers are required to contribute from their income to a pension fund (if they have one) and to the National Insurance Institute not only the share of salary contributed by salaried workers, but also the share of salary contributed by the employer on behalf of salaried workers. Most of the self-employed, whose income is low, find it difficult to make these contributions. At the same time, they are not entitled to unemployment compensation and other benefits to which salaried workers are entitled, including sick leave, annual vacation leave, convalescence pay and severance pay. Abolishing the sweeping distinction between salaried workers and self-employed workers could lead to acknowledgment of their disadvantages and consequently to an improvement in the situation of many of them.

# Introduction

The following report examines the changes that took place over the last generation among the population of self-employed workers in Israel, based on the censuses conducted by the Central Bureau of Statistics (hereinafter: CBS) in the years 1983, 1995 and 2008. The report reviews the demographic and occupational characteristics of self-employed workers.

Most of the routine data used in discourse on the workforce and the labor market, in Israel as in other countries, refers to salaried workers. The reasoning behind this practice is that the vast majority of workers are salaried workers. However, the self-employed population is not negligible: In each of the three censuses, they constituted approximately 13% of the workforce.

Who are the self-employed? The assumption suggested by the very term (in Hebrew: “independents”) is that these are people with unique characteristics – individuals with initiative, courage and an independent spirit, who cannot tolerate the discipline and routine connected with being employed by others. However, this image is suitable for only a small minority of the self-employed. In reality, many of the entrepreneurs that best fit the image, if not most of them, are actually holders of controlling interests who receive a salary from the corporation and are therefore counted among the population of salaried workers.<sup>1</sup>

The professional literature offers two approaches to research on the self-employed population.<sup>2</sup> The first regards them as a category of the workforce, when the primary difference between them and salaried workers is the identity of the benefit payer (the employer or the employee himself). The second approach regards the self-employed as a category of the business sector, under the title “small businesses”; this is the approach that conforms to the perception of self-employed workers as entrepreneurs. The data provided by the population censuses about the self-employed does not enable an analysis of them as “small business” owners. Such an analysis can only be conducted on the basis of specific surveys<sup>3</sup> or on the basis of the business register and income tax files (self-employed).

The following study relies on the data of the population census, and it therefore views the self-employed as a category of the workforce. Such a view corresponds with the fact that the majority of self-employed workers do not fit the image of daring entrepreneurs: Approximately two-thirds of them do not employ anyone, and among those who do employ others – the majority employ only one or two persons. Overall, some 85% of the self-employed work alone or employ only one or two persons.

1 The income of “holders of controlling interest” is the overall income received and reported by these individuals. This income includes salary, dividend and income from other sources. The data published by the State Revenue Administration does not distinguish between the self-employed and the “holders of controlling interest.” The State Revenue Administration informed us that they will attempt to make this distinction in their next annual report.

2 Patricia A. McManus, “Women’s Participation in Self-Employment in Western Industrialized Nations,” *International Journal of Sociology* 31(2) (2001): 70-97.

3 See: Small and Medium Businesses Agency, *Periodical Situation Report on Small and Medium Businesses in Israel* [Hebrew], Ministry of Economy (July 2013).

# Self-Employed Workers

The population examined in this study includes self-employed workers living in localities of 2,000 residents or more. This population does not include members of kibbutzim or co-ops.<sup>4</sup>

## Categorization of the Self-Employed

Most of the research examining the population of the self-employed as a category of the workforce uses the classification of professions that is accepted in workforce statistics. For example, Yossi Shavit and Ephraim Yuchtman-Yaar chose the accepted classification into three categories, based on the level of expertise and education: professional and administrative workers, skilled workers and unskilled workers.<sup>5</sup>

We chose a different classification, one that is based on the area of service provided by the self-employed. For a long time after the Industrial Revolution, most of self-employed persons worked in production, whether they were farmers or small manufacturers. Today, most of the self-employed are service providers.<sup>6</sup> But instead of relying on the type of service, which would take us back to the accepted classification of occupations, we chose to classify them according to the target of the service, as follows:

**A. Self-employed workers serving public or corporate bodies:** These include professionals – lawyers, accountants and physicians – as well as economists and teachers. Most of them serve corporations or work in the frame of outsourcing for public bodies, including the central government and local authorities.

Among this group, we differentiate between two groups, based on the occupations of their members:

- Self-employed workers who provide professional and/or administrative services, such as physicians, accountants, lawyers, architects, designers and the like.
- Self-employed workers who provide technical, engineering or clerical services, such as computer technicians, electrical engineers, operators of medical equipment and so on.

**B. Self-employed workers serving households and/or providing neighborhood services:** These include skilled workers employed in the maintenance of houses and infrastructure, such as electricians and plumbers, as well as skilled workers providing personal services, including beauticians, hairdressers and the like.

As will be seen below, this classification of self-employed persons generates a wealth of information. Furthermore, this information conforms with data that we recognize from the population of salaried workers, including data on gender, ethnic origin, education and place of residence.

<sup>4</sup> The data we will discuss does not include holders of controlling interests, which in many countries are defined as self-employed persons, but in Israel are defined by the CBS as salaried employees. Shlomit Dror Cohen, *Enquiry of the Self-Employed and Their Income in Surveys* [Hebrew], Central Bureau of Statistics – Working Papers Series, Working Paper No. 34 (2008).

<sup>5</sup> Yossi Shavit and Ephraim Yuchtman-Yaar, “Ethnicity, Education, and Other Determinants of Self-Employment in Israel,” *International Journal of Sociology* 31(1) (2001): 59-91. See also: Ronit Nadiv and Sigal Shelach, *A Portrait of the Self-Employed and Characteristics of Their Employment 1970-2001* [Hebrew], Ministry of Trade, Commerce and Employment – Authority for Human Resources Planning (2002).

<sup>6</sup> Nadiv and Shelach 2002 (*supra* note 5).



## The Age Range

While the workforce data published by the CBS refers to ages 15 and above, we chose to focus on ages 25 to 69. This, because the rate of self-employment among younger ages is low and because the age of 69 is close to the official retirement age of salaried workers – 67.

However, we chose to also separately present data on self-employed workers aged 70 or more, who constitute a significant portion – 38% – of workforce participants in that age group.

# Demographic Data

## Self-Employed Workers: Their Number and Share in the Workforce

In 2008, self-employed workers constituted 13.4% of the workforce in Israel comprised of salaried and self-employed workers aged 25-69. This figure exhibits a high level of stability: In 1983 the rate was 12.9% and in 1995 – 13%.<sup>7</sup>

In absolute numbers, the figures are: 126,695; 176,200; and 317,025, respectively.

### The Rate of Self-Employment in the Workforce: 1983, 1995, 2008

As a percentage of the workforce

	1983	1995	2008
Self-employment as a percentage of the workforce	12.9%	13.0%	13.4%
The numbers of self-employed workers	126,695	176,200	317,025

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

<sup>7</sup> These rates do not deviate from those of industrialized countries in Western Europe. See: OECD, *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing (2013). In 2008, the average rate of self-employment in the workforce in OECD countries was 15.9%.

# Self-Employed Workers, by Age

The rate of self-employment increases with age. The lowest rate registered, in all three censuses, was among 25-29 year-olds – 6.3%-7.6%. After that, the rate increases to 14%-16% among 40-44 year-olds; this rate remains stable until the age of 55. Then there is an increase, up to the point at which the self-employed constitute a quarter or more of workforce participants aged 65-69. As will be seen below, beyond the age of 70 the rate of self-employment increases even further. These trends probably reflect the fact that at age 55 and above, and particularly after the age of 65, a large portion of salaried workers choose or are forced to retire, which raises the rate of the self-employed in the workforce.

## Self-Employment in the Workforce, by Age: 1983, 1995, 2008

As a percentage of the age group

	1983	1995	2008
25-29	7.4	7.6	6.3
30-34	11.3	11.3	10.7
35-39	13.3	13.3	13.8
40-44	14.9	14.2	15.7
45-49	14.8	14.0	15.3
50-54	14.7	15.7	15.2
55-59	14.3	14.4	16.3
60-64	17.1	18.2	17.8
65-69	23.6	25.9	26.7

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

# Self-Employed Workers, by Gender

The majority of self-employed workers are men, but the rate of women is rising. This phenomenon has also been identified in many other western countries.<sup>8</sup> It conforms, on one hand, with the smaller diversity of occupations among women (see table on p. 21 below); and on the other hand, with the rise in higher education among women. In 1983, only 5.5% of women in the workforce were self-employed; in 1995 the rate grew to 6.4% and in 2008 – to 8.5%. This, whereas the rate of self-employment among men in the workforce remained stable over the years: 17.1%, 18.1% and 17.7%, respectively.

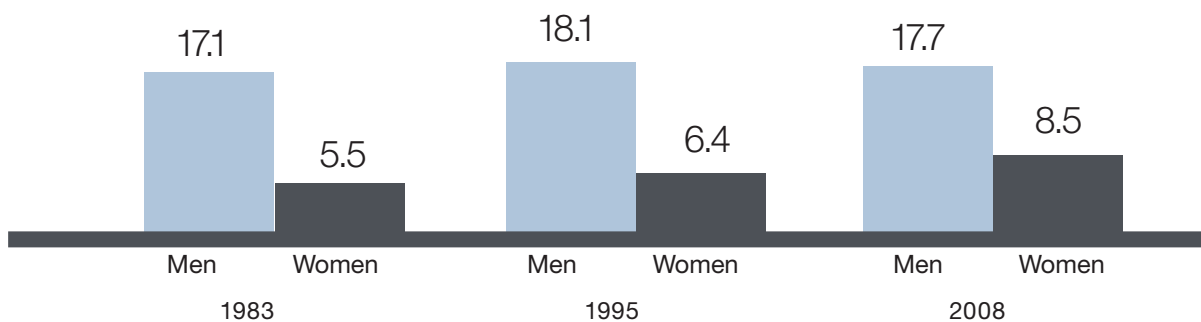
The growth in the population of self-employed women is apparent in data on specific occupations. For example, the rate of self-employed men in the fields of economics, psychology and accounting increased between 1983 and 2008 by 5.8% – whereas the rate of women increased by 27.3%; among journalists and workers in the fields of arts and sports, the corresponding rates were 3.7% and 7.8%, respectively; among physicians, pharmacists and veterinarians – 2.7% and 5.4%; among lawyers – 2.8% and 9.0%; and among insurance, real estate and travel agents – 2.1% and 5.9% (see Appendix 1).

The primary factor behind the growth in the percentage of self-employed women in the workforce is the growth in the number of women with higher education. As is well known, the expansion of higher education is also a primary factor in the growing rate of women’s participation in the general workforce.

The share of women among the self-employed has nearly doubled between 1983 (15.7%) and 2008 (29.4%). In absolute numbers, the number of self-employed women increased from 19,870 in 1983, to 37,185 in 1995 and 93,348 in 2008. Among men, the corresponding figures are 106,825, 139,015 and 223,678.

## Self-Employment in the Workforce by Gender: 1983, 1995, 2008

As a percentage of men and women in the workforce



Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

## Self-Employment by Gender: 1983, 1995, 2008, In absolute numbers

	1983	1995	2008
Men	106,825	139,015	223,678
Women	19,870	37,185	93,348

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

<sup>8</sup> McManus 2001 (*supra* note 2). On gender differences among the self-employed from the perspective of small businesses, see: Ayala Malach-Pines and Dafna Schwartz, “Men and Women Small Business Owners in Israel,” *Equality, Diversity and Inclusion: An International Journal* 25(4) (2006): 311-326.

# Self-Employed Workers, by Ethnic Origin

In 2008, the highest rates of self-employment were registered among first and second generation Ashkenazim – 16.7% and 16.4%, respectively. The highest growth rates were also registered among these two groups. As will be seen below, the factors behind these numbers are a rise in higher education and a transition from neighborhood/home services to public/corporate services.

An increase in the rate of self-employment was also registered among second generation Mizrahim – from 10.9% in 1983 to 12.8% in 1995 and 14.0% in 2008. Third generation Jews – Jewish Israelis whose fathers were also born in Israel – tend less towards self-employment: The rate of self-employed workers among them has slightly decreased over the years, from 13.8% in 1983 to 12.9% in 2008.

A high rate of self-employment – 16.1% in 2008 – was registered among Arabs; this rate remained stable over the years. Whereas the high rate of self-employment among Ashkenazim reflects the expansion of higher education and the growing demand for corporate and public services in the framework of outsourcing (see the section “Self-Employed Workers, by Ethnic Origin and Type of Service” below), the high rate of self-employment among Arabs most likely reflects the limited corporate and public employment opportunities that are open to them in their places of residence.<sup>9</sup>

In 2008, the lowest rate of self-employment was registered among immigrants from the former USSR – 6.1%.

## Self-Employment by Ethnic Origin and Rate of Self-Employment in the Workforce: 1983, 1995, 2008

As a percentage of the origin group, in descending order in 2008

	1983	1995	2008
Second Generation Ashkenazim	11.3	14.2	16.7
First Generation Ashkenazim	13.0	13.7	16.4
Arabs	16.3	17.3	16.1
First Generation Mizrahim	13.3	15.5	15.7
Second Generation Mizrahim	10.9	12.8	14.0
Third Generation Jews	13.8	13.5	12.9
Immigrants from Former USSR	--	4.0	6.1
<b>Rate of Self-Employment in the Workforce</b>	<b>12.9</b>	<b>13.0</b>	<b>13.4</b>

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

<sup>9</sup> For a review of the situation of self-employed Arab women, see: Sibylle Heilbrunn and Khaled Mohammed Abu-Asbah, “Disadvantaged and Embedded: Arab Women Entrepreneurs in Israel,” *International Journal of Business and Social Science* 2(11) (2011): 45-55.

# Self-Employed Workers, by Education

The highest rate of self-employment was registered among workforce participants with a low level of education. This rate remained stable throughout the censuses: 15.4%, 15.9% and 15.7%.

Among workers with mid-level or higher education, by contrast, the rate of self-employment is lower but has risen since 1983 – a growth of 30% among those with mid-level education and 26.5% among those with higher education. This dynamic reflects, on the one hand, an increase in the level of education of the general population, and, on the other hand, the changes that took place in the workforce, first and foremost the expansion of the corporate economy and with it the demand for corporate services.

The growth in the share of persons with higher education reflects, inter alia, the growth in the share of women with higher education, who in 2008 constituted 41.9% of all self-employed women, while only 19.2% of self-employed women had a low level of education. In contrast, among self-employed men, 38.3% had a low level of education.

## Self-Employment by Education: 1983, 1995, 2008

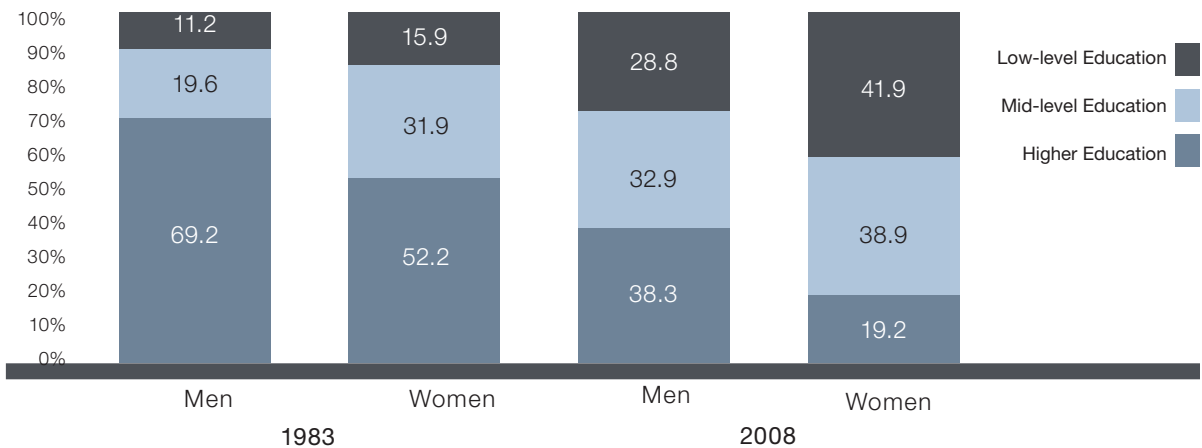
As a percentage of the level of education group

	1983	1995	2008
Low-level Education	15.4	15.9	15.7
Mid-level Education	9.8	11.1	12.7
Higher Education	9.8	10.5	12.4
<b>Rate of Self-Employment in the Workforce</b>	<b>12.9</b>	<b>13.0</b>	<b>13.4</b>

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

## Self-Employment by Gender and Education: 1983, 2008

As a percentage of the gender group



Source: Adva Center analysis based on CBS population censuses for 1983, 2008..

# Self-Employed Workers, by District

In most of Israel's districts, the share of the self-employed in the workforce is quite similar – around 13%, with two divergent districts. The first is the Tel Aviv district, where the share of self-employed workers in 2008 was 16.4%, a figure that reflects the fact that this district is Israel's business center. This is manifested in the particularly high rate of providers of public/corporate services in this district – 61.5%. The second divergent district is the southern district, where the lowest rate of self-employment was registered – 9.2%. It should be noted that the southern district is characterized by heavy industries, the headquarters of which are situated in Tel Aviv, and this is probably where the self-employed workers who provide them corporate services are located. A concrete manifestation of this can be seen in the fact that the southern district has a low rate of self-employed workers providing public/corporate services – 41.5% in 2008 – with only the northern district below it with a rate of 37.6%.

## Self-Employment by District: 1983, 2008

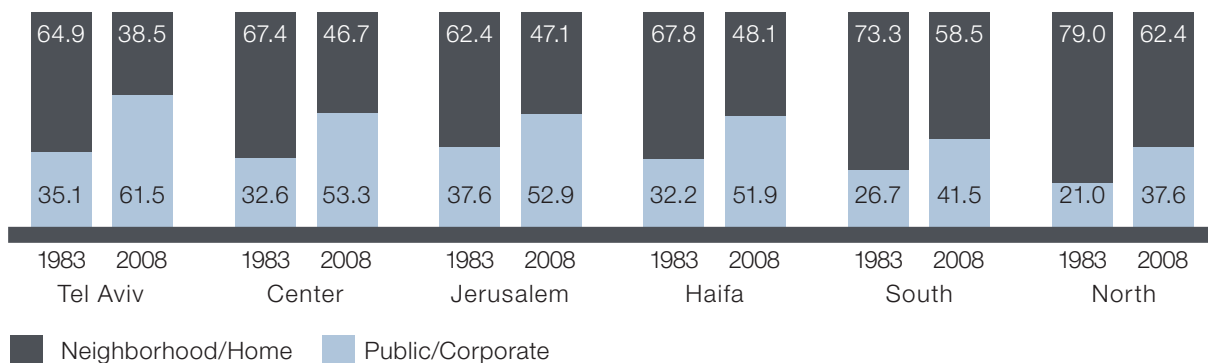
As a percentage of the district, in the workforce, in descending order in 2008

	1983	2008
Tel Aviv	15.5	16.4
Jerusalem	11.7	13.9
Center	12.3	13.5
North	12.7	13.1
Judea and Samaria	--	12.6
Haifa	11.3	12.3
South	9.7	9.2
<b>Rate of Self-Employment in the Workforce</b>	<b>12.9</b>	<b>13.4</b>

Source: Adva Center analysis based on CBS population censuses for 1983, 2008.

## Self-Employment by District and Service Area: 1983, 2008

As a percentage of the district, in descending order of corporate/public in 2008



Source: Adva Center analysis based on CBS population censuses for 1983, 2008.

# Self-Employed Workers, by Locality Type

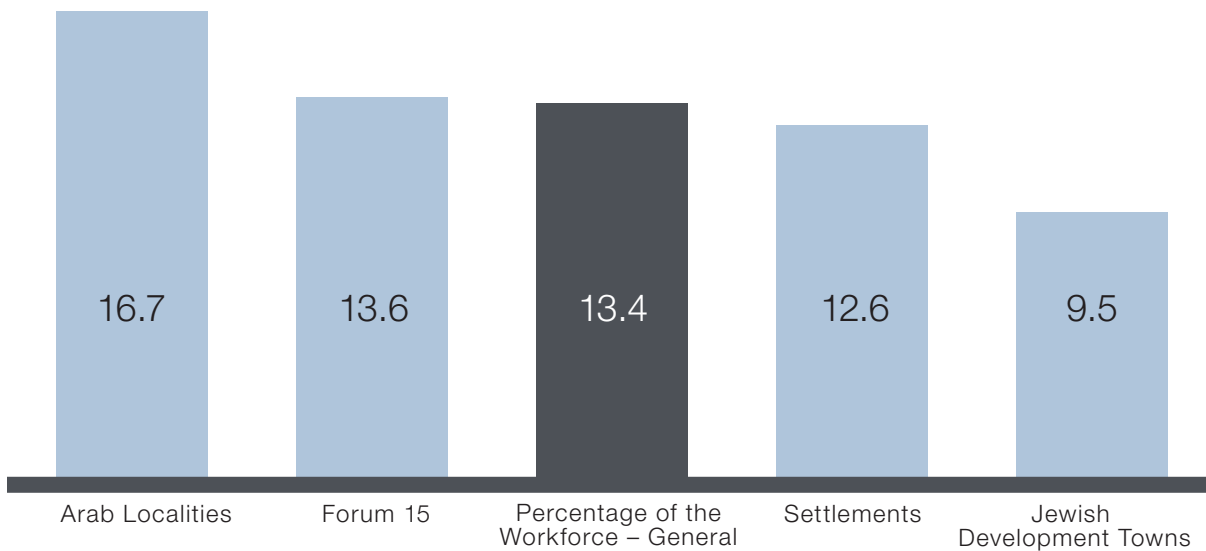
In the majority of Adva Center publications, we focus on four groups of localities with unique characteristics: “Forum 15” cities, which are the most affluent in Israel; Arab localities, which are situated at the bottom of the ladder on many of the indexes; Jewish development towns, which previously reflected the situation of the majority of Mizrahim and currently also include immigrants from the former USSR; and Jewish settlements in the occupied Palestinian territories, which are known as localities that have been granted preference by the government over the years. We find that the focus on these four groups of localities reveals interesting information concerning numerous social and economic issues.

The highest rate of self-employment is found in the Arab localities – 16.7%. As noted above, this reflects the relatively low presence of business corporations and government offices in Arab localities. The rate of self-employed Arabs who provide public/corporate services is the lowest among all ethnic origin groups (see below). In Arab localities, rather than large employers there are found small employers or providers of single services.

The Jewish development towns are characterized by the lowest rate of self-employment. Contrary to the Arab localities, development towns enjoy industrial and commerce zones, but a significant portion of the industries situated in these localities belongs to corporations with headquarters in Tel Aviv and its environs, and this is where they employ their professional and administrative service providers. As demonstrated in the previous section, the lowest rates of self-employed workers providing professional/administrative services were registered in the southern and northern districts, where most of the development towns are located (alongside Arab localities, which, as noted above, include a small number of self-employed workers providing professional/administrative services).

## Self-Employment in the Workforce by Type of Locality: 2008

As a percentage of the workforce in the locality type



Source: Adva Center analysis based on the CBS population census for 2008.



# Self-Employed Workers, by Service Category

The primary change registered among the self-employed over the last generation is the transition from a majority of home and neighborhood service providers to a majority of public and corporate service providers.

This change reflects the growth in corporate activity in Israel, and with it the extent of outsourcing of corporate and government activity. This growth, for its own part, was enabled due to the expansion of higher education in Israel, and with it the growing numbers of individuals with professions.

Between 1983 and 2008, a continuous growth was registered in the rate of self-employed workers providing services to public and corporate institutions. At the same time, the rate of self-employed workers providing neighborhood and home services decreased from 67.6% to 57.5% and 47.5%, respectively.

Among the providers of public/corporate services, the share of professionals and administrators grew from 80.1% in 1983 to 85.7% in 2008. In absolute numbers, this is a growth from 28,870 in 1983 to 52,805 in 1995 and 134,599 in 2008.

While the number of public/corporate service providers increased 4.7-fold between 1983 and 2008, the number of technical service providers increased by only 3.1-fold and the number of neighborhood/home service providers by only 1.9-fold.

## Self-Employment by Service Category: 1983, 1995, 2008

As a percentage of the self-employed and in absolute numbers

	Percentage			Absolute Numbers		
	1983	1995	2008	1983	1995	2008
<b>Public/Corporate Services</b>	32.4	42.5	52.5	36,030	66,375	157,149
Of those:						
Professional-Administrative Occupations	80.1	79.6	85.7	28,870	52,805	134,599
Technical Occupations	19.9	20.4	14.3	7,160	13,570	22,550
<b>Neighborhood/Home Services</b>	67.6	57.5	47.5	75,040	89,650	141,976
<b>Total Self-Employed</b>	100%	100%	100%	111,070	156,025	299,124

**Note:** There is no correspondence between the total number of self-employed workers according to the classification of occupations in this table and the total number of self-employed workers in the population, due to cases in which the occupation was unknown and due to the exclusion of occupations in which the number of cases was small.  
**Source:** Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

# Self-Employed Workers, by Service Category and Age

The changes in the share of the two categories of self-employed persons were registered in all age groups.

In 1983, most of the self-employed in all age groups provided neighborhood and home services (63.4%-72.3%), whereas those who provided services to public and corporate institutions constituted only about a third of all self-employed workers.

In 2008, by contrast, self-employed workers who provided public/corporate services constituted, in all age groups, a little over 50%, whereas the share of those providing neighborhood/home services diminished to a little less than 50%.

## Self-Employment by Service Category and Age: 1983, 1995, 2008

As a percentage of the age group

	1983		1995		2008	
	Public/ Corporate Services	Neighborhood/ Home Services	Public/ Corporate Services	Neighborhood/ Home Services	Public/ Corporate Services	Neighborhood/ Home Services
25-29	30.9	69.1	36.5	63.5	52.1	47.9
30-34	34.0	66.0	41.2	58.8	55.2	44.8
35-39	36.6	63.4	42.5	57.5	52.5	47.5
40-44	32.2	67.8	43.6	56.4	50.1	49.9
45-49	31.4	68.6	45.9	54.1	51.3	48.7
50-54	30.7	69.3	43.6	56.4	50.9	49.1
55-59	30.7	69.3	40.9	59.1	53.6	46.4
60-64	27.7	72.3	40.3	59.7	54.9	45.1
65-69	34.7	65.3	48.1	51.9	55.2	44.8

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

# Self-Employed Workers, by Service Category and Gender

The historical change in the type of service provision of self-employed workers is apparent among both men and women: an increase in services to public and corporate institutions and decrease in provision of neighborhood and home services.

In all three censuses, the highest representation of women was registered in professional-administrative occupations: 87.6%, 84.5% and 90.1%, respectively. In absolute numbers, they multiplied by 7.6, from 6,310 women in 1983 to 48,023 in 2008.

The share of women providing neighborhood and home services decreased over the years, but their absolute number grew significantly – from 10,405 to 36,520. In 2008, 33.8% of these women were beauticians and hairdressers, 23.1% were salespersons, 16.1% were care providers and 10.6% were cleaners (see table on p. 20).

## Self-Employment by Service Category and Gender: 1983, 1995, 2008

As a percentage of the gender group

		Percentage			Absolute Numbers		
		1983	1995	2008	1983	1995	2008
<b>Public/Corporate Services</b>	Men	30.8	40.5	49.6	28,825	49,385	103,831
	Women	40.9	50.0	59.3	7,205	16,990	53,317
Of those:							
Professional-Administrative Occupations	Men	78.3	77.9	83.4	22,560	38,455	86,576
	Women	87.6	84.5	90.1	6,310	14,350	48,023
Technical Occupations	Men	21.7	22.1	16.6	6,265	10,930	17,255
	Women	12.4	15.5	9.9	895	2,640	5,295
<b>Neighborhood/Home Services</b>	Men	69.2	59.5	50.4	64,635	72,670	105,455
	Women	59.1	50.0	40.7	10,405	16,980	36,520

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

# Female Occupations, Male Occupations and Occupations with Equal Gender Representation

The two tables below provide a gender perspective on the occupations of the self-employed.

The first table presents the occupations common among men and those common among women. Approximately 10% of self-employed men work as salespersons and approximately 10% more work as drivers. The remainder of the men work in a large number of other occupations. Among women, there are four occupational categories that account each for approximately 10% of self-employed women: beauticians and hairdressers, journalists and art workers, teachers in elementary schools, and salespersons. The fact that there are four occupational categories accounting each for approximately 10% of self-employed women means that there is a greater concentration of women in a smaller number of occupations than is the case among self-employed men. Generally speaking, in 2008, 74% of men were concentrated in 17 occupations, while a similar rate of women were concentrated in 11 occupations.<sup>10</sup>

The second table provides an outlook on selected occupations from the perspective of their gender definition – “female occupations” vis-à-vis “male occupations.” The table distinguishes between occupations in which the majority of workers – 60% or more – are women, occupations in which the majority of workers are men, and occupations in which the share of women is similar to that of men. This table can also be seen as a manifestation of the greater variety of occupations that are open to men.

Women constitute a majority among the self-employed working as caregivers, beauticians, hairdressers, cleaners, teachers and auxiliary health professionals.

Men constitute a majority among blue-collar workers: plumbers, operators of mechanical equipment, electricians, construction workers, mechanics and carpenters. At the same time, they are also a majority among many professional occupations: lawyers, various types of managers, engineers and architects, chemists and physicists, economists and more.

There are only five occupations in which men and women are equally represented: academics in the field of humanities, journalists, accountants, physicians/ pharmacists and veterinarians.

<sup>10</sup> On the concentration of women in a smaller number of occupations, see also: Yael Hasson and Noga Dagan-Buzaglo, *Occupational Separation and Wage Gaps Between Men and Women* [Hebrew], Adva Center (2014).

## Common Occupations among the Self-Employed: 2008

As a percentage of the self-employed

men		Women	
Occupation	%	Occupation	%
Salespersons	9.7	Beauticians, hairdressers, etc.	13.2
Drivers	9.3	Journalists and workers in the fields of arts and sports	10.9
Other types of managers	6.7	Teachers in elementary schools	9.7
Construction workers	5.2	Salespersons	9.0
Lawyers	4.6	Care providers	6.3
Journalists and workers in the fields of arts and sports	4.6	Economists, psychologists and accountants	5.8
Wholesalers	4.5	Physicians, pharmacists and veterinarians	4.9
Insurance, real estate and travel agents	4.1		
Economists, psychologists and accountants	3.9		
Electricians	3.8		
General managers	3.7		

Source: Adva Center analysis based on the CBS population census for 2008.

## Self-Employment by Gender and Selected Occupations: 2008

As a percentage of the occupation, in descending order of the rate of women

	Percentage of Men	Percentage of Women
Care providers	11%	89%
Beauticians and hairdressers	25%	75%
Cleaners	28%	72%
Teachers in elementary schools and kindergartens and social counsellors	32%	68%
Secretaries	34%	66%
Tailors	36%	64%
Teachers in high schools and tertiary institutions	40%	60%
Medical lab workers, nurses and other auxiliary health professionals	40%	60%
Academics in the humanities	42%	58%
Journalists and workers in the fields of arts and sports	50%	50%
Bookkeepers	51%	49%
Other clerical workers	52%	48%
Physicians, pharmacists and veterinarians	56%	44%
Economists, psychologists, accountants, etc.	62%	38%
Assembling and installing precision instruments, jewellers	67%	33%
Senior managers	70%	30%
Tour guides and stewards/stewardesses	70%	30%
Salespersons	72%	28%
Manufacturers of food, drinks and tobacco	74%	26%
Insurance, real estate and travel	75%	25%
Engineers and architects	77%	23%
Lawyers	77%	23%
Chemists, physicists, mathematicians, etc.	81%	19%
Printers	81%	19%
Engineers and technicians – electrics, electronics and machinery, etc.	82%	18%
Hotel and restaurant services	82%	18%
Wholesalers and agents – trade services	84%	16%
Operators of communication or medical equipment, photographers	86%	14%
Computer engineers or technicians	87%	13%

	Percentage of Men	Percentage of Women
Other managers	87%	13%
Engineers or technicians in civil engineering	89%	11%
General managers	94%	6%
Agriculturists	94%	6%
House painters	97%	(3%)
Woodworkers and carpenters	98%	(2%)
Drivers	98%	2%
Car mechanics, welders, etc.	99%	(1%)
Machinists	99%	(1%)
Construction workers	99%	(1%)
Electricians	100%	--
Operators of excavation, road-building and lifting equipment	100%	--
Plumbers	100%	--

Source: Adva Center analysis based on the CBS population census for 2008.

# Self-Employed Workers, by Service Category and Education

In 1983, a vast majority (80.4%) of the self-employed workers who provided neighborhood/home services had a low level of education. This rate decreased, and in 2008 it stood at 51.5%.

By contrast, among the self-employed workers who provide public/corporate services, the rate of those with a high level of education, which had been relatively high already in 1983, further increased over the years: in 2008 it stood at 53.2%.

Among the self-employed workers who provide public/corporate services, the majority of those with a low or intermediate level of education provide technical services: In 1983, they constituted approximately 95% of technical services providers, in 1995 – approximately 88% and in 2008 – approximately 76%, an indication of a general improvement in the level of education of the population.

## Self-Employment by Service Category and Education: 1983, 1995, 2008

As a percentage of the service area

	1983			1995			2008		
	Low	Intermediate	High	Low	Intermediate	High	Low	Intermediate	High
<b>Public/Corporate Services</b>	<b>36.1</b>	<b>30.5</b>	<b>33.4</b>	<b>27.1</b>	<b>31.9</b>	<b>40.9</b>	<b>14.9</b>	<b>31.9</b>	<b>53.2</b>
Of those:									
Professional-Administrative Occupations	28.5	31.4	40.1	20.9	30.6	48.4	12.4	29.4	58.1
Technical Occupations	67.9	26.7	5.4	51.3	36.8	11.8	29.7	46.5	23.9
<b>Neighborhood/Home Services</b>	<b>80.4</b>	<b>17.4</b>	<b>2.2</b>	<b>69.9</b>	<b>24.8</b>	<b>5.2</b>	<b>51.5</b>	<b>37.9</b>	<b>10.6</b>

Source: Adva Center analysis, based on CBS population censuses for 1983, 1995, 2008.



# Self-Employed Workers, by Service Category and Ethnic Origin

Self-employed Ashkenazim concentrate mainly in public/corporate services, while self-employed Mizrahim and Arabs concentrate mainly in neighborhood/home services.

Neighborhood/home services were, and still are, distinct occupation areas of first generation Mizrahim and Arabs, at very similar rates that are gradually decreasing: In 1983, 81.9% of self-employed Mizrahim and 80.5% of self-employed Arabs; in 1995, 73.1% and 74.4%, respectively; and in 2008, 62.5% and 67.7%, respectively.

In 2008, approximately two-thirds of self-employed Arabs and first generation Mizrahim still worked in neighborhood/home services. In the same year, high rates of self-employed workers providing neighborhood/home services were also registered among second generation Mizrahim – 55.6% - and immigrants from the former USSR – 59.1%.

By contrast, among second generation Ashkenazim, third generation Jews and first generation Ashkenazim there was a high rate of self-employed workers providing services to public and corporate institutions – 72.2%, 67.8% and 65.2%, respectively. Among second generation Mizrahim, the rate of those providing neighborhood and home services (55.6%) was higher than the rate of self-employed workers providing services to public and corporate institutions (44.4%).

## Self-Employment by Service Category and Ethnic Origin: 1983, 1995, 2008

	1983		1995		2008	
	Corporate/ Public Services	Neighborhood/ Home Services	Corporate/ Public Services	Neighborhood/ Home Services	Corporate/ Public Services	Neighborhood/ Home Services
Second Generation Ashkenazim	56.6	43.4	66.8	33.2	72.2	27.8
Third Generation Jews	43.6	56.4	57.3	42.7	67.8	32.2
First Generation Ashkenazim	38.9	61.1	54.7	45.3	65.2	34.8
Second Generation Mizrahim	25.6	74.4	31.7	68.3	44.4	55.6
Immigrants from Former USSR	--	--	41.6	58.4	40.9	59.1
First Generation Mizrahim	18.1	81.9	26.9	73.1	37.5	62.5
Arabs	19.5	80.5	25.6	74.4	32.3	67.7

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

Examining the distribution of the different origin groups by specific occupations, we find that there are occupations in which second generation Mizrahim and Arabs together constitute more than half the workers in the field: mechanics (30.6% Arabs and 28.8% second generation Mizrahim), construction workers (28.8% and 31.9%, respectively), salespersons (24.9% and 26.9%, respectively) and drivers (22.9% and 34.7%, respectively).

Regarding hairdressers and beauticians, immigrants from the former USSR constitute 21.2% of the workers in this field. But the most prominent group in this field are second generation Mizrahim – 31.9% of the workers in the field.

There are occupations in which first and second generation Ashkenazim are particularly prominent, first and foremost the fields of medicine, pharmacy and veterinary medicine – 23.4% and 22.9%, respectively.

Insurance services, real estate and legal services are employment areas of second generation (Ashkenazi and Mizrahi) Jews, with Mizrahim leading the field of insurance, real estate and travel (27.3%, compared with 24.7%) and Ashkenazim leading the field of legal services (28.7%, compared with 19.5%).

### Self-Employment by Origin Group and Selected Occupations: 2008

As a percentage of the occupation, in descending order of the rate of first generation Mizrahim

	First Generation Mizrahim	Second Generation Mizrahim	First Generation Ashkenazim	Second Generation Ashkenazim	Immigrants from Former USSR	Arabs
Salespersons	<b>14.2</b>	26.9	8.2	9.4	7.5	24.9
Mechanics	<b>13.6</b>	28.8	5.9	8.9	5.5	<b>30.6</b>
Drivers	12.8	<b>34.7</b>	6.9	7.7	7.7	22.9
Beauticians, Hairdressers	11.3	<b>31.9</b>	7.9	7.6	<b>21.2</b>	9.3
Construction, Plumbers and House Painters	11.3	<b>31.9</b>	4.5	7.2	8.4	<b>28.8</b>
Insurance, Real Estate and Travel	10.0	27.3	11.6	24.7	4.8	4.7
Physicians, Pharmacists, Veterinarians	7.0	7.6	<b>23.4</b>	22.9	<b>14.3</b>	13.8
Economists, Psychologists, Accountants, etc.	5.6	18.2	<b>17.8</b>	<b>33.7</b>	1.8	3.2
Lawyers	3.9	19.5	9.6	<b>28.7</b>	3.3	14.3
<b>Total of Self-Employed in the Population</b>	<b>9.1</b>	<b>25.7</b>	<b>10.9</b>	<b>17.6</b>	<b>7.9</b>	<b>14.0</b>

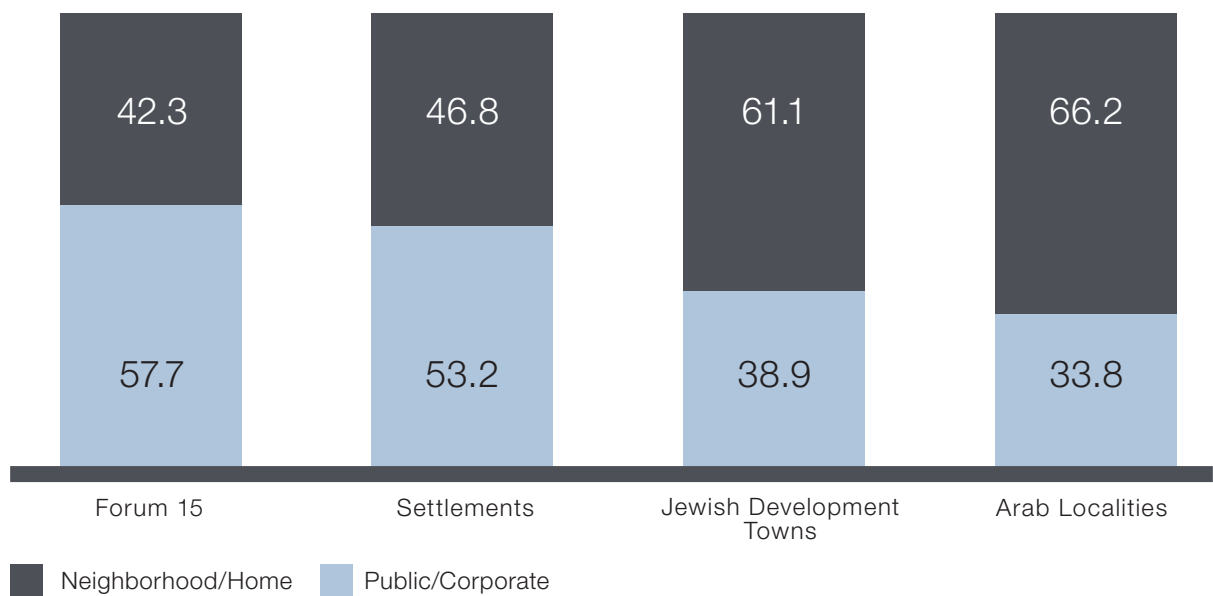
Source: Adva Center analysis based on the CBS population census for 2008.

# Self-Employed Workers, by Service Category and Type of Locality

The breakdown into service categories reveals a clear distinction between the four locality groups examined in this report. In “Forum 15” cities, as well as in the settlements, most of the self-employed workers – 57.7% and 53.2%, respectively – provide public and corporate services, whereas in Arab localities and in Jewish development towns, most of the self-employed – 66.2% and 61.1%, respectively – provide neighborhood and home services. This data corresponds with other data presented in this report, including the data on ethnic origin and education.

## Self-Employment by Service Category and Locality Type: 2008

As a percentage of the locality type



Source: Adva Center analysis based on the CBS population census for 2008.

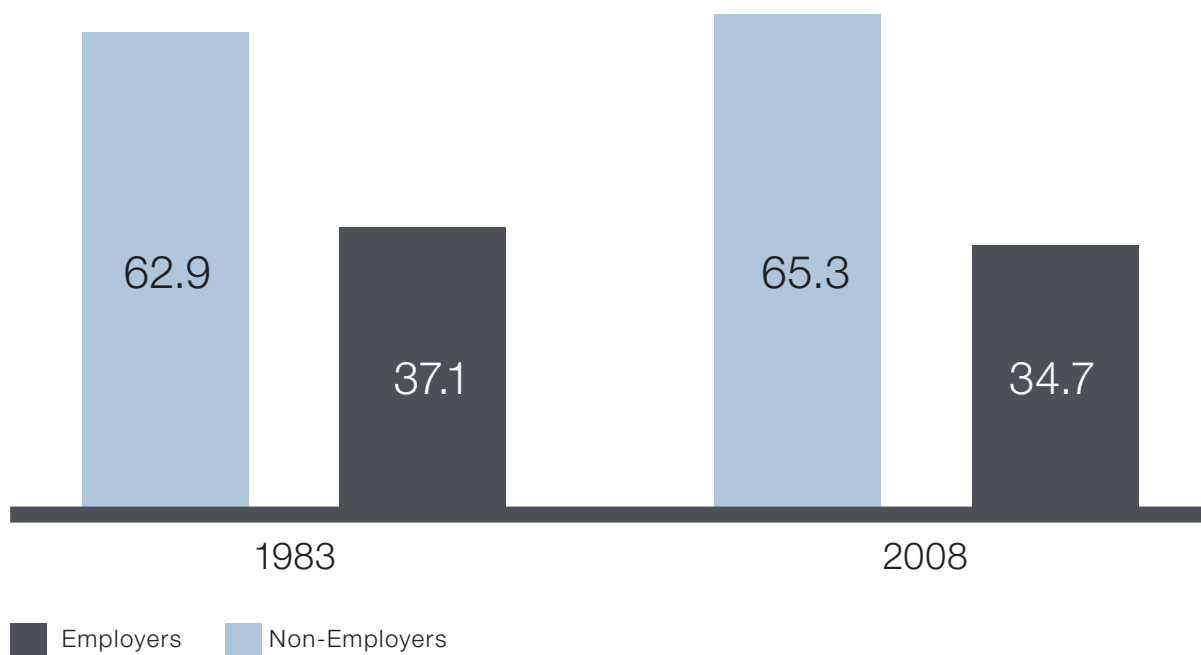
# Self-Employed Workers Working Alone, Self-Employed Workers Employing Others

## Self-Employed Workers, Employers and Non-Employers

In 2008, a majority of the self-employed – 65.3% -- worked alone, without employing any other person.

### Self-Employment by Employment Pattern: 1983, 2008

As a percentage of the self-employed in the relevant year



Between 1983 and 2008, there was a decrease in the rate of self-employed workers employing others, particularly among the providers of public and corporate services. This could indicate the difficulty that professionals encounter in obtaining an income that will enable them to employ others, against the backdrop of the significant increase in the number of professionals.

In 1983, the rate of professionals working alone was higher among those providing neighborhood and home services (66.8%) than among those providing public and corporate services (52.9%), but this gap diminished in 2008.

## Self-Employment by Service Category and Employment Pattern: 1983, 2008

As a percentage of the service category, among the self-employed

	1983		2008	
	Non-Employers	Employers	Non-Employers	Employers
<b>Public/Corporate Services</b>	52.9	47.1	61.6	38.4
Of those:				
Professional-Administrative Occupations	50.1	49.9	60.7	39.3
Technical Occupations	64.2	35.8	67.0	33.0
<b>Neighborhood/Home Services</b>	66.8	33.2	68.8	31.2
<b>Total</b>	<b>69,200</b>	<b>41,870</b>	<b>194,496</b>	<b>104,628</b>

**Note:** There is no correspondence between the total number of self-employed workers according to the classification of occupations in this table and the total number of self-employed workers in the population, due to cases in which the occupation was unknown and due to the exclusion of occupations in which the number of cases was small.  
**Source:** Adva Center analysis based on CBS population censuses for 1983, 2008.

## Self-Employed Workers, by Scope of Employment and Gender

Self-employed men employ others more often than self-employed women.

In 2008, 40.5% of self-employed men employed others, compared with only 20.8% of self-employed women.

The rate of women who worked alone or employed only 1-2 employees stood at 92%, while that of men stood at 81%.

5.8% of self-employed men employed 10 or more people, compared with only 1.8% of self-employed women.

### Self-Employment by Scope of Employment and Gender: 2008

Percentage of the self-employed who employ salaried workers, among men and women

	men	Women
Non-Employers	59.5	79.2
Employ 1-2	21.3	12.7
Employ 3-9	13.4	6.4
Employ 10 or more	5.8	1.8

**Source:** Adva Center analysis based on the CBS population census for 2008.

# Self-Employed Workers Aged 70 or More

The proportion of self-employed persons in the workforce, approximately 13% between the ages of 25 and 69, significantly increases after the retirement age of salaried workers.

All of the data presented above relate to self-employed workers aged 25-69. The focus on those ages stemmed from the relatively small number of self-employed workers who are younger than 25 years of age (in 2008, only 9,203 persons aged 15-24 were self-employed, 2.5% of the entire workforce in that age group) and self-employed workers who are 70 or more. However, while among the younger age group, the share of the self-employed among all workforce participants is very low – among those who are 70 or more their share is very high. This phenomenon is also known in other OECD member countries.

In 2008, there were 13,316 self-employed workers aged 70 or more, and they constituted 35.3% of the workforce of persons aged 70-74, 46.3% of persons aged 75-79 and 48.9% of persons aged 80 or more. Moreover, the workforce participation rates of self-employed workers aged 70 or more have increased over the years. It should be noted that the general workforce participation rates (salaried and self-employed workers) in those ages are very low: According to the 2008 census, the participation rate stood at 12.9% for persons aged 70-74, 6.4% for persons aged 75-79 and 2.4% for persons aged 80 or more.

In 2008, a majority of self-employed persons who were active after the age of 70 were men – 82.8%. Most of them belonged to three ethnic origin groups: first generation Ashkenazim (35.2%), first generation Mizrahim (27.9%) and second generation Ashkenazim (22.1%). Together, they constituted 85.2% of all active self-employed workers. 59.5% of them worked in the large cities that are part of “The Forum of 15.”

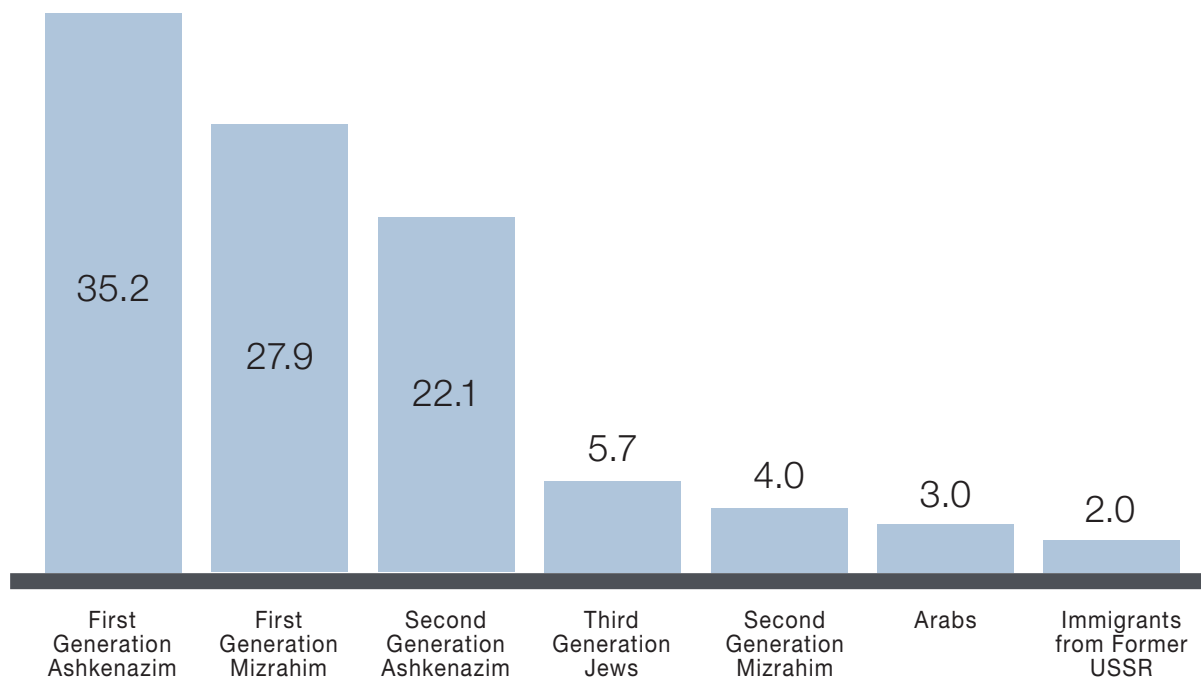
## The Rate of Self-Employed Workers Aged 70 or More in the Workforce

By age groups, 1983, 1995, 2008, as a percentage of the age group in the workforce

	Percentage			Absolute Numbers		
	1983	1995	2008	1983	1995	2008
70-74	29.2	34.2	35.3	4,750	4,095	7,841
75-79	33.1	41.7	46.3	2,100	1,935	3,699
80 or more	33.9	42.0	48.9	740	1,185	1,776
<b>Total</b>				<b>7,590</b>	<b>7,215</b>	<b>13,316</b>

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

### Self-Employment of Persons Aged 70 or More, by Ethnic Origin: 2008



Source: Adva Center analysis based on the CBS population census for 2008.

## Self-Employment of Persons Aged 70 or More, by Age Group and Service Category: 1983, 1995, 2008

As a percentage of self-employed persons in the age group

	1983		1995		2008	
	Corporate/ Public Services	Neighborhood/ Home Services	Corporate/ Public Services	Neighborhood/ Home Services	Corporate/ Public Services	Neighborhood/ Home Services
70-74	38.5	61.5	49.3	50.7	55.8	44.2
75-79	41.6	58.4	46.2	53.8	56.3	43.7
80 or more	(48.8)	(51.2)	(46.4)	53.6	70.0	30.0

**Note:** For the data presented in parentheses, a sampling error is possible.

**Source:** Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

## Self-Employment among Persons Aged 70 or More, by Service Category: 2008

As a percentage of men/women

	Men	Women
<b>Public/Corporate Services</b>	56.0	66.6
Of those:		
Professional-Administrative Occupations	86.5	85.6
Technical Occupations	13.5	14.4
<b>Neighborhood/Home Services</b>	44.0	33.4
<b>Total Self-Employed</b>	10,257	2,183

**Note:** There is no correspondence between the total number of self-employed workers according to the classification of occupations in this table and the total number of self-employed workers stated above, due to cases in which the occupation was unknown and due to the exclusion of occupations in which the number of cases was small.

**Source:** Adva Center analysis based on the CBS population census for 2008.



## Income Data on Self-Employed Workers

In each of the three censuses we used for the purpose of this document, the income data of all employed persons, including the self-employed, was, of course, gathered. Yet we chose not to discuss income in the framework of this report, due to reliability problems.

A survey conducted by the CBS indicated that income data among the self-employed is tainted with severe reliability problems, “as naturally it is more difficult for them to report their income, and their non-response rates to the income question are high compared with those of salaried workers.”<sup>11</sup>

Another survey conducted by the CBS indicated that among the self-employed, there is a gap of approximately 34% between the income reported to the Israel Tax Authority (which is lower) and the income reported in the CBS income survey (which is higher).<sup>12</sup>

The problem of the reliability of income data is well-known in professional literature worldwide, and many refrain from addressing this issue. The common assumption is that self-employed workers tend to underreport their income or to provide an unreliable report, whether because they do not know what their income is at a given period or whether because they avoid revealing the exact amount.<sup>13</sup>

Thus, we decided not to present census data on the income of the self-employed in this report. However, it is worth noting that existing data indicates that the income of most self-employed workers does not fit the image portrayed by the term “self-employed”; in fact, it is lower than the wages of most salaried workers.

According to 2008 census data analyzed by the Adva Center, the average income of self-employed workers (aged 25-69) was approximately NIS 7,000, which is lower than the average wage of salaried workers for that year – NIS 9,564. The median income of self-employed workers in this age group was NIS 5,100, compared with NIS 6,700 for salaried workers (all figures are in 2008 nominal figures).

It should further be noted that according to the data of the National Insurance Institute, the only government institution that regularly publishes data not only about the average wage and income but also about the median wage and income, the average monthly income of self-employed persons in 2008 – NIS 8,406 – was somewhat lower than the average monthly wage of salaried workers (aged 15 and over) – NIS 8,518; and the median income of the self-employed was significantly lower than the median monthly wage of salaried workers – NIS 4,110 per month for the self-employed, compared with NIS 5,310 per month for salaried workers.<sup>14</sup>

11 Shlomit Dror Cohen 2008 (*supra* note 4).

12 Vered Shabo, *Comparison of Income Data: Income Survey Data and Administrative Files Data, 2009* [Hebrew], Central Bureau of Statistics, 2014.

13 *Ibid.*; Nadiv and Shelach 2002 (*supra* note 5).

14 Jacques Bendelac, *Average Wage and Income by Locality and by Various Economic Variables, 2008* [Hebrew], National Insurance Institute, 2010.

# On the Distinction between Self-Employed and Salaried Workers

Examination of the data from the last three censuses – 1983, 1995 and 2008 – revealed various changes in the occupational demography of self-employed workers, which largely correspond with the changes registered among all workers; for example, the rise in the workforce participation of women, particularly educated women, and the expansion of higher education in general and of the professional disciplines in particular. Parallel to those changes, we also found a multigenerational continuation of the ethnic employment stratification in Israel: Mizrahim and Arabs are more prominent in the area of neighborhood and home services, while Ashkenazim are more prominent in the area of public and corporate services.

However, this data does not fully reflect the tremendous political-economic transformation that the Israeli economy has undergone during the relevant period. As is well-known, this period is characterized by movement from government intervention to market economics,<sup>15</sup> following the implementation of the Emergency Economic Stabilization Plan in 1985. If up until that point it was the government that led economic development, controlled most of the credit, and managed investments and employment, since then it is businesspeople who are expected to do all of those things, with generous assistance from government institutions. This is the period in which family-owned business groups first became prominent in Israel, and the period of privatization of defence-related high-tech and the proliferation of the startup phenomenon. It is also the period in which what is currently known as “the top one percentile” was formed.

We saw an echo of this transformation in the growth trend among the ranks of the self-employed providing public and corporate services. But the most interesting product of this transformation is the rise of an entrepreneurial and managerial tier that is portrayed, inter alia, by the personages of “tycoons,” “start-up entrepreneurs” and the like. The census data does not tap this phenomenon. The main reason that it does not is the fact that the category “self-employed” is too generalized and does not distinguish between business entrepreneurs, who embody the common image of “self-employed” (in Hebrew: “independents”), and workers who are included in the category of “self-employed” solely because their income does not come in the form of a paycheck.

In fact, the new entrepreneurial and managerial tier is probably represented among salaried workers more than among self-employed workers, in the form of “employees who are holders of controlling interests.” Yet, CBS surveys and Tax Authority publications do not contain data on this type of employee.

The category of “self-employed,” rather than being a sociological or political-economic category, is an administrative category taken from the world of taxation. The taxpayers, in Israel and in other countries, are divided into two: Those who report their income themselves, before the authority determines the tax rate they are required to pay; and those whose employers deduct their taxes from their salary.

The existing distinction between salaried and self-employed workers markedly distorts the class image: Alongside the majority of self-employed workers, who do not employ others and whose income is lower than the median and average wage of salaried employees, there is a minority of owners of giant corporations, who receive a salary for their positions and are therefore counted among salaried workers.

15 This is the title of a book published by Prof. Avi Ben-Bassat in 2001, which is a collection of articles by economists analyzing the influence of the 1985 Emergency Economic Stabilization Plan.

In light of that, we believe that the institutions working on labor statistics ought to merge the self-employed – certainly those who work alone, but possibly also those who employ 1-2 people – with the population of salaried workers. If we add this group of self-employed to the population of salaried employees – which is currently some 87% of workers in the market – we will have pooled data concerning approximately 98% of all workers.<sup>16</sup>

Such a merger will be an important step towards collecting data on the tier of business entrepreneurs in Israel, whether they are registered by the Tax Authority as salaried workers or as self-employed persons. For this purpose, we need data that is not provided by the censuses or by the regular manpower surveys: position in the corporation, the corporation's scope of employment and, of course, more reliable data about income. This will require both an enhancement of existing questionnaires and use of administrative files, first and foremost the files kept by the Israel Tax Authority and the National Insurance Institute.

At the same time, such a merger will enable a more realistic and representative image of the occupations and income of the majority of self-employed workers in Israel, whose situation is not better than that of most salaried workers.

Including the majority of self-employed workers in one statistical frame with salaried workers will also constitute an acknowledgment of the fact that the vast majority of the self-employed belong to this category due to historical or familial circumstances, and they might cross the lines should circumstances change. The owner of an automotive repair garage is self-employed because the car manufacturers and marketers find that this is their preferred method for providing service to buyers; under different circumstances, it is possible that the manufacturers and marketers will prefer to maintain this service under their own auspices. Many of the self-employed are former employees of government ministries or local authorities who became self-employed once the government decided to privatize one service or another. A beautician is self-employed because neighborhood beauty services are not an attractive field for the large cosmetic corporations. Many neighborhood grocery stores have disappeared over the years with the entry of large chains into the field of retail marketing, but they are now reappearing in the form of “boutiques.”

To learn about such changes, we need, among other things, longitudinal data that will be accessible to researchers and will allow them to identify who turns to self-employment and when.

Finally, it is worth noting that the distinction between salaried and self-employed workers carries with it considerable disadvantages for a majority of the self-employed. For example, self-employed workers are required to contribute from their income to a pension fund (if they have one) and to the National Insurance Institute not only the share of salary contributed by salaried workers, but also the share of salary contributed by the employer on behalf of salaried workers. Most of the self-employed, whose income is low, find it difficult to make these contributions. At the same time, they are not entitled to unemployment compensation and other benefits to which salaried workers are entitled, including sick leave, annual vacation leave, convalescence pay and severance pay. Abolishing the sweeping distinction between salaried and self-employed workers could lead to acknowledgment of the disadvantages of self-employed workers and consequently to an improvement in the situation of most of them.

<sup>16</sup> Self-employed workers who employ 3 people or more constituted (in 2008) approximately 16% of the self-employed and approximately 2% of all workers in the labor market.

## Self-Employed Arab Workers (2008)

In 2008, there were approximately 44,500 self-employed Arab workers, comprising 14% of all self-employed workers in Israel. In that year, the share of all Arabs in the Israeli workforce aged 25-69 stood at 12%; that is, the share of self-employed Arabs among all self-employed workers is higher than the general share of Arabs in the workforce. This phenomenon is known among many minority groups in other countries.<sup>17</sup>

The majority of self-employed Arabs were men – 90.3%; self-employed women – numbering approximately 4,300 in 2008 – constituted only 9.7% of all self-employed Arabs. In 2008, women constituted 29.4% of the self-employed in the general population.

Most of the self-employed Arabs – 81.4% – had a low or mid-level of education; only 18.6% had a higher education. In the general population, the rate of self-employed workers with higher education was double that – 32.7%.

Approximately two-thirds – 67.7% – of self-employed Arabs provided neighborhood and home services. In the general population, the corresponding rate was 47.5%.

As for employing others, the data on self-employed Arabs was quite similar to data on the general population. The rate of those employing 3-9 people (9.9%) was a little lower than that of the general population (11.3%), and the rate of those employing 10 or more people (3.0%) was also somewhat lower than that of the general population (4.6%).

Among self-employed men, the most common occupations were salespersons (15.3% of all self-employed Arabs), drivers (12.0%) and construction workers (9.1%). Among self-employed Jewish men, salespersons constituted 8.4%, drivers 8.4% and construction workers 4.3%.

Among self-employed Arab women, the rate of those in professional and administrative occupations was notably low.

<sup>17</sup> On the connection between ethnicity and self-employment, see: Kenneth Clark and Stephen Drinkwater, "Ethnicity and Self-Employment in Britain," *Oxford Bulletin of Economics and Statistics* 60(3) (1998): 383-407; and Howard E. Aldrich, "Ethnicity and Entrepreneurship," *Annual Review of Sociology* 16 (1990): 111-135.

## Self-Employed Arab Workers

By selected variables, 2008

	Percentage
<b>Gender</b>	
Men	90.3
Women	9.7
<b>Education</b>	
Low	51.3
Intermediate	30.1
High	18.6
<b>Age</b>	
25-29	9.3
30-34	16.7
35-39	21.2
40-44	19.4
45-49	15.2
50-54	8.2
55-59	5.4
60-64	3.2
65-69	1.3

	Percentage
<b>Service Area</b>	
<b>Public/Corporate Services</b>	32.3
Of those:	
Professional-Administrative Occupations	76.7
Technical Occupations	23.3
<b>Neighborhood/Home Services</b>	67.7
<b>Employment</b>	
Non-Employers	65.5
Employing 1-2	21.6
Employing 3-9	9.9
Employing 10 or more	3.0
<b>Selected Occupations</b>	
Men	
Salespersons	15.3
Drivers	12.0
Construction workers	9.1
Other managers	5.4
Lawyers	4.6
Women	
Salespersons	30.5
Beauticians, hairdressers, cosmeticians	17.0
Care providers	11.9
Teachers in elementary schools and kindergartens	7.3
Cleaners	4.2
<b>Total of self-employed Arab workers</b>	44,523

# Appendix 1

## Self-Employed Workers by Gender and Occupation: 1983, 2008

Absolute numbers and rates of change

	1983		2008		Rate of Change Men	Rate of Change Women
	Men	Women	Men	Women		
Economists, psychologists, accountants and similar occupations	1,300	190	8,790	5,376	5.8	27.3
Journalists, workers in the fields of arts and sports	2,170	1,160	10,221	10,197	3.7	7.8
Physicians, pharmacists, veterinarians	1,600	715	5,865	4,541	2.7	5.4
Lawyers	2,695	315	10,307	3,155	2.8	9.0
Agents of financial and business services	2,980	440	9,121	3,018	2.1	5.9

Source: Adva Center analysis based on CBS population censuses for 1983, 2008.

# Appendix 2

## Self-Employed Workers by Age: 1983, 1995, 2008

Absolute numbers

	Number of Self-Employed, 1983	Number of Self-Employed, 1995	Number of Self-Employed, 2008
25-29	13,315	16,790	23,295
30-34	20,825	23,740	42,085
35-39	20,660	28,325	48,285
40-44	15,685	31,090	45,715
45-49	15,550	28,515	43,218
50-54	13,375	17,890	38,944
55-59	11,340	13,265	37,494
60-64	10,130	10,270	25,595
65-69	5,815	6,315	12,394

Source: Adva Center analysis based on CBS population censuses for 1983, 1995, 2008.

# Methodological Appendix

1. The foregoing analysis was based on the three most recent population censuses conducted by Israel's National Bureau of Statistics: 1983, 1995, 2008.
2. The Population and Housing Census file for 2008 is a sample file, which includes approximately 14% of the individuals in the population. In order to arrive at estimates of all groups in the population and their characteristics, the CBS published the relevant weight variable for each individual. In the previous censuses, in 1983 and 1995, 20% of the individuals were sampled. In order to arrive at an estimation of the number of individuals, we multiplied the obtained figure by five.
3. In each census, the households included were "regular" households (that is, we did not include institutions, villages and kibbutzim), in localities with 2,000 residents or more.
4. "**Self-employed workers**" are people who reported their position in the workplace as self-employed, both those who employ others and those who do not.
5. "**Service Category:**"

In order to classify the category of service provided by the self-employed, the occupations selected were those that included at least 1,000 self-employed workers. Based on the Standardized Classification of Occupations – 1994, published by the CBS, a distinction was made between occupations that provide services to public and/or corporate institutions (in which a distinction was made between professional-administrative and technical occupations) and those that provide neighborhood and home services. Overall, 59 occupations were classified as providing public and corporate services (of those, 20 professional-administrative and 39 technical) and 23 occupations were classified as providing neighborhood and home services.
6. "**Education**" includes the following categories:
  - Low-level education – Did not study, did not receive any certificate or graduated high school without a matriculation certificate.
  - Mid-level education – Matriculation certificate, non-academic post-secondary certificate or other certificate.
  - Higher education – College education.
  - "Unknown" – Not included in the analysis.
7. "**Ethnic Origin:**"

The variable distinguishes between first generation Mizrahim and second generation Mizrahim (born in Israel to a father who was born in Asia or Africa); between first generation Ashkenazim and second generation Ashkenazim (born in Israel to a father who was born in Europe or America); third generation Jews (born in Israel to a father who was born in Israel); and Arabs. In the years 1995 and 2008, there is a group of immigrants from the former USSR, who came to Israel in 1990 or later.
8. "**Income of the self-employed**" – The monthly gross income of a self-employed worker.
9. "**Locality type:**"

The "Forum 15" cities include the local authorities that do not receive balance grants from the Ministry of Interior. This list comprises the following localities: Ashdod, Beer Sheba, Givatayim, Herzliya, Hadera, Holon, Haifa, Kfar Saba, Netanya, Petah Tikva, Rishon LeZion, Rehovot, Ramat Gan, Raanana and Tel Aviv-Yafo.



**Self Employed  
Workers in Israel**