



*How to encourage women's participation in the job market
and assist those who are unemployed:*

Microcredit and Incubators for Small Businesses

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One means of increasing the participation of poor women in the job market and promoting their economic independence is to encourage small business development.

The economic growth process in Israel is generated by large corporations in export sectors that are knowledge- and capital-intensive, not labor-intensive. This process, by nature, does not create enough jobs relative to the number of job seekers, and it is not a realistic solution to the problems of unemployment and low job market participation by low wage earners, particularly women. While liberalization has shifted investment in traditional labor-intensive industry to developing nations (where wages are especially low), there are many opportunities for establishing small and middle-sized businesses – such as sub-contractors for large corporations, service and product suppliers for tourism, and traditional small industries. In their review of employment encouragement programs in Sweden in the 1990s, Calmfors and other employment policy experts (Calmfors et al., 2002) pointed to assistance to developing businesses as one of the most productive means of encouraging employment.

Given the contraction of the traditional industries and the expansion of the hi-tech and the financial and business service sectors, self-employment poses an alternative for women who lack the education or skills required for employment in large corporations. Women have the option of establishing a small business that allows them to use their individual abilities and skills. Moreover, starting a small business is an employment alternative for mothers, including single-parent mothers, since it allows them more flexible working hours (Kraus, 2003).

The Israel Small and Medium Enterprises Authority was established in 1993 by the Ministry of Industry and Trade with the aim of providing funding and training for businesses of this size. In 2003, the Authority helped to establish 11,000 new businesses (Ilani, 2005:26). The 26 Small Business Development Centers (MATI) it operates throughout the country, however, serve mainly the middle-class. In Israel (unlike the U.S., for example, where the growth of new, independent businesses is especially common among men with non-professional careers and among women in both professional and non-professional careers), self-employment opportunities for both men and women are generally restricted to the middle class and suited to the employment conditions of white collar professions (Kraus, 2003).

Several non-profit organizations and programs have been established over the last decade to train and support women from low-income sectors to earn a better livelihood by starting small businesses. These organizations include Economic Empowerment for Women, the Mahut Center (Information, Training, and Employment for Women), Women's Empowerment Unit of the Center for Jewish-Arab Economic Development, *S'viva Tomehet* (Supportive Environment), *Kol Ha-Isha* (The Woman's Voice), and *Ahoti* (Sister for Women in Israel). They actively recruit women in communities (often in cooperation with local welfare departments and other women's and community organizations), offer long-range programs based on the abilities and skills of participants, help women cope with conflicts in their lives, and offer business training aimed to utilize the participants' existing abilities. The programs these organizations offer are very heavily subsidized through contributions they raise. Their volunteers bring a deep level of commitment to their work with poverty-stricken women.

The Women's Budget Forum demands that the Government of Israel:

1. Reexamine existing policies for encouraging small and medium businesses from a gender point of view;
2. Help impoverished women establish and develop small businesses as one means of escaping poverty. Specific assistance would include:
 - a. Arranging for appropriate sources of microcredit;

- b. Creating “business incubators” for small businesses (similar to the service currently provided to technology-based businesses), with a deep commitment to equality between men and women;
- c. Supporting organizations that help poor women establish businesses;
- d. Using existing grassroots models, which have much to contribute to the development of effective and innovative government programs.

Arranging for Sources of Microcredit

Generally, increasing the number of small businesses means creating more jobs. Research conducted by the National Insurance Institute’s Research and Planning Administration in 2000, which monitored a program to encourage unemployment insurance recipients to start small businesses, found that women benefited more than men from the program. That is, the businesses of women who participated in the program survived longer than those of non-participating women, and this difference was less pronounced for men (Gordon and Toledano, 2000). This finding demonstrates the importance of programs that encourage women in particular to start their own small businesses. The government should, therefore, be directing its attention to accessible funding for small businesses established by women who are interested in entering the job market and achieving economic independence.

Today, very small businesses (up to five employees) and small businesses (up to 50 employees) constitute no less than 97% of all Israeli commercial enterprises. These businesses have been the source of many new jobs over the past decade. Nevertheless, they receive only 5% of the credit extended by Israeli banks.

The main obstacle faced by potential small business entrepreneurs who lack capital and underwriting is the unavailability of credit. The main source of credit for small businesses is the State Guarantee Fund for Small Businesses, which extends loans ranging between NIS 50,000 and NIS 500,000. It stipulates that applicants invest their own capital to cover no less than 20% of the requested loan, have not received government assistance in the last three years, and have no outstanding tax debts and no limits on their bank accounts. These are not conditions that impoverished women can meet.

Given the lack of appropriate governmental options, a number of non-profit organizations devoted to encouraging women entrepreneurs have created microcredit programs of their own. Why? Because women are assumed to pose less of a credit risk when their small businesses succeed, and they have a proven track record throughout the world for paying back loans in a highly reliable manner, The Center for Jewish-Arab Economic Development, for example, granted 46 loans to women's businesses last year (2005) – 30 to existing enterprises and 16 to new businesses. The largest of these loans was NIS 2.35 million. The Women's Economic Empowerment organization, centered in Haifa and the north, granted 180 loans last year amounting to NIS 3.6 million. The demand for loans in this region was twice as large; that is, there were requests for some 360 loans amounting to NIS 7.2 million in northern Israel alone.

To the best of our knowledge, there is no reliable estimate of potential demand for this type of loan. Organizations assisting women in the southern and central regions report anticipated requests amounting to NIS 21.6 million (three times the overall credit those organizations now grant). This estimate is probably lower than the realistic potential demand for credit by women, throughout Israel, who are interested in forming their own businesses.

Since the State Guarantee Fund for Small Businesses, in its existing form, does not extend credit to new businesses managed by women who fail to meet the government's criteria, the Women's Budget Forum demands that the government reexamine its current criteria for granting loans and add new eligibility categories, such as women who receive government aid. In addition, new sources of credit are needed, and this can be accomplished without allocating funds from the government budget. Banks can be recruited, for example, to design combined programs in which the government guarantees the repayment of bank loans. At the same time, non-profit organizations currently working in this area should be allowed to continue helping women establish small businesses by granting loans with suitable conditions.

Business Incubators

Women interested in establishing a business need professional counseling and tutoring. In the past, the government subsidized business counseling services (“business tutoring”) via the Small Business Authority. Consulting hours to small businesses have been cut in recent years, however. Poor women interested in self-employment require a “business incubator” that provides a single location for all necessary services: consulting for business management, legal matters, marketing, production, and more. Rather than having to pay separately for each form of consulting and training, poor women should be able to receive them all in one location and at a reduced price – an achievable goal if the incubator itself hires salaried professionals.

The Women’s Budget Forum is requesting the sum of NIS 3.2 million over five years for the purpose of developing business incubators, in accordance with the business plan prepared for the Women’s Economic Empowerment organization..

Support for Non-profit Organizations that Promote Women’s Small Business Ventures

Since small businesses are an excellent source of new jobs and a potential boost for government programs designed to help welfare recipients become economically independent, greater resources should be invested in them. A portion of these resources should be devoted to assisting unemployed and poor women. At the grassroots level, there are organizations offering help; what is needed is a means of perpetuating this help by extending support to non-profit organizations that promote the development of small businesses run by women. We recommend adopting the model used successfully in the 1980s to create shelters for battered women. In both instances, it was voluntary organizations – in the absence of effective responses by government ministries – that identified the needs and provided the appropriate support. The role of non-profit organizations is to identify existing needs at the grassroots level, raise public awareness, and provide appropriate services until the government is capable of doing so itself or chooses to do so through those same organizations.

Based on the experience of organizations working to promote microentrepreneurship by women, the required annual budget for each such organization is NIS 2 million. This funding covers training and development, loan management, and tutoring and consultation for the program participants.

Assuming that five such programs are needed throughout Israel, the total required budget is NIS 10 million.

Learning from Grassroots Women's Organizations

There is no need for the government to invent the wheel. Grassroots, non-profit organizations have gathered a good deal of experience, and they can be of valuable assistance in drafting new policies that encourage small business, planning programs that promote entrepreneurship among unemployed and poor women, and identifying women who are eligible for assistance by the Israel Small and Medium Enterprises Authority, receipt of credit on easy terms, and more.

Summary

The following are the start-up budgets required for developing small businesses managed by women:

Activity	Budget (in millions of shekels)
Arranging for sources of microcredit	21.6
Operating business incubators	3.2
Supporting non-profit organizations	10.0
Total	34.8

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The statements made and views expressed herein are solely those of the Women's Budget Forum.

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