

Transitions into self-employment in European Union and Israel: Field study

Iyad SNUNU
Tel Hai Academic College, Israel
eyadsnunu@gmail.com

Abstract. *Self-employment is an employment in which the person's income comes from his independent business activity. Self-employed manage his own business or acts in a legal association. Despite the greater economic risk associated with the independent status, many choose to do so for a living. In this study we want to learn if the self-employed has more opportunities to earn than an employee, although his job depends on his skills to develop the occupation in which he chose to earn a living, and on the market conditions in which he operates, and all of this will be examined in the Israeli and European context.*

Keywords: labor market, self-employment, Covid-19, Israel, Europe.

JEL Classification: J41, J51.

1. Introduction

Self-employment, in the economic context, is in fact an employment in which the person's income comes from his independent business activity, and not as an employee employed by an employer. Unlike an employee receiving a fixed salary from his employer, the self-employed manage his own business or acts in a legal association (such as a partnership). The self-employed business may be conducted in a business (office, shop, workshop, etc.), in the self-employed home or on the road. Despite the greater economic risk associated with the independent status, many choose to do so for a living.

Self-employed income comes from working in one of three main ways – manufacture of products, trading (buying and selling) or providing service. Revenue grows per person also from assets he owns, which make him a financial gain, such as real estate, securities, etc. Such income does not derive from work, and the person enjoying them is considered independent only in certain contexts.

Generally, a self-employed person runs his own business, in partnership with other self-employed persons or through employees he employs. In many cases, the freelancer chooses to run his business as part of a limited liability company under his full control. In such cases, he is considered to be a formal employee in the company, but he is essentially an independent earner who earns his living regardless of his employer.

The decision to earn a living involves taking risks, a person who chooses this way takes into account uncertainty associated with two main factors – the likelihood of succeeding in selling his product or service – the correct economic calculation, and whether the gap between income and expenses will leave him profitable.

It is common to think that the self-employed has more opportunities to earn than an employee, although his job depends on his skills to develop the occupation in which he chose to earn a living, and on the market conditions in which he operates. Many self-employed people who do not properly finance their steps are forced to cease their work, as is the case for business owners who have difficulties due to activity in unrelated circumstances, such as a security situation, a year of drought, and the like.

2. The emergence of new entrepreneurs

Various entrepreneurship promotion programs operated for the policies of the European labor market, such as incentives or tax cuts, were all designed to increase self-employment rates to cope with unemployment rates (Congregado et al., 2014). Of the various factors and benefits for the entrepreneur or the self-employed, it can be seen that, first and foremost, for the self-employed, the value of income is higher, so in fact many people believe that their financial benefit will be higher in self-employment or entrepreneurship. One of the factors that can be an obstacle for a person to become an entrepreneur is usually due to lack of capital (Casson, 1982).

Another point of view that characterized the development of entrepreneurship in Europe is the discussion of human capital, which looks at entrepreneurial literature. According to

various studies done on the subject, it has been found that the expectation is that older or more experienced people will be the ones who will be heading towards the entrepreneurial world, for a number of reasons (Millán Tapia, 2009):

- Most entrepreneurial work requires an initial capital, which is usually not found among young people.
- Older people may choose entrepreneurship or self-employment to avoid compulsory retirement benefits, which are often found in paid employment.
- The form of vision of older people is usually more calculated and has a wider "safety net", and therefore the chances of taking risks in the world are higher.

In Europe, economic recovery has changed the notion of entrepreneurial policy, which in fact presents itself based on empirical research, that the development of entrepreneurship policy is an important tool in improving the European economy (Apitzsch, 2004).

Beginning in 2009, the Institute for Employment and Vocational Training (IEFP), which manages national employment policies, introduced three steps to strengthen entrepreneurship:

- Support for new companies – aimed at unemployed persons registered in the centers of employment who are under the auspices of the institute, job seekers aged 18-35, people with no work coded or inexperienced, and self-employed who are not formally incorporated. This program will actually help these people create businesses that do not exceed EUR 200,000 investment, or include the creation of more than ten jobs. The program includes limited interest rates and support for the development of the various projects.
- The National Microcredit Program – This project focuses on people who have special difficulties when it comes to trying to enter the workforce and may find themselves socially disadvantaged. The terms and benefits of this program are very similar to the plan mentioned above, with the difference being the investment capital, which in this plan cannot exceed EUR 20,000.
- A program that allows unemployed recipients to receive their compensation, in whole or in part, for the immediate establishment of a business. This program offers support to individuals on an optional basis.

In 2011, the Portuguese government launched a similar program to those noted above, called the Strategic Program for Entrepreneurship and Innovation, which is consistent with the Europe 2020 Strategy, which recognizes the development of the government approach that promotes entrepreneurship and innovation as a top priority for action.

The shift in many areas of employment to the form of employment in which self-employed workers provide professional services for predefined tasks has resulted in many changes in the labor market. One of these transformations is the creation of an ever-expanding status of self-employed non-employing employees, with a major client whose relationship with them is often no different from the employee-employer relationship. Sometimes this is even the work done before by a salaried employee and similar wages (Nathanson et al., 2015).

In fact, entrepreneurship is a long process made up of many steps, each of which requires different resources and skills (Lerner et al., 2018).

Peter Drucker (1995) has defined business entrepreneurship as the application of processes, ideas and products while deliberately seeking change and systematic analysis of opportunities that enable innovation. Accordingly, the first three stages of a business initiative are interest detection, opportunity identification, and behaviour that is geared toward taking the actions necessary to set up the venture.

The entrepreneur faces many obstacles in the way of implementing the business idea (the "enterprise") and implementing it, even if it is a successful idea. These difficulties include the process of obtaining financing for the venture, patenting and obtaining regulatory approvals (if necessary), recruiting skilled staff and the like. In the field of technological entrepreneurship, the new venture is called the Start-up Company. Some of these ventures are assisted by consulting firms or business consultants who specialize in escorting and setting up new businesses (Dimic and Orlov, 2014).

Although there is no one right way in the business process, business schools are taught different areas of business entrepreneurship, designed to give learners a neat framework for successful entrepreneurship – such as how to work out the business idea, define a business strategy, write a business plan, raise funding, build a team and more.

The tendency for entrepreneurship varies between different groups of people and factors that influence people's motivation to choose entrepreneurship over work as employees are of great importance to policymakers. This is because they are the ones who need to make decisions about actions and initiatives to promote and develop the entrepreneurial world. Therefore, understanding the factors that influence the choice of the employment path of different people can greatly help in this area (Dimic and Orlov, 2014).

It can also be seen that another issue that comes up for discussion is how to enter the world of self-employment and entrepreneurship. As noted so far, the entrepreneurial world includes advantages and disadvantages, successes and failures, and political vision which vary according to the government's time and evidence. In order to examine this issue, one must not only discuss "the final product," which we see after a person enters the independent market, but even before and examine the factors that determine his entry into independent work in the first place.

3. The determinants of entry into self-employment

In general, the decision to enter into self-employment is influenced by various and varied factors, among which we can see personal factors, economic factors, social or family factors and more. In examining the transition of unemployed people to self-employment, we can see that these are actually people with dual disadvantage – there is also financial difficulty in financing the transition to self-employment, and they also have lower access to commercial loans (Metcalf and Benson, 2000).

Although the historical development of the Israeli economy has been largely influenced by the unique political, social and cultural aspects of the local reality, the problems it faces in employment have also disturbed and troubled other developed countries. However, other researchers argue that there is a need to embed unemployment coping programs that will

include self-employment plans for the unemployed, and in fact will result in high unemployment rates in the belief that self-employment will enable greater innovation and economic growth (Van Stel and Storey, 2004).

In terms of people moving from self-employment to rent, we see that the reasons are most different than those of the unemployed, as well as the conditions and factors that determine their entry into this world.

Also, this transition can result from the thought that in self-employment its profitability will increase, when it is usually a false thought. Many cases of employees transitioning into independence life, including a lack of understanding of the economic foundation needed to work independently. In recent decades, according to data from the OECD (2013), self-employment rates for the OECD appear to be 16.1% and for the EU27, we are seeing 16.6%.

4. Self-employment trends in European Union

If in the past it was clear that work meant staying in the office or factory every day from nine to five and persevering in the same workplace for many years, today global discourse is very much about changing the nature of traditional work. Working in more than one place at one time, frequently switching between different jobs and different creative and different ways of earning a living – these characterize the discourse in the New World, against the background of technological change and the increasing use of online platforms (Somekh and Kadri, 2017).

These forms of employment, on the one hand, are characterized by the loosening of the mutual commitment between the employee and his or her workplace, and in some cases, they have a violation of the workers' social rights, but on the other, they allow more flexibility for the employees, which may help to balance the work-life and the employee's personal skills (Somekh and Kadri, 2017).

A significant drop in the percentage of employed in traditional employment is expected to have widespread implications for employment and social policy, as at present, much of the legislation, social rights and benefits (such as days off and sick leave) are based on the assumption that the vast majority of employed persons are employed (Frey and Osborne, 2017)

In a study conducted in Israel, it was found that most of the increase in the last decade was in women – that is, the proportion of self-employed persons who do not employ employees out of all employed in Israel. Here, we see a nearly two-fold increase in the proportion of employment in almost a decade, compared to stagnation in the corresponding figure for men (Somekh and Kadri, 2017). One can find different explanations for this, one of which is the transition to a labor market characterized by two earners and requires at least more flexibility for one spouse (Frey and Osborne, 2017)

Engaging in technological developments as an engine for change in the labor market is not new. The great concern that accompanied these developments was about replacing the

human worker with a machine or a computer. For, while the introduction of new technologies into the labor market over the years will create many professions, under them it has created new professions and mainly changed the nature of existing professions (Kitching, 2016).

Frey and Osborne and the Taub Institute's research shows that 47% of professions in the US and 39% of them in Israel are going to disappear in the coming decades (Magdala-Brick, 2015). 41% of the professions in Israel are at low risk for computing and their chances of surviving are high. These are professions that involve complex tasks and a great deal of judgment, and which require highly skilled workers (Frey and Osborne, 2017).

These changes did not only affect the type of employment and professions that would remain or disappear from the world, but also led to changes in the perception of the "normal" employment framework. Over the past decade, we have witnessed a shift in the traditional work structure. More and more employees are doing their job when they are away from the physical structure of the organization in which they are employed. Sometimes, they even do it from another country.

Studies mark technological developments, social networks, virtual spaces, and the desire to balance work and personal life as key drivers for these changes (Somekh and Kadri, 2017). Bodies examining the future workforce, and specifically the self-employed workers, point to their increasing contribution to the global economy, however, they also see a need to clearly define their occupational status and examine their unique needs (Somekh and Kadri, 2017).

The new work patterns signal a trend of change in the traditional definition of the workforce and employee-employer relations. They point to new ways of participating in the labor market and diverse work environments. These new forms of employment challenge the traditional relationship between employee and employer (relationships characterized by linear, long-term and binding relationships between the two), as they are characterized by prominent elements of flexibility, temporality and lack of commitment.

Studies in the field indicate the contribution of flexible arrangements to employee well-being, productivity and employer, but also the need for the employee to take responsibility for his or her own career management and to act proactively to survive in these employment settings.

Although the self-employment component has shown relative stability over the past decade in EU28, various changes and transformations can be seen across Europe. Self-employment has its advantages and disadvantages, which affect their development throughout Europe

Looking at the trends of change that have occurred in the employment market in general, and among self-employed workers, one can see a challenge and is sometimes difficult is due to the lack of services and protective rights that they used to work in for wages (Williams and Lapeyre, 2017).

Those who work for wages enjoy complete protection of all labor laws such as: minimum wages, defined oils, protection as a result of reducing or reducing office space and more. In contrast, self-employment is not covered by the various labor laws and, moreover, they

are rarely (if at all) socially protected. An example of this can be seen in the various health and safety legislation, which in most countries covers hired workers, who usually pay lower benefits, while self-employment can be seen as low value for money (Jorens and van Buynder, 2009).

As can be seen in Williams and Lapeyre's (2017) study, self-employed people across Europe do not use the basic employment rights afforded to employees, such as paid sick leave, maternity leave, days off for personal use and more. All of these lead to greater risk for them, as well as less financial stability. Furthermore, self-employed people tend to pay for private pensions, external insurance, all because of the economic instability and fluctuations that may be reflected in the business.

When discussing the different trends of self-work, existing self-employment types must be distinguished. In the most basic way, one must first consider whether or not they are self-employed with employees. Among twenty-one countries, out of the twenty-eight EU countries, the number of self-employed persons without workers (or, more accurately, a smaller reduction) can be seen than those who employ them. When considering the distribution of these businesses (self-employed without employees), it can be seen that they are unevenly distributed. As of 2014, self-employed workers accounted for only 4% of total Union employment, when it was among those aged 18 to 24. At the same time, it could be seen that as the age of the employee rises, the number of self-employed workers increased, for example, by 13%. Among those without self-employment are between 50 and 64 years of age, when one reaches the age of 65+, the percentage increases to 36% (Hatfield, 2015).

In a study by Fondeville et al. (2015), it can be seen that few self-employed people do indeed reach the point where they employ workers, with the majority remaining sole traders (Eurofound, 2016; Fondeville et al., 2015; Hatfield, 2015). There was also a change in the average number of hours worked by self-employed workers. It can be seen that the number of hours decreased by slightly more than two hours per week, which is more than two times the reduction in the average hours worked by paid employees, with much of this being done involuntarily (Fondeville et al., 2015). Also, these six percentage points of self-employed part-time self-employed workers, who were reportedly unable to find full-time work, could also be seen.

In recent decades, although there is still a "gray" between these two categories legally, there can be a greater shift towards outsourcing and subcontracting, which, along with technological development, has led to the expansion of workers in this "gray area" (Behling and Harvey, 2015; Harvey and Behling, 2008).

The categories of work that are found in the "gray area" include all disguised labor relations, in which the employer actually refers to an external employee (which eliminates his legal status as a full-time employee), but at the same time the same employee is not found in what is known as "pure self-work". and is still dependent on a recipient. This can be seen, for example, in a report issued in the United Kingdom, which estimates that the difference in costs between an employee's employment under the terms of an employee's employment, compared to that of an independent employee, ranges from 35 to 50 percent (Jorens, 2010, 29).

In practice, it can be seen that this preference results in the dismissal of many employees who then go on to be contracted as contractors, all in order to do the same work they did earlier as employees.

By hiring an independent employee for those jobs, the employer actually "waives" his obligation to pay by minimum wage or other method of wage determination, which is enshrined in the law. In addition, no social security contributions are paid for the same employee, there is no obligation to pay compensation after the employment has ended, days off or payment for unpaid sick days from the employer and more.

This type of self-employment, also known as "dependent self-employment", actually circumvents collective bargaining, labor law, labor tax, and other obligations that exist between employer and employee in any standard employment contract (Williams and Lapeyre's, 2017).

It could be seen that, in general, most EU countries experienced the same trends following this shift, with the stable wage model, which was dominant in the 1950s to the late 1970s, in a full-time framework provided by a professional presenting worker.

The new discourse and the steps taken to advance the goals of various entrepreneurs, are reflected in several contexts (Williams and Lapeyre's, 2017): employee Requirements to Increase Autonomy; opening new opportunities related to technology and information. This model, also called the accrual regime, was essentially based on significant institutional transformations, which reflected the increase in productivity, innovation, living conditions and better employment for the general population.

With regard to national modernization, one can see that the uniqueness of Fordism was due to the synchronization of mass consumption together with mass production. Accordingly, the Productivity Index rally benefited from both demand for consumer goods, enabling the expansion of the mass production sector, as well as efficient and systematic utilization of size reimbursement and optimal investment programming. As a result, many organizations have reorganized the productive field by using two main strategies (Favereau et al., 2017). The first was the geographical organization of the World Supply Authority's production and development, which aimed to benefit from the overall global differences that led to increased competition through a better business environment (taxation, infrastructure, training, labor law and more). The second strategy included moving beyond the flexible accumulation regime, which is based on seeking maximum flexibility in terms of labor, manufacturing and manufacturing.

Employee employees are "gamblers" in fact because the organization in which they are located will act fairly and that they will enjoy their personal investment in the collective plan (Reynaud, in Williams and Lapeyre, 2017).

In summary, this chapter examines the development of various self-employment trends in Europe, including the nature of jobs, their deployment across the Union, the differences between different countries, and the types of thirst that exist in the labor market. To examine this issue in Europe, in the next chapter you will do a similar examination of these trends, in relation to the labor market in Israel.

5. Self-employment trends in Israel

The job market has two types of contract work commitments: salaried employees and service providers – they are the self-employed, who provide the services after opening a licensed dealership or establishing a company through which they provide the services.

It is usually easy to identify the employee: this is an employee who receives a pay slip from the employer. All employment obligations apply to her employment, and she is entitled to all social rights, as much as any other employee. Subject to the limitations of the law, an employee is entitled to the following conditions: wages, overtime pay, travel allowance, vacation pay, sick pay, pensions, recovery allowance, severance pay, advance notice, right to a hearing and more. It is also entitled to special protections that apply to its employment by virtue of the Women's Labor Act, the Equal Employment Opportunity Act and more. If a right is violated, it can apply to the Labor Court – its unique authority to discuss the disputes arising from the work provided the parties have an employee-employer relationship.

This process included an increase in the participation rate in the workforce, along with a decrease in rates Unemployment (people who want to work but are not employed) It is not self-evident that these two trends occurred at the same time, since the entry into the workforce of new groups could have been characterized by considerable unemployment rates among these groups, they naturally disconnect more easily from the world of employment. This increase, alongside the slow recovery in the OECD countries since the 2008 crisis, created a positive gap between the State of Israel and employment rates in the developed countries (Ministry of Labor and Social Affairs, 2019).

This process included an increase in the participation rate in the workforce, along with a decrease in rates Unemployment. It is not self-evident that these two trends occurred at the same time, as entry into the workforce of new groups could have been characterized by considerable unemployment rates among these groups, which are naturally more easily disconnected from the world of employment.

If in the past it was clear that work meant staying in the office or factory every day from nine to five and persisting in the same workplace for many years, today global discourse is very much about changing the nature of traditional work. Working in more than one place at a time, frequently switching between different jobs and creative and different ways of earning a living – these characterize the discourse in the New World, given the technological changes and the increasing use of online platforms (Bar Rabbi et al., 2017).

These forms of employment, on the one hand, are characterized by the loosening of the mutual commitment between the employee and his or her workplace, and in some cases they have a violation of the workers' social rights, but on the other, they allow more flexibility for the employees, which may help to balance the work-life and the employee's personal skills. A significant reduction in the percentage of employed persons in traditional employment is expected to have widespread implications for employment and social policy, as at present a significant portion of legislation, social rights and benefits (such as days off and sick leave) are based on the assumption that the vast majority of employed persons are employed (Bar Rabbi et al., 2017).

At the same time, another approach can be seen, which claims that contract workers, despite being "legally detached" from the organization, fall under the category of "employees". Therefore, it can be seen that employers often prefer to receive self-pays from a self-employed contractor over a monthly invoice over hiring a hired employee are not aware of the fact that despite their formal definition of subcontractors and listing invoices submitted by them as independent service providers in business books – they are hired for everything (Dan, 2006).

This attachment, in recent years, has become widely accepted, convenient and widespread, mainly from tax considerations and the desire to reduce costs – the various liabilities and social rights that must be paid to an employee (Dan, 2006).

In a study by Eran Razin (1989), regarding trends and their development within self-employment, the issues of local entrepreneurship were examined as a solution to the economic problems of development cities in Israel. The study showed that the failure of the spatial industrialization policy, which was shaped in Israel in the 1950s, to adapt to external economic and political transformations, and the continued reduction in public resources directed at industrial diversification, encouraged attitudes to alternative strategies of bottom-up development and local entrepreneurship.

So, study the development of self-employed trends, in terms of their total workforce, by the size of the geographical location in which they are located, so that, in fact, economically disadvantaged areas, especially old industrial cities, have suffered from a low rate of business fundamentals in the industry, such as the development of independent dependents. The self-employment rate in small, remote cities is low because business in these places suffers from limited local markets and low access to capital and information.

Industry establishments that open in these areas, sometimes with governmental incentives, tend to be large, employing mass production technologies and high barriers to entry, so they do not encourage the acquisition of entrepreneurial skills among employees.

Another trend that characterizes the self-employed in general and in Israel in particular is the ethnic, demographic and socio-economic composition of the population. According to Swirsky and Ophir (2014), the weight of the self-employed increases as one climbs the age scale. The lowest rate was recorded in all three censuses among those aged 25 to 29, 6.3% -7.6%. The rate then increased to about 14-16 percent in the 40-44 age group; this rate remained stable until age 55. Then the growth resumes, until at age 65-69 the self-employed make up about a quarter and more of the labor force participants. In 2008, the self-employed accounted for 13.4% of the workforce in Israel (employees and self-employed aged 25-69). The differences in trends can be seen not only by age, but also by gender. Swirsky and Ophir's (2014) study shows that in Israel, most of the self-employed are men, but the proportion of women is on the rise.

This phenomenon is also recognized by many countries in the West. When examining the weight of the self-employed among men in the workforce, it can be seen that across examinations of different years (1983, 1995 and 2008), their trend remained stable and ranged from 17 to 18 percent.

In contrast, women could see an increase in the independent population, but the data showed specific occupations, for example, the proportion of men working as self-employed in the fields of economics, psychology and accounting increased by 5.8% from 1983 to 2008, while the proportion of women increased by 27.3%. Among journalists and art and sports workers, the corresponding rates were 3.7% versus 7.8% respectively; among doctors, veterinarians – 2.7% and 5.4%. If only three decades ago, the greatest aspiration of people who graduated from a university was to become a big company, to advance in jobs and payroll and to retire at their designated age, then since the early 1990s a gradual but significant change has occurred. He was not quick and did not include sharp turns, but he was stubborn.

The proportion of freelancers in Israel totalled about 10.9% in 2016 – no significant change from 2015. In comparison, the US freelance rate in 2016 was about 35% and by 2020 it is expected to exceed 40%. Although the transition to freelancing in the coming years is expected to occur mainly among those aged 20-35, in 2016 the average age of self-employed in Israel were still 47.3, compared with an average age of 39.5 among employees. This means that the transition of millennial to freelance work is still in its infancy in Israel, and right now, most of the self-employed are actually over 40.

When looking at the average income of employees versus self-employed, a more significant gap can be seen in favor of the self-employed. The CBS data shows that in 2016, the average monthly gross income of the self-employed was NIS 11,480, while the average monthly income of an employee was 9,724 NIS (Bar Rabbi et al., 2017).

In the early stages, this could only be seen mainly by high-tech companies. Employees who wanted to move forward and felt stuck whispered to their peers that in another company they could get a promotion that was a few steps ahead of their current job. Then, slowly, rumours of the New World began to leak outside the high-tech companies' walls. More and more workers born in the 1960s and 1970s began to rebel with unacceptable conventions, seeking quick ways to promote and gain appreciation. These employees began to realize that they had real and real value, and were not afraid to check how much that value was worth in the market- this is how the concept of Generation X was born.

This generation, whose behaviour in the workplace was considered revolutionary at the time, was nicknamed "Generation X" following a book by Douglas Confland. Scholars have characterized the X generation in a tendency to kick conventions and rebel against authority. They did not want to change the world like the "flower children" or the "beautiful" generation that preceded them. They did not seek revolutions and permutations. But at the same time, they did not cling to one job, or one profession.

They swapped jobs easily and quickly, out of proportion to their parents' generation, and organizations began to get used to the fact that recruiting employees could, at a high chance, leave in no time and move to other companies, sometimes within two years of being recruited. Replacing a profession is also not uncommon in the lives of employees of the X generation and many have made a significant professional change at some point in their lives. On the other hand, employers have taken quite a while to internalize the fact that they have (for organizations) a replacement (Nathanson et al., 2015).

Since then, almost three decades have passed. Meanwhile, members of the Ix generation who left to work in the organizations took up senior management positions, and came to the labor market, born in the 1980s and 1990s, the youngest of whom were nicknamed the Millennial Generation. And now the Z-generation is coming to the job market.

This whole chain of events has resulted in a growing percentage of millennials abandoning the corporate world, and starting a freelance business. They still work with the organizations and get paid, but they work on their own terms, the hours they choose, their preferred physical location, and on how many days off they want to take.

But there are also some simple disadvantages to this method. First, (independent) freelancers have no social security benefits provided by the employer: There is no one who secures them for Social Security and a pension fund, or an education fund; they are the ones who have to take care of it and set aside the full amount of their income that is sometimes not high. Also, in contrast to other Western countries, freelancers do not have paid sick days, and there are no paid unemployment benefits in the months when they have no projects or income (Nathanson et al., 2015).

Another disadvantage is the lack of long-term economic security. Freelancer can never know when he will have a slump with a minority of projects. But on the bottom line, despite all the disadvantages and challenges, the world seems to be increasing in percentage towards the freelance economy. Whether they are over 40 who find it difficult to get into organizations and prefer to sell their skills independently, or the younger generation who are down in the organizational hierarchy and want to have control over their decisions.

In summary, it can be seen that the trend of developing self-employed people in Israel must be considered two main points – the first, in the case of the development of trends in Europe, discusses the difference between dependent or contracting self-employed, and self-employed. Second, the differences in trends with regard to the population section must be considered. As we will see throughout this subchapter, the self-employed trend in Israel shows a different development in terms of age, gender and geographical location.

6. The effect of Covid-19 on self-employed

The economic crisis sharpens the gaps that have characterized the Israeli labor market to this day between employees and the self-employed. If 3.8 million employees enjoyed an immediate security cushion of unemployment benefits and unemployment benefits, about half a million self-employed and small businesses, had to wait more than a month to receive a response to their plight. But not only that. For employees in the business sector who are exposed to fluctuations in the business turnover, and also between unionized and non-unionized workers.

At the end of December 2019, the Corona virus (SARS-Co-2), which causes Covid-19 disease, broke out in China. From mid-February 2020, the virus began to spread rapidly to other countries, and in early April 2020, it spread to more than 200 countries. The symptoms of the disease usually appear in a period of up to 14 days. During this period the carriers of the virus may infect other people, so the rate of spread of the virus is relatively fast.

The Israeli economy has experienced several crises in recent decades, including an economic crisis in the early 2000s and a global economic crisis in 2008. These crises have, for various reasons, a sharp decline in demand in Israel and around the world, and the goal of economic policy has been to increase demand.

The current crisis is different – due to the closures a large part of the business is shut down or partially operating, so an attempt to raise demand will not be useful, and the goal is mainly to help the survival of households and businesses during the crisis.

The current corona crisis was created due to an external cause to the economic system, the outbreak of a new plague harmed health, led to the need for quarantines and the partial shutdown of the economy in most of its areas. In contrast, the crisis in 2008 was caused by an internal factor in the system in various countries – a credit crunch that began in the financial markets – affected the real economy, led to a decline in demand and thus permeated Israel, mainly due to the sharp decline in world trade.

Along with the high costs to the health system, the economic effects of the epidemic are mainly due to the closures imposed on the population and caused the shutdown of some of the supply factors (factories, stores, service providers) and global trade and the decline in demand, and the government was forced to impose restrictions and closures in the country.

As a result of these measures, from mid-March 2020, the education system was shut down and emergency regulations were established that reduce the scope of work in the economy. As a result, hundreds of thousands of workers were taken on unpaid leave and hundreds of thousands of jobs were partially or completely shut down.

In dealing with epidemics, there is a turnover ratio between strict measures to stop entering the country and impose closures and economic activity. Imposing early and drastic measures reduces economic activity in the short term, but may prevent the epidemic from spreading rapidly and its economic consequences. Israel has taken stricter measures to halt the disease-focused flights in China on January 30, 2020, from mid-March 2020 the education system was shut down and emergency regulations were enacted that reduce the scope of work. It seems that these measures, which significantly affect the economy, have indeed led, among other things, to a relatively slow spread of the corona virus.

However, when the law stipulates the obligation of the self-employed to deposit in a pension fund, it is stipulated that part of the deposit amount to the pension fund will be considered as savings for unemployment and in a state of unemployment the employee will be able to withdraw these funds.

The different countries have responded to the crisis in different ways. There are countries that have focused on policies that are designed to help all companies and there are countries that treat small and medium-sized businesses in particular. Here is a variety of steps taken to help businesses in different countries:

- Employment status: measures to assist businesses in reducing the number of employees, working hours, long-term work, temporary dismissals of employees, participation in the payment of sick pay. States provide wage support to laid off workers or businesses temporarily in order to reduce their expenses and allow them to survive.

- Financing tools: measures to alleviate the liquidity limit – deferral of taxes and social security payments, deferral of debt payments, rent and services, tax relief and advance of state payments to companies; providing state guarantees for loans – shortening the required waiting time, easing eligibility and increasing accessibility.
- In some countries, loans are provided directly through public institutions; in some countries grants and subsidies are given, mainly for the purpose of providing liquidity for temporary mediation that reduces the harm resulting from the decrease in revenue.
- Structural steps: Assisting businesses in adopting innovative working methods, training, working remotely and targeting new markets and advanced marketing and sales channels in a way that will allow them to continue to function in the new conditions as much as possible. These measures will also help in the future when emerging from the crisis.
- In some countries, tools have been created to monitor the impact of the crisis on small and medium-sized businesses and to tailor measures to the specific needs.

The following are the main steps published by the OECD (July, 2020) regarding the ways in which developed countries develop citizens, businesses and the self-employed:

- Assistance to sick or isolated workers: expanding the possibility of receiving paid sick leave according to the existing arrangements, recognizing infection while working as a work accident, receiving a special allowance from the National Insurance Institute. Assistance to employees who are unable to come to work due to the various restrictions: expanding the possibility of working from home, benefits for parents of small children who are unable to come to work, arrangements for paid leave with the participation of the state and the employer.
- Assistance to the self-employed and small businesses: expanding the possibility of receiving unemployment benefits in some countries, entitlement to other social benefits, one-time grants, deferral and exemption from various payments such as VAT and local taxes.
- Financial assistance to enterprises and companies: State subsidies for workers' wages, participation in financing sick leave for workers, facilitation of participation in programs designated for distressed companies, deferral of various payments, government funds for providing guarantees and direct assistance.

A comprehensive survey was conducted in the midst of the corona crisis, when large sections of workers and businesses in the economy were forced to close or reduce activity. The survey was conducted during the week before Passover, between March 29, 2020 and April 2, among a representative sample of the working population in Israel (Flug et al., 2020).

About 60% of the self-employed had to close the business or stop working, most (53%) closed temporarily and only 7% had to close the business or stop working permanently. About 40% of the self-employed continue to work, most of them (31%) continue to work partially and only 9% continue to work as usual and are not affected by the crisis.

Of the self-employed who continue to work, about half (48%) work from home, but even before the crisis worked at least partially from home. 19% work from home, 17% combine work from home and business. Only 16% reported working from home because of the crisis.

The high proportion of self-employed and freelancers working from home is due to the fact that most (80%) do not employ workers: about 60% of them stated that they work from home but even before the crisis worked at least partially from home, only 14% work from home Work from home and business. Only 12% of them work from the business.

The survey shows that the impact on the income of the self-employed is sharper compared to employees: due to the crisis, 48% of employees and 90% of the self-employed expect a decrease (up to no income) in wages/income in March-April (2020); 35% of employees expect a decrease in their wages, in March-April (2020) in light of the crisis, compared with about 47% of the self-employed who expect a decrease in their income during this period.

The proportion of employees who have difficulty working from home is lower than the rate of the self-employed: 15% of employees compared to 29% of the self-employed succeed to a lesser or very little extent. Employers, after all, the self-employed who work from home face the sharp decline in economic activity, and therefore a relatively high percentage of them report little to very little success.

An interesting point that arises, is that employees have more difficulty than the self-employed in assessing the effectiveness of their work from home: 16% of employees answered "do not know" compared to only 2% of the self-employed. This reflects the need of employers and employees to formulate an array of measuring outputs and methods of working from home.

About a quarter (25%) of all respondents stated that they do not have liquid money to live on without opening savings, whereas 66% have liquid money to live on for a certain period.

Among the self-employed, the situation is slightly better, with only 20% stating that they do not have liquid money and 68% stating that they have it. About 9% of respondents answered that they do not know how to answer it. It should be noted those in absolute terms, 26% of employees mean close to a million people who do not have liquid money to survive this period, while 20% of the self-employed mean about 100,000 people. Thus, even if the crisis hit the self-employed more severely, it should be remembered that among the employee population there are many households that remain vulnerable in the current crisis.

Of those who responded that they had liquid money to subsist on, 17% of all employees and 23% of the self-employed indicated that they had liquid money to subsist for less than a month. This means that about 640,000 employees and another 115,000 self-employed and freelancers (2020), there is not enough liquid money to survive on it for an entire month, without opening savings: 29% of employees and 36% of the self-employed have liquid money to live on for one to two months; 54% of employees and 41% of the self-employed have liquid money to live on for more than two months.

The proportion of self-employed with a fixed liability is higher than the proportion of employees (2020), 81% of employees and 91% of the self-employed indicated that they have a fixed commitment to repay each month, in addition to living expenses and current payments.

Only about 18% of employees responded that they have no obligations to repay each month, and among the self-employed, only half of this rate (9%) responded that they have no obligations.

About 82% of the respondents did not plan to apply for a loan as of the end of March-beginning of April 2020, 10% indicated that they intend to apply for a loan, and only about 8% have already applied for a loan.

Of the respondents who did not plan to apply for a loan (82%) as of the end of March-beginning of April, about 27% believe that they may have to apply for a loan after Passover, and 5% had to open a study fund/provident fund/other savings following the crisis.

Percentage indicating that they have started a higher savings plan among freelancers (11%) and the self-employed without workers (7%), compared to self-employed people who employ workers (3%) and employees (5%) – probably due to the nature of the business. The business is often less clear compared to a self-employed person who employs employees or an employee.

As of the end of March-beginning of April 2020, about 27% of the self-employed who employ workers, 20% of the self-employed without workers, 17% of freelancers and only 8% of employees – stated that they applied for a loan.

In addition, after the holiday, 57% of the self-employed who employ workers, 26% of the self-employed without workers, 22% of freelancers and only 27% of employees may apply for a loan.

Only 13.5% of the self-employed who employ workers do not intend to apply for a loan, compared with about half among the other groups (self-employed without workers, freelancers and employees). About 88% of all respondents believe that they will have a decrease in cultural expenses, tourism, entertainment in Israel and abroad, sports and the like in the near future.

The term freelancer in the world is usually (Flug et al., 2020), presented under the concept of "financially dependent independent workers" when this term refers to a person defined as an independent worker who does not employ others and whose income is dependent on a major employer. In 2013, approximately 50% of all dealers (Exemption, Licensed and Company Ltd.) did not employ employees and approximately 50% were employers. Employees are low relative to their share of employers, 5.9% compared to 94.1% respectively (Nathanson et al., 2015).

As can be seen in the various studies (Nathanson et al., 2015), presented in the trend of trends in Europe and in trends in Israel, we see that in general, the population of employed in the labor market is usually divided into two main groups, both salaried and self-employed. The problem that arises from this divide is the "gray area" that is divided between these two groups where there are employed persons who have characteristics of independent work and also those with characteristics of hired work.

Over the past few years, the structure of the labor market in the world has undergone changes so as to create a dependency between the employees independently and the

employers (clients) for whom the service is performed. The transition in many areas of employment to the form of employment in which independent workers provide professional services Predefined tasks have created many changes in the labor market.

One of these transformations is creation an ever-expanding status of self-employed, non-employing, major customer relations in practice, the relationship between employee and employer is often not different. Sometimes this is even the work done before that by a salaried employee and similar wages. In Israel today, there is no clear definition of this status of workers But the common nickname for self-employed people with a major "employer" is "freelancer", the term used Sometimes also for some of the self-employed who do not have employees and who do not have a main employer (Nathanson et al., 2015).

In addition, in order to be defined as an economically dependent independent worker, the following cumulative conditions must be met: Does not employ employees under it, does not enter into contracts with a third party for the provision of services, does not provide the same services provided by customer employees, they must provide the necessary materials and tools themselves For job performance, work progress is made under independent management, they must receive valuable rewards according to job outcomes and personal risk taking.

Another characteristic of an economically dependent self-employed worker is the existence of an independent business account, such as contractors who do not employ additional employees under whom they sell their products or provide services independently under a contract and with limited autonomy (OECD Employment Outlook, 2014).

Another notion of the economically dependent self-employed worker is Employee-like person, known in several countries, including Austria and Germany. This term applies to a person who performs a job or provides services for another person without a contract of employment, but there is an economic dependency. The criteria for being financially dependent include: Working for one or a limited number of clients, no use of self-resources. In Germany, the economic dependence on the employer should be more than 50% of total income (ILO, 2013).

Accordingly, a number of countries that implement policies for freelance work characteristics can be seen below.

In Germany, under German law, employees defined as Employee-like person, constitute a group derived from the self-employed group. German law provides protective provisions for the group of workers under this definition, among the various protections can be found the Labor Court Law that gives the Labour Court jurisdiction in litigation regarding these employees when there are disputes between the parties to the contract. In Spain, under the law for self-employed workers, where the status of economically-dependent self-employed workers has been recognized, various contractual protections are granted. Further, beyond the contractual agreement, is conditional upon the employee's consent and their length must be enshrined in the contract, nor can the additional days exceed 30% of the contracted work duration and the employee is given the right to adjust the schedules for his or her personal and professional life.

When seeking to sever the relationship between the parties, the termination of the contract is due to one of the following reasons: consent of parties, death, retirement or limitation of the employee, cancellation of the agreement by the employee and non-compliance of the contract by the client (employer).

In the United Kingdom, a non-working freelancer can (under certain conditions) claim a "job seeker's allowance". This allowance is an economic benefit provided to the unemployed and paid by the UK government under the National Insurance System. There are two routes to this allowance: the first depends on the national insurance premium paid previously, the second is based on income and depends on the financial and family circumstances of the unemployed.

A person may apply for one or both of the tracks, depending on their circumstances. It is a basic annuity and aims to help cover living expenses for those who are actively looking for work. Allowance claimants are asked to sign an agreement requiring them to take specific steps regarding job search, such as stabilization in compulsory courses. The plaintiff must prove that the work was terminated as a result of the market situation and not by choice; proof must be provided that the market conditions have made the trading environment negative. Proof must be provided by submitting financial statements of a 12-month period ending in the year in which the claim was filed. Another condition for filing the claim is that the freelancer must work less than 16 weekly hours. As of April 2009, from the first day of work, all employees are entitled to paid leave of 6.5 weeks per year, depending on the number of working days per week.

Freelancers are often in a position of weakness and helplessness with systems designed for businesses. On the part of employers, the fact that freelancers are not salaried and therefore cannot, apparently, suffer from salary deprivation allows for the payment of a loan. In a situation where a single person faces large, organized bodies, a situation is often created in which he is immediately demanded from various accounts and payments and can even resort to sanctions but his debts are slowly fulfilled and ineffective, which severely compromises that person's financial security. Therefore, it should be ensured that the relationship that exists between a freelancer and his/her primary employer is recognized as employer-employee relationship and, in addition, to prevent wage deprivation for freelancers providing service for performing work similar to that of an employee employed by the same employer.

References

- Apitzsch, U., 2004. Balancing precarious work, entrepreneurship and a new gendered professionalism in migrant self-employment. *Biographical methods and professional practice: An international perspective*, pp. 39-56.
- Bar Rabbi, K., Scherberman, K. and Yarin, S.A., 2017. Labor Market Trends, Policy Paper No. 2017.03, *Taub Center*. Hebrew.

- Behling, F., and Harvey, M., 2015. The evolution of false self-employment in the British construction industry: a neo-Polanyian account of labour market formation. *Work, employment and society*, 29(6), pp. 969-988.
- Casson, M., 1982. *The entrepreneur: An economic theory*. Rowman & Littlefield.
- Congregado, E., Millán, J.M. and Román, C., 2014. The emergence of new entrepreneurs in Europe. *International Economics*, 138, pp. 28-48.
- Dan, A., 2006. Employee or contractor (freelancer): Issue of "Employee-Employer Relations", *Psychoactuality*, 54 (Hebrew).
- Dimic, N. and Orlov, V., 2014. Entrepreneurial tendencies among people with ADHD. *International Review of Entrepreneurship*, 13(3), pp. 187-204.
- Drucker, P.F., 1995. *People and performance*. The best of Peter Drucker on management. Routledge.
- Flug, K., Aviram-Nitzan, D. and Kedar, Y., 2020. The Impact of the Corona Crisis: Self-Employed-Employees, The Israel Democracy Institute (Hebrew).
- Fondeville, N., Ozdemir, E., Lelkes, O., Ward, T. and Zolyomi, E., 2015. Recent changes in self-employment and entrepreneurship across the EU. Research note, 6, 2015.
- Frey, C.B. and Osborne, M.A., 2017. The future of employment: How susceptible are computerization jobs? *Technological Forecasting and Social Change*, 114, pp. 254-280.
- Harvey, M. and Behling, F., 2008. The Evasion Economy. False Self-Employment in the UK Construction Industry.
- Hatfield, I., 2015. *Self-employment in Europe*. Vol. 4, pp. 1-15. London: IPPR.
- Jorens, Y. and Van Buynder, T., 2009. Self-employment and bogus self-employment in the construction industry in Belgium.
- Kitching, J., 2016. Exploring the UK Freelance Workforce in 2015, a report for IPSE. Online at: <<https://www.ipse.co.uk/sites/default/files/documents/research/Exploring-uk-freelance-workforce-2015-report-v1.pdf>>
- Lerner, D.A., Hunt, R.A. and Verheul, I., 2018. Dueling Banjos: Harmony and discord between ADHD and entrepreneurship. *Academy of Management Perspectives*, 32(2), pp. 266-286.
- Magdala-Brick, S.W., 2015. Professions at risk, computing trends in the Israeli labor market. In: Weiss, A. and Chernichovsky, D. (Eds.), Status Report the State Society, *Economy and Policy*, pp. 45-80. Taub Center for Social Policy Studies in Israel, Hebrew.
- Metcalf, H. and Benson, R., 2000. From unemployment to self-employment: developing an effective structure of micro-finance support (No. 170). London: National Institute of Economic and Social Research.
- Ministry of Labor and Social Affairs, 2019. The labor market in Israel – a snapshot and work arm activity.
- Millán Tapia, J.M., 2009. Self-employment: a microeconomic approach.
- Nathanson, R., Ghazela, A.A. and Physism, D.A., 2015. The social security of freelancers in Israel. Macro- Center for Political Calcutta, 1-45. Hebrew.
- Somekh, S. and Kadri, H., 2017. Future of the World of Work Review of major trends. Jerusalem: *Myers-Joint-Brookdale*. Hebrew.
- Swirsky, S. and Opirs A., 2014. Self-employed in Israel. Ripple Center – Information on Equality and Social Justice in Israel, Jerusalem, November. Hebrew.

- Razin, E., 1989. Relating theories of entrepreneurship among ethnic groups and entrepreneurship in space-the case of the Jewish population in Israel. *Geografiska Annaler: Series B, Human Geography*, 71(3), pp. 167-181.
- Van Stel, A. and Storey, D., 2004. The link between firm births and job creation: Is there a Upas tree effect? *Regional studies*, 38(8), pp. 893-909.
- Williams, C. and Lapeyre, F., 2017. Dependent self-employment: trends, challenges and policy responses in the EU. ILO Employment Working Paper, 228.