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- International Roundtable on Business Survey Frames

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Business Demography and Data Products from the Business Registers

Business Demography in Israel

1. Introduction

Business Demography data are produced based on the **Business Register** which was established in 2003 by the Israeli Central Bureau of Statistics. Since its establishment, the data in the Business Register have been obtained consistently from two main administrative files:

- i. A file received from the **VAT authorities** (Value Added Tax)
- ii. A file received from the **National Insurance Institute** (social security)

Matching of the data from these two sources provides the basis for establishing a repository of business records, which contains monthly data on:

- ✓ Revenue and Inputs
- ✓ Employee Jobs Wages

as well as additional business's parameters such as:

- ✓ Identity Number
- ✓ Name
- ✓ Address
- ✓ Dates of activity
- ✓ Activity description (VAT authorities only)

Note: The classification of businesses in the Business Register is according to the *Standard Industrial Classification of all Economic Activities 2011* (based on ISIC REV.4), which replaced the *Standard Industrial Classification of all Economic Activities 1993*¹ (based on ISIC REV.3) and was updated retroactively according to a transition key, and in exceptional cases - manually.

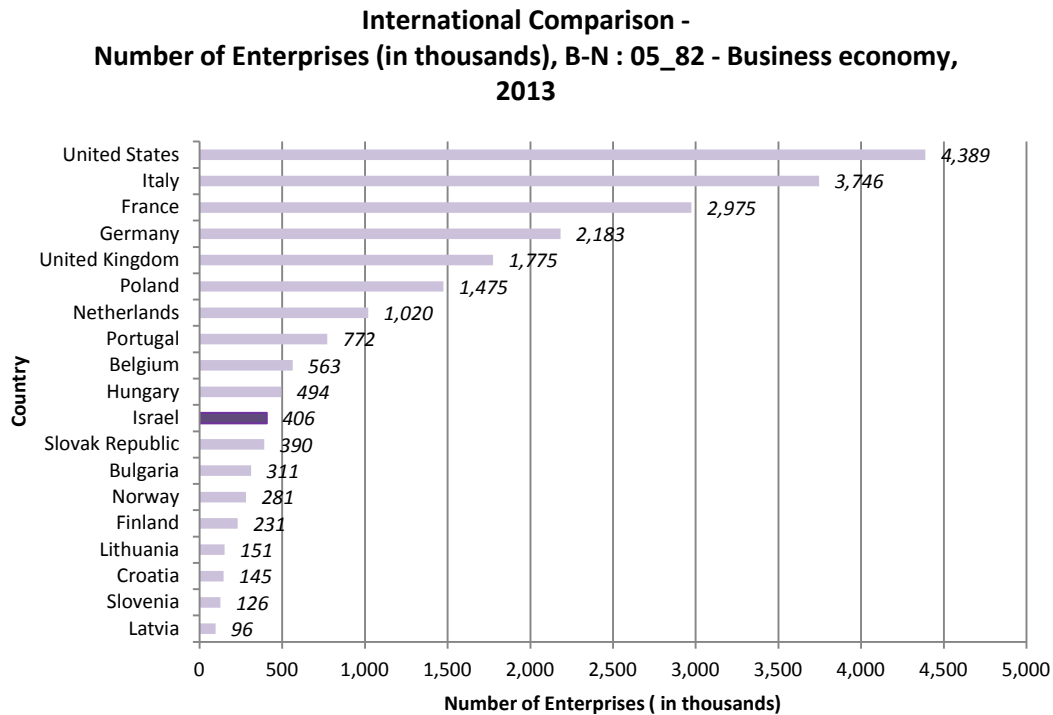
The definitions presented are according to the guidelines of Eurostat and OECD, which appear in the Manual on Business Demography Statistics 2007²

¹ A detailed explanation of the transition to the *Standard Industrial Classification of all Economic Activities 2011* is appears in a Press Release published by the CBS on 7 February 2012 (Hebrew only): http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201229300

2. Main Findings

Active Enterprises

- Approx. 550 thousands active enterprises in all industries in 2015
- Average annual growth of approx. 3% (2003-2015)

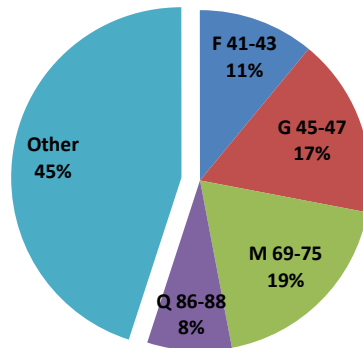


The highest percentage of active businesses of all active businesses of all industries in 2015 was found in Professional, scientific and technical activities (Section M), comprising approx. 19%.

The lowest percentage of active businesses of all active businesses in the economy during 2015 was found in Local, public and defence administration and social security (Section O) (0.2%).

² Eurostat-OECD (2007). *Eurostat-OECD Manual on Business Demography Statistics*. European Commission – ISBN 978-92-79-04726-8, Catalogue number: KS-RA-07-010-EN-N, ISSN 1977-0375.

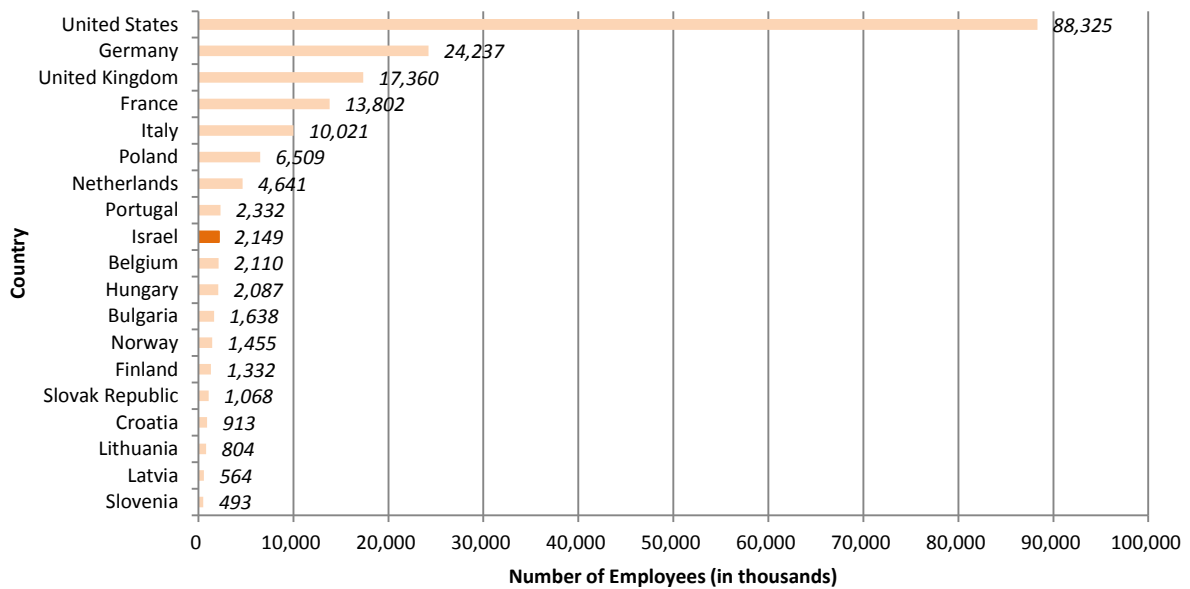
Active Enterprises (percentages), by Industry (ISIC Rev.4), 2015



Employee Jobs

- Approx. 3,660 thousands employee jobs in all industries in 2015
- Average annual growth of approx. 3% (2003-2015)

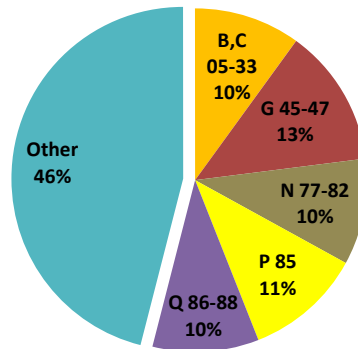
International Comparison - Number of Employees (in thousands), B-N : 05_82 - Business economy, 2013



The highest percentage of employee jobs of all employee jobs of all industries in 2015 was found in Wholesale and retail trade and repair of motor vehicles (Section G), comprising approx 13%.

The lowest percentage of active businesses out of all active businesses in the economy during 2015 was found in Real estate activities (Section L) comprising approx 1%.

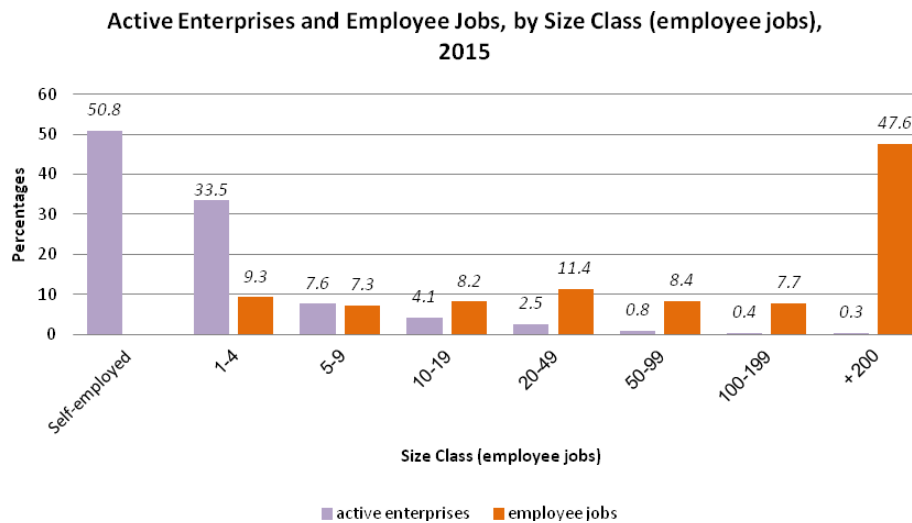
Employee Jobs (Percentages), by Industry (ISIC Rev.4) ,2015



Active Enterprises, by Size Class (employee jobs)

Approximately 51% of all active businesses among all industries in the economy in 2015 belonged to self-employed persons and companies that did not hire employees. Among the remaining 49% of active enterprises which are employers, 92% employed up to 20 employees.

55% out of all employee jobs among all industries in the economy in 2015 were in enterprises that employed more than 100 employees. These enterprises comprised less than 1% of all active enterprises that year.



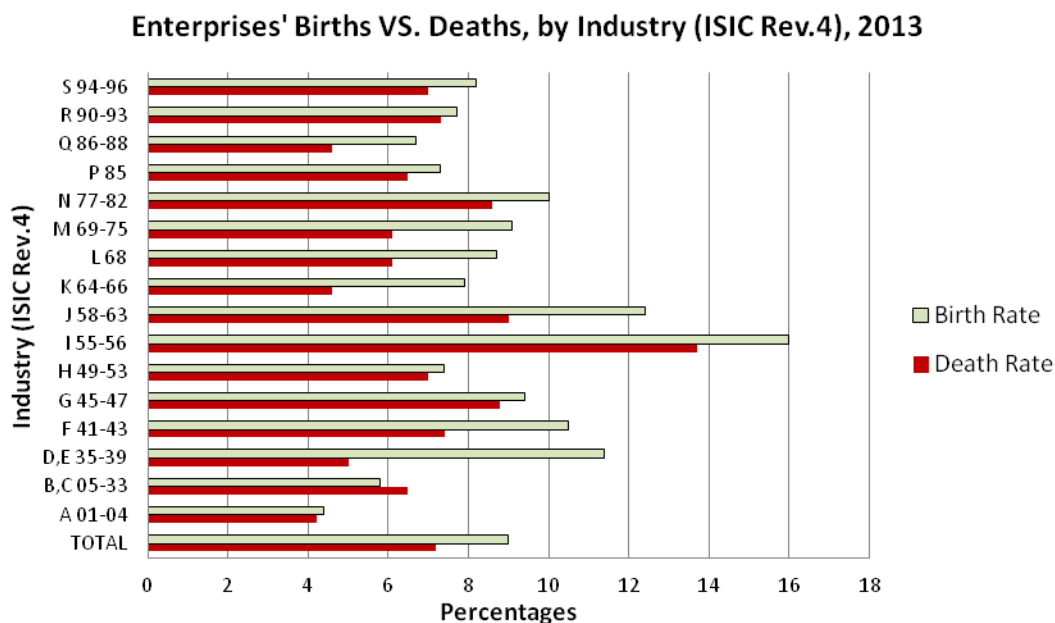
The average of employee jobs per employer for 2015 in the total economy **was 13.6**, similar to the average of employee jobs per employer between 2011 and 2013.

The highest number of employee jobs per employer during 2015 was found in Local, public and defence administration and social security (Section O) (292 employee jobs per employer). **The lowest number of employee jobs per employer** during 2015 was found in Real estate activities (Section L) (3.5 employee jobs per employer).

Movement of Enterprises in the BR (Openings and Closings VS. Births and Deaths)

Enterprises' Births VS Deaths - 2013

In 2013, approx. 46 thousands enterprises were born (9% of all active enterprises) and 37 thousands enterprises died (7.2% of all active enterprises). As a result of enterprises' births and deaths, 78 thousands employee jobs were added to the Israeli economy and 48 were subtracted, respectively (a supplemental of 30 thousands employee jobs in 2013).



The highest percentage of births in this year, among all active enterprises, was found in Accommodation and Food Service Activities (Section I 55-56) (16%) and the lowest average percentage was found in Agriculture, Forestry and Fishing (Section A 01-04) (4.4%) and Manufacturing, Mining and Quarrying (Section B,C 05-33) (5.8%).

The highest percentage of deaths in this year among all active enterprises was found in Accommodation and Food Service Activities (Section I 55-56) (13.7%) and the lowest average percentage was found in Agriculture, Forestry and Fishing (Section A 01-04) (4.2%)

Employer births 2015

In 2015, approx. 28 thousands employer enterprises were born (13% of all active employers enterprises). As a result of enterprises' births and deaths, 112 thousands employee jobs were added to the Israeli economy.

The highest percentage of births in this year among all active employers enterprises was found in Accommodation and Food Service Activities (Section I 55-56) (19.3%) and the lowest percentage was found in Manufacturing, Mining and Quarrying (Section B,C 05-33) (6.8%).

Employer Births VS. Employer Deaths - 2013

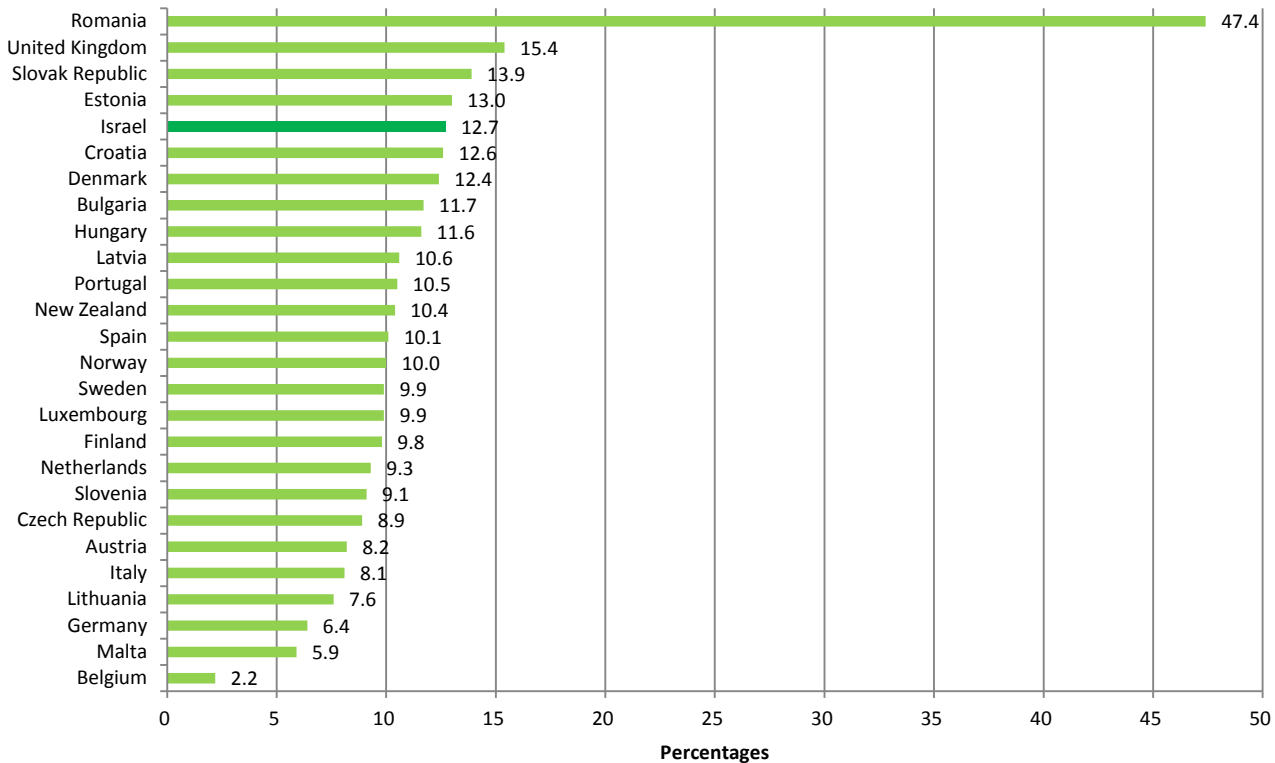
In 2013, approx. 26 thousands employer enterprises were born (12.7% of 05_82 employers enterprises) and 21 thousands employer enterprises died (7.2% of 05_82 active enterprises).

The highest percentage of employer births in this year among 05_82 employers enterprises was found in Accommodation and Food Service Activities (Section I 55-56) (19.6%) and the lowest average percentage was found in Manufacturing, Mining and Quarrying (Section B,C 05-33) (7.3%).

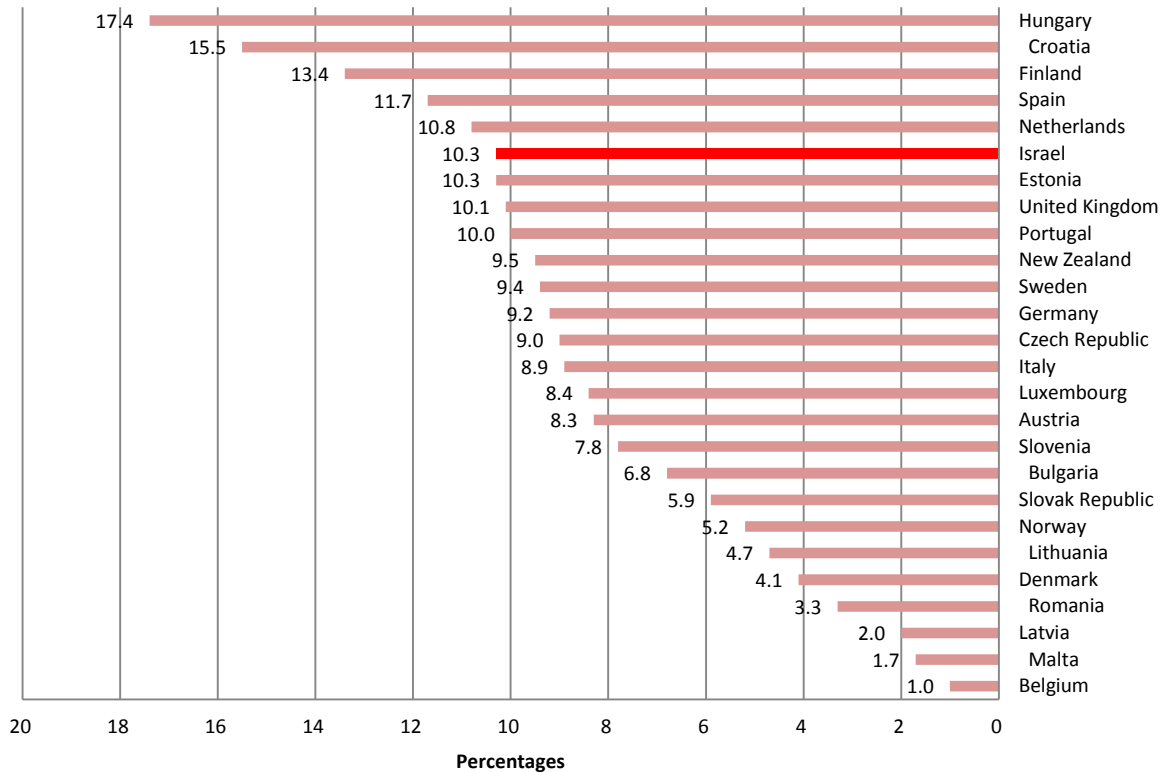
The highest percentage of employer deaths in this year among 05_82 employers enterprises was found in Accommodation and Food Service Activities (Section I 55-56) (16.5%) and the lowest average percentage was found in (Section K 64-66_Less_642) (6.5%).

International Comparison - Employer Births VS. Employer Deaths - 2013

Employer Birth Rate by Country, Industry B-N: 05_82, 2013



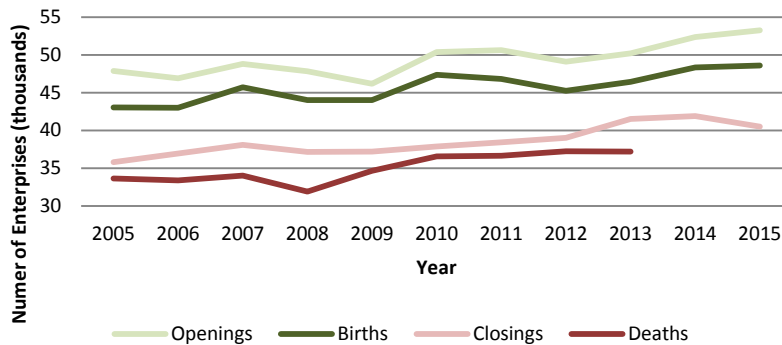
Employer Death Rate by Country, Industry B-N: 05_82, 2013



Until 2009, movement of enterprises in the Business Register was produced according to registration dates at the VAT authorities only.

Opening of an enterprise was defined in the year of activity in which the date that opening of an enterprise is registered at the VAT authorities. Similarly, **Closing of an enterprise** is defined as the year of activity in which the termination of the activity of the enterprise is registered at the VAT authorities. The advantage of this method, compared to Enterprise Births and Deaths, is that the data for Enterprise Closings is available for later years (2014-2015) than Enterprise Deaths

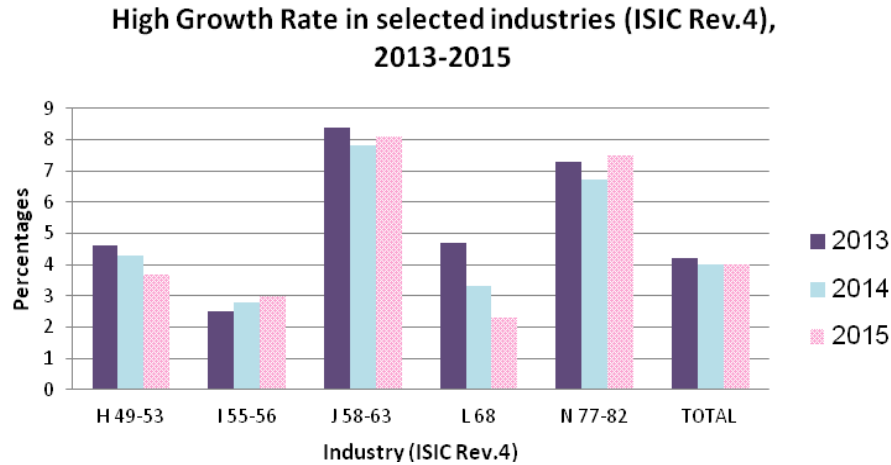
Enterprises' Openings and Closings VS. Birth and Deaths 2005-2015



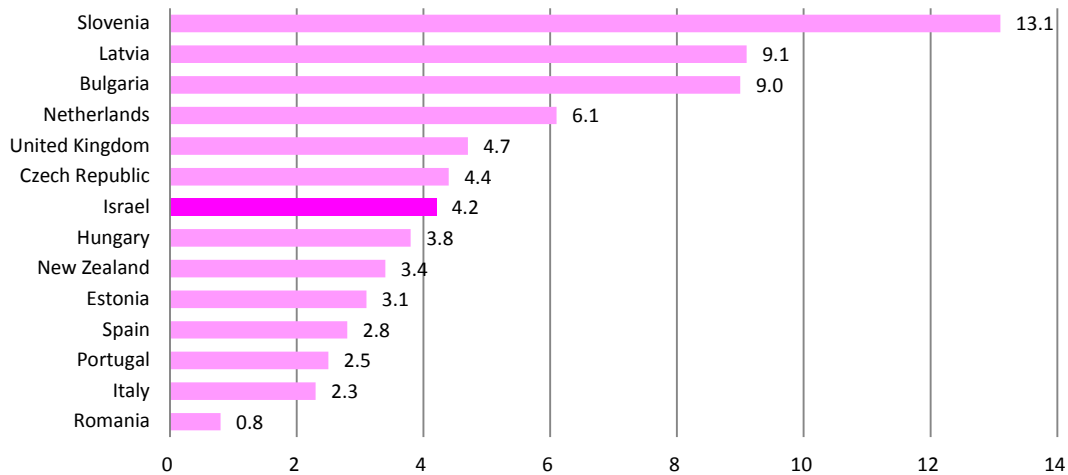
High Growth Enterprises (by employment – more than 10 employees)

The percentage of high-growth enterprises in 2015, among all industries was 4%.

The highest percentage of high-growth enterprises in 2015 (8.1%) was in Information and Communications (Section J). The main contribution to this high percentage was from the enterprises classified under Division 62: Computer programming, consultancy and related activities. The lowest percentage of high-growth enterprises in 2015 (2.3%) was in Real Estate Activities (Section L).



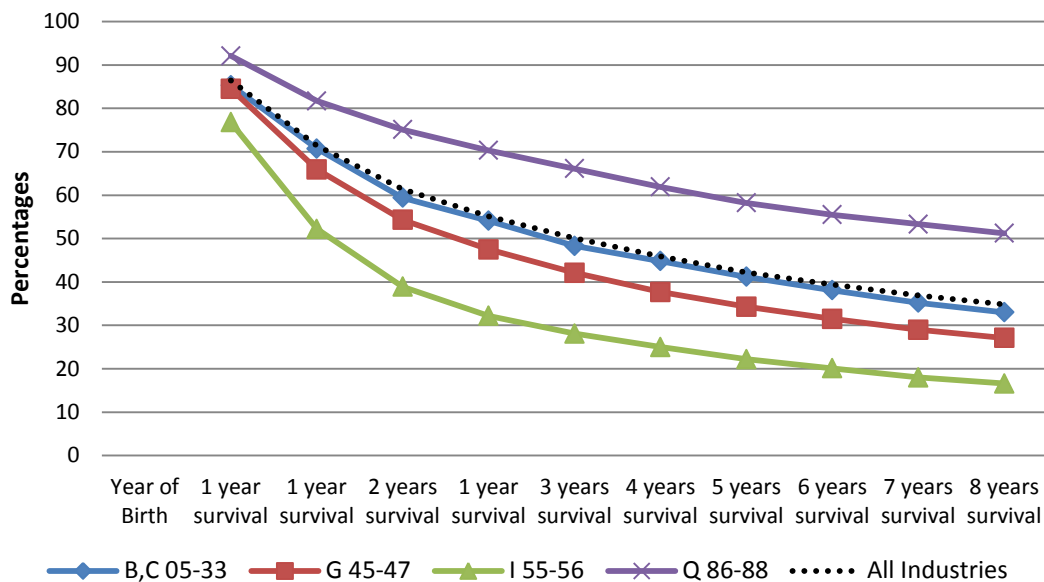
**International Comparison -
High-Growth Rate (Percentages), B-N : 05_82 - Business Economy,
2013**



Enterprises' Survival Rate

Examination of the Enterprises' Birth population (total economy) in 2005 reveals that approx. 35% survived their eleventh year of activity {(Birth year)+10}

Survival Rate throughout the years (2006-2015) of Enterprises' Births in 2005, by selected Industries (ISIC Rev.4)



An analysis of the percentages of survivals of enterprises born in 2005 by industry reveals that from the year of birth until 2015, enterprises in Accommodation and Food Service Activities (Section I) had the lowest survival rate. The highest survival rate was observed in Human health and social work activities (Section Q).

3. Challenges

VAT Partnerships/Dealers' Union - VAT Law requires a partnership to be registered at VAT as a partnership dealer. In addition, the VAT authority also makes it possible for a number of dealers who are not a partnership to register as a “dealers' union” for the sake of reporting jointly on revenue. A partnership/dealers' union may include dealers from similar or different industries. In cases where the dealers act in different industries, the unit is classified according to its main activity. The difficulty in classifying partnerships leads to small deviations in the estimates for industries. It should be noted that in 2015, approx. 5% of all dealers were partnerships and their revenue constituted approx. 40% of total revenue in the economy.

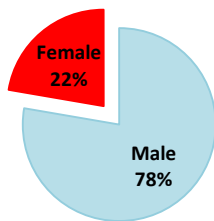
Local Units - Data on employers are obtained from the National Insurance Institute’s administrative files. The files include employment units with aggregated data on the number of employee jobs, and may also include data on multi-disciplinary economic activity in terms of industries and in geographical terms.

This is reflected in large employers such as local authorities, primary schools, banks, health maintenance organizations, chain stores, telecommunications, and postal and courier services. This may create a problematic situation, in which all of the workers employed in a large business that contains thousands of employee jobs are registered geographically at one address, which is the address listed at the National Insurance Institute (and is usually the same as the business address obtained from VAT), even when the workers are actually scattered among branches of the business throughout the country.

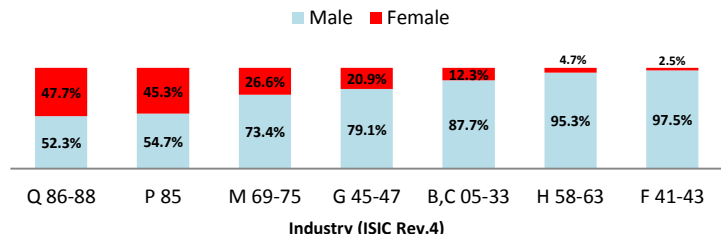
4. New Developments

As a result of collaboration between the Business Register Unit (Business-Economy Department), Population Register (Demography Department) and Education Register (Education Department) we are now able to produce Business Demography Statistics according to characteristics (gender, population group, marital status, year of birth and education level) of the enterprises' owners. Data regarding all relevant population for the year 2012 and the majority (excluding companies) of the 2015 relevant population were published as a special Press Release at the end of September 2016. Here are a few examples:

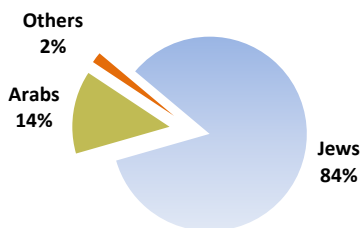
Ownership share in Active Enterprises by Gender, 2012



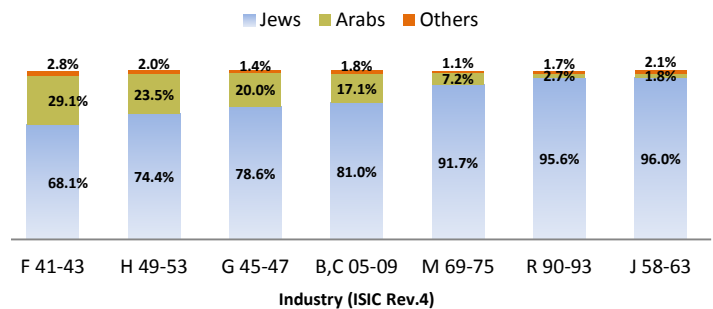
Ownership share in Active Enterprises by Gender, Selected Industries (ISIC Rev.4), 2012



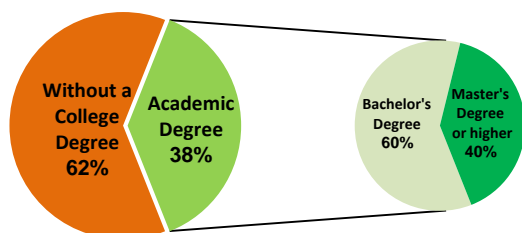
Ownership share in Active Enterprises by Population Group, 2012



Ownership share in Active Enterprises by Population Group, in Selected Industries, 2012



Ownership share in Active Enterprises by Education Level, 2012



The population of business owners, by Employers/Nonemployers and Education Level, 2012

