EN

European Commission
Enterprise and Industry

SBA Fact Sheet 2010/11
GERMANY

Germany's Fact Sheet in a nutshell:

✓ *The German SME sector is recovering well from the crisis.*

✓ *Germany's medium-sized businesses play an important role and created 500 000 new jobs between 2002-2008.*

✓ *In 4 SBA areas, Germany does better than the EU average and performed particularly strongly in 'Skills and Innovation' and 'Internationalisation'.*

✓ *In 2010-2011, Germany took action in all SBA areas except 'Environment'.*

The SBA Fact Sheets[1]:

The Small Business Act (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs).

The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs.

1. SMEs in Germany — basic figures

	Number of Enterprises			Employment			Value added		
	Germany		*EU27*	Germany		*EU27*	Germany		*EU27*
	Number	Share	*Share*	Number	Share	*Share*	Billion €	Share	*Share*
Micro	1.559.595	83,3%	*92,1%*	4.307.401	19,3%	*29,8%*	201	16,5%	*21,6%*
Small	258.391	13,8%	*6,6%*	4.864.478	21,8%	*20,4%*	212	17,3%	*18,9%*
Medium-sized	44.490	2,4%	*1,1%*	4.444.863	19,9%	*16,8%*	244	20,0%	*17,9%*
SMEs	**1.862.476**	**99,5%**	***99,8%***	**13.616.742**	**60,9%**	***66,9%***	**657**	**53,8%**	***58,4%***
Large	9.217	0,5%	*0,2%*	8.729.597	39,1%	*33,1%*	564	46,2%	*41,6%*
Total	**1.871.693**	**100,0%**	***100,0%***	**22.346.339**	**100,0%**	***100,0%***	**1.221**	**100,0%**	***100,0%***

Estimates for 2010, based on 2002-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by Cambridge Econometrics.The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Given Germany's position as the largest economy in the EU, it is not surprising that its SME sector is skewed towards medium and small rather than micro firms. One in every five EU medium firms is German and so are 18 % of all EU's small firms. This means that Germany's SMEs are larger than their average EU counterparts. They employ on average three employees more than the EU average (7.3 as opposed to 4.2) in 2010.

In terms of sectoral distribution, though, German SMEs are almost identical in structure to the EU average, with most employees (40 %) in the services sector and about a quarter each in manufacturing and trade.

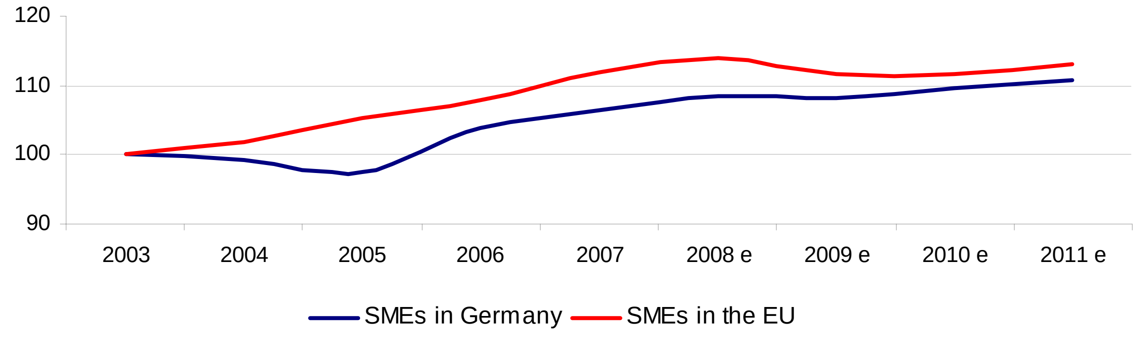
Medium-sized enterprises grew the fastest in recent years. Since 2002, the number of employees in medium-sized enterprises rose from less than 3.9 million to more than 4.4 million in 2008. Although the crisis dented this trend temporarily, by 2010 the figures are expected to have already fully recovered as Germany is experiencing dynamic job expansion. Remarkably, the real 'boom' phase was even steeper as it only really started in 2005. The same is true for micro firms, which went through a recession (in employment terms) until 2005 before starting to grow as rapidly as larger enterprises.

However, medium-sized firms were the only SME category where German firms managed to grow at least as fast, if not faster than their EU counterparts in terms of employment and value-added.

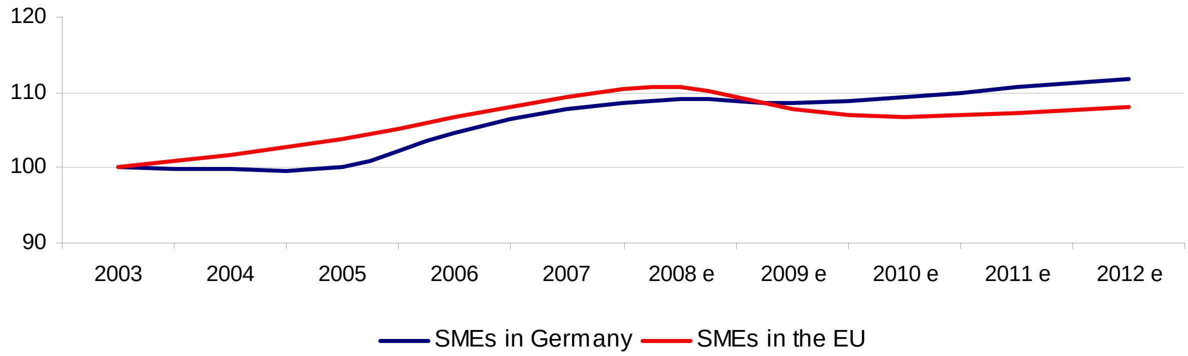
European Commission
Enterprise and Industry

SME trends in Germany[2]

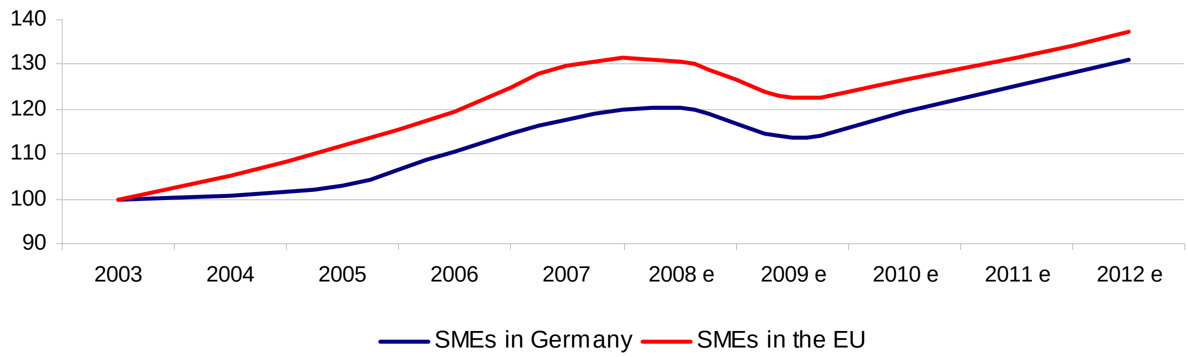
Number of enterprises
(Index: 2003=100, estimations as from 2008 onwards)



Employment in enterprises
(Index: 2003=100, estimations as from 2008 onwards)

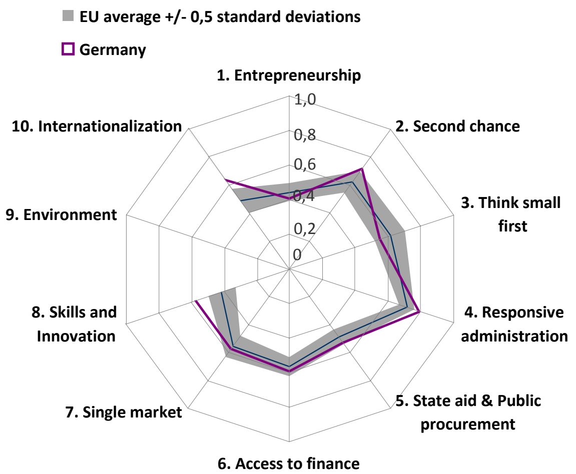


Value added of enterprises
(Index: 2003=100, estimations as from 2008 onwards)



2. Germany's SBA profile

Germany's performance against the EU average by SBA area[3]

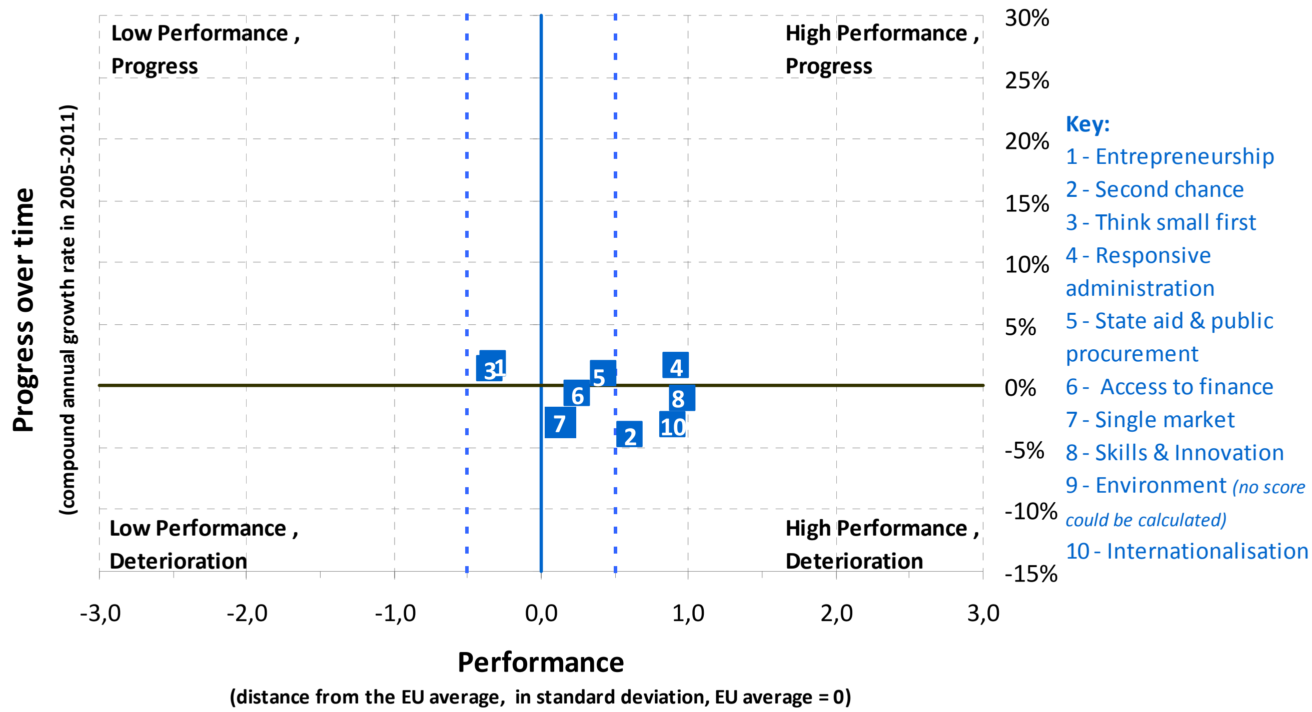


Overall, the statistics on SMEs give an SBA profile for Germany which in most areas sits comfortably within the EU average, while in a few - 'second chance', 'responsive administration', 'skills and innovation', and 'internationalisation' - it exceeds the EU average. (Note: as with all other EU-27 Member States, there is no average area score available for area 9 – 'Environment' – due to a lack of data).

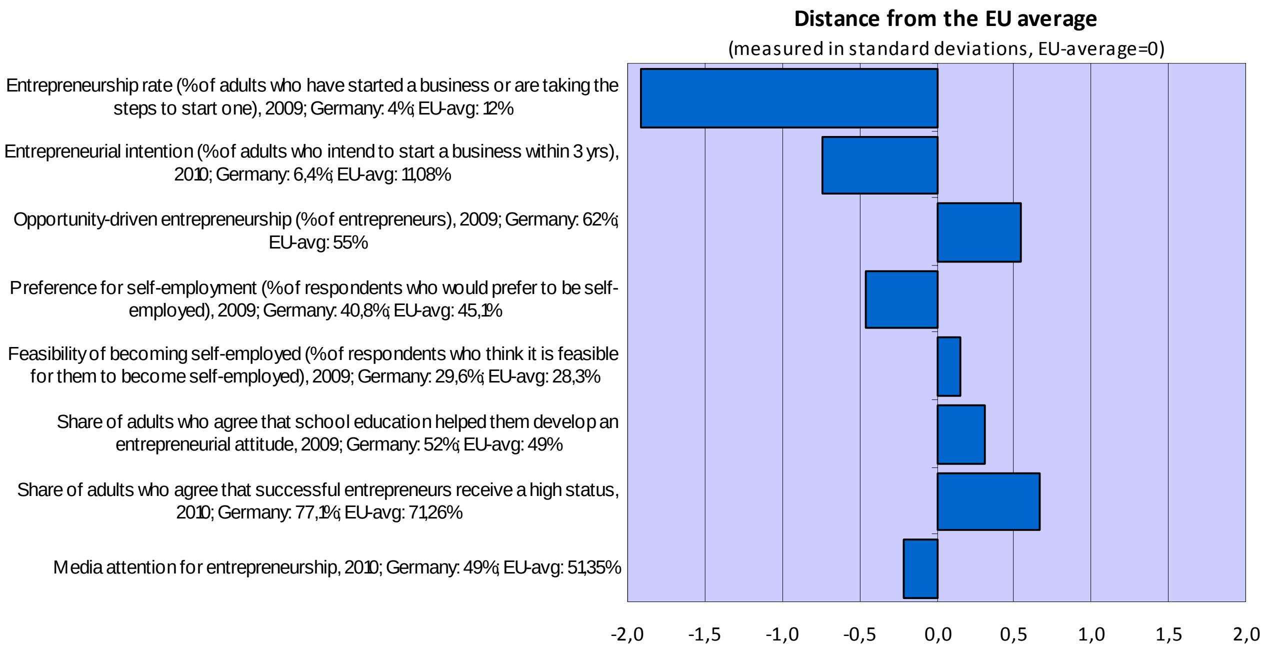
The quadrant chart below provides a good overview of Germany's progress (annual average 2005-2011) in the ten different policy areas. In essence, most areas hover around a high level. Almost all policy areas are clustered around the horizontal axis which represents zero progress. For most policy areas, this should to be put into perspective by the fact that performance is at a relatively high level, equivalent to or higher than the EU average. Low growth may be of most concern in SBA areas '1' and '3' ('entrepreneurship' and 'think small first') which are both at the lower end of the average performance band.

On the policy side, in 2010-2011, Germany took action in all SBA areas except 'environment'. However, a lack of policy initiative in a given area should not automatically be interpreted negatively, as it may also mean that crucial policy measures are already in place. [4]

Germany's SBA performance: Status quo and development between 2005-2011[5]



I. Entrepreneurship



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Germany's overall performance is within the range of the EU average but it is the area that comes closest to the lower point in the range. Performance is mixed as the two core indicators measuring entrepreneurial activity (entrepreneurship rate and the rate of opportunity entrepreneurs) give mixed results. Although Germany trails the EU average and all other EU Member States (4 % of the German survey respondents versus 12 % for the EU) on entrepreneurship rate, on the rate of opportunity it actually leads the EU average by a margin. Evidence suggests that in Germany, relatively few people are forced to start their own business due to a lack of alternatives. This should be seen against the backdrop of many indicators on the societal environment giving better-than-EU-average values, contributing to a business friendly atmosphere. More people in Germany than the EU average (52 % to 49 %) think that school helps to develop an entrepreneurial mindset and that successful entrepreneurs have a high status (77 % to 71 %). Only in terms of media attention to entrepreneurship does Germany trail the EU average.

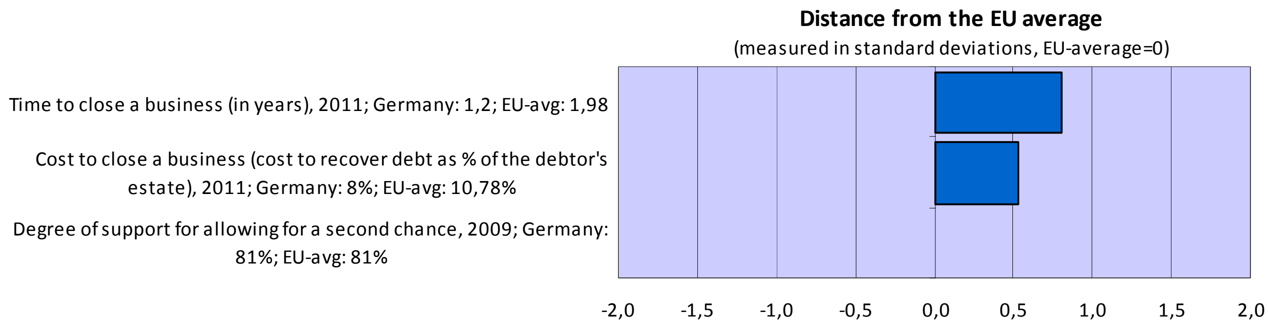
To address these challenges, the German Government took a number of **policy measures**.

In 2010, a new programme to support academic spin-offs was implemented. In 2011, about 10 universities will be selected for funding. Funded activities may include the early identification of potential founders, activities to improve access to specialised consulting and financing and improvements to entrepreneurship education. The programme is part of the larger *Existenzgründungen aus der Wissenschaft* (EXIST) Initiative of the Federal Government, which aims to support technology-intensive start-ups.

Also in 2010, a programme called Entrepreneurship in Schools was implemented, which aims to improve early entrepreneurship education and raise awareness of self-employment. Under the programme, information materials for students are produced and workshops and seminars are offered to qualified teachers.

A competition for successful business successions was also launched in 2010. Winners were selected in three categories (family takeover, corporate takeover and external takeover). The competition aims to raise awareness of the need to organise business succession early and professionally. These and other measures are bundled within the initiative 'Germany — a nation of entrepreneurs' (*Initiative Gründerland Deutschland*) launched in January 2010.

II. Second chance

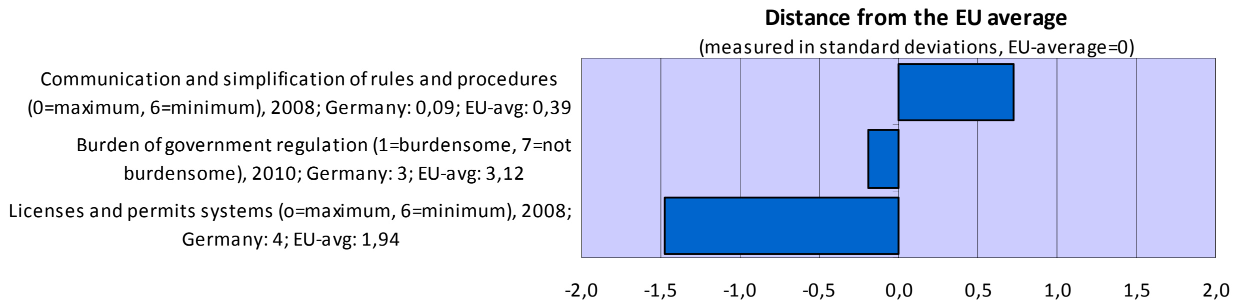


Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

The indicators measuring 'second chance' indicate above-average performance. While the overall level of support for allowing a second chance is the same as the EU average, it is cheaper and faster to close a business, which has an important bearing on how easy it is to restart a business. While in Germany it takes little more than one year to wind down an enterprise, for the EU overall it is almost two years.

On the policy side, changes in the insolvency code are planned for 2011. These will include exonerating debtors from payment obligations sooner than under the current regulations. In 2011, a new company restructuring law will be enacted, making restructuring processes easier to handle.

III. Think Small First



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

The situation on the 'Think Small First' principle is mixed.

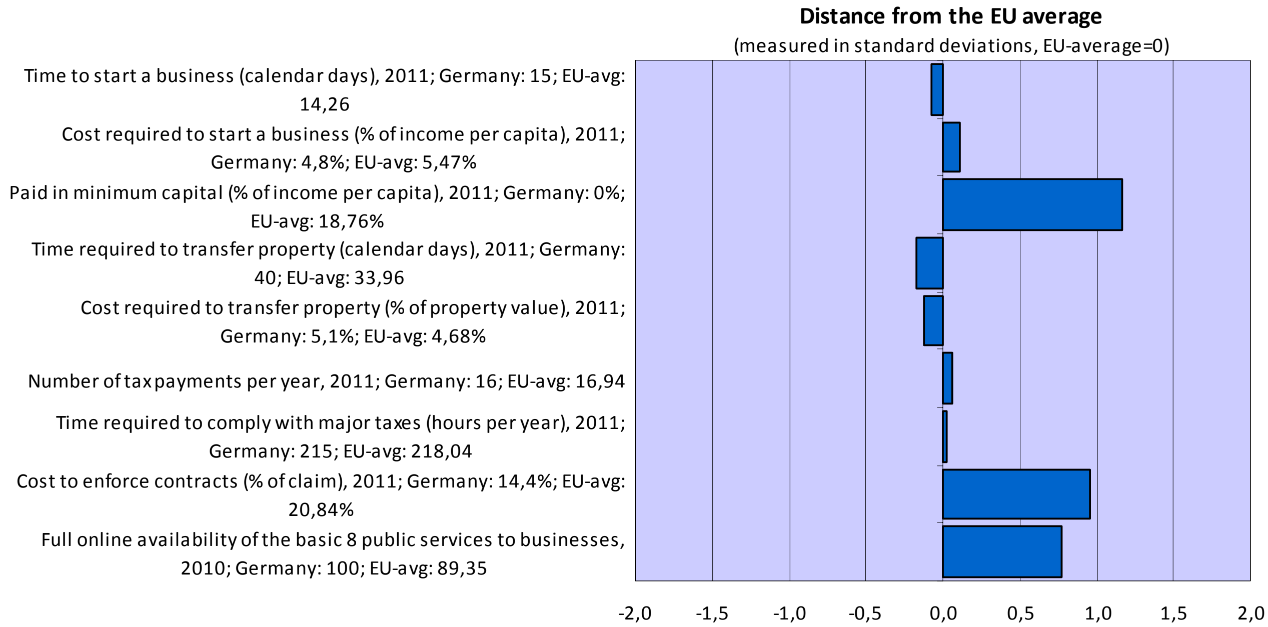
Overall average performance is on par with the EU average according to a World Economic Forum (WEF) business survey, negative (read substantially below the EU average) performance on the 'Licenses and permits' system but above-average on 'Communication and simplification of rules and procedures' (see score in above chart).

The **main policy developments** in 2010 include an amendment to the law on the establishment of a National Regulatory Council, which was implemented in March 2011. Its main implication is that whenever a new law is implemented, federal ministries must take into account and specify the compliance costs arising for companies, citizens and administration.

Also, in early 2011, a new SME monitor was announced by the Federal Ministry of Economics and Technology. The main aim is to strengthen the voice of SMEs in the process of European decision making. The measure also aims to identify all legislative and other projects at EU level that may be of interest to SMEs and actively involving SMEs and their representatives in developing these initiatives and legislative projects.

The law on accelerating economic growth, which came into force in early 2010, included tax reductions for a number of branches of the economy and simplifications in the tax code, particularly relevant to SMEs.

IV. Responsive Administration



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

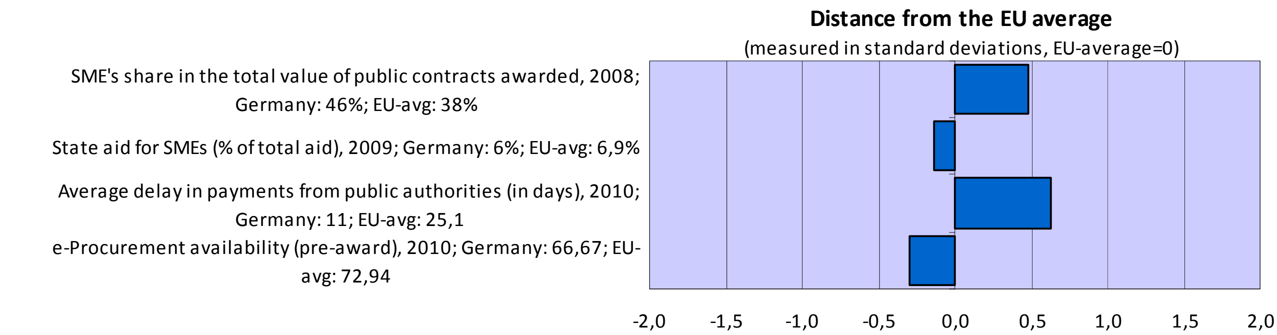
The overall score for this SBA area is above the EU average.

However, on most of the individual indicators in this area, Germany performs in line with the EU average.[6] The only indicator that directly measures administrative burden where Germany clearly outperforms the EU average is the one related to contract enforcement: on average 14 % of the total claims sum in Germany against more than 20 % for the EU.

Germany is also in the top group of Member States as regards the on-line availability of administrative services to businesses (which are all electronically available). The low capital requirements (paid-in capital to income per capita) also see Germany outperform the EU average by a considerable margin. For the time being though, this performance is based too much on very good performance in specific areas and too little on above-average results across the entire spectrum of administrative services.

The 2010 **policy highlights** include the establishment and continuous improvement of points of single contact (PSC) in 2010 and 2011. The German PSC are now fully operational. To support economic recovery and avoid layoffs, regulations on short-time compensation were amended. The maximum duration of short-time compensation was increased to 18 months for those who were entitled to it in 2010 (for entitlements in 2011: 12 months). Moreover, additional funding opportunities were offered for qualification measures during short-time work.

V. State aid and Public procurement



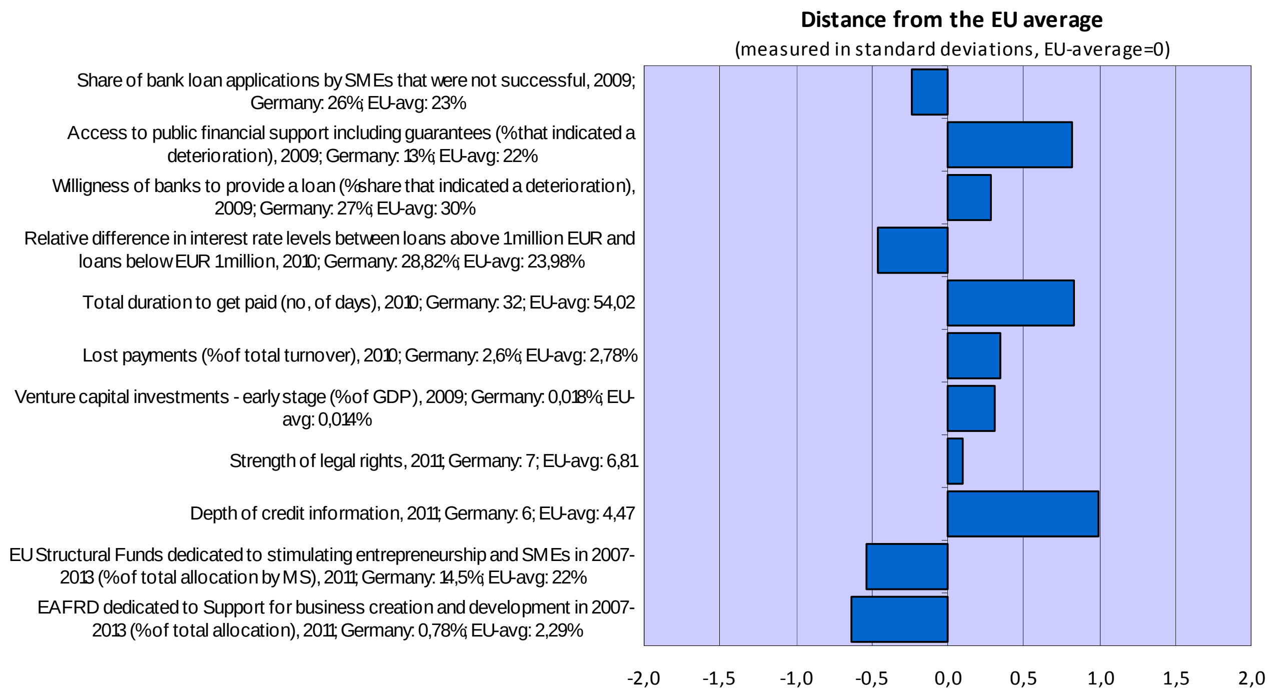
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Germany's performance is roughly in line with the EU average.

On procurement, two of the three indicators are ahead of the SBA average - the share in total value awarded of public contracts to SMEs and the average payment delays by public authorities. German authorities' payment delay is less than half (11 to 25 days) the EU average. Only Luxembourg and some Nordic/Baltic countries perform better. This positive procurement picture is tainted only by some shortfalls in the electronic facilitation of public tenders, where Germany lags behind somewhat.

On the policy side, to reduce administration costs, a 'Flexible Infrastructure for Accelerating Data Flows between Administration and Business' is being tested in 2010 and 2011. This IT infrastructure was created by the *Fraunhofer Fokus Institute* for the Federal Ministry of the Interior. Several amendments were made to the procurement law in 2010 to implement European thresholds into German legislation.

VI. Access to finance



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

The average score places Germany comfortably inside the EU average but there are stark differences on individual finance aspects.

Indicators on private bank and credit lending are, with one exception (willingness of banks to provide loans), slightly below the EU average, but still within the band that can be considered ‘normal’.

Indicators describing the solidity of the institutional set-up of the financial market (depth of credit information and strength of legal rights) are either considerably above average or around average but towards the upper end. The same applies to indicators measuring the cash flow situation (‘share of lost payments’ and ‘number of days it takes to get paid’). German SMEs get paid more than three weeks earlier than their peers in the EU (32 versus 54 days). Lastly, access to equity capital appears to be in line with the EU average (‘venture capital — early stage’).

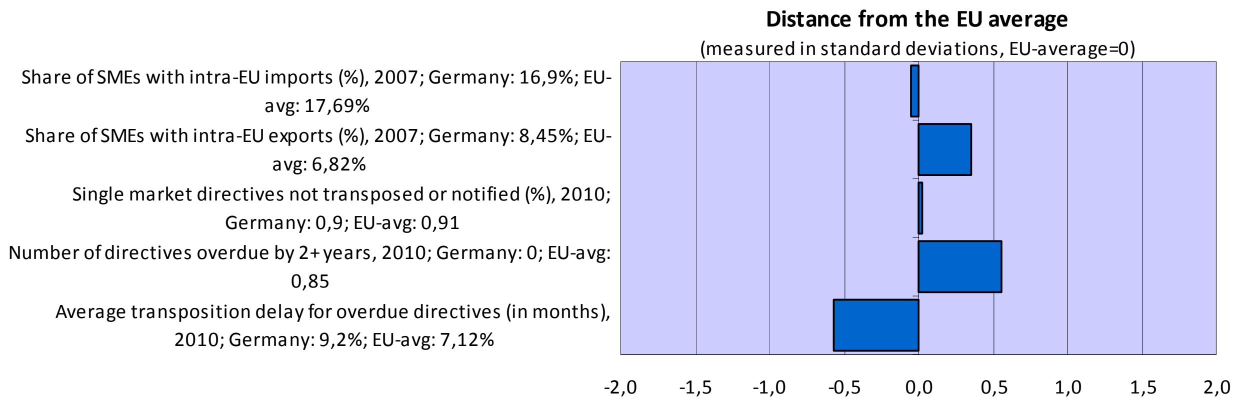
On the other hand, although much fewer German SMEs than their EU counterparts indicated a deterioration in access to public guarantees (13 % to 22 %), public authorities earmarked lower-than-average shares of EU structural funds to SME-related finance support programmes.

The 2010 **policy highlights** include an extension of the investment phase for the Investment Fund for High Tech Start-ups. The fund is a public-private partnership and provides venture capital to young technology-intensive start-ups.

Also, since early 2010, small and micro enterprises have access to finance via the German micro-credit fund. Up to now, it has guaranteed 3 200 loans for small business provided by GLS Bank.

As of March 2010, German SMEs have access to credit mediators (financed by the Federal Government) that help small businesses get access to finance by establishing contacts with banks and other providers of finance and by moderating negotiations. These mediators also offer consulting on public support opportunities

VII. Single market



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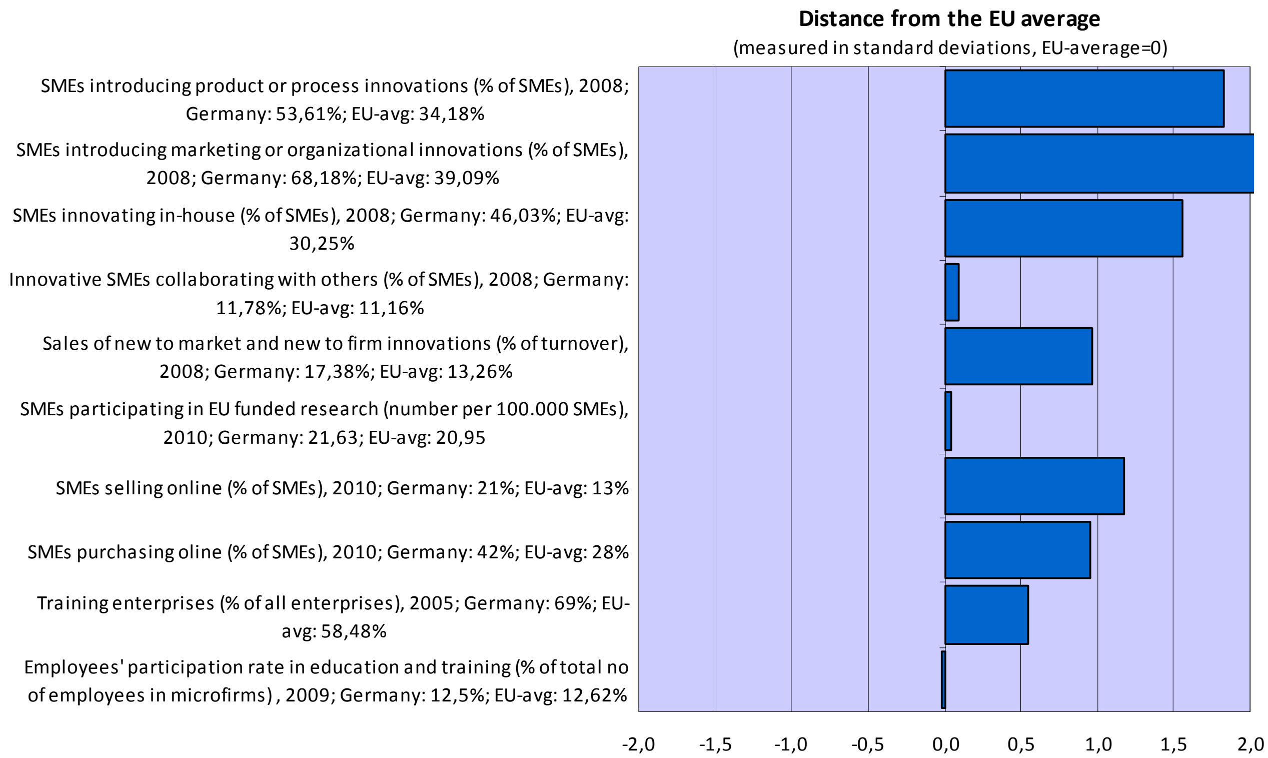
This is another area where Germany’s performance matches the EU average.

In terms of internal market legislation, the transposition of EU legislation into national law and trade performance within the single market, all indicators hover around average performance.

Policy-wise, as regards Effective Problem Solving in the Internal Market (SOLVIT) Germany, the national gateway for submitting complaints regarding the application of European regulation has an above the average resolution rate for cases against it’s own administration (98 %, average 92 %) and, together with France, has the most business cases in the SOLVIT network, predominantly from SMEs. The national institute for norms and standards (DIN) has taken several measures to support SME access to the European norms and standards system.

VIII. Skills and innovation



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Germany's overall score on this SBA aspect is above the EU average. A closer look at individual indicators reveals that the issue of 'innovation' sets Germany apart from most of its EU peers. On practically all innovation indicators, Germany performs above, if not considerably above, the EU average. On three indicators ('SMEs innovating in-house', 'SME introducing product or process innovations' and 'SME introducing marketing or organisational innovations') Germany ranks the highest in the EU. For the indicator measuring product or process innovation, Germany leads the EU average by almost 20% (almost 54% in Germany against 35% for the EU overall). On training, performance is more in line with the EU average.

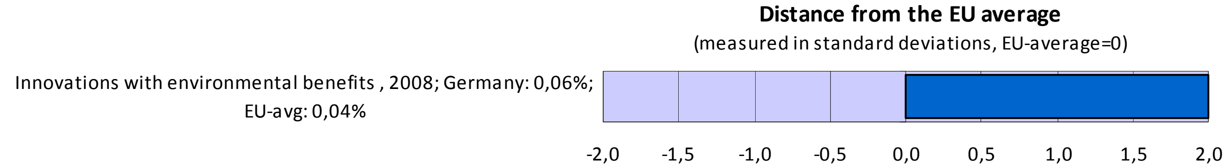
In 2010, Germany adopted a number of **policy measures** with the aim of helping German SMEs to further engage in innovative activities.

For example, in 2010, the High Tech Strategy 2020 was amended to incorporate current developments in technology and innovation. Under the High Tech Strategy, the German federal government bundles numerous programmes to support innovative activities in SMEs. Some are mentioned below.

In 2010, the Central Innovation Programme for SMEs (*Zentrales Innovationsprogramm Mittelstand* (ZIM)) was also extended. Additional funding was provided and application procedures were simplified. The application processing times were reduced to an average of three months. Furthermore, the second major programme for supporting innovation in SMEs, the Collective Industrial Research Programme (*Industrielle Gemeinschaftsforschung*), was extended and implementation changed into a competitive procedure. This programme indirectly supports SMEs by means of research and is not restricted to special fields or research issues. Another programme, SME innovative (KMU innovativ), was extended to cover some new technology areas. In addition, in October 2010, a new programme 'InnoProfile-Transfer' was launched. It supports groups of researchers from academic institutions and SMEs. SME innovation vouchers are also offered as of April 2010. These vouchers allow small businesses (with up to 50 employees) to hire consultants to advise them on innovation project management.

The Protection of Ideas for Commercial Use (SIGNO) programme aimed at improving and extending innovation activities in SMEs by providing help and advice on patenting and protecting intellectual property was extended to cover SMEs in the Service Sector and independent professions in 2010. On the training side, the National Training Pact was renewed at the end of 2010. Federal Ministries and Business Associations agreed to implement a number of measures aimed at improving the availability of vocational education and providing 60 000 new training places per year.

IX. Environment

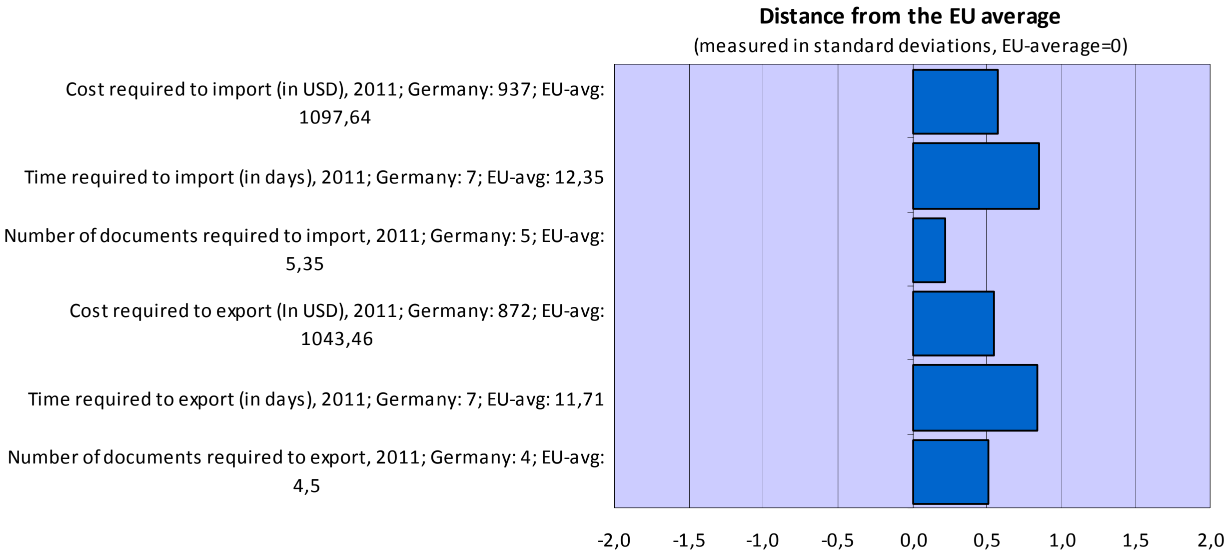


Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Only one indicator tracking performance on environmental aspects is available, namely the share of small and medium-sized enterprises that produce innovations with environmental benefits for the enterprise and/or end-user. Above average performance ties in with the findings in the preceding 'innovation and skills' section but, since only one indicator is available, it is insufficient to draw any general conclusions.

On the **policy side**, no significant measures were taken in 2010 and the first quarter of 2011.

X. Internationalisation



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Germany performs above the EU average once again. Similar to the 'skills and innovation' component, this is the result of broad-based solid performance across almost all indicators. On all indicators measuring the cost or time required for SMEs to participate in international trade, Germany demonstrated more favourable conditions than the EU average. For example, it takes 4 and 5 days less to export and import from and to Germany compared to the rest of the EU.

On the **policy front**, several initiatives (such as the Campaign for foreign trade) were created or extended in 2010. These initiatives aim to help SMEs establish export activities and initial contacts with potential business partners in foreign countries. Two measures (*EZ-Verbindungsreferent* and Service Point for Companies) aim to improve the involvement of SMEs in projects in the field of economic cooperation and development assistance.

3. Good practice

To show what the government actually does to promote SMEs, we include an example of good practice.

The Initiative 'Germany — a nation of entrepreneurs' (*Initiative Gründerland Deutschland*) can be considered an example of best practice because it addresses one of the main problems of entrepreneurship in Germany, namely that founding a company is not considered to be an attractive career option by young people. Polls suggest that this is mainly because the public considers entrepreneurial failure as a personal failure and still view public service as the most attractive career path. The Initiative *Gründerland Deutschland* attempts to change this by launching a large-scale information campaign aimed at young people in schools and universities. But the initiative also includes policies that may have an immediate impact on the attractiveness of entrepreneurship. For example, it includes measures that make a 'second start' easier by improving bankruptcy rules to reduce the financial risk for young entrepreneurs.

About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing an economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's Competitiveness and Innovation Framework Programme (CIP). The Fact Sheets — produced annually — help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They document the status quo and progress. They are not an assessment of Member State policies but should be regarded as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please see the end notes overleaf.

For more information

SME Performance Review:
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm
Small Business Act:
http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm
The European Small Business Portal:
http://ec.europa.eu/small-business/index_en.htm

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[1] The SBA Fact Sheets 2010-2011 benefited substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

[2] The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2003, with the base year 2003 set at a value of '100'. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm.

[3] The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the EU average. The individual values represent averages across all available indicators for this area. The scale is from '0' (minimum or 'worst in the EU-27 class') to '1' (maximum or 'best in class'). The EU average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ('environment') is missing for all countries due to a lack of data.

[4] The policy measures presented in this SBS Fact Sheet may only be a selection of the measures taken by the Government in 2010 and the first three months of 2011. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR´s lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years´ Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

[5] The quadrant chart combines two sets of information: firstly it shows the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals progress over time, i.e. average annual growth rates for the period 2005-2011. The growth rates are those of the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made in the period 2005-2011.

[6] These figures are based on World Bank data. For methodological details on the start-up indicators, please consult the Doing Business 2011 report at http://www.doingbusiness.org/. It should be noted that these findings may differ from corresponding figures obtained directly from Member States through a self reporting exercise, according to which, in 2010, it took 5.5 days and cost 176 Euros to start a business in Germany. For more details please see: http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm.