



Inclusive Entrepreneurship Policies: Country Assessment Notes

Germany, 2018



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FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

Self-employment rates as well as start-up rates in Germany are relatively low compared to European Union (EU) average. In 2017, the German self-employment rate was 9.1% relative to 13.7% for the EU and has continuously decreased since 10 years. Germans were also less likely than the EU average to expect to start a business over the 2013-2017 period (9.4% vs. 12.6%). This held true for population groups such as youth (14.8% vs. 20.4%) and women (7.2% vs. 9.8%) over the same period. A range of policies and initiatives are in place at the national, regional and local levels to make entrepreneurship more inclusive. Tailored entrepreneurship support is well established for some target groups such as women and educated youth, but less so for other groups such as older people and people with disabilities. While many inclusive entrepreneurship policies and programmes have been successful, there is scope to address some of the gaps in the support system, notably for immigrants.

This note is the third country assessment note prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2018 notes include an additional section on female entrepreneurship support, which provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and country reviews of youth entrepreneurship and women entrepreneurship. For more information please refer to: www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.

ACKNOWLEDGEMENTS

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Prof. Dr. Rolf Sternberg at the Leibniz Universität Hannover. David Halabisky and Cynthia Lavisson of the CFE undertook additional drafting and editing of the note under the direction of Dr. Jonathan Potter, also of the CFE. A draft version of this note was discussed with a steering group at a workshop in Berlin on 27 June 2018. The steering group was co-led by the OECD and Tanja Wolfe (Federal Ministry for Economic Affairs and Energy). Other members of the steering group included Maiia Deutschmann, Sabine Doehmer, Stefanie Fröhling, and Holger Maus (Federal Ministry for Economic Affairs and Energy); Petra Meier (Federal Ministry for Family Affairs, Senior Citizens, Women and Youth); Marieke Michel (Federal Ministry of Labour and Social Affairs); and Teita Bijedic (IfM Bonn). This note benefited from feedback and suggestions provided by Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

ABBREVIATIONS

BAND	<i>Business Angels Netzwerk Deutschland</i> (Business Angels Network Germany)
bga	<i>Bundesweite Gründerinnenagentur</i>
BMAS	<i>Bundesministerium für Arbeit und Soziales</i> (German Federal Ministry of Labour and Social Affairs)
BMBF	<i>Bundesministerium für Bildung und Forschung</i> (German Federal Ministry of Education and Research)
BMFSFJ	<i>Bundesministerium für Familie, Senioren, Frauen und Jugend</i> (German Federal Ministry for Family Affairs, Seniors, Women and Youth)
BMWi	<i>Bundesministerium für Wirtschaft und Energie</i> (German Federal Ministry for Economic Affairs and Energy)
DIHK	<i>Deutscher Industrie- und Handelskammertag</i> (Association of German Chambers of Industry and Commerce)
ESF	European Social Fund
GEM	Global Entrepreneurship Monitor
IHK	<i>Industrie- und Handelskammer</i> (Chambers of Industry and Commerce)
ISCED	International Standard Classification of Education
KfW	<i>Kreditanstalt für Wiederaufbau</i> (Credit Institute for Reconstruction)
MFI	<i>Mikrofinanzinstitut</i> (Microfinance Institute)
NES	National Expert Survey
RKW	<i>Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft e.V.</i> (Rationalisation and Innovation Center for German Business)
TEA	Total Early-Stage Entrepreneurial Activity
TWIN	Two Women Win
VdU	<i>Verband deutscher Unternehmerinnen</i> (Association of Germany's Female Entrepreneurs)

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KEY MESSAGES

- Entrepreneurship support policies have become an important and positively evaluated part of economic policy in Germany over the last two decades. Inclusive entrepreneurship programmes are designed and delivered in a dedicated way for selected key social groups such as women, immigrants and students (rather than youth) and in a reduced intensity for unemployed. Few tailored entrepreneurship policies and programmes have been developed for older people and are absent for people with disabilities.
- Self-employment rates were lower in Germany than the European Union average in 2017 (9.1% vs. 13.7%), as was the proportion of people involved in setting up or managing a new business (5.8% vs. 6.7% over the 2013-17 period). The low rates follow a downward trend since 2009, which is partly linked to the stable economic growth and healthy labour market situation over the same period. In contrast to all other EU countries, the 2008-09 economic and financial crisis little effected self-employment and business creation rates.
- The following measures are recommended to strengthen inclusive entrepreneurship in Germany: (i) define more precise objectives and targets for all under-represented and disadvantaged groups in the context of entrepreneurship policy; (ii) increase awareness and support for entrepreneurship in all disciplines of tertiary education in the context of strengthening youth entrepreneurship in higher education; (iii) strengthen the local and regional focus of support measures for all named subgroups as entrepreneurship is primarily a regional (not a national) event with primarily regional origins, effects and one-stop-agencies of government policies, at least in a federal system like the German one; (iv) assure appropriate outreach of migrant entrepreneurship policies to migrant communities; and (v) more explicitly consider the spatial implications of entrepreneurship and its support policies.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

The German “*Wirtschaftswunder*” (“Economic miracle”) is mainly the result of the economic growth of large firms and those enterprises that formed the German “*Mittelstand*” (i.e. small and medium-sized, but not very young firms). Self-employment dynamics and other forms of new business ventures have not been frequent, neither in former West Germany nor in East Germany (Fritsch and Wyrwich, 2014). Although authorities were beginning to address the lack of firm creation and low self-employment since the end of the 1970s, self-employment rates and other entrepreneurship indicators did not take momentum and remained low compared to most European Union (EU) countries.

Inclusive entrepreneurship policies and programmes exist for selected under-represented and disadvantaged social groups such as women, immigrants and students and in a reduced intensity for unemployed people. Seniors, people with disabilities and youth in general (except from higher education graduates) have been less targeted by entrepreneurship policies makers.

The role of inclusive entrepreneurship is defined in social rather than economic terms in Germany. For immigrant entrepreneurs the objectives “integration to German society” and “integration in the labour market” are dominating the political discourse compared to the economic importance of immigrant entrepreneurs in the context of employment creation and contribution to growth. For long time, it has not been the explicit economic goal of entrepreneurship support policies to increase the very low self-employment and start-up rates (and, consequently, economic growth) by supporting those groups that are under-represented in terms of entrepreneurship, i.e. women, youth, seniors, and people with disabilities. In recent years, however, there are an increasing number of policy initiatives to boost the very low start-up rate and to improve the new businesses’ quality.

However, clear objectives and targets on entrepreneurship are still missing for female entrepreneurship and could be, if any, derived from the horizontal policy theme of equal opportunities for men and women.

The objective to integrate unemployed people into the labour market has lost momentum, partially due to very low unemployment rates in Germany. The support for unemployed entrepreneurs decreased substantially following a replacement of previous bridging allowance programmes into a start-up allowance (*Gründungszuschuss*) in 2012, although the initial programmes received very good evaluations by the research community.

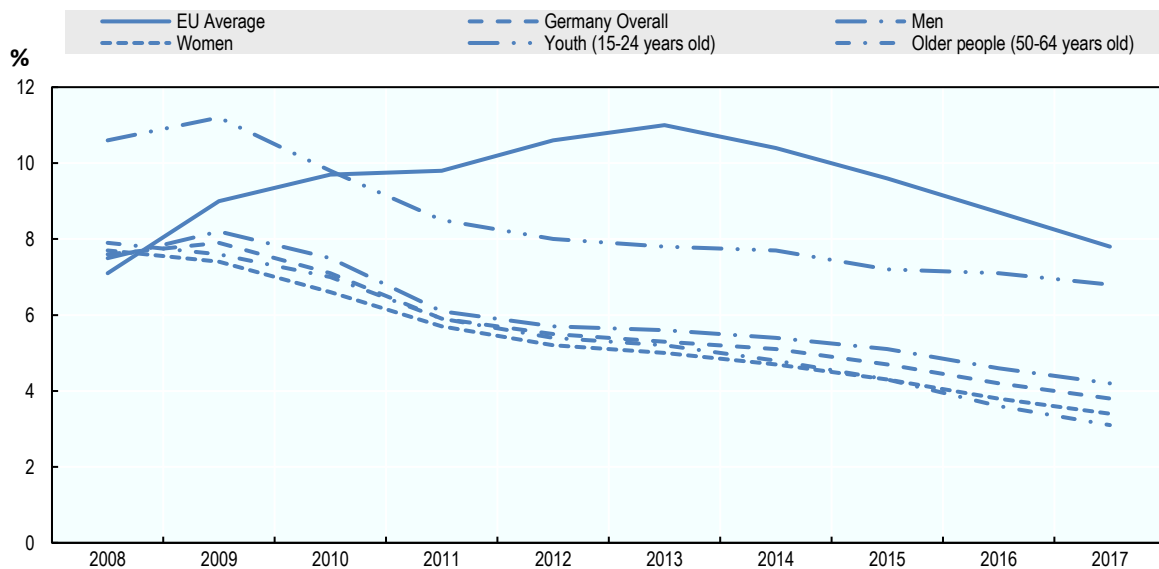
While youth entrepreneurship generally does not feature high on the political agenda (youth employment generally does), entrepreneurial students receive however attention by policy makers with the objective to support more innovative start-ups from universities. There are also efforts to support young people in vocational training who consider becoming self-employed afterwards. Special attention is placed on those successfully graduating with a master craftsman certificate (*Meisterbrief*), the highest diploma in the German apprenticeship system. First initiatives exist to raise awareness on entrepreneurship among students. There are no objectives and targets focusing on senior entrepreneurship and people with disabilities, although due to demographic change older people become, at least potentially, an increasingly relevant target group for entrepreneurship support policies in Germany.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

2.1. Labour market context

The German labour market fared much better than nearly all EU countries over the last decade. Unemployment rates have fallen permanently during the recent decade and were much lower than the EU average in 2017 (Figure 1). This holds true for various groups that typically face greater challenges entering and participating in the labour market (e.g. youth, women, and older people).

Figure 1. Unemployment rate, 2008-17



Source: Eurostat (2018), Labour Force Survey.

2.2. Self-employment and entrepreneurship activities

Germany has had low levels self-employment and entrepreneurship over the past several decades. In the early 1980s the West German Government was beginning to address this issue by subsidising business incubators (“Gründerzentren”) that support start-ups by services and subsidised space. Academic evaluations show that this instrument has been successful, but highly depends on location and applied strategy (Sternberg, 1990; Sternberg et al., 1996). Just a minority of more than 200 publicly funded business incubators are dedicated to one of the key social target groups with a focus on women entrepreneurs. In recent years variations of the traditional business incubator idea emerged including co-working spaces and accelerators (Pauwels et al., 2016). While support for home-based business is still under-developed, some approaches support the potentially positive impact of home office policies on self-employment. Entry into self-employment and female self-employment are associated with internal migration, and the self-employed who work from home are geographically mobile (Reuschke and van Ham, 2013). Women might use self-employment as a strategy to be geographically mobile, or as an incentive to stay in the workforce after having moved until they find a job in the more secure wage and salary sector. It is likely that a certain kind of clustering (i.e. spatial concentration) will always remain useful, and this should be considered by government policies to support inclusive entrepreneurship.

Overall, the proportion of workers who were self-employed in 2017 was significantly lower than the EU average in 2017 (9.1% vs. 13.7%) (Figure 2a). This holds true for various groups that typically face greater challenges entering and participating in the labour market. In 2017, the self-employment rates for women (6.6% vs. 9.7%), youth (1.5% vs 4.0%), older people (12.6% vs. 17.9%) were all below the EU average. Most of these rates slightly declined recently.

Another way to measure the level of entrepreneurship activities is through household surveys that ask about entrepreneurship activities. One of the most well-known surveys is conducted by the Global Entrepreneurship Monitor (GEM), which estimates the proportion of people involved in start-up activities or managing new businesses. Combined, these two activities are referred to as Total early-stage Entrepreneurship Activities (TEA). The TEA rate over the period 2013-17 showed significant differences between the German average and the respective rates for men and women, and for youth and older people (Figure 2b). The differences in percentage points between Germany and the EU are rather similar for all key social groups.

One of the reasons that the proportion of people involved in entrepreneurship is below the EU average is that the labour market is strong and many people are able to find quality employment. Thus, the share of people who have started a business due to an inability to find employment (i.e. “necessity entrepreneurship”) is also below the EU average. Over the period 2013-17, 18.3% of entrepreneurs started out of necessity relative to 20.3% across the EU. Over this period, 20.6% of women and 20.8% of older entrepreneurs, active in pre start-up activities or managing a new business, were driven by necessity while men (16.8%) and youth (16.3%) reported to a lower extent to have no other opportunity at the labour market. Other EU countries show similar differences between different gender and age groups. Entrepreneurship support policies should take into account different motivations of women and men when starting a business as maximising lifetime income is not the main incentive of many women to start a business. From an economic perspective, the opportunity-driven entrepreneurs are those who have the potential to generate significant positive impacts on the economy. Consequently, most women-led businesses are neither based on the rationale of profit maximisation nor are they growth-oriented (Tegtmeier et al., 2016). In some developed countries like Germany where entrepreneurship is considered a desirable labour career, older individuals who cannot find an employer find entrepreneurship to be an alternative source of income, given the positive and significant parameter associated with this feature (Velilla et al. 2018).

Germans were less likely to expect to set up a business over the 2013-17 period compared to the EU average (9.4% vs. 12.6%, Figure 2d). Older people were least active (5.0%) and youth most active (14.8%).

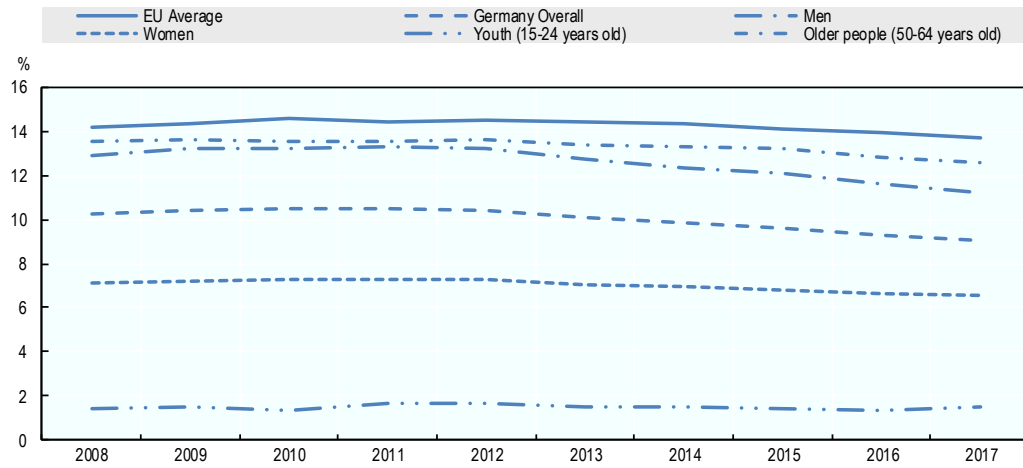
The number of self-employed was continuously decreasing since 2011-12. In 2017, national statistics counted almost 3.67 million self-employed in Germany. While the total number of self-employed decreased by 6.4% between 2007 and 2017, immigrants appear to help offset the decrease of self-employment although they have not (yet) led to an increase of self-employment. Self-employment is higher among immigrants than among German-born (Leicht and Berwing, 2016). Also for start-up rates the mean values are higher for immigrants than for German-born people; however, these mean values do not differ to a statistically significant extent in most of the recent years (see Sternberg et al., 2018)¹. Estimations from Leicht and Langhauser (2014) show that self-employed immigrants in Germany employ between 1.5 and 2.0 million people (DIHK, 2015). Male immigrants from other

¹ This is not only supported by evidence of GEM data, but also of KfW start-up monitor: <https://www.kfw.de/KfW-Konzern/Newsroom/Pressematerial/Themen-kompakt/Gr%C3%BCndungen-durch-Migranten/>

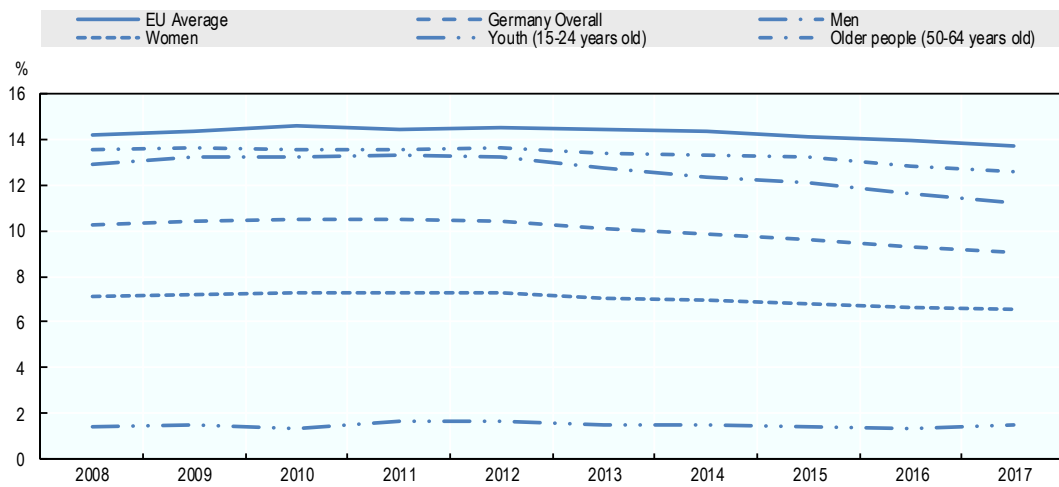
innovation-driven economies are more entrepreneurial than non-migrants, but also than female migrants (Brixey et al., 2013; Xavier et al., 2013). The length of stay accounts for an important indicator in order to assess the effect of migrants on the national self-employment rate (Sternberg et al., 2017, 2018).

Figure 2. Entrepreneurship rates by target group

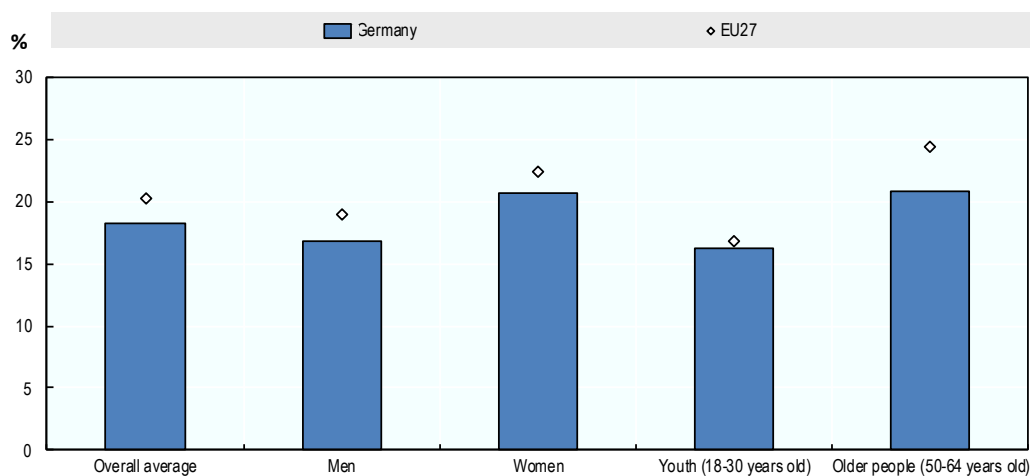
a. Self-employment rate, 2008-17



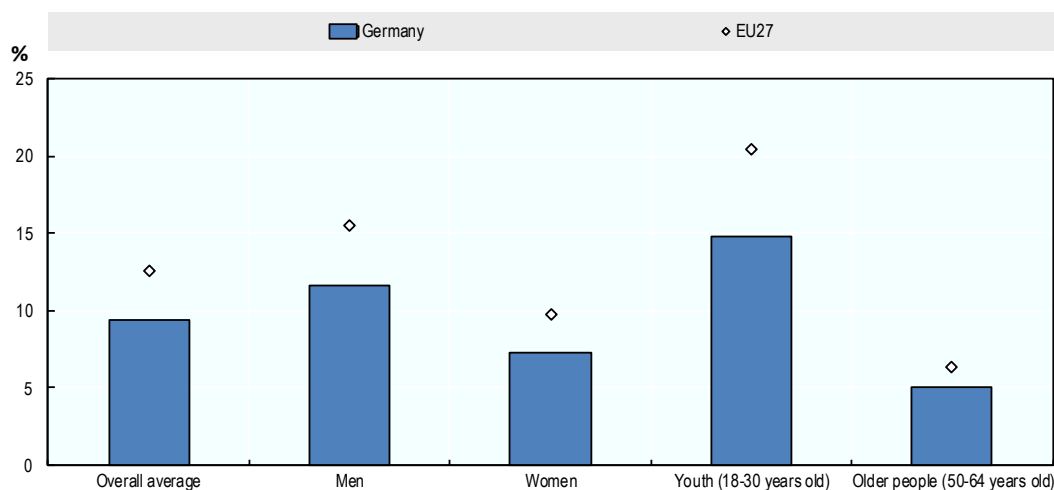
b. TEA-Rate, 2013-17



c. Proportion of TEA that is necessity entrepreneurship, 2013-17



d. Proportion who expect to start a business in the next 3 years, 2013-17



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre-start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2013-17, producing an unweighted average. The EU27 average in panels b, c, and d covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: Panel a contains data from Eurostat (2018), Labour Force Survey; Panels b, c, and d contain data from the 2013 to 2017 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2018).

There are also clear gender differences: while the number of self-employed men has decreased by 9.9% between 2007 and 2017 (those born in Germany even suffered from a decrease of 11.4%), the respective figures for women show an increase by 1.3% (but a decrease since 2016). These developments are driven by immigration, but they are independent from the massive inflow of refugees to Germany from MENA countries since 2015 as the majority of these refugees does not stay long enough in the country yet to achieve language skills and know-how on how to start a firm or to become self-employed (Kay and Schneck, 2012). Research has also revealed that effects of public

business advice delivered to nascent entrepreneurs in Germany depend on the competence and resource of the potential entrepreneur. Advice may indeed help founders with fewer resources to overcome barriers in the founding process, but a lack of personal entrepreneurial resources predicts perceived usefulness of comprehensive business advice (Kösters and Obschonka, 2011).

When an immigrant chooses between self-employment and wage-employment based upon overall earnings, they can often earn more in entrepreneurial activities than Germans, having a significantly higher treatment effect (the income effect solely due to the decision for self-employment). Among the countries of origin, Turkish migrants benefit the most from their self-employment decision, while southern Europeans exhibit the lowest income relevant skills (Hopp and Martin, 2017).

2.3. A profile of the self-employed

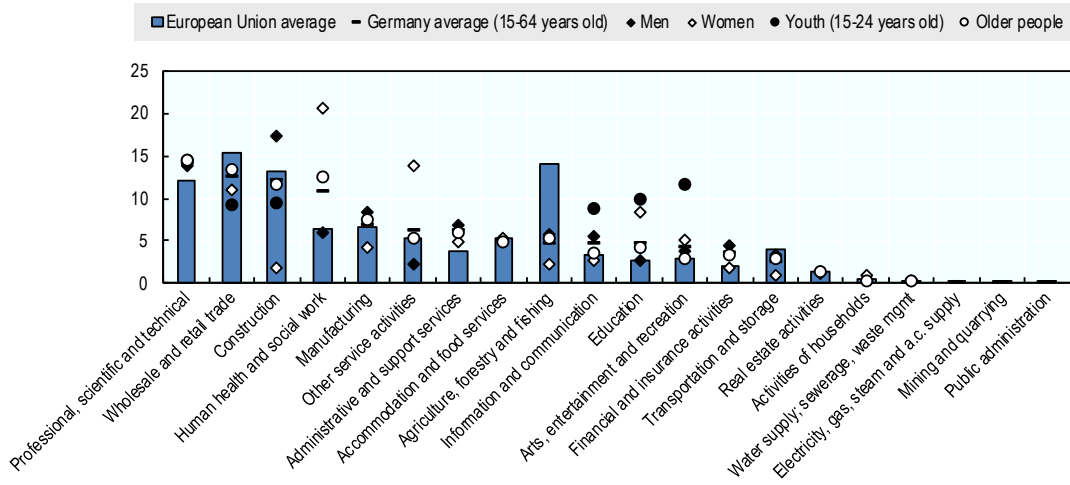
The distribution of the self-employed by sector was largely similar to the EU average distribution in 2017 (Figure 3a). The sectors with the greatest proportions of self-employment were Professional, scientific and technical (14.0%), Wholesale and retail trade (12.6%), and Construction (12.1%). Some substantial differences could be observed by gender. Women were much more likely to be self-employed in Human health and social work than men (20.6% vs. 5.9%), as well as in Other service activities (13.7% vs. 2.4%) and Education (8.4% vs. 2.6%). They were, however, much less likely to be self-employed in Construction (1.7% vs. 17.4%). The distribution of older self-employed people by sector was fairly similar to the overall average. Data for self-employed youth are limited, but they appear to be over-represented in Arts, entertainment and recreation relative to the overall population (11.6% vs. 4.2%), as well as Education (9.9% vs. 4.6%).

The self-employed were more likely than the EU average to completed tertiary education in 2017 (47.1% vs. 35.1%). This is likely due to the high proportion of the population that has completed tertiary education. There is virtually no difference in the educational attainment rates of the self-employed by gender (Figure 3b). Data by age are incomplete.

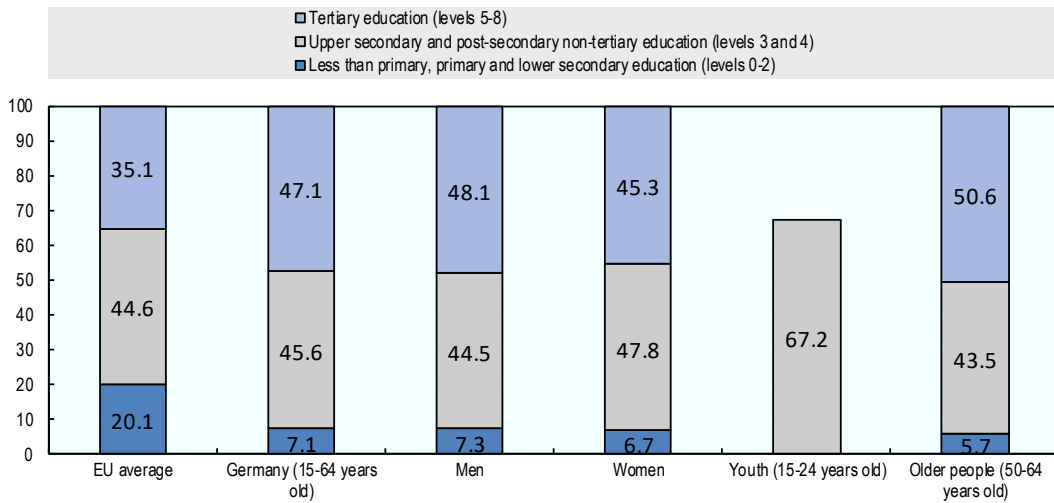
The self-employed in Germany were more likely than the EU average to be working as Professionals in 2017 (32.5% vs. 21.0%) (Figure 3c). They were also more likely to work as Technicians and associate professionals (18.6% vs. 11.7%), which is consistent with having a strong vocational training system. However, they were less likely to be working as Skilled agriculture, forestry and fishery workers (5.1% vs. 13.8%). Women were more likely to be working as Professionals (41.7% vs. 27.7%) and Service and sales workers (20.7% vs. 10.0%). But they were less likely to be working as Craft and related trades workers (3.9% vs. 14.2%), Managers (10.7% vs. 14.5%) and Skilled agricultural, forestry and fishery workers (1.9% vs. 6.7%). Data for self-employed youth are limited but they appear to suggest that their distribution across occupations follows the national average. The same was true for older self-employed people in 2017.

Figure 3. Characteristics of self-employed workers by target group

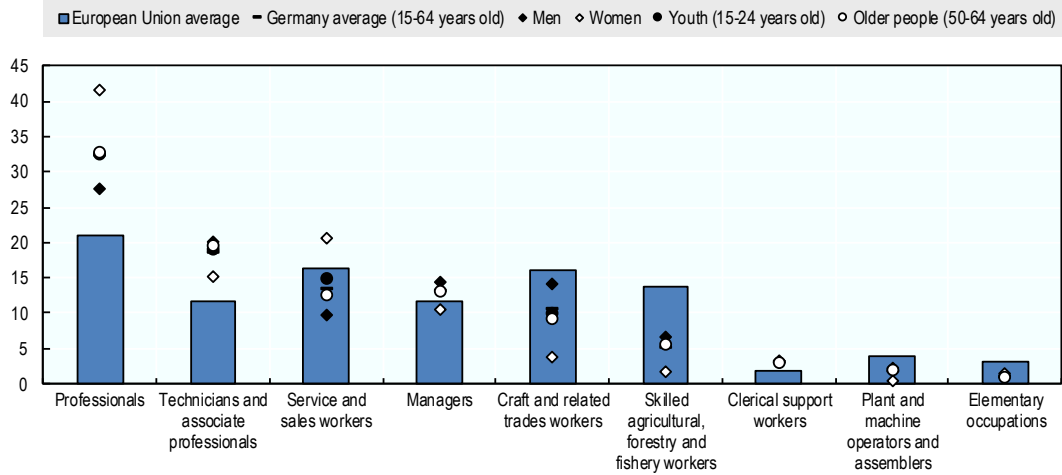
a. Proportion of self-employed by economic activity, 2017



b. Proportion of self-employed by educational attainment, 2017



c. Proportion of self-employed by occupation, 2017



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed.

Source: Eurostat (2018), Labour Force Survey.

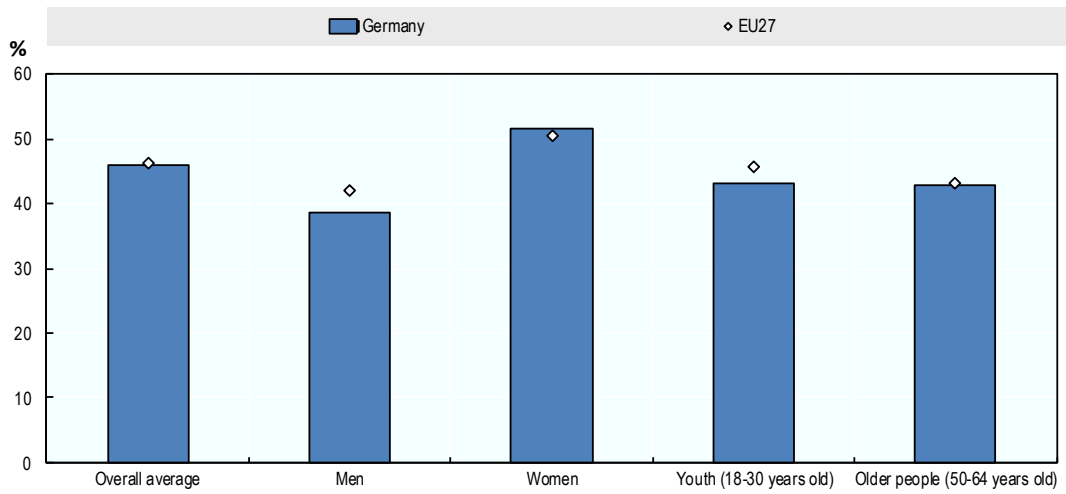
2.4. Barriers to business creation

While fear of failure might be one reason not to start a business in general, Germans are less likely to be affected by this fear than other EU countries. Some years ago a discussion emerged among German policy makers whether a potential lack of a “culture of failure” prevented founders from raising start-up capital. Academic studies based upon GEM data for German regions show that role models, family connections and entrepreneurial networks can reduce a fear of failure in local environments where approval of entrepreneurship is high, while this effect is significantly weaker in low approval environments (Wyrwich et al., 2016). Women were most likely to report fear of failure as a barrier, close to the EU average over the period 2012-17 (51.5% vs. 50.5%, Figure 4a).

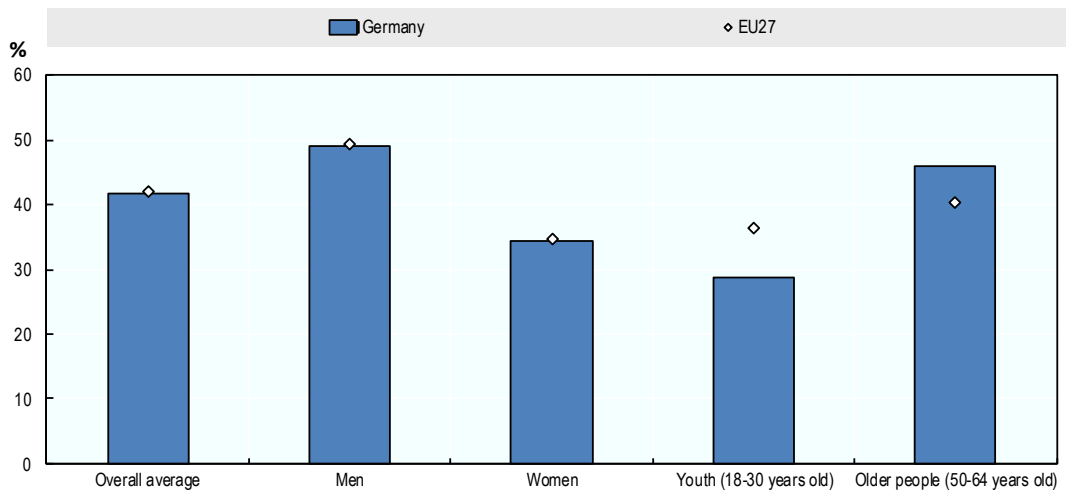
In Germany the perception of having sufficient skills to start a business (Figure 4b) was in line with the EU average in 2017 (about 42%). Youth represent a notable exception (29% in Germany vs. 36% in the EU, both in 2017). While older people showed the same perception of entrepreneurial skills as their counterparts in the EU, their perception was still much higher than that of youth. Given the (negative) effects of demographic change on the level of entrepreneurial activity in the future, older people should be increasingly considered as a potential target group for entrepreneurship policies. Interviews with German entrepreneurship experts show that the majority of the interviewed experts think that “the experience and accumulated knowledge of people aged 50 or older increases, in general, their chances of successfully starting a business” (Sternberg and von Bloh, 2017).

Figure 4. Barriers to entrepreneurship by target group

a. Proportion who report that a fear of failure prevents them from starting a business, 2013-17



b. Proportion who perceive that they have the skills to start a business, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

2.5. Entrepreneurship performance

Self-employment mainly occurs in the service sector where currently more than 88% of the self-employed are active. In Germany self-employment has decreased by 6.4% between 2008 and 2017. This decrease was lower among youth (minus 4.6% to 59,700 people; strongly *increased* since 2016!), with a similar decrease for men and women. Over the same period, self-employment for older people has increased by 34%, particularly in four industries: (i) construction; (ii) wholesale and retail trade; (iii) professional, scientific and technical activities; and (iv) human health and social work activities. In 2017 these four industries accounted for 52% of self-employment among older people. In terms of occupations, half of the older self-employed in Germany are engaged as professionals or technicians and associated professionals, far above the EU of average of about one third of all self-employed. These age-specific dynamics reflect the longer and higher level education periods for youth as well as the increased ability and willingness of older people to stay economically active (Kautonen and Minniti, 2014), but also to be led by other entrepreneurial motivations than youth (see Kautonen et al., 2014; Zissimopoulos and Karoly 2007).

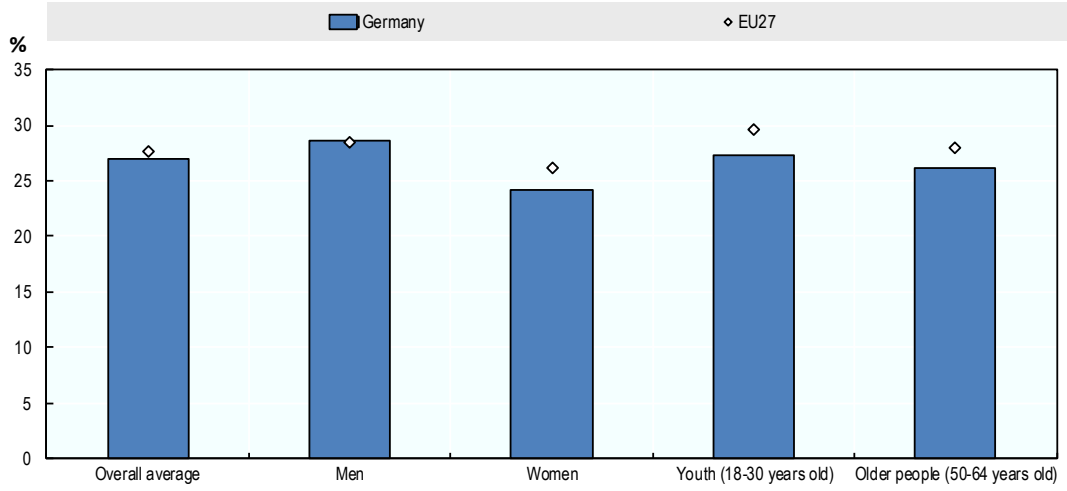
Self-employment data by education (ISCED 2011 levels) show that the higher the educational level the higher the absolute number of self-employed and the higher the absolute increase of self-employment between 2008 and 2017. While the number of self-employed decreased from 3.9 million in 2008 to 3.7 million in 2017, those with tertiary education decreased slightly to 1.7 million (-2.5%). While male self-employment decreased by 9.9% (with a lower decrease for tertiary education), the absolute number of self-employed women increased - and this increase is due to tertiary education only (+6.2%). Total self-employment decreased for youth and increased for older people, with an increase of the respective values for self-employed with upper secondary and tertiary education for both sexes. A possible explanation is that older people in general are more economically active than in previous generations, which is partially driven by their own motivation and the advantages of autonomous time decisions compared with employment, partially driven by economic pressure if statutory pension is too low.

German entrepreneurs were slightly less likely than the EU average to operate businesses that offered new products or services over the period 2013-17 (Figure 5a). Differences between German and EU results particularly stood out for women (24.1% vs. 26.1%) and for youth (27.3% vs. 29.7%).

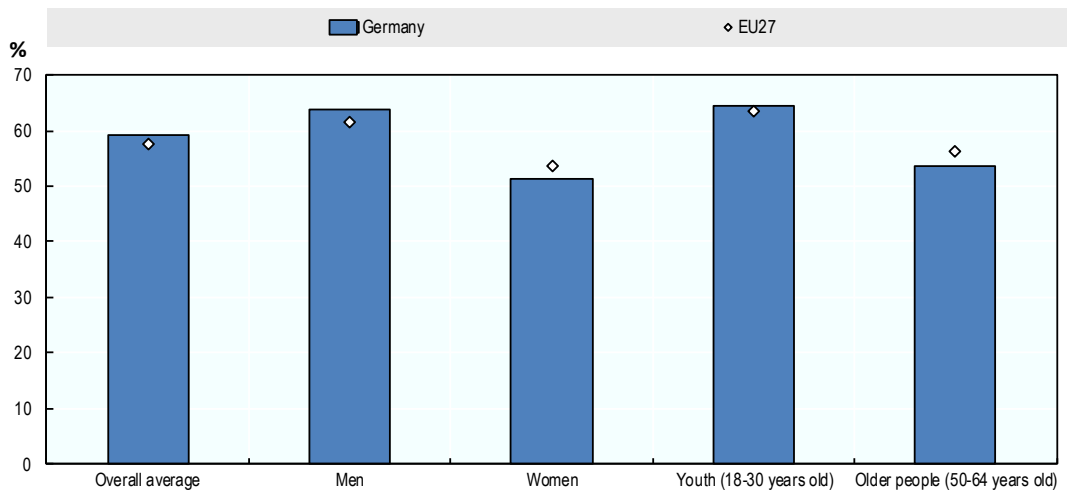
No statistically significant gap existed between Germany and the EU in the proportion of entrepreneurs who sell to customers in another country (Figure 5b). New entrepreneurs were more optimistic than the EU average to expect to create at least 19 jobs (Figure 5c, 12.5% vs. 9.7%), which holds true for all subgroups expect from older people. This optimism might be caused by a healthy economic situation, providing more market opportunities for young and potentially growing firms.

Figure 5. Self-employment and entrepreneurship activities by target group

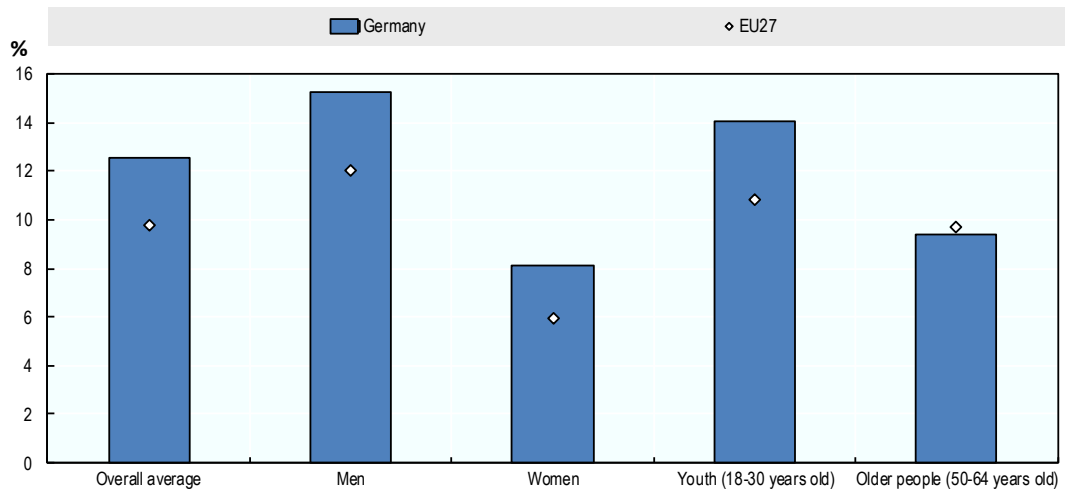
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2013-17



b. Proportion who sell to customers in another country, 2013-17



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

3.1. Policy framework

Entrepreneurship policies and programmes at the national level are often co-ordinated by the German Federal Ministry for Economic Affairs and Energy (BMWi) in co-operation with the German Federal Ministry of Labour and Social Affairs (BMAS), the German Federal Ministry of Education and Research (BMBF) and the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ). Co-operation also takes place vertically with the German Länder and almost all Länder, districts and many cities offer dedicated online portals providing start-up information and support.

Among all programmes for dedicated social target groups, the support scheme for female start-up initiatives and self-employment is, besides the programmes fostering immigrant entrepreneurship, the most advanced. The BMWi and the National Agency for Women Start-up Activities and Services (bga – *Bundesweite Gründerinnenagentur*)² support female entrepreneurs together with regional offices and more than 200 local partners. The bga offers online information, support, access to networks, and seeks to activate potential female entrepreneurs through role models and success stories. The BMWi and the bga established a network of female role model entrepreneurs in 2014 (*Frauen unternehmen*)³, that has recently been extended due to a successful internal evaluation.⁴ bga will also organize a National Action Day on „Company succession by women" on June 21, 2018.⁵ Furthermore, German female entrepreneurs are the only social target group organised in a particular association named Verband deutscher Unternehmerinnen (VdU) – Association of German Women Entrepreneurs (Germany)⁶. As women entrepreneurship is less age-dependent than male entrepreneurship, supporting women of all ages to start a firm would also accelerate the take up of entrepreneurial activities caused by demographic change (Brixy et al., 2016). A small number of these government initiatives to support women's entrepreneurship explicitly address spatial disparities in terms of entrepreneurship, i.e. the well-known dominance of urban areas over rural ones in terms of entrepreneurship (see Bosma and Sternberg 2014). These attempts are often allocated in federal States with a rather part of the population living in rural areas, like Saxony the Federal State Government of which supports business start-ups by women in rural areas.⁷

Policies and programmes have been developed to promote entrepreneurship among some segments of youth. Support schemes for innovative students from technical universities exist since 1998 when EXIST programme was launched. EXIST is a support programme by BMWi, co-funded by

² http://www.existenzgruenderinnen.de/DE/Home/home_node.html

³ http://www.existenzgruenderinnen.de/DE/Vernetzung/Frauen-unternehmen/frauen-unternehmen_node.html

⁴ <https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2016/20160930-erfolgreiche-bmwi-initiative-frauen-unternehmen-wird-fortgefuehrt.html>

⁵

http://www.existenzgruenderinnen.de/DE/Unternehmensnachfolge/NationalerAktionstag/nationaleraktionstag_node.html

⁶ <https://www.wegate.eu/vdu-verband-deutscher-unternehmerinnen-%E2%80%93-association-german-women-entrepreneurs-germany>

⁷ https://www.lds.sachsen.de/foerderung/index.asp?ID=10911&art_param=334

the European Social Fund (ESF).⁸ The programme aims at improving the entrepreneurial environment at universities and research institutes and at increasing the number and success of technology and knowledge based business start-ups. A large co-ordination network to promote and support the programme exists between technical universities, federal and state ministries and further research organisations. The programme has received a lot of attention and excellent evaluations (Kulicke, 2014). Similar programmes, however, have to consider the complex system of determinants that are in play when a student decides in favour or against self-employment; only a small part of them is addressed by policy programmes (see Bergmann et al., 2016).

Apart from higher education graduates, youth in general are targeted by current entrepreneurship promotion efforts. A new national programme entitled “Fostering entrepreneurial mindsets in schools” (*Unternehmergeist in die Schulen*) by the BMWi aims at promoting entrepreneurial attitudes and behaviours of students aged 15-19 years old through projects, business awards and information at schools. An information letter has been distributed among teachers to inform them about the initiative and online training material has been made available to support teachers.⁹ Recently activities to train teachers in entrepreneurship were developed.¹⁰ Nonetheless, entrepreneurship education at schools is still in its infancy. There are also several non-profit attempts to support entrepreneurship at secondary schools. “Rock it biz” belongs to the most active and successful initiatives in this field as they cooperate with several schools in Germany, partially supported by academic evaluations.¹¹ Other activities have not yet left the project stage.¹²

Older people face a large number of barriers in becoming entrepreneurs (Schott et al., 2017) but programmes related to entrepreneurship are not well developed for older people. Although the BMWi points to the fact that 10% of all start-ups are launched by the 55 to 64 year old cohort and although the number of start-ups by people older than 55 is increasing, policy makers do not focus on this group. The BMWi supports entrepreneurship by older people through information and online advice. A specific project of the RKW Competence Center, funded by BMWi, called “Gründen mit Erfahrung” is addressed to people aged 45 plus who intend to start a new firm¹³. Other Federal Government ministries set a focus on older people in the context of demographic change, while their activities are not directly linked to entrepreneurship promotion and activation. NES data from the recent GEM Country Report Germany shows that the most of the interviewed experts do not think that “there are programmes and tax benefits to encourage people aged 50 and older to start their own business” (Sternberg and von Bloh, 2017). More should be done in that field in the future as, from a more general perspective, there is an additional benefit for the economy by employing the human and social capital of mature individuals. This added value for the whole economy is further increased as older entrepreneurs tend to retire later than older employees (see Kenny and Rossiter 2018).

⁸ <http://www.exist.de/DE/Home/inhalt.html>

⁹ http://www.unternehmergeist-macht-schule.de/DE/Startseite/home_node.html

¹⁰ However, some of them have already been stopped, like this one that ended 2016:
<http://www.nfte.de/partner/derzeitige-unterstuetzer/>

¹¹ <http://www.rockitbiz.org>

¹² see for example <https://www.klimaschutz.de/de/projekt/startgreenschool-nachhaltigkeitsorientierte-grundungskultur-schulen>

¹³ See <https://www.rkw-kompetenzzentrum.de/gruendung/leitfaden/leitfaden-fuer-die-gruendungsberatung-45plus/>; the same institution offers a wide range of other support means for senior entrepreneurs:
<https://www.rkw-kompetenzzentrum.de/gruendung/gruendungskultur/senior-entrepreneurship/>

Policies and efforts to integrate the unemployed into the labour market through entrepreneurship or self-employment have decreased at the national level since 2012. The programmes “Me, Inc.” (*Ich-AG*), a basic start-up subsidy (*Existenzgründungszuschuss*, now called *Gründungszuschuss*) and a bridging allowance scheme (*Überbrückungsgeld*) have been thoroughly evaluated by academic researchers (Caliendo et al., 2007, 2011; Caliendo and Künn, 2010, 2015; Caliendo and Kritikos, 2010). Though the evaluation results were overall positive, the government is concentrating financial support on a modified and regulated version of a basic start-up allowance (*Gründungszuschuss*) today, i.e. much less financial support than before. Since this modification in 2012, the number of start-ups by unemployed decreased significantly, partially due to tighter eligibility criteria.

Support to migrant entrepreneurs has drastically been expanded in recent years, partially due to the refugee inflow since 2015, supported by the idea that immigrants have a higher propensity to start a firm than people born in Germany. In a joint initiative BMWi, BMAS and the Federal Employment Agency (“*Arbeitsagentur*”) provide, in different languages, a quick check for each immigrant whether or not self-employment may be an option and whether it would be supported by government schemes.¹⁴ It is provided through the network “Integration through Qualification (IQ)” (*IQ Netzwerk*; IQ Fachstelle Migrantenökonomie and ism 2016). Since 2005 this network has been working to improve employment opportunities for people with a migration background, applying a modified strategy and organisational structure since 2015. Programmes of the network are delivered through 16 regional networks in each Bundesland. Target groups of the IQ Netzwerk are migrants, companies, and local employment agencies with the aim to raise awareness for the significance of self-employment and inclusive entrepreneurship. Five competence centres dedicated to migrant-specific concerns at the federal level provide expert advice and assistance to the regional networks and cooperate with 153 local help desks all over Germany¹⁵ (see also Sachs et al., 2016). These centres develop training schemes, instruments and policy recommendations for integrating migrants into the labour market. The portal established a dedicated website, which provides support to foreign students and academics and refugees.¹⁶ The project “Business Creation for Female Migrants (*Migrantinnen gründen - Existenzgründung von Migrantinnen*)” ended in December 2016 (funded by the BMFSFJ), but the successor project supports women with a recent refugee history (“*Migrantinnen mit Fluchterfahrung gründen*”) if they wish to start a firm or to be self-employed.¹⁷ Besides there are numerous local or federal State initiatives that try to integrate refugees into the labour market by supporting them in starting a firm.¹⁸

¹⁴ See <http://www.make-it-in-germany.com/>

¹⁵ <http://www.netzwerk-iq.de/angebote/eingewanderte/beratungsangebote.html>

¹⁶ www.wir-gruenden-in-deutschland.de

¹⁷ <https://www.frauenmitfluchterfahrunggruenden.de/>; for the related press release see:

<https://www.bmfsfj.de/bmfsfj/aktuelles/alle-meldungen/unternehmerisches-potenzial-von-frauen-mit-fluchterfahrung-nutzen/115616>

¹⁸ For a selection of Länder see, e.g., Brandenburg: <http://lotsendienst.socialimpact.eu/>; Mecklenburg-Western Pomerania:

<https://www.migra-mv.de/>; Lower Saxony:

<https://www.wirtschaftsfoerderung-hannover.de/hannoverimpuls/Gr%C3%BCndung-und-Entrepreneurship/Gr%C3%BCndungInterkulturell/>; Bremen:

<http://www.faw-bremen.de/interkulturelles-und-mehrsprachiges-beratungsangebot/>;

Berlin: <http://vielfalt-gruendet.de/>

There are no policies or programmes at the national level to support people with disabilities in business start-up or self-employment. At the local level, so-called integration offices (*Integrationsämter*) support people with disabilities with information on business start-up and offer business counselling.¹⁹ However, the attitude taken in much of the material is rather negative, warning about the risks of self-employment rather than encouraging it. To date, the most successful project has been *enterability*,²⁰ which was launched in 2004 in Berlin. Up to 2017 it supported 163 people with disabilities since 2004, of which 124 are still employed and one-third became self-employed.²¹ The *enterability* programme is part of the company Social Impact gGmbH²² that, besides many other activities in the social entrepreneurship field, also assists people with disabilities.²³

3.2. Government regulations

Self-employed workers are on the whole not covered by collective forms of social security. They are responsible for arranging their own pension and health care provisions as well as the financial funds that they can rely on during periods out of employment. However, recent years have seen changes with regard to the coverage of self-employed workers by the social security system.

The “basic pension” (*Basis-Rente*, also called Rürup pension) was developed in 2001 and, among others, self-employed belong to the main target group with taxation and benefits attributes similar to the Public Retirement Insurance. The Rürup pension works by capital cover, i.e. anyone can participate but the plan is designed specifically for people with high tax burdens. Contributors to this plan do not receive any government bonuses (subsidies). In return they are eligible to deduct a considerable amount of their contributions from their taxes as special expenses.

Self-employed workers can join a health insurance scheme, either private or statutory, on a voluntary basis. No return to compulsory health insurance is possible after shifting to a private insurance provider. For dealing with administrative duties and challenges, the BMWi navigator offers substantial guidance and initial support online.²⁴

Female entrepreneurs face the same challenge in the context of social security as most other entrepreneurs in Germany and there are few regulatory supports available. Most information portals about the institutional environment for women in Germany refer to supportive public childcare. Whereas parents have a legal right on access to free public *kindergarden* and nursery, the reality is that there are still too few places available. The Federal government recently increased spending on childcare and the BMFSFJ introduced a new parental allowance (*Elterngeld Plus*) and a new

Hesse: <http://www.kompassfrankfurt.de/index.php?p=1>; Saxony-Anhalt: <http://www.ego-migra.com/>;
Schleswig-Holstein:

http://www.schleswig-holstein.de/DE/Fachinhalte/I/integration/downloads/mbsh_beratungsstellen.pdf?__blob=publicationFile&v=6

¹⁹ www.integrationsaemter.de

²⁰ <http://enterability.de/>

²¹ <https://www.caritas.de/neue-caritas/heftarchiv/jahrgang2010/artikel/trotz-behinderung-der-eigene-chef>

²² www.socialimpact.eu

²³ See http://www.einfach-teilhaben.de/DE/StdS/Ausb_Arbeit/Selbstaendig/selbstaendig_node.html#doc277324bodyText2

²⁴ www.bmwi-wegweiser.de

partnership bonus (*Partnerschaftsbonus*). In addition, various measures exist in complying with administrative procedures for entrepreneurship offered by the bga through their website, a telephone hotline (*bga Gründerinnenhotline*) and with an online training (eTraining²⁵). A useful navigator is provided by the BMWi to find the right information on business creation and self-employment.²⁶

The social security system offers some support to older people who are self-employed. People older than 65 years (female) or 67 years (male) receiving benefits from the public pension scheme after continuous employment until the above-mentioned ages may generate income through self-employment without losing pension entitlements. Older people who worked as employees and paid contributions to unemployment insurance on a regular basis need to pay only 50% of regular contributions within the first year of self-employment if they apply for this exception within the first three months of self-employment. RKW offers specific support for older entrepreneurs in dealing with administrative procedures. When it comes to bureaucratic problems - the most frequently expressed (but not serious) problem for nascent entrepreneurs – older entrepreneurs have a clear advantage: only 28% report this as a problem (Leifels, 2017; Vorgrimler et al., 2015).

Recipients of unemployment benefits who start-up on a part-time basis while working less than 15 hours per week receive continued unemployment benefits. The income generated will reduce unemployment benefits accordingly.

Strong and increasing support mechanisms for immigrants when dealing with administrative challenges exist at the federal state and local levels through the above-mentioned IQ networks (see 3.1)²⁷ and public or non-profit associations. Differences exist between EU and non-EU residents. Since 2012, the legal preconditions for non-EU residents and immigrants have been simplified. Non-EU residents need permission for professional entrepreneurial activity in various forms dependent whether they plan to come to Germany or are already living in Germany. For asylum seekers differences are made between different kinds of asylum seekers. Consequently, much information about starting-up a business which has been developed recently in the context of the high number of refugees entering Germany is only applicable for some refugees. The startup information, advisory and network services for people with a migrant background vary in terms of reach and type across the Länder. The demand for these services often exceeds their supply, in particular with regards to personalised professional guidance extending beyond the initial startup period. Advisory services targeting migrants to start a business are rarely co-ordinated or matched with each other (Sachs et al., 2016). However, the IQ network described in section 3.1 has significantly improved their information policy and quality recently. Moreover, the Government has recently began to lower administrative burden for immigrants and this group does not appear to face any regulatory discrimination during start-up (Sternberg and von Bloh, 2017).

3.3. Financing entrepreneurship

There are several policies and programmes that aim to help entrepreneurs access start-up financing in Germany and significant improvements have been made in the last decade (Sternberg et al. 2018). Special focus was initially put on the support of unemployed people but today, microcredit is available for all applicants regardless whether belonging to an under-represented or disadvantaged group or not. These microcredits (*ERP-Gründerkredite*) are offered by the KfW. Applications can be submitted via 16 microfinance institutes (MFIs) across Germany which also provide a range of support

²⁵ www.existenzgruenderinnen.de

²⁶ <http://www.bmwi-wegweiser.de/start/>

²⁷ www.wir-gruenden-in-deutschland.de

services (e.g. training, coaching). These MFIs tend to place an extra focus on helping immigrants and women entrepreneurs. The microcredit fund is supported by the ESF, along with the BMWi, BMAS, KfW, and the GLS bank (a private ethical-ecological bank). Partner organisations are start-up centres, consultancies, associations and social co-operatives. The various local Chambers of Industry and Commerce provide compilations of adequate financial support programmes.²⁸

Special loan guarantee schemes do not exist for any specific disadvantaged or under-represented groups. However, the KfW start-up loan (*Gründerkredit*) has an 80% liability for the first loan (up to EUR 10 000) of an MFI and the government would pay the 80% of the default back to the creditor. Loan guarantees for microcredits are possible.

The Business Angels Network Germany e.V. (BAND) allows businesses to set up a profile in search of *Angel Investors*. BAND is committed to co-operation and promoting the network idea amongst entrepreneurs in Germany without any specific focus on social target groups.

Crowdfunding has become popular and many new businesses have begun using crowdfunding.²⁹ There are platforms that support certain sectors, like social projects or green technology, but none are specifically developed for any particular under-represented or disadvantaged group in entrepreneurship. However, data from an independent evaluation project reveals that personal networks and underlying project quality are associated with the success of crowdfunding efforts. There is also a strong geographic component to the nature of projects, with founders proposing projects that reflect the underlying cultural products of their geographic area (see Mollick 2014).

From a women entrepreneur's perspective, access to mainstream financial support is still implicitly gender biased, although much has been improved since Welter's (2004) study several years ago. There is one significant programme that supports female entrepreneurs not only with information and training but also financial support. The *Goldrausch Frauennetzwerk* (one of the microfinancing institutes) is a small non-governmental association that started providing small loans to women entrepreneurs in the Berlin area. Its objective is to help female entrepreneurs in Berlin to set up and invest in their own businesses by using microloans.³⁰ In recent years preference has been given to women over 45 years old and with a migrant background. Between 1982 and 2007, it distributed around EUR 850 000 to more than 450 female start-ups and projects in Berlin. More recently, it has started a partnership with the Grenke Bank AG to administer loans partially funded by the ESF as part of the national *Mikrofinanzfonds Deutschland* scheme.³¹ Female entrepreneurs can also receive information and training on business start-up and business financing through bga.³²

Financial support for youth entrepreneurs is provided through the EXIST Business Start-up Grant which supports students, graduates and scientists from universities and research institutes in preparing innovative technology and knowledge-based start-ups, and in turning their idea into a business plan (see footnote 8). Universities and research institutes are the ones who can submit applications on students' behalf to the BMBF. Additionally, there are centres for innovation and business creation that

²⁸ See, for example, <https://www.frankfurt-main.ihk.de/unternehmensfoerderung/mittelstandsfinaenzierung/durchfuehrung/wegweiser/index.html>

²⁹ <http://www.crowdfunding.de/plattformen/>

³⁰ <http://www.goldrausch-ev.de/data/pdf/flyer-mikrokredit.pdf>

³¹ <http://www.goldrausch-ev.de/unser-kreditangebot/>

³² http://www.existenzgruenderinnen.de/EN/Home/home_node.html

publicize their unique infrastructure to successfully build up businesses from initial seed of an idea to the growth phase.

There are no specific financial support schemes for senior entrepreneurs but they are encouraged to apply for an *ERP-Gründerkredit* or a microcredit of the *Mikrokreditfonds Deutschland* as any other German entrepreneur.

Immigrants more often than entrepreneurs born in Germany face challenges in accessing finance for business creation (Sternberg and von Bloh, 2017; Metzger, 2016). The professional IQ Network (see above) assists immigrants in many aspects of entrepreneurship, including accessing start-up financing. While refugees have been supported by many organisations, including the IQ Network, they continue to face financial constraints more often than non-immigrants in the process of starting-up a business because of insufficient financial resources or problems to receive a loan from banks and/or a loan guarantee.

People with a disability may apply for support via the integration offices (*Integrationsämter*), which offer loans with 10% interest rate; and under certain conditions and dependent on degree and kind of disability, technical or administrative support is granted. No other financial support schemes exist (e.g. loans, grants), however, entrepreneurs with a disability may receive business advice, technical work aid ("*Arbeitshilfe*") and personal assistants ("*Arbeitsassistent*").³³ Some Chambers of Industry and Commerce offer financial support for people with disability.³⁴

3.4. Entrepreneurship skills

Several public organisations like Chambers of Industry and Commerce (*IHK*), Chambers of Crafts (*Handwerkskammern*), BMWi and KfW (both offer the online database *Foerderdatenbank*) provide advanced consulting and support systems for all entrepreneurs, not just those but including those addressed in this report.

For women, there is no deficit when it comes to training initiatives and consultancy for start-ups. Major organisations that offer support for female entrepreneurs include the bga and women-only business incubators (*Unternehmerinnen- und Gründerzentren*). At the local level many public initiatives have developed locally-based support schemes for female entrepreneurs. A good practice example is also the programme Women in work and business (*Frauen in Arbeit und Wirtschaft e.V. B.EG.IN*) in Bremen which offers coaching and consulting for women in several languages. There are a growing number of initiatives and public and non-profit mentoring programmes which offer access to one-to-one group coaching or mentoring across all regions in Germany, for example, *Two Women Win* (TWIN), which is a successful mentoring initiative that has supported more than 400 start-ups.³⁵

Along with the - highly competitive and very successful (Kulicke, 2014) - EXIST programme, there are new service centres at universities to support young entrepreneurs with training, consultancy

³³ http://www.einfach-teilhaben.de/DE/StdS/Ausb_Arbeit/Selbstaendig/selbstaendig_node.html#doc277324bodyText2

³⁴ https://www.rhein-neckar.ihk24.de/gruendung/Finanzierung/Zuschussprogramme/Zuschuesse_fuer_die_Existenzgruendung_von_Schwerbehinderten/947652

³⁵ For more examples see: <http://www.akelei-online.de/index.html>; <http://www.frauenimhandwerk.de/>; <http://www.frauenzentrum-marie.de/aktuelles/>

and more. The BMBF and the BMWi are very supportive to promote training initiatives at universities, but there is little available for youth that do not attend higher education.

The RKW offers coaching by professionals and consultants for older entrepreneurs over 45 years old. RKW has recently published a new programme for senior entrepreneurship assistance.³⁶ In addition, private consultancies have increased the availability of support for older entrepreneurs, for example Start-up 50Plus (*Gründer50Plus*). It offers coaching and counselling for older people who seek to start a business or social enterprise.

For the unemployed, some of the financial supports offer basic entrepreneurship training or advisory support. In addition, recipients of unemployment benefits may apply for financial support for coaching at the local unemployment agencies. Funding is co-financed by European Social Fund. The new business grant ("*Gründungszuschuss*") should help unemployed to start a business by providing a grant during a 15 months period maximum. It is tax-free and the unemployed has not to return the grant (see also section 3.1.).³⁷

Entrepreneurship training for immigrant entrepreneurs is widely available and often of very high quality. Information on business start-up and training programmes are often available in several languages and can be accessed through local actors such as the Immigration Office (*Ausländerbehörde*). These efforts should consider that immigrants, compared with people born in Germany, are characterised by two comparative strengths: due to often challenging migration experiences they have a high resilience (i.e. competence to overcome risky situations) and they are used to absorb and exploit new knowledge generated in international contexts. Both are useful for self-employment (Leicht and Berwing, 2016). However, there are two significant challenges that hamper the impact of training. First, take-up is very low so more attention is needed to reach the intended target groups. Second, there is a need to place more emphasis on explaining the many and various legal preconditions for immigrants and migrants to become self-employed. Immigrant entrepreneurs should also be considered to be an option when it comes to one the biggest problems of the German "*Mittelstand*" in the long run: an growing number of companies still led by entrepreneurs who will soon retire but do not find someone who is willing to take over the company, the proportion of interethnic taking over ("*Unternehmensübergaben*") is very low. There is a big and hitherto completely unexploited potential for taking over by immigrants since otherwise many of these often healthy companies will have to be closed (Leicht and Berwing, 2016).

Enterability offers consultancy, training, coaching and support for entrepreneurs with disabilities.³⁸

3.5. Entrepreneurial culture and social capital

The Ministry of Economy and the bga have built a network of women entrepreneurs since 2004 (*Frauen unternehmen*). The network appears however to be under-used and receives little visibility in the media. The bga is also active in promoting an entrepreneurial culture for women and building networks through an online portal showcasing successful women entrepreneurs (*Gründerinnen-Galerie*). This initiative is supported by the activities of several non-profit organisations such as *Push up*, *Weiberwirtschaft eG*, and TWIN. Further, the Association of German Businesses

³⁶ <https://www.rkw-kompetenzzentrum.de/gruendung/leitfaden/leitfaden-fuer-die-gruendungsberatung-45plus/>

³⁷ <https://www.arbeitsagentur.de/arbeitslos-arbeit-finden/existenzgruendung>

³⁸ <http://berlin.enterability.de/>

(*Verbanddeutscher Unternehmerinnen e.V. VdU*) is a remarkable network of female entrepreneurs with 22 regional offices in all 16 Länder. The National Council of German Women's Organisations (*Deutscher Frauenrat*)³⁹ is another supportive national association of 56 female associations and networks, however, in addition to just providing an association there are other more active networks dedicated to female entrepreneurs.⁴⁰ "*Schöne Aussichten*", organised as a registered society in Germany, represents the specific interests of female entrepreneurs who either run their own businesses or work as freelancers.⁴¹

The visibility and attractiveness of entrepreneurship and self-employment for academic graduates has been greatly enhanced through the EXIST programme. Entrepreneurship promotion to other groups of youth than university graduates is however largely absent. The use of role models as a tool to promote youth entrepreneurship is not well-developed yet beyond the EXIST programme. Innovative start-ups are well-promoted in the media and online and there is also a growing interest in social entrepreneurship. In addition, the federal initiative "Entrepreneurial mindsets in schools" (*Unternehmergeist in die Schulen*) is an initiative by the Ministry of Economy to promote entrepreneurship at schools with a focus of creating entrepreneurial mindsets.⁴² The most established initiative to support new businesses founded by pupils is "JUNIOR", funded by the employer-friendly, non-university German Economic Institute.⁴³ Further, several Federal States, like Mecklenburg-Western Pomerania⁴⁴, developed specific programmes to support pupil-run school companies.

Older people are rarely viewed as potential entrepreneurs but rather as experienced and knowledgeable people who can assist younger entrepreneurs (see also Sternberg & von Bloh 2017). Older professionals frequently get engaged in business mentoring and one-to-one coaching rather than starting a business on their own. However, mentoring for older entrepreneurs is offered, among others through the RKW initiatives "Senior citizens in business" (*Senioren der Wirtschaft*) and "Old helps Young" (*ALT HILFT JUNG*).⁴⁵ Creating positive awareness of entrepreneurship as a late-career option is necessary also in order to remove negative age-bias as a potential barrier to senior entrepreneurship. The RKW promotes senior entrepreneurship by putting emphasis on the cohort 45 years old and older with information and brochures and success stories from older entrepreneurs.⁴⁶

Entrepreneurs with a disability do not have any kind of national association representing their specific interests.

³⁹ www.frauenrat.de

⁴⁰ See for example, <https://momprenuers.de/>; <http://www.bpw-germany.de/>; <http://www.bv-ufh.de/aktuelles/>
<https://www.bfbm.de/bfbm/bfbmwxsp.nsf/index.xsp>; <http://www.unternehmerinnen.org/>

⁴¹ <http://schoene-aussichten.de/>

⁴² <http://www.existenzgruender.de/DE/Service/Beratung-Adressen/Linksammlung/Junge-Gruenderinnen/inhalt.html>

⁴³ <https://www.junior-programme.de/de/junior-schuelerlebenswirtschaft/>; JUNIOR also organizes contests for school companies at the federal State's level, see https://www.iwjunior.de/iw-junior/news/?tx_ttnews%5Btt_news%5D=187&cHash=612cec55314ad32046d75a1ea9f40c09

⁴⁴ <https://www.enterprise-mv.de/>

⁴⁵ www.althilftjung.de

⁴⁶ <https://www.rkw-kompetenzzentrum.de/gruendung/leitfaden/leitfaden-fuer-die-gruendungsberatung-45plus/>

The IQ Network refers to successful stories of immigrant entrepreneurs on their website.⁴⁷ Recently public media as well as government agencies have tried to promote migrant entrepreneurship by various activities⁴⁸ including promotion of successful role models (Bertelsmann Stiftung, 2016) and therefore of inclusive growth (Garcia Schmidt and Niemann, 2015; OECD, 2015).

⁴⁷ www.wir-gruenden-in-deutschland.de

⁴⁸ see also <http://uog-ev.de/>

4. OVERVIEW OF WOMEN'S ENTREPRENEURSHIP

Section 2 has shown that women are still an under-represented part of the German population in terms of entrepreneurship. Compared with men women less frequently start a firm, are less often convinced of their own entrepreneurial skills, and fear of failure would more often than men prevent them from starting a firm. Most of these gender differences are well known in other countries as well (see Kelley et al., 2017). However, a certain specificity (not reported in section 2) is, that in Germany, as a low-growth oriented country, the gender gap is extraordinary wide, with employment growth expectations related to the new business less than 30% of the male level. This suggests factors that affect women differently from men (Kelley et al., 2017). Also, export orientation of female entrepreneurs in Germany is only 68% of the male level. However, in terms of innovativeness of the new businesses' products and services, in Germany female entrepreneurs perform slightly better than men (Kelley et al., 2017). While in all GEM countries innovation represents the indicator with the greatest female-to-male gender ratio (across all 74 economies considered in the recent GEM Women's Entrepreneurship Report women entrepreneurs have a 5% greater likelihood of innovativeness than men), this likelihood is 10% higher in Germany.

Over the past two decades, many policy programmes to support entrepreneurship by women in Germany (see Sternberg et al. 2004 for a special focus on women's entrepreneurship in the annual GEM Country Reports Germany). However, these efforts have not been able to reduce the gender gap in terms of TEA rate, fear of failure, and entrepreneurial skills described in section 2. The 2017 TEA rate for women in Germany is 3.9%, compared with 6.6% for men (see Sternberg et al. 2018 for the most recent GEM Country Report Germany). The differences in percentage points were reduced during the first decade of GEM research but since 2009, they increase again as Table 1 reveals. The same applies for fear of failure: in 2017 women much more often say that fear of failure would prevent them from starting a business (47%), compared with men (37%). Again the differences between both genders have not been reduced in past years (Table 1 again). In most years in the past, the gender gap was even higher for the perception of the own entrepreneurial competences: in Germany in 2017 44% of all 18-64 year old men believe to have the necessary experiences and skills to start a firm, but only 31% of women do. The large difference between men and women slightly declined between 2001 and 2013, but increased again in 2017 as Table 1 shows.

One reason for the observed relatively large and persistent gender gap in Germany may be the difference in opportunity perception between women and men. As GEM data show in 2017 only 35.2% of the 18-64 year old women see good conditions to start a business during the next six months in the area they live, whereas 48.3% of men do. While in almost all of the 54 GEM countries in 2017 this variable shows higher "yes" percentages for men than for women, Luxembourg is the only country where the difference is even (slightly) larger than the 13 percentage points observed for Germany. Again this gender gap is rather stable over time. Consequently, in 2017 and in Germany TEA activity with opportunity motives is less common among women than among men, and this gap is larger than between both sexes for total TEA rate. Finally, knowing other entrepreneurs may be an important source of getting interested in own entrepreneurial activities, due to role model effects (see Wyrwich et al., 2016) and other processes. However, in Germany (as in most of the other GEM countries) women less often know someone who started a business in past two years (21.9% do so) than men (26.3%).

Table 1: Entrepreneurial gender gap in Germany 2001, 2005, 2009, 2013 and 2017

Reference year	Gender differences in percentage points (female minus male)		
	TEA rate	Fear of failure would prevent me from starting a business (% responding “no”)	I have the required knowledge and skills to start a business (% “yes”)
2001	- 5.5	- 13.0	- 18.5
2005	- 3.1	- 10.1	- 17.7
2009	- 0.9	- 10.5	- 11.5
2013	- 2.0	- 15.0	- 10.5
2017	- 2.7	- 10.6	- 13.1

Source: GEM Adult Population Surveys Germany 2001, 2005, 2009, 2013, 2017

Of course, there is a wide array of other possible explanations for this gender gap in entrepreneurship in Germany. Some women may realise that their income effects, when to decide between wage employment and self-employment, are less positive and strong than for men (as shortly referred to in section 2.2). As Hopp and Martin (2017) have shown for Germany, “female entrepreneurship is (relative to male entrepreneurship) associated with a significantly lower endowment effect. While self-employed males would earn some 16% points more than wage-employed males even if they are wage-employed, this effect accounts for 12% points for females only. This suggests that due to the restraints women put on themselves, or others put on them (for example discrimination, or social norms), the characteristics that determine earnings regardless of employment sector choice are less distinct.”

Also, and partially related to the previous argument, financing requirements differs between genders in Germany, too. As Daniels et al. (2016) have shown for GEM countries, the average (median) amount of money required to start a business, disaggregated according to gender, for almost all economies in the GEM 2015 cycle was much lower for women. In Germany, men stated that they needed on average USD 27 756 (approximately EUR 24 700) to start a business whereas women indicated USD 11 102 (approximately EUR 9 900) – a difference of 250%. While lower required finance does not directly explain why women less often try to start a firm (in fact, the opposite seems plausible), it reflects the difference in the types of ventures that women and men tend to start. A substantial majority (more than two-thirds) of early-stage entrepreneurship activity by women is in the consumer services sector, where financial investment is rather low, but growth opportunities are low as well, due to strong, price-driven competition. Consequently, female entrepreneurs leading a fast growing and very successful new business are an extremely rare role model so that women are not that often intend to start a business. Furthermore, gender specific barriers are obvious when it comes to the financing of female-owned businesses (see Carter and Peter, 1998).

Finally, following Braches and Elliott (2017) and their social constructionist feminist lens, some structural barriers within German society may contribute to self-employment and starting a business to be considered as a less attractive career option for many women. Their empirical findings, indicate that entrepreneurial careers do not meet women's expectations as they are subject to the same gendered constraints as those faced in waged employment. The authors believe that, "even within a country of high employment rates and talent shortage, Germany's status as a conservative welfare state builds gender inequality into entrepreneurial women's lives to constrain career choices" (Braches and Elliott, 2017). However, one of the surprising observations was that the women did not perceive discriminatory behaviour as such.

5. POLICY RECOMMENDATIONS

While no explicit policy objectives are stated, inclusive entrepreneurship programmes are nevertheless well-developed in Germany for some of the social target groups, in particular educated youth, women, and migrants. There are many high-quality offers at the Federal and state levels, and the non-government sector is active in supporting under-represented and disadvantaged groups in entrepreneurship. Nevertheless the analysis has shown that some gaps remain in the provision of inclusive entrepreneurship policies and programmes. Entrepreneurship education and policy too often involves practices that are promoted and taught as ‘one size fits all’ solutions (see Hopp and Martin, 2017). Thus, future policies should more explicitly take into account (or establish) factors that recognise either the cognitive approach individuals take, or personal or cultural backgrounds - and they differ between women, migrants, youth and older people in particular.

The following recommendations are therefore offered in order to further strengthen inclusive entrepreneurship:

1. *Define more precise objectives and targets for all disadvantaged groups in the context of entrepreneurship policy.* Policy objectives and strategies should be defined for all disadvantaged and under-represented groups, including older people and people with disabilities, in order to increase business creation and to improve economic and social participation. However, the analysis suggests that entrepreneurship policies and strategies focusing on particular groups are rare, although emerging (for immigrants in particular). This is still considered a weakness in the support infrastructure for disadvantaged entrepreneurs.
2. *Increase awareness and support for entrepreneurship in all disciplines of tertiary education in the context of strengthening youth entrepreneurship in higher education.* A strong focus is placed on supporting students from technical universities aiming at commercialising their innovations and supporting entrepreneurial endeavours. Less attention is given to students from the humanities and social sciences where the majority of students are studying, but it would be worth to address them as well. It is recommended to provide low-threshold offers to university students in their first semester in order to sensitise them to self-employment as a self-evident option to regular employment. While these very early events will usually show large spreading losses, this is the only way to reach (almost) all of the students. Later, there should be more specific events for those students who are close to successfully leave the university and for whom starting a firm is a realistic option. Such events should be more demanding, more specific and may be rewarded with credits if curriculum allows so. Support for entrepreneurship should be considered a horizontal task with all faculties and departments involved; thus a decentralised structure of entrepreneurship support (the lower in the organisational hierarchy of a university the better) is recommended. Each faculty should have a responsible (and active) professor who is dedicated to self-employment and spin-offs firms and who assigns – using a well-developed local (intra-university or extra-university) network – potential entrepreneurial students to skilled staff in a starting business like organisation at the university, or outside the university but in the same city.
3. *Strengthen the local/regional focus of support measures for all named subgroups.* Entrepreneurship is primarily a regional (not a national) event with primarily regional origins, effects and one-stop-agencies of government policies, at least in a federal system like the German one. The named target groups, women, immigrants, people with a disability, youth and seniors, do need contact persons in the local environment where they live, study or work - and they should have the possibility to meet them regularly on a face-to-face basis. This requires geographical proximity. Thus,

entrepreneurship support infrastructure should be locally embedded too, and this requires a spatially deconcentrated strategy with a large number of local agencies all over the country that are, however, adequately integrated in an interregional network so that competent advice may be acquired from other places if needed.

4. *Assure appropriate outreach of migrant entrepreneurship policies to migrant communities.* Immigrants are an important and still insufficiently supported target group of entrepreneurship policies although there has been a lot of improvement in recent years. In general, immigrants are more likely to be self-employment than people born in Germany but their specific needs and competences should be better considered by the increasing number of programmes to support their entrepreneurial activities. Learning the German language has to come first, though. Afterwards the information and support schemes should adequately address the gender specific, cultural specific and age-specific needs of potential migrant entrepreneurs. The decentralised, network-oriented strategy of the IQ network with many local agencies covering the whole territory of Germany (and serving as a spider in the local web) is a valuable step in the right direction. It also provides potential for developing local one-stop-agencies for immigrants who are interested in self-employment. In the future these local agencies should even more actively try to create links to the local diaspora communities of specific ethnics or immigrants as these contacts may create necessary trust and, on the mid-run, enable important scale-effects of entrepreneurship support policies dedicated to immigrants.
5. *More explicitly consider the spatial implications of entrepreneurship and its support policies.* Entrepreneurship is often considered to be primarily an urban event. In rural areas the absolute and relative frequency of entrepreneurial activities in fact is lower, also in Germany. However, some of the target groups addressed in this report are overrepresented in non-urban areas in Germany, older people in particular. As entrepreneurship is a phenomenon strongly determined of the local and social environment the potential entrepreneur is familiar with, i.e. most of the entrepreneurs starting a business do so in the area where they already lived and worked before, starting a business could be a mean to reduce the negative spatial effects of demographic change in Germany. Supporting inclusive entrepreneurship in rural areas by adequate policy instruments for older people and others in particular may help to slow down the ongoing process of increasing interregional economic disparities between urban and rural areas in Germany. At the same time it may help to exploit hitherto underexploited entrepreneurship potentials among older people - a segment of the German population that are overrepresented in rural areas.

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ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified by government partners, program managers and other inclusive entrepreneurship stakeholder groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains five pillars:

1. Policy framework

- Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- Is there a systematic monitoring and evaluation process for the policies, programs and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

2. Government regulations

- To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst under-represented and disadvantaged groups when they start a business?
- Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?

- Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

4. Entrepreneurship skills

- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- Are there public initiatives that provide information on available support programs or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

5. Entrepreneurial culture and social capital

- Is entrepreneurship actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc.?
- Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst under-represented and disadvantaged groups?

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