

NEW ENTERPRISES

C 5

The cost and burden of starting up a business (C 5–1) is measured on the basis of the World Bank’s Doing Business data.⁴⁸⁶ These include, inter alia, information on government regulations that affect the founding and the operation of businesses in 189 economies. More specifically, this includes the number of procedural steps required for registering a company, the number of days required for registration, the cost of registration, as well as the minimum capital requirements.⁴⁸⁷ To facilitate the comparison between countries based on these indicators, a model enterprise profile has been created. Based on this model enterprise, the World Bank examines the government regulations that the model enterprise is subjected to.⁴⁸⁸ In Germany, a relatively high number of procedural steps are required to start up a business. What is more, starting up a business is relatively time-consuming and expensive. Thus, Germany is ranked 111th among 189 countries, while major competitors such as the United States, Great Britain, Korea and France are ranked considerably higher.

An international comparison of start-up rates, i.e. the number of start-up businesses as a percentage of the total number of companies, can only be performed at a European level.⁴⁸⁹ For this purpose, the Business Demography Statistics provided by Eurostat are used. These constitute part of the European Union’s Structural Business Statistics (SBS).⁴⁹⁰ With 12.8 percent in 2010, France recorded the highest start-up rate for all economic sectors from among the countries surveyed (cf. C 5–2). Germany had a start-up rate of 8.7 percent and was thus ranked well below France. With respect to start-ups in R&D intensive industries, Germany had a more favourable ranking. Here, the start-up rate amounted to 5.3 percent and was thus only slightly lower than that of Great Britain (5.6 percent), which displayed the highest value within the country sample. The start-up rate in France was relatively high in knowledge-intensive services (17.4 percent), while Germany (10.2 percent) remained far below this figure.

The findings on company dynamics in the knowledge economy as displayed in Figures C 5–3 to C 5–5 draw on an evaluation of the Mannheim Enterprise Panel (MUP) by the Centre for European Economic Research (ZEW).⁴⁹¹ The start-up rate shown in Figure C 5–3 is calculated on the basis of different data than those used in the Business Demography Statistics, which means that a direct comparison cannot be drawn here.⁴⁹² According to the data provided by the MUP, the start-up rate in the knowledge economy amounted to 5.8 percent in 2012 and thus declined for the fifth consecutive year (C 5–3). The closure rate in the knowledge economy, which amounted to 5.6 percent in 2012, also declined (C 5–4). The comparison at federal state level reveals significant differences in start-up rates in Germany (C 5–5). Across all industries, Germany’s city states (i.e. Berlin, Bremen and Hamburg) record the highest rates here, with Berlin at the very top of the ranking. The East German federal states are lagging behind. The picture is more nuanced in R&D-intensive industries and knowledge-intensive services.

C 5-1 Cost and burden of starting up a business

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	Number of procedural steps	Number of days required for completion of procedural steps	Cost of procedural steps (as a percentage of income per capita)	Minimum capital requirement (as a percentage of income per capita)	Ranking among 189 countries
US	6	5	1.5	0	20
GB	6	12	0.3	0	28
KR	5	5.5	14.6	0	34
FR	5	6.5	0.9	0	41
SE	3	16	0.5	13.1	61
CH	6	18	2	25.6	104
DE	9	14.5	4.7	0	111
JP	8	22	7.5	0	120
CN	13	33	2	78.2	158

Source: Doing Business (World Bank).

Number of procedural steps: the number of procedural steps required for registering a business. Procedural steps refer to any type of interaction between entrepreneurs and external stakeholders or institutions (e.g. state, agencies, solicitors).

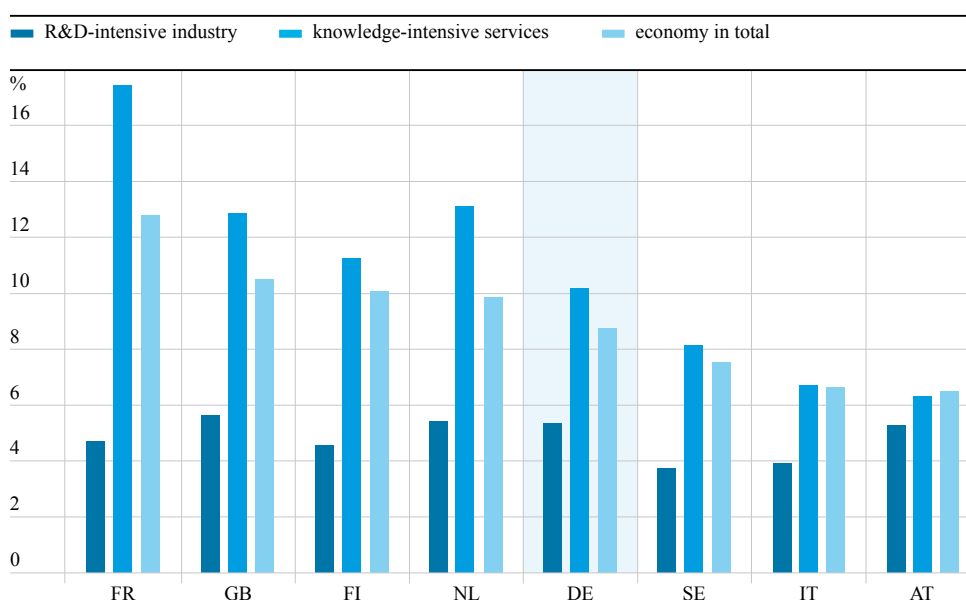
Number of days required for procedural steps: total number of days required for registering a business.

Cost of procedural steps: cost include public fees and fees for services prescribed by law.

Minimum capital requirement: funds the entrepreneur is required to deposit in the bank or with a notary before registration and up to three months following registration.

C 5-2 Start-up rates in 2010 in international comparison (figures in percent)

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Source: Business Demography Statistics (Eurostat). Calculations by ZEW.

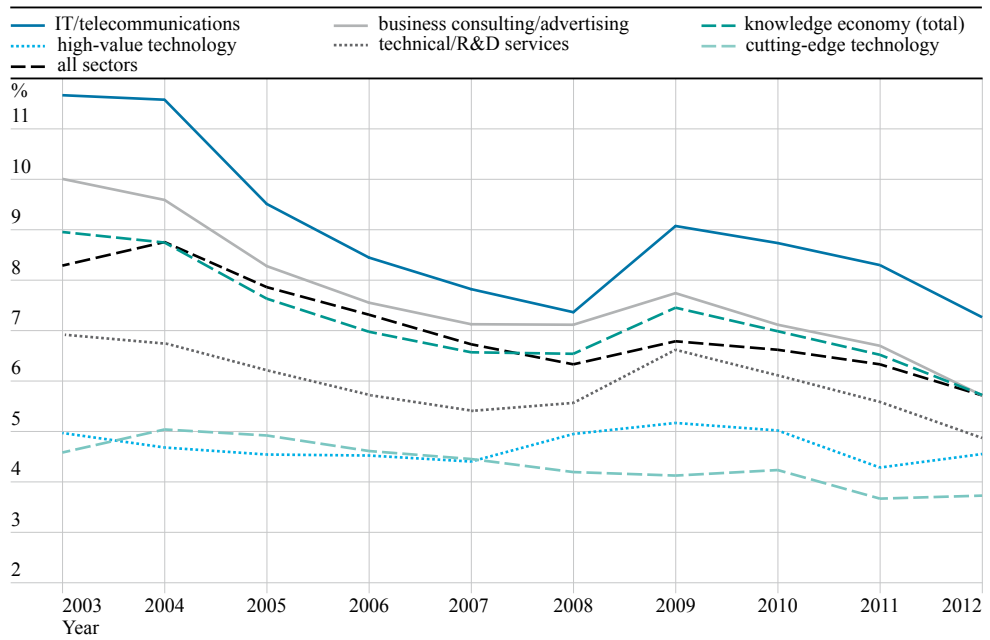
Start-up rate: number of start-up businesses as a percentage of total number of companies.

C 5-3

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Start-up rates in Germany's knowledge economy (figures in percent)

Start-up rate:
number of start-up
businesses as a
percentage of total
number of companies.



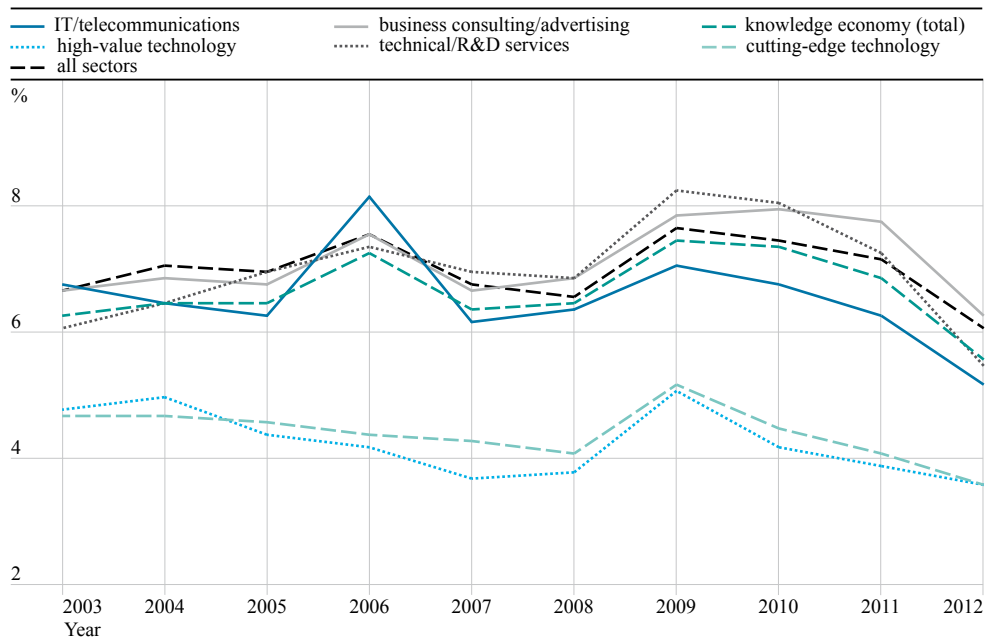
All figures are provisional.
Source: Mannheim Enterprise Panel (ZEW). Calculations by ZEW.

C 5-4

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Closure rates in Germany's knowledge economy (figures in percent)

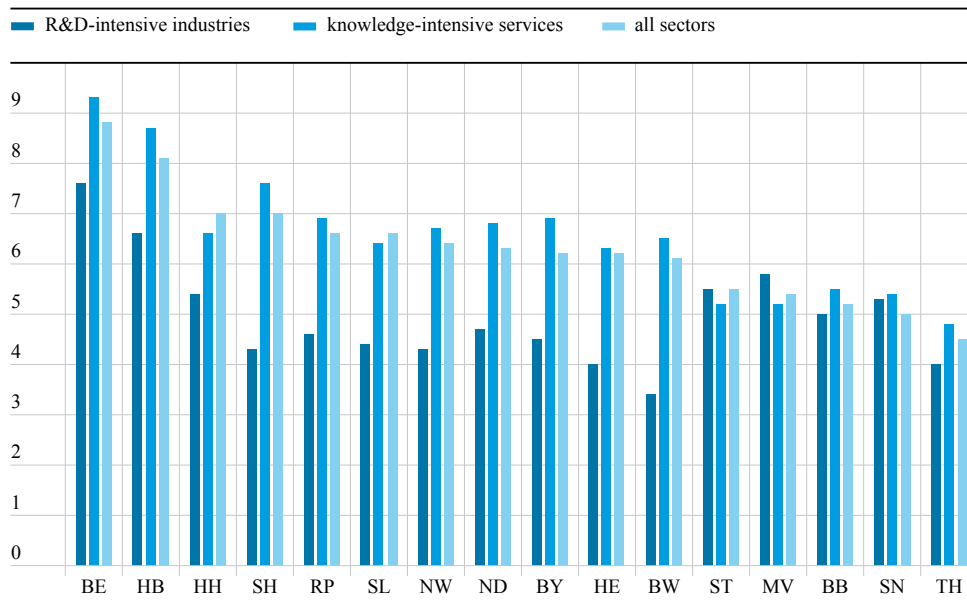
Closure rate:
number of companies shut
down during the course of a
year, as a percentage of total
number of companies.



All figures are provisional.
Source: Mannheim Enterprise Panel (ZEW). Calculations by ZEW.

C 5-5 Start-up rates according to federal states 2010 – 2012 (figures in percent)

DATA
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Start-up rate:
number of start-up
businesses as a
percentage of total
number of companies.

All figures are provisional.
Source: Mannheim Enterprise Panel (ZEW). Calculations by ZEW.