

Economics in Brief



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Start-up activity in the skilled trades: visible change

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Over the past few years, the number of new entrepreneurs in the skilled trades has been falling at a disproportionately rapid rate: while as recently as 2005, craftsmen were behind one in every five founder, last year's figure was only one in nine. In 2012, a total of around 91,000 individuals became self-employed in the skilled trades (see figure).

Craftsmen often set up a new business ...

When craftsmen become self-employed, it is often by opening a new business (81 % compared with 68 % of other new entrepreneurs).¹ Becoming self-employed by participating in an existing company is an option only for every tenth craftsman founder (9 % compared with 23 %). Craftsmen have a very rigorous approach to self-employment, as it is more common for them to pursue full-time employment (55 % compared with 41 %) and hire staff (34 % compared with 25 %).

... and increasingly on their own

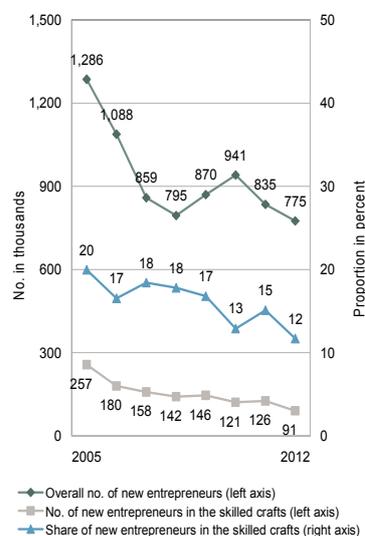
Craftsmen's start-up projects are diminishing in size. In the past, it was more common for them than for other founders to set up alone, but since 2009 the rate has accelerated. In 2011 and 2012, 95 % of craftsman founders had been solo entrepreneurs. Manufacturing industry (processing industry and construction) is – as to be expected for this activity – the dominant sector in which craftsmen become self-

employed (49 % compared with 2 % of other new entrepreneurs).

Craftsman founders use fewer resources

Craftsmen are becoming less and less likely to have financial besides material resources, when they launch their start-up project. In 2008, 72 % of them did, but by 2012, this figure had fallen to less than half (40 %). On the other hand, the proportion of craftsman founders who had only material resources at their disposal, increased considerably (from 17 to 41 %). Apparently their decision to become self-employed without financial means is not taken voluntarily: over the past four years, there was a significant rise in the number of craftsman founders who had difficulties in raising their own or third-party capital (2008: 9 %, 2012: 31 %).

Figure: Number of craftsman founders has been declining for years



Source: KfW Start-up Monitor.

Self-employment testifies to initiative, although often out of necessity

Craftsman founders are more likely to encounter problems with financing than other new entrepreneurs, as their self-employment more frequently follow a period of unemployment (26 % compared with 15 %), which, on the whole, negatively impacts financial resources. This helps to explain why craftsman founders increasingly cite a lack of alternative employment opportunities as their main reason for becoming self-employed, compared with other new entrepreneurs (43 % compared with 32 % so-called "necessity entrepreneurs").

Socio-demographically, craftsman founders are between continuity ...

The share of women among new entrepreneurs (41 %), which is low anyway, is, at 31 %, even lower among craftsman founders (49 % in the 18 to 65-years old population). However, this low proportion corresponds approximately to the general percentage of women in the skilled trades. Following both the overall structure and the tradition of apprenticeships in the skilled crafts, many craftsman founders acquired their vocational qualifications through company-based apprenticeships (56 % compared with 42 % of other founders), although they increasingly include graduates from universities of applied sciences (18 % compared to 5 %).

... and change

Compared with other new entrepreneurs, craftsman founders tend to be somewhat older – possibly because the older one is, the tougher it is to find employment. There has been a marked trend in this area since 2010: in 2012, the proportion of over 45-year olds doubled from 20 to 40 %. Since 2010, the share of craftsman founders who are not German nationals has risen clearly above the level of founders who are (25 % compared with 18 %). Previously this relationship was not so clear-cut. Employment market effects may have been a decisive factor, but EU expansion could also have played a part. ■

¹ The figures quoted here and in the following text principally refer to an average of the years 2005–2012. However, some data was collected for the first time only after 2005. Accordingly, these figures apply to a shorter period. Data to which this applies are the usage of material resources and finance, employment market status before starting a business (both since 2006), financial difficulties, vocational qualifications (both since 2007), the respective trade and reason for founding a business (both since 2008).