



**Summary Note for the Department for Business, Innovation and Skills
(BIS)**

Mid-Sized Businesses in Germany – General Statistics

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Mid-sized Businesses in Germany

General Background on Data and Statistics

- This note summarises statistics about the Mid-sized Business (MSB) sector in Germany. Mid-sized Businesses (MSB) are defined as those with a turnover of between €25m and €500m.
- Statistics about this sector were obtained via the Federal Statistics Office of Germany from the German Business Register, which records all businesses in Germany with taxable turnover and/or employees covered by national insurance¹. The federal register aggregates regional data provided by the German Länder since 2004. The sources of the regional (and., by definition, federal) registers include administrative data held by the Federal Employment Agency (Bundesagentur für Arbeit) or fiscal offices, and individual sectoral statistics, such as the surveys of manufacturing, of trades or services.
- Statistics are recorded at enterprise- (Unternehmen) and establishment- (Betrieb) level, although not all statistics are available at both levels.
- Enterprises (Unternehmen) are defined as the smallest legal entity responsible for book keeping and subject to national business taxation. An enterprise may be stand-alone or may consist of two or more establishments (Betriebe). An establishment is defined as a single business unit. Two or more business parts that are based in the same locality (e.g. town) and are organisationally connected may count as one business unit.
- Turnover statistics are only recorded at the level of the enterprise. Hence, the statistics reported here refer to enterprises rather than establishments.
- Establishments are included in the statistics provided that they reported taxable turnover and/or employees covered by national insurance at any one end of (calendar) quarter of the year in question, regardless of whether they still did so at any subsequent quarter end.
- The quality of the federal business statistics reflects the quality of the component data provided by the Länder and, hence, may vary. Data assembled before 2006 may be less accurate than data assembled since then and, in particular, since 2008. Comparisons across time should therefore be made only with considerable caution.
- New industrial classifications were introduced in 2006, when the International Standard Industrial Classification 4 (ISIC Rev 4) replaced the International Standard Industrial Classification 3.1 (ISIC Rev 3.1). Registry data from year are available (and has been provided) with both ISIS, whereas data from before 2006 are only issued with ISIS 3.1, and data since 2006 are only issued with ISIC 4 indicators. This limits the comparability of data over time.
- The expressions 'business' and 'enterprise' are used interchangeably in this note.

¹ Employees covered by national insurance make up about 75% to 80% of the German labour force and typically exclude civil servants, the self-employed, unpaid family workers, and those with low earnings.

Size and Sector Distribution of MSB in 2009 (with some limited comparison over time)

- In 2009, there were 3.6m enterprises with taxable turnover and/or employees covered by national insurance in Germany. Just over 19,000 (or 0.5%) of these enterprises reported a turnover of between €25m and €500m.²
- Mid-sized enterprises accounted for 23 per cent of total employment and 32 per cent of total turnover.
- These percentages varied little over the years, although, at 21 per cent, the share of employment of MSB was somewhat lower in 2004. However, this may reflect the lesser quality and reliability of the data available for that year.
- In 2009, 35 per cent of MSB were in manufacturing, accounting for 41 per cent of employment and 37 per cent of turnover in that sector. Services, in contrast, contributed 57 per cent of businesses, 54 per cent of employment and 55 per cent of turnover in that sector.
- Compared to the overall average, MSB are **numerically** disproportionately more frequently found in the following sectors (cp. T3 in worksheet 2009 ISIC distribution):
 - Mining and quarrying (quotient of the share of MSB-to-All Businesses³: 3.3)
 - Manufacturing (4.7)
 - Electricity, gas, steam and air conditioning supply (4.4)
 - Water supply; sewerage, waste management and remediation activities (3.8)
 - Wholesale and retail trade; repair of motor vehicles and motorcycles (1.8)
- MSB are also numerically over-represented in transport and storage (1.2), while matching the national share of businesses in the information and communication sector. MSB are under-represented in all other sectors.
- For reasons of confidentiality, employment and turnover statistics are not available for MSB in mining and quarrying and in education. Because of this missing information (albeit proportionately small), a comparison of the concentration of MSB employment and turnover (indicated by the MSB-to-Total share quotient) must be treated with some caution.
- However, it is safe to conclude that the sectoral concentration of MSB in terms of employment or turnover is much less than its concentration in terms of the number of businesses.
- In terms of **employment**, MSB are over-represented⁴ in
 - Manufacturing (1.6)
 - Electricity, gas, steam and air conditioning supply (1.5)
 - Water supply; sewerage, waste management and remediation activities (1.2)

² Unless otherwise indicated, all statistics reported here can be found in the accompanying excel spreadsheet GER MIDSIZED 2006-2009.xls. The specific statistics reported here can be found in that spreadsheet under the worksheet 2009 ISIC distribution (Table T1).

³ The quotient was estimated by dividing the relevant value for MSB by that for all businesses.

⁴ Sectors with quotients below 1.2 are excluded to allow for the increased margin of error as a result of missing data.

- Wholesale and retail trade; repair of motor vehicles and motorcycles (1.2).
- In terms of **turnover**, MSB are over-represented in
 - Manufacturing (1.2)
 - Water supply; sewerage, waste management and remediation activities (1.4)
 - Human health and social work activities (1.5).
- In 2006, the pattern of (over-)representation was very similar. For the above 2009 and 2006 statistics, see T3 in worksheet 2009 ISIC distribution and T3 in worksheet 2006 ISIC distribution respectively.
- In the following some **comparisons** are made **between 2006 and 2008**, i.e. ending the observation period before the full-blown emergence of the credit-crunch recession.
- In 2006, SMEs with turnover below €25m contributed 99 per cent of enterprises, 64 per cent of employment and 33 per cent of turnover to the German economy. Enterprises with €500m or more turnover made up less than 1 per cent of enterprises, 13 per cent of employment and 36 per cent of turnover. MSB thus contributed also less than one per cent of businesses, about 23 per cent of employment and 31 per cent of turnover.
- Between 2006 and 2008, the shares of MSB among all businesses in Germany barely changed. The same was true for their employment and turnover shares, although larger MSB also reported somewhat larger decreases in turnover shares (which increased among enterprises with less than €25m turnover) (see T4 in worksheet 2006 2008 2009 row).
- However, there were some marked variations within industrial sectors. In manufacturing, for instance, employment and turnover fell, in particular among businesses with turnover between €100m and €250m.
- Larger turnover businesses (€100m plus) typically reported greater employment and turnover decreases than smaller turnover businesses (below €100m) in the production and manufacturing sectors (where decreases or no-change were most common). The pattern was more varied in service sectors, where with the exception of financial services, employment or turnover decreases were more apparent among the smaller turnover businesses than the larger ones (ibid.).

Size and Sector Distribution of MSB (by further turnover breakdown), 2009

- Among all MSB, enterprises with between €25m and €50m turnover constitute the largest number of businesses (51 per cent), followed by enterprises with turnover between €50m and €100m (27 per cent), enterprises with turnover between €100 and €250m (16 per cent) and enterprises with turnover between €250m and €500m (6 per cent) (cp. T2 in worksheet 2009 MSB).
- The employment and turnover shares, in contrast, are more evenly distributed across the four MSB turnover categories. Thus, employment shares range from 28 per cent among enterprises with turnover between €25m and 50m to 19 per cent among enterprises with turnover between €250m and €500m. Turnover shares range from 23 per cent among

- Adjusted for their employment shares, turnover shares increase with turnover category. Thus, for enterprises in the smallest MSB turnover category, the ratio of turnover-to-employment is 0.77 (i.e. enterprises in this category have a share of employment among all MSB that is higher than their share of turnover). In contrast, enterprises in the largest MSB category report a **turnover-to-employment share ratio** of 1.27 (i.e. their turnover share among all MSB is higher than their employment share among all MSB). In other words, turnover increases proportionately more than employment (ibid, row 52).
- Comparisons of the distribution of enterprises in each turnover categories across ISIC, using the quotient of size category-to-all MSB, reveals the following concentrations (or over-representation)⁵ (ibid, T4):
 - Enterprises with turnover between €25m and €50m include a higher than average proportion of construction businesses (quotients: number – 1.3; employment 1.4, turnover 1.4), and businesses operating in real estate activities (number – 1.2, turnover – 1.6) or education (number: 1.5)
 - Enterprises with turnover between €50m and €100m include a higher than average proportion of businesses operating in water supply, sewerage, waste management and remediation activities (employment - 1.4; turnover – 1.4), real estate activities (employment – 1.4; turnover – 1.3) or human health and social work activities (1.3, 1.2, 1.6)
 - Enterprises with turnover between €100m and €250m include a higher than average proportion of businesses operating in electricity, gas, steam and air conditioning supply (number: 1.4)
 - Enterprises with turnover between €250m and €500m include a higher than average proportion of businesses operating in electricity, gas, steam and air conditioning supply (1.9, 1.6, 1.5) or financial and insurance activities (1.5, 1.6, 1.3). (cp. also summary in Table A.1 in the Appendix).
- The statistics above (also in Table A.1) illustrate that enterprise concentrations (by ISIC) do not necessarily occur across all three performance categories (number, employment, turnover), but may be limited to one or two of these categories. Notably, compared with their share of the number of enterprises:
 - Enterprises with turnover between €25 and €50m and operating in real estate activities are more strongly represented in terms of their turnover shares
 - Enterprises with turnover between €50m and €100m and also operating in real estate activities are more strongly represented in terms of turnover and employment shares

⁵ Quotients over 1.1 only.

- Enterprises with turnover between €50m and €100m and operating in water supply, sewerage etc activities are more strongly represented in terms of their turnover and employment.
- A converse case is that of financial and insurance activities, in particular when provided by enterprises with between €100m and €250m turnover. Whereas their number and turnover quotient was only 1.1⁶, their employment quotient was an even lower 0.4. These enterprises generate little employment relative to their numbers or their turnover.

⁶ Quotients of 1.1 or below are typically not reported in this summary note.

APPENDIX

Table A.1 ISIC concentration of enterprises by turnover category

TURNOVER			
€25m- €50m	€50m - €100m	€100m-€250m	€250-€500m
Construction (1.3; 1.4, 1.4)	Water supply, sewerage, waste management and remediation activities (employment - 1.4; turnover – 1.4)	Electricity, gas, steam and air conditioning supply (number: 1.4)	Electricity, gas, steam and air conditioning supply (1.9, 1.6, 1.5)
Real estate activities (number – 1.2, turnover – 1.6)	Real estate activities (employment – 1.4; turnover – 1.3)		Financial and insurance activities (1.5, 1.6, 1.3).
Education (number: 1.5)	Human health and social work activities (1.3, 1.2, 1.6)		

Note: Figures in brackets are quotients of 'turnover category MSB-to-All MSB' for the number of enterprises, aggregate employment and aggregate turnover ('performance categories'). Only quotients greater than 1.1 are reported. Performance categories are named when not all quotients are greater than 1.1; otherwise quotients are reported in sequence: number, employment, turnover.