

Involuntary Entrepreneurship in Germany

Friederike Welter
Susanne Kolb
Kai Althoff

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Herausgegeben von Friederike Welter



Impressum:

Prof. Dr. Friederike Welter
Professur für Betriebswirtschaftslehre,
insbesondere Management kleiner und mittlerer Unternehmen
Universität Siegen
Hölderlinstraße 3
57076 Siegen
Telefon: (0271) 740 - 2844
Fax: (0271) 740 - 2279
Internet: www.prokmu.de
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1. Introduction

Involuntary entrepreneurship is not a new phenomenon, but it is closely linked to industrialisation processes and a changing labour market. The note “involuntary” implies that a person is somehow driven into self-employment and does not do this necessarily out of conviction. There are different causes for involuntary entrepreneurship as well as different forms of its appearance. In the following analysis we first concentrate on the academic discourse on the multifaceted nature of involuntary entrepreneurship. We want to give an overview on how this topic is reflected in the German academic discussion, how it is addressed, and which aspects are emphasised. Parallel to this we present the different definitions of involuntary entrepreneurship in the German academic literature.

In Chapter 3 we proceed to describe the legal discourse on involuntary entrepreneurship and its political aspects in Germany. There, we analyse what kind of initiatives or courses of action policy-makers are currently carrying out or planning to launch in order to address issues relevant to involuntary entrepreneurship. We also want to look at which factors are the driving motivations behind these initiatives and actions. In Chapter 4 we conclude this study with some final remarks.

2. The nature of involuntary entrepreneurship: The academic and public discourse

With his monographs on “Die Selbständigen” (1985) and “Der Gründerboom” (1987) Dieter Bögenhold, a sociologist, initiated a discussion, which at the outset mainly was based in the sociological disciplines, on different forms of entrepreneurship and their consequences for economic and social development which continues until today. The discussion gained momentum in the late 1990s. This is reflected in several articles (e.g., Voß and Pongratz 1998, Woderich 1999) and edited volumes (e.g., Thomas 1997), two of which (Bögenhold and Schmidt 1999, Bögenhold 1999) were an outcome of interdisciplinary workshops held by SAMF (Deutsche Vereinigung für Sozialwissenschaftliche Arbeitsmarktforschung – German Association for sociological labour market research). Economists and management researchers, usually with a background in SME, entre-

preneurship and / or organisation research, added to this in discussing the future of self-employment in the context of changing labour markets (e.g., Frick et al. 1998; Lageman et al., 1999, Lageman and Welter 1999, Pleitner 1998, Welter 1998) and the emerging forms of entrepreneurship because of organisational restructuring (e.g., Reiß 1998).

The following sections will outline two perspectives prevailing in the academic discourse, both of which will help understanding what might constitute involuntary entrepreneurship, and we will end this chapter with a look at the public discourse around this topic, setting the scene for the legal and political debate in section 3.

2.1 Self-employment because of unemployment? The push-pull debate

One way of considering the concept of involuntary entrepreneurship is analysing the processes involved in starting a business, including the decision and motives of entrepreneurs.¹ Models of occupational choice assume that in making career decisions, individuals compare the monetary and non-monetary benefits or utilities they assess will come from a new employment position to the costs of leaving their current job, and they will only change jobs if perceived returns in the new position are large enough. Concepts researching motives of individuals distinguish between “pull” and “push” motivations with the former generally said to represent a more entrepreneurial personality, the latter referring to so-called reluctant entrepreneurship (cf. Brüderl et al. 1996: 82 for references to German studies, mostly from the early 1980s). For pull entrepreneurs market opportunities or the wish to work independently are the main drivers in setting up a new venture, whilst push entrepreneurship could result from depressed market conditions, i.e. entrepreneurship is due to a lack of opportunities.

From a macro perspective, Bögenhold and Staber (1990) demonstrated a positive correlation between self-employment and unemployment across various OECD-countries where unemployment might have acted as an additional push factor to motivate a business start. Based on an Anglo-German comparison, Meager (1992) showed that whilst

¹ For a review of the literature cf. Smallbone and Welter (2006).

unemployment acts as a push factor for self-employment, falling economic activity acts as a damping influence on self-employment.

From a micro perspective, some studies demonstrated differences in motivation structures between employed and unemployed business founders. Push motives played a more important role for unemployed founders, pull motives for employed ones in Germany (Hinz and Jungbauer-Gans 1999). Not surprisingly, (expected) job loss was one of the priority motives for unemployed founders or those expecting to be unemployed in the near future to start their enterprise while employed founders emphasized personal independence. Responding to perceived market opportunities was not a major element mentioned by either group. Push factors also showed gender-specific differences where for example securing a job played a more important role for women than for men (Welter 1996).

The motivation and aims of entrepreneurs in a cross-cultural context is a theme that has been developed in recent years in the Global Entrepreneurship Monitor (GEM). Since 2001, GEM surveys have asked respondents to indicate whether they started and grew their business in order to “take advantage of a business opportunity” or “seek better opportunities” (*opportunity entrepreneurship*) or “because you have no better choices for work” (*necessity entrepreneurship*) (Reynolds et al. 2002: 12).² Similar to the push-pull concepts, GEM authors equate opportunity-based entrepreneurship with voluntary career choices, whilst necessity-based entrepreneurship is a decision where no other options are either available or unsatisfactory. Based on their empirical cross-country results, GEM reports have shown that necessity-based entrepreneurship occurs more often in developing countries, concluding that this assessment “uncovered a dynamic dimension inside entrepreneurial activity” (Reynolds et al. 2002: 4). Moreover, there are fundamental differences across educational levels with opportunity entrepreneurs being better educated compared to necessity entrepreneurs (Reynolds et al. 2002: 16).

² For the terms “opportunity entrepreneurship”, and “necessity entrepreneurship” a google search delivered a total of around 580 hits for each category, the overwhelming majority of which are referring to various GEM national reports from participating countries. See Smallbone and Welter (2006).

One of the issues that arise from this type of analysis is the relationship between the motives for starting a venture in the first place and its subsequent performance. The discussion around whether entrepreneurship is push- or pull-driven, necessity- or opportunity-based, implicitly assumes that motives for entering self-employment and its development are closely linked. Amit et al. (1996: 2) suggest that “the decision to start a new venture gives a strong basis for predicting the likely success.” In other words: where entrepreneurship mainly consists of reluctant or involuntary entrepreneurs, the potential of such ventures to contribute to economic development is viewed as limited. This becomes apparent in the 2002 GEM-report for Germany, where opportunity entrepreneurs are said to have higher expected rates of survival and growth, and are characterised as “good entrepreneurship”, of the type that in the long run will contribute to regional and national economic development (Sternberg and Bergmann 2003: 15). Similar assessments are to be found in most GEM reports, and this leads GEM authors to judge so-called necessity entrepreneurship as a negative factor as far as national growth and development are concerned.

However, Smallbone and Welter (2006) emphasize that “...not all individuals will respond in similar fashion to similar circumstances. The specific decision making context they face may be influenced by their own previous experience and other antecedent influences, including their underlying attitudes towards running their own businesses, as well as by current external conditions and triggered by specific stimuli. Hence, the disposition to set up a business at a particular moment in time may be a result of interaction between a specific trigger to act and a deep seated desire for greater self satisfaction and autonomy.”

2.2 The “new self-employed”: A tendency towards precarious self-employment?

In the 1980s and 1990s, sociologists and economists started discussing involuntary entrepreneurship from a macro perspective, namely in the context of wider labour market changes. Trends such as lean production, outsourcing, new technologies allowing for a separation of work place and activity, resulted in an erosion of conventional organisational structures and working arrangements. This is best reflected in the concept of the

“*Arbeitskraftunternehmer*” developed by Voß and Pongartz (1998). They argued that “a structural change in the social constitution of labour power as a commodity is taking place. In this process, the hitherto predominant type of the “employee”, organized by the principle of occupations, will be replaced by a new type, the “*Arbeitskraftunternehmer*” (i.e. the entrepreneur of one's own labour power). Characteristics of the new type of labour power are: enhanced self-control of the workers, an efficiency-oriented self-exploitation of their work potentials, and a correspondingly efficient self-management of their everyday life.”

The term “new self-employed” was introduced by Vonderach (1980, cited in Dietrich 1999a: 73). The author included conventional and alternative forms of self-employment as well as subsistence activities, cooperative ventures and profit-oriented activities. In analysing these “new self-employed”, who came to be widely accepted as a result of labour market changes, Bögenhold (1987) developed a classification of self-employment with two distinct poles. On the one hand, he referred to self-employment motivated by economic needs (*Ökonomie der Not*) and, on the other, to entrepreneurship, which is driven by a desire for self-realization (*Ökonomie der Selbstverwirklichung*). While this distinction reflects the push/pull motivation discussed above, the author emphasised possible paths into (involuntary) entrepreneurship, thus concentrating on a macro perspective.

Bögenhold (1987) acknowledged a continuum of entrepreneurial activities between both poles, due to the subjective nature of economic needs. As those entering self-employment mainly out of a need, he included petty production aimed at securing family's livelihoods and the so-called “alternative self-employed” (*alternative Selbstständige*) originating during the 1980s, who aimed at combining ecological and social objectives with their entrepreneurial activities. Self-employed persons in both groups are driven into self-employment, because they have few / no possibilities of finding wage-employment. However, there are fundamental differences between both groups in terms of personal characteristics. While the former ones often have an overall low level of education and/or a lack of professional qualification, alternative self-employed persons often come with higher qualification. In this regard, Bögenhold recognises a different aspect of the

economy of needs, as the second group actively seeks for alternative employment possibilities instead of being reactively pushed into entrepreneurship.

Another category of individuals who often are pushed into entrepreneurship, refers to the so-called “hybrid self-employed” (*Zwitter selbstständige*, Bögenhold 1987: 84), also labelled “employed self-employed” (*abhängig beschäftigte Selbstständige*, Wank 1988: 249, Paasch 1990, both cited in Dietrich 1999a: 74) or “quasi self-employed” (*Scheinselbstständige*, Dietrich 1999a). Bögenhold (1987) argued that hybrid self-employment had been a social and economic phenomenon already accompanying industrialisation where it occurred in the form of the putting-out system, favouring home production or in the form of purveyors to a court. Nowadays, hybrid self-employment mainly could be found in agriculture where contractual farming dominates in some fields (Bögenhold 1987: 87), in the transport sector (petrol stations, quasi self-employed freight entrepreneurs) and in the construction sector with so-called “mini” subcontractors. Another example might include freelancers working for media. Modern information and communication technologies also were said to foster hybrid self-employment in the form of telecommuting (Bögenhold 1987). However, the foreboding dominating part of the academic discussion in the 1980s and early 1990s, namely that the internet would contribute to a myriad of telecommuting precarious jobs, appears unwarranted.

Recent studies started discussing the phenomenon of the “new small businesses” (*neuer Mittelstand*, cf. Reiß 1998), emphasizing organisational restructuring processes of larger firms as a – voluntary and forced – route into entrepreneurship. Here, research tends to concentrate on the (perceived) positive aspects of “new self-employment”, drawing attention to Bögenhold’s economy of self-realisation. Bögenhold himself (1987) used the example of “high-technology” oriented self-employed persons to illustrate this category.

2.3 The public discourse on a “culture of entrepreneurship”³

Lageman and Welter (1999) as well as Achtenhagen and Welter (2006) have analysed the public discourse around entrepreneurship. The call for a new “culture of entrepreneurship” can be traced back to 1991, to the symposia held by one of Germany’s most well-known entrepreneurs and company-owners, Reinhard Mohn of Bertelsmann (cf. Mohn 1991). The public discourse suggested that this perceived lack of an entrepreneurial culture – or entrepreneurial spirit – in Germany could only be remedied by political actions.

However, analysing this particular discussion in its wider context, Lageman and Welter (1999) illustrated that there was no agreement as to what might constitute a new “culture of entrepreneurship”, what would be “new” about this culture, or whether there really existed a lack of entrepreneurial spirit in Germany. In critically reviewing the concept, the authors rather identified three main streams of interpretation: *Economic actors* (managers, industrialists, entrepreneurs and small business owners) expected an improvement of their societal acceptance and a substantial improvement of the general conditions for entrepreneurship. This was mainly related to the negative image of entrepreneurs in Germany. The second interpretation was put forward by *intellectuals*, who mainly discussed the potential of new information and communication technologies, expecting personal accountability and intrapreneurship to thrive in all parts of society and economy. Thirdly, for *politicians* the concept of a new „culture of entrepreneurship” signalled a simple recipe to increase innovation and employment, by fostering more start-ups in an ageing economy.

Because of its non-committal nature and its openness to manifold interpretations, the concept was widely accepted in the German public discourse, by most social strata of German society and economy. Politicians and practitioners were quick to adopt the slogan, blaming the lack of an entrepreneurial culture for the economic problems to be observed in Germany during the 1990s. Moreover, politicians attempted to turn the slogan into viable political actions. In the late 1990s, this resulted for example in the “Reform

³ This section draws on Achtenhagen and Welter (2006) who also analysed the media presentation of the ‘entrepreneurial spirit’ in German newspapers.

Committee”, which was initiated by the Bertelsmann-Foundation. It was staffed with prominent politicians and researchers, and investigated ways to create a “renaissance of entrepreneurship”.

3. The legal and policy discourse on involuntary entrepreneurship

In the following, we will concentrate on two forms of involuntary entrepreneurship that take a centre stage in the ongoing legal and political debate in Germany. On the one hand, self-employment that originates out of unemployment is a main theme for politics as policy-makers are trying to create new jobs for the unemployed persons. Therefore, establishing a “culture [or “renaissance”] of entrepreneurship” is a main political aim. On the other hand, there is the current legal discussion about “quasi self-employment” as some employers as well as employees are trying to avoid dependent employment relationships for several reasons which has a severe negative impact on the social insurance system.

3.1 Self-employment out of unemployment

As one can see that the impact on employment of larger enterprises is not enough to fulfil the needs of the labour market, fostering SMEs and self-employed people has become a widely acknowledged political aim in Germany (Bögenhold and Leicht 2000). Due to this aim since the 1980s there have been several political initiatives to foster entrepreneurship; and this picked up momentum in the 1990s.

The statistics indeed show that the share of self-employed persons, who comprise those working on their own as well as small entrepreneurs with some employees (*Selbstständige*) has risen continually since the 1990s (cf. Fig. 1). In assessing this development one has to keep in mind that an increasing share started a business out of unemployment. Already in the beginning of the 1980s 2% of all new ventures in Germany were created out of unemployment (Bögenhold 1987); and this has been increasing ever since. For example, according to the EUROSTAT Labour Force Survey in West Germany, from 1984–85 5% of the inflow into self-employment were previously unem-

ployed, the share rose to 6% in 1988–89 and amounted to 5.3% for Germany in 1995–96 (Dietrich 1999b). Until the early 1990s, most self-employed recruited themselves out of employment or started their business after having finished their education (Dietrich 1999b; Schömann et al. 1998). In 1990–1996, only 14% of all new entrepreneurs in West Germany previously were unemployed compared to 16% in East Germany (Panzenberg 1998).



Fig. 1: Development of self-employed persons⁴

But in the following years this number downright increased mainly because of governmental subsidies for firm foundations out of unemployment (e.g., “Überbrückungsgeld” (bridging allowance), “Ich-AG” (Me-Inc)). Especially the Me-Inc was responsible for a peak with 360,000 foundations in 2004. When the premises for applying for the programme were changed (see below) the number decreased again to 250,000 in 2005. These “subsidy-driven” venture creations amounted to more than 50% of all newly created ventures (cf. Fig. 2). Most of these founders can be categorised as entrepreneurs pushed into self-employment because of unemployment and therefore can be seen as involuntary entrepreneurs.

⁴ Source: destatis (2006).

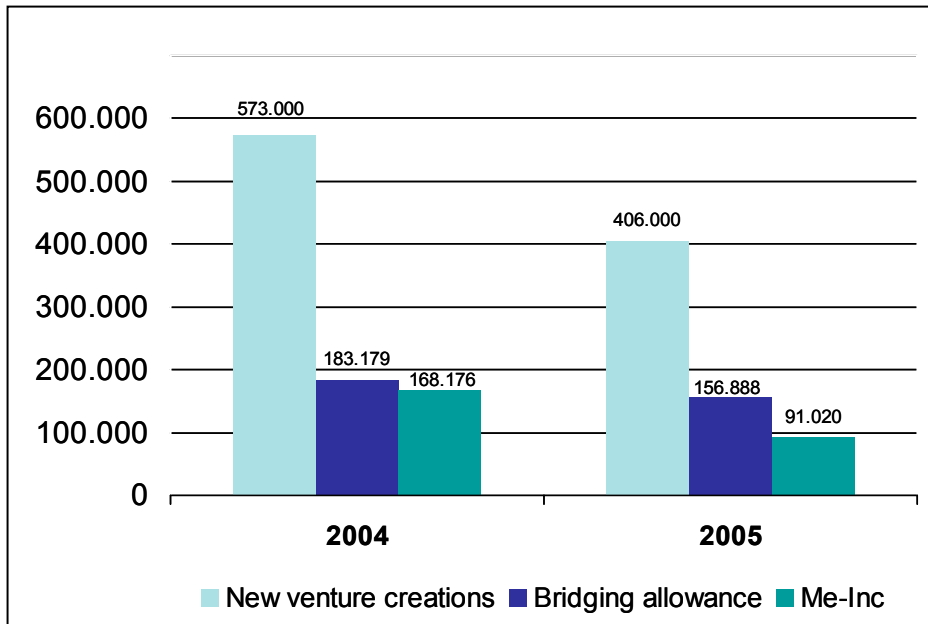


Fig. 2: New venture creations in Germany 2004 / 2005⁵

In the following, we take a closer look at the political instruments fostering self-employment out of unemployment. Already in the middle of the 1980s the instrument of the **bridging allowance** was created, a subsidy that was meant to motivate unemployed people to start their own business. The allowance was paid for six months time after the business start-up and should help to assure the subsistence. Entitled to benefit of the bridging allowance were people who were unemployed or working within employment-creation measures (*“Arbeitsbeschaffungsmaßnahmen”*). The subsidy⁶ could only be paid if a competent institution (e.g., chamber of commerce and trade or crafts) had confirmed the sustainability of the business concept (Noll and Wießner 2006a; Bundesagentur für Arbeit 2005). The bridging allowance ended in June 2006 and was replaced by the new *“Gründungszuschuss”* (see below). Regarding the success of the bridging allowance, the programme has been evaluated several times. Based on a longitudinal evaluation, Wießner (2001) illustrated that obviously the bridging allowance could make a contribution to survival: Three years after business start, around 70% of the recipients were still self-employed and only 10% had become unemployed. again

⁵ Source: Institut für Mittelstandsforschung Bonn (2006).

⁶ Amount of subsidy: Individual unemployment benefit plus contributions for social insurances.

In 2003, the **Me-Inc** was introduced with the aim to foster entrepreneurship but also as a measure to reduce unemployment and moonlighting (Eisch et al. 2004). For the period of three years unemployed people who set up their own business were paid a decreasing monthly grant (not refundable) from the Federal Employment Office: in the first year a maximum of 600 EUR, in the second 360 EUR and in the third year 240 EUR per month. The grant required that the annual income did not exceed 25,000 EUR (Schulze Buschoff 2005). This attractive programme led to an increasing number of new venture creations (cf. Fig. 2). In 2005, the “Hartz IV”-law stopped this boom as the premises for the subsidy were restricted (e.g., recipients of the unemployment benefit (“*Arbeitslosenhilfe*” or “*Arbeitslosengeld II*”) were no longer entitled) (May-Strobl et al. 2005). From the beginning, the respective law for the Me-Inc was time-limited and the subsidy was abolished on 30th June 2006. Since then, only people whose claim was constituted before July 2006 are being promoted.

An interim evaluation of the instrument showed that – similar to the results of the bridging allowance – around 80% of the Me-Inc founders were still self-employed around 1.5 years after their business start. Additionally, 12% of the Me-Inc founders had transitioned to wage-employment (Noll and Wießner 2006b), indicating that business failure need not include personal failure in the labour market. These figures draw attention to the fact that involuntary entrepreneurship in the sense of being forced into entrepreneurship out of unemployment might develop into voluntary entrepreneurship in the longer run.

Comparing both instruments, Kleinen et al. (2004) analysed entrepreneurs coming out of unemployment in the German state North Rhine-Westphalia. Interestingly, they found few substitution effects between instruments, but instead differences between recipients of both subsidies which might restrict the survival and success rate of the business ventures in the long run. Overall, the majority of unemployed founders would not have set up the venture without any subsidy. Me-Inc founders are mainly women and longer-term unemployed persons (for example, Me-Inc founders were unemployed twice as long as entrepreneurs supported by the bridging allowance; and 50% qualified as longer-term unemployed compared to 30% respectively); they are less qualified compared to those

receiving the bridging allowance. Furthermore, ventures are often set up in the field of personal services where there are low entry barriers but high competition.

Since the 1st August 2006 the state bestows instead another benefit for foundations, the so-called "**Gründungszuschuss**" (§§57, 58 SGB III - Code of Social Law). The subsidy consists of two phases and lasts altogether 15 months. The basic promotion ("*Grundförderung*") consists of the monthly dole claim plus a lump-sum of 300 EUR to cover the contributions for social insurances for the duration of nine months. Therefore, this basic promotion is similar to the concept of the bridging allowance. This promotion can be prolonged for six months ("*Aufbauförderung*"), although in this second phase the Federal Employment Office will only pay the monthly lump-sum of 300 EUR. The premises for claiming this grant are similar to the bridging allowance resp. the Me-Inc (Bundesagentur für Arbeit 2006). Recipients of "*Arbeitslosengeld II*" only can request for the so-called "**Einstiegsgeld**" (§29 SGB II) with similar premises but less benefits. It is a basic coverage for job seekers and is paid as a benefit additionally to the "*Arbeitslosengeld II*".

3.2 Quasi self-employment

The legal discussion around involuntary entrepreneurship mainly refers to the question of how the borderline between self-employment and employment is defined, relating this to quasi self-employment. There are forms of employment that are located in between self-employment and dependent employment but cannot be attributed clearly to one category or the other. The boundaries between these two employment forms are shifting in labour law as well as in social security law. According to changing business policies like outsourcing, the so-called "grey area" of difficult-to classify forms of employment is growing (Schulze Buschoff 2004). This grey area can include certain types of work which appear to be self-employment but which, in fact, are forms of subordinate employment. This raises the question as to how to correctly assess and legally classify (self-)employment and to distinguish one from another (Perulli 2003). It is not a decision which is left to the contractor or employer to define the dominant form of employment relationship, but this depends on the way the activity is carried out in practice (Nökel 2001).

Unfortunately, there is no official definition of what constitutes quasi self-employment in Germany. The notion of quasi self-employment is also not an official or even legal one. It is rather a term that was coined by politics, picked up by academia (cf. section 2) and was assimilated by the media and the literature (Bauer et al. 2000). In general, a quasi self-employed person is mainly self-employed in contractual terms but in practice (s)he is treated as an employee because of the way the contract is executed (Schmidt and Schwerdtner 1999). Although no legal definition exists there are some indicators that may reflect quasi self-employment (Kunze 2006, Sommer 2003, Dietrich 1999a). In detail, one could suppose that a self-employed person is really a quasi self-employed one if (s)he

- employs no regular employees / i.e. works as an solo-self-employed person,
- works mainly or even exclusively for one contractor, thus being highly dependent on this contractor,
- is integrated into the contractor's organization (e.g., has a steady workplace in the contractor's enterprise),
- is bound by the contractor's instructions in local, temporal and technical terms (e.g., presetting of working hours, duty to appear in the contractor's business workwear),
- used to be on the payroll of the contractor before becoming self-employed.

All these indicators are said to point at a working relationship between the contractual partners which reflects a employer-employee-relationship in reality because the quasi self-employed person does not really take entrepreneurial risks but relies on the contractor's business. Additional indicators that support the assumption of quasi self-employment could be:

- The contractor has employees who fulfil the same tasks as the self-employed.
- The self-employed person has no own business office, business cards or stationery and/or no own working capital.

It is difficult to estimate the dimension of involuntary entrepreneurship in terms of quasi self-employment as no official statistical data on this topic is available. Therefore, we will rely on results of an academic empirical research conducted in 1995 (cf. Dietrich 1997) to give at least an impression of the extent of this phenomenon in Germany. Dietrich es-

estimated that nearly 940,000 self-employed have to be categorised in the grey area between genuine self-employed and quasi self-employed persons. After all, this number is equivalent to 2.9% of the economically active population. Depending on which criteria Dietrich used to categorise the employment form the number of persons that could be categorised as quasi self-employed varied from 179,000 (19%) to 431,000 (46%).

Now, what are the consequences if a person is either categorised as a self-employed or an employed person? This categorisation becomes relevant when considering social security. In Germany, self-employed persons are seen as potentially higher-income earners so that the state is not obliged to prevent them from any risks; that means that self-employed persons have to take care of their own health and pension insurance. On the contrary, employees are fully integrated into the German social insurance system with statutory health, nursing care, accident and unemployment insurance as well as the social pension programme. Moreover, they are protected by the employment law (e.g., dismissal and maternity protection) and they are entitled to a minimum leave days and continuation of payment in case of illness or inability to work.

If an employer employs someone he has to obey these rules and, foremost, he has to pay the employer's contribution of the social insurance which is in fact, (nearly) the same sum the employee has to pay. This enumeration already shows that these rules mean a lot of bureaucracy and investment as well as some kind of inflexibility for the employer. Therefore, he may prefer self-employed persons working for him (Nökel 2001).

The state is interested in restricting quasi self-employment because the interests of the individual employee are seen as endangered. Moreover, the social insurance system is lacking contributions if an employment relationship actually is a dependent employment and therefore employer and employee are obliged to pay for the social insurance system. In the long run, this leads to a lower premium income and because of that to an increasing rate of contributions in the social insurance system. That again causes higher labour costs which threatens the competitiveness of Germany as an economic location. The demand for labour could decrease further (Nökel 2001).

Therefore, policy-makers wanted to make it easier for the insurance carriers to fight against quasi self-employment and to commit the self-employed and their “employers” to pay their contributions. In 1998, §7 SGB III – that defines the notion “employment” – was amended with a so called “rule of assumption”: The paragraph named four characteristics that constitute an employment. If at least two of these characteristics were to be identified in self-employment, an employment relationship could be suspected. These characteristics were: no employees, only working for one contractor, doing an employee’s work, no entrepreneurial activities. The burden of proof laid on the side of the employee / employer resp. contractors. This law simplified the identification of an employment status for the insurance carriers.⁷ However, it was confronted with harsh criticism because the law was not consistent with the overall policy aim of fostering a culture of entrepreneurship in Germany. Instead, it seemed to put new venture creations at a risk. The law was amended by one new criterion (used to be working as an employee within the same field of activity) and since then, three of five characteristics had to be fulfilled to assume that this was an employment relationship. Moreover, the “rule of assumption” should only be used if the respective persons refused their participation in a procedure of identification. Practically speaking, a facilitation for the insurance carriers in terms of identifying quasi self-employed persons was no longer given (Schulze Buschhoff 2006; Nökel 2001).

But these amendments to the law in 1999 could not stop the criticism. Therefore, since 2003 the “rule of assumption” was abandoned in the course of the Second Law for Modern Services on the Labour Market, the so-called “Hartz II”-law. In legal terms, the status from 1998 was restored. Though today, the procedure of identification (“*Statusfeststellungsverfahren*”, §7a SGB IV) still exists during which the social insurance carrier (with the help of the respective person) is looking for indicators to classify him or her as a dependent employed or self-employed person (Schulze Buschhoff 2005, 2006). This new (or better to say old) legal status can be seen as an indicator that the legal discussion around quasi self-employment has become more silent in recent months. Moreover, while the recipients of the Me-Inc-grants were explicitly categorised as self-employed and therefore were no quasi self-employed persons no matter what their business rela-

⁷ If an employment relationship is categorised as a dependent one, the employer is obliged to pay for the social insurance retroactively^[0] for a maximum of the last four years (§25 I 1 SGB IV).

tionships looked alike, there is no equivalent rule for the recipients of the new “*Gründungszuschuss*”. Obviously, the discussion around the obligation to contribute to social insurance for (self-)employed has come to an end or at least to a hold-up. Still unanswered are the questions concerning the social insurance of self-employed persons that do not prevent for their future sufficiently and, in case of their insolvency, rely on the Social Security Fund.

4. Conclusions

The academic debate on involuntary entrepreneurship in Germany concentrates on two main streams: one, mainly driven by sociologists and entrepreneurship researchers and an “evergreen” research topic, discusses motives for entering entrepreneurship, in order to identify which “types” of entrepreneurs are more successful in developing their venture. Another stream, originating in the late 1980s, discusses involuntary entrepreneurship in the context of structural changes on the labour market resulting from outsourcing, lean production and other trends, where more and more individuals are pushed into precarious jobs.

Forms of involuntary entrepreneurship can include unemployed persons who are pushed into self-employment and quasi self-employment. Both forms were main topics in the legal resp. political discussion in Germany. While self-employment out of unemployment still is a theme of main interest and seen as an opportunity to influence the unemployment situation the discussion around quasi self-employment has come to a hold-up.

Summing up, one needs to caution as regards the influence of politics on fostering a “culture of entrepreneurship”. One issue concerns the debate around quasi self-employment in contrast to the public discourse on a renaissance of self-employment. Although quasi self-employment appears to be a growing phenomenon in some sectors in Germany and is viewed negatively by the public, the legal reforms designed to tackle the problem of involuntary entrepreneurship due to high social security contributions have re-created the status of the 1980s. Moreover, as it becomes apparent in the public and

policy discourse, policy-makers in Germany set high hopes into instruments to foster new business creation of unemployed persons. However, such instruments can only contribute to a small extent to reducing mass unemployment.

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