



## New Start-Up Subsidy, Germany

### What?

The New Start-Up Subsidy (*Gründungszuschuss*) is a national welfare bridge scheme that supports the unemployed in business creation. It offers financial support to unemployed people in creating a business as an alternative method to moving back into work. The subsidy covers basic costs of living and social security contributions during the initial stages of start-up to increase the chances of new venture survival.

### Why?

The scheme aims to address the difficulties that unemployed people face in obtaining finance for business start-up by covering the cost of living and social security contributions during the critical founding period. As well as stimulating more business start-ups, it can be argued that individuals who receive this kind of support and start their own business also increase their employability, their human capital and their labour market networks during the period of self-employment.

### Key activities

The New Start-Up Subsidy was set up in 2006 through the merger of two existing programmes for unemployed people aspiring to start their own business: (i) The Bridging Allowance, introduced in 1986, which covered the unemployment benefits and social security contributions for six months; and (ii) The Start-Up Subsidy, started in 2003, where the support comprised a lump sum payment of EUR 600 per month in the first year, EUR 360 per month in the second year and to EUR 240 per month in the third. The public unemployment insurance supports the first six months of self-employment, plus up to nine additional months. In the first six months, the recipient receives the same amount that they would have received in unemployment benefits; an additional amount of EUR 300 per month is offered to cover social security contributions. The payment of the lump sum of EUR 300 can be extended for another nine months if self-employment is the main activity of the individual and they can demonstrate their business activities. In order to receive the subsidy, the individual needs to be eligible for unemployment benefits for at least 150 days and present a business plan that is approved by a chamber of commerce or a similar institution. This third-party institution has to analyse to what extent the business idea as described in the plan is sustainable and has the potential to create a sufficient income base for the applicant. Additionally, start-ups are only supported if they are planned as the main occupation.

## Impact

Between 100 000 and 250 000 participants used the subsidy annually between 2002 and 2011, and between 300 000 and 400 000 start-ups were created each year over this period. Start-ups out of unemployment covered a significant share of yearly start-up activities. Furthermore, there were between 2.1 million and 4.6 million unemployed persons in Germany during this time. This means that between 3% and nearly 10% of all unemployed individuals used the programme each year.

*This case study was adapted from material published in: OECD/EU (2016), Inclusive Business Creation: Good Practice Compendium, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251496-en> [1]*

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### Links

[1] <http://dx.doi.org/10.1787/9789264251496-en>