

Executive Summary

Entrepreneurship of minors: Prevalence and characteristics

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Abstract

Our explorative study presents insights into the self-employment of minors based on data from the Taxpayer Panel, a survey of family courts in North Rhine-Westphalia and qualitative interviews with founders and experts from chambers and the family court.

New firms founded by minors are a niche phenomenon

In 2017, approximately 4,200 self-employed minors (people below the age of 18) throughout Germany declared income from self-employment in their tax declaration. 1,350 of these submitted the tax declaration for the first time. These new entrants include, among others, pure asset transfers, e.g., through an inheritance. Legally, minors must apply for approval at the family court to become authorized to operate a business on their own. Based on the number of applications and permissions of authorization procedures at the family courts in North Rhine-Westphalia, we estimate that between 290 and 610 new businesses are founded and managed by minors annually.

Self-employment mainly in the services sector

More than half of the new entrants into self-employment create businesses in the service sector, especially in arts and creative activities, as well as information and communication. In many respects, the economic activities can be assessed as part-time self-employment. For example, most minor self-employed earn less than 5,000 euros per year.

Minor self-employed are more likely to be male and 15 to 17 years old

By far, the largest group among self-employed minors are the 17-year-olds, followed by the 16- and 15-year-olds. Most of them are male. Moreover, we show that most minor founders of businesses are male, perform particularly well at school and strive for general high school graduation.

Self-employment is perceived as an entrepreneurial learning field

Intrinsic motives dominate among the young founders. The will to develop and learn is central, whereas financial motives seem to be of secondary importance. Consequently, they use self-employment less to secure their living standard than to acquire entrepreneurial skills, gain business experience and build

networks. In many cases, they continue self-employment after becoming legal adults - often alongside dependent employment as hybrid self-employment.

Parents are supportive, while the institutional environment is discouraging

According to the interviews, the values transferred in the parental home as well as the entrepreneurial experience of the parents can be supportive for starting a business. In practice, however, the entrepreneurial networks, including role models and mentors, are the most helpful. Negative feedback from teachers can harm young people in starting a business. The lengthy and non-transparent authorization procedures where minors interact with public institutions also have a discouraging effect on the young founders.

Court authorization procedures leave space for improvements

The so-called authorization procedure is conducted in a way that secures the long-term interests of the child. However, there is potential for optimization: Since the procedures differ from case to case, standardization and more transparency concerning procedure design and evaluation criteria could speed up the process and significantly reduce the effort for the involved actors. In addition, given the small target group, the creation of a few highly specialized family courts should be considered in order to provide the necessary expertise.