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"Small and medium-sized enterprises are catching up": Seven questions to Alexander Eickelpasch

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Alexander Eickelpasch, Research Associate in the Innovation, Manufacturing, Service Department at DIW Berlin

SEVEN QUESTIONS TO ALEXANDER EICKELPASCH

»Small and Medium-Sized Enterprises are Catching up«

1. Mr. Eickelpasch, the German economy is characterized by an innovative and research-intensive manufacturing industry. How has industrial research expenditure developed over the past few years? Research expenditure by industrial companies has increased over the past ten years. There are, of course, always cyclical fluctuations, but overall the research expenditure of industrial companies is following an upward trend.
2. How much money has been channeled into industrial research in Germany over the past few years? In 2008, the German federal government provided 1.4 billion euros to fund industrial research. The corresponding figure for 2009 was 1.5 billion and in 2010, the total amount rose to 1.7 billion euros. The manufacturing industry itself invested 46.9 billion euros in research and development in 2010. Typically, this covers personnel costs, material costs, and investment in the companies' research institutes. If we look at this in relation to public funding, we can see that 3.7 percent of expenditure was co-financed by the federal government in 2010.
3. Which sectors and fields of technology have seen an increase in industrial research? We have major sectors which are very research-intensive: these include the automotive industry, mechanical engineering, chemical industry, and, of course, electrical engineering. These areas account for approximately 90 percent of industrial research expenditure in Germany. But it is interesting that other branches of industry, too, for instance, the plastics industry or metal production, have reported a considerable increase in research expenditure. A similar development has also been observed in small enterprises. Of course, these only account for a very minor share in industrial research expenditure but over the past decade, their expenditure has increased at a higher rate than for large companies.
4. Has there also been an increase in the number of research-based companies in Germany? There has been a slight increase in the number of research-based companies, while the number of non-research-based companies has decreased significantly.
5. Are research-based companies thus performing better than non-research-based companies? Although this cannot be concluded directly from this development, it gives, however, a clear indication. We have attempted to illustrate this using key performance indicators and have examined the value added of companies with reference to their number of employees. We found that for the whole of the period studied, labor productivity for research-based companies was significantly higher than for non-research-based ones and that this gap continued to widen.
6. Has the number of jobs in industrial research increased? Yes, the number of industrial researchers is increasing. However, expenditure has risen more sharply than the number of researchers, indicating that research costs have increased in recent years.
7. What is the significance of research-based companies in general for Germany's industrial development? Not only do research-based companies perform better, but they also make an already significant but increasingly important contribution to manufacturing output and employment in industry. While 59 percent of those employed in industry were working for research-based companies in 2010, the corresponding figure for 1999 was 55 percent. What is interesting here is that the contribution to employment made by small and medium-sized enterprises has increased at a significantly higher rate than that of large companies.

Interview by Erich Wittenberg.

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