



A map of social enterprises and their eco-systems in Europe

Country Report: Austria

This report provides a non-exhaustive overview of the social enterprise landscape in Austria based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.

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A report submitted by ICF Consulting Services



Date: 31 October 2014

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Document Control

Document Title	A map of social enterprises and their eco-systems in Europe Country Report: Austria
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Headline summary

Definition and concepts

There is no official definition of social enterprise in Austria. Traditionally, *social enterprise has been largely understood as work integration social enterprises (WISE) either in the form of socio-economic enterprises (Sozialökonomische Betriebe or SÖB) and non-profit employment projects / companies (Gemeinnützige Beschäftigungsprojekte / Gemein-nützige Beschäftigungsgesellschaften or GBP).* New forms of social enterprise that offer market oriented services in support of a social mission are slowly emerging.

Policy and legal framework

There is no formal policy or legal framework specific to social enterprise.

Public support and initiatives

There are no publicly funded support schemes specifically designed to support social enterprise, although SÖBs and GBPs receive financial support from the Public Employment Services (*Arbeitsmarktservice*) to cover the costs incurred by hiring disadvantaged workers (i.e. to compensate for their lower productivity).

An ecosystem is however, slowly emerging, providing co-working spaces, consulting, training or access to networks of supporters.

Networks and mutual support mechanisms

There are two main networks in Austria, *bv austria (Bundesdachverband für soziale Unternehmen)* and *Sozialwirtschaft Österreich* which represent WISEs and social services providers, respectively. Newer types of social enterprises do not have a comprehensive network representing them, although some umbrella networks do exist, at a global level e.g. Ashoka and the 'Architects of the Future'.

Marks, labels and certification systems

There are no marks, labels or certification systems for social enterprises. There is however, a quality label or 'seal of approval' for WISE. *bv Austria* has developed a label (called *Gütesiegel für Soziale Unternehmen*) to certify SÖBs and GBPs that consistently meet a certain quality level.

Social investment markets

In Austria, there are only a handful of specialist providers of finance specifically targeting social enterprises. A social investment market is however, slowly emerging. For the time being, social enterprises have to rely on the same sources of finance as mainstream enterprises. It is generally, difficult for social enterprises to find their way among the various sources of finance potentially available to them, knowing that each actor will have its own language and expectations about social enterprises. In parallel, on the supply side, providers of social finance find it hard to identify social enterprises meeting their specific investment requirements.

Spectrum of social enterprise

WISEs (SÖBs and GBPs) are the only institutionalised form of social enterprise in Austria. A vast majority of social enterprises operate under the radar, registering themselves as associations, limited liability companies (GmbHs)/ not-for-profit limited liability companies (gGmbHs).

Scale and characteristics

The number of social enterprise is estimated to be between 200 (SÖBs and GBPs only) and 750. The latter figure comprises associations with a social aim and commercial activities and private limited companies with a public benefit status (gGmbH).

The primary mission of SÖBs and GBPs in Austria is to provide full work integration for disadvantaged people. Typically, they are active in sectors such as recycling / repairing / maintenance; catering / kitchen services; green space management; home services / cleaning etc. Other types of social enterprises engage in wider fields of activity, moving beyond work integration.

Factors constraining the start-up and development of social enterprise

There is considerable interest in social enterprise. Support is available as part of wider business support programmes. The major constraint would appear to be the lack of investor interest in, and investment capital for, social enterprise.

1 Definitions and concepts of social enterprise in Austria

Social enterprise is not a widely recognised or a commonly understood concept in Austria. For instance, Austrian policy makers still tend to think of social enterprise as *work integration social enterprises* (or more precisely, SÖBs and GBPs¹) which have long been a flagship instrument of Austria's active labour market policy – see Box 1.

Box 1 Origins of work integration social enterprises (WISEs) in Austria

The first WISEs were set up in the early 80s as a result of Austria's active labour market policy. In 1984, the first active experimental measures supporting the reintegration of the long-term unemployed into the regular labour market were put in place. One such measure was “Aktion 8000”². The programme aimed at creating 8,000 new jobs for the long-term unemployed in the areas of social welfare services and cultural and environmental activities, by means of training, wage subsidies and projects implemented by non-profit organisations and local governments³. The trigger for this development was the persistently high unemployment rate in Europe and – to a relatively lesser extent – in Austria. Aktion 8000 was the forerunner in the development of social economic enterprise (SÖB) and non-profit employment projects (GBP) that were respectively established in 1993 and 1995. WISE further developed in the mid-1990s, following the reform of the labour market administration body in 1994, an increase in subsidies for active labour market measures and Austria's accession to the EU⁴.

Some other stakeholder groups think of social enterprise more broadly, as comprising not only WISE but also traditional non-profit service providers who are increasingly becoming more market orientated – see Box 2. And then there are others who interpret the term even more widely, by also including social entrepreneurs and their umbrella organisations (e.g. Ashoka, Impact HUB Vienna) as well as other forms of organisations (such as mainstream enterprises) demonstrating the characteristics of a social enterprise⁵.

Box 2 Social enterprises emerging from the non- profit sector

This group comprises social and care services providers who are increasingly using a market-based approach. Indeed, Neumayr et al (2007) underline how the funding arrangements between the non-profit organisations and the public sector have evolved. Lump-sum subsidies are progressively being replaced by performance-based contracts. For instance, for social services providers, performance-based contracts represented as much as half of their income in 2005. This development challenges traditional service providers and attracts new competitors, either for-profit companies or recently created social enterprises. Triggers include pressures on public finances, the drive to improve efficiency as well as the implementation of the European public procurement directives.

There was consensus among the stakeholders interviewed as part of this study as regards the broad characteristics of a social enterprise. Stakeholders generally agreed that a social enterprise combines a social purpose with a degree of market orientation. However, there

¹ *socio-economic enterprises (Sozialökonomische Betriebe or SÖB) and non-profit employment projects / companies (Gemeinnützige Beschäftigungsprojekte / Gemein-nützige Beschäftigungsgesellschaften or GBP)*

² bdv austria (2008)

³ Leichsenring (2001)

⁴ bdv austria (2008)

⁵ Schiller (2013)

were differences of opinions between various interviewees as regards the relative weight of these two dimensions:

- Stakeholders representing more traditional forms of social enterprise (WISEs and spin-offs of large non-profit organisations) stated that the primary purpose of a social enterprise is to deliver a social aim.
- Contemporary social enterprises (who do not necessarily use the term ‘social enterprise’ to describe themselves) stated that their primary purpose is to pursue a social mission while being profitable.

Some of the interviewees clarified that they were pursuing not only a social aim, but also a societal and/or ecological objective. A social aim is often narrowly interpreted in Austria and typically implies helping the disadvantaged.

Restrictions on profit distribution were regarded as a defining feature of social enterprises by interviewees. In many social enterprises, including SÖBs and GBPs, any profit distribution is forbidden. Other stakeholders, especially support organisations working with investors like Impact HUB Vienna, however think that some profit distribution is important, as a way to encourage an “entrepreneurial mind set” and to attract investors.

The interviewees did not spontaneously refer to “inclusive governance” or “democratic decision making” as key characteristics of a social enterprise. The governance dimension is however deemed important by organisations like bdv Austria⁶, Essl Foundation or TRIGOS's jury⁷. Some stakeholders placed more emphasis on principles of “transparency” and “accountability”, stating that decision-making processes should be a free choice of the enterprise. Others, on the contrary, think that the principles of “transparency” and “accountability” apply to all enterprises and that social enterprises should go beyond these and strive for inclusive models of governance.

Some academics and support organisations (e.g. the **University of Economics and Business in Vienna – hereafter WU Vienna**, Ashoka) also highlighted innovation as an important characteristic of social enterprise. In their view, one key characteristic of social enterprises is to take innovative approaches to solve societal problems.

⁶ A network of WISE

⁷ An annual award ceremony that among other things, recognises achievement in Social Entrepreneurship

2 The ecosystem for social enterprise in Austria

2.1 The policy and legal framework for social enterprise

In Austria, there is no definition of what constitutes a social enterprise in its broad sense. According to a stakeholder interviewed in the context of this Study: “...it is not easy to find an Austrian policy maker who will take forward the issue of social enterprises in its broad sense. Austria is the only Member State with no policy maker being a GECES member”. The Federal Ministry of Labour, Social Affairs and Consumer Protection was thus, the only ministry where a contact person, in the department in charge of active labour market policies, could be found to contribute to the present Study. This reflects the fact that Austrian policy makers still tend to see social enterprises only as a way to foster work integration. Work Integration Social Enterprises (WISE) are the only institutionalized forms of social enterprises existing in Austria.

The integration of the long-term unemployed and other hard-to-place groups into the labour market is regarded as a public task and is part of the Austrian labour market policy, for which the Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK) is responsible⁸. The Ministry deals with putting in place the overall framework, setting targets and initiating further developments in this area, while the concrete implementation of the Austrian labour market policy is conducted by the Public Employment Services (Arbeitsmarktservice – hereafter AMS), at the federal level and in each province. Two main tools, relying on the provision of fixed-term jobs, are used and nowadays increasingly referred to as “social enterprises”. These are⁹:

- Socio-economic enterprises (Sozialökonomischer Betrieb or SÖB).
- Non-profit employment projects/companies (Gemeinnützige Beschäftigungsprojekte / Gemeinnützige Beschäftigungsgesellschaften, or GBP).

In the province of Styria, a third instrument, the employment company (Beschäftigungsgesellschaft, BG) exists. It is in fact a special kind of GBP, which is more market oriented.

The target groups of these instruments are unemployed workers suffering from particular disadvantages (long-term unemployed, older people, people with disabilities or care duties, former drug addicts, ex-prisoners, homeless, etc.).

The jobs provided are fixed-term, somewhat sheltered, but near-market “transition jobs”, the objective being that, in the end, beneficiaries are able to sustainably re-integrate in the regular job market. The maximum duration is usually one year but, over the last years, the average duration has decreased and lies between two to six months¹⁰. In addition, the programme offers targeted skills training and socio-pedagogic support to participants.

Box 3 Role of SÖBs and GBPs

SÖBs and GBPs support not only the employment, but also the social inclusion of their target groups, notably their social stabilization, qualification and training.

Officially, the tasks of SÖBs and GBPs are described as follows:

8 BMASK (2013b)

9 SÖBs and GBPs are thus the two most common forms of WISEs, as they receive substantial public support in Austria. WISEs is a broader category than SÖBs and GBPs, as WISEs will include these work integration social enterprises that do not receive public support and are thus not subject to the AMS guidelines.

10 BMASK (2013a)

- To provide temporary jobs (so called transition jobs) for the long-term unemployed;
- To organize counselling and training possibilities within the enterprise;
- To remove the obstacles hampering the reintegration of temporary workers into the regular labour market;
- To improve the chances of reintegration by allowing transit workers to obtain a qualification.

Beyond their integration function, SÖBs and GBPs in Austria also promote regional cohesion and local development, as illustrated by the fact that provincial governments co-finance their activities.

Sources: AMS (2013) and Isedenet Project

SÖB and GBP are not legal forms, but rather qualifications / labels that organisations complying with AMS guidelines can apply for. In practice however, most SÖBs and GBPs are run by associations or not-for-profit limited liability companies or gGmbH (see Box 4). In addition, many GBPs are attached to big charity organisations: for example, GBP "ArbeitsRaum" and GBP KOLPING Handwerkerprojekt, the two GBPs currently supported by AMS Vienna¹¹ are respectively run by Caritas and Kolping Österreich, two large charities in Austria.

Box 4 Not-for profit limited liability company (gGmbH)

gGmbH is a limited liability company which is established to pursue public benefit (not-for-profit) goals. The gGmbH is principally governed by the Law on Limited Liability Company (GmbH-Gesetz) of 1906. The Law does not envisage the "public benefit (non-profit)" purpose ("gemeinnützige") as one of the legitimate purposes of GmbH, rather, the public benefit concept of GmbH has been developed in tax law. Accordingly, tax benefits are provided for any organization (GmbH included), which pursues public benefit and its assets are solely and directly used to further those goals. A purpose is deemed for public benefit in case its implementation supports the community at large in intellectual, cultural, moral or material terms (promotion of health care, art and science, care for old, public education, nature etc.). A group of individuals is not considered as general public in case there are close ties between the beneficiaries and the organisation, or in case the number of eligible beneficiaries is insignificant. In addition, gGmbH (or for that matter other public benefit organization): may not generate profit or pay dividends to its shareholders; its shareholders, following the termination of the organization, may not receive in return more than their paid-up equity share and the fair market value of their contribution; it may not have the overhead costs exceeding 8% of its annual income; and, in case of the dissolution, the remaining proceeds of the organization must be destined for public benefit purposes.

Source: European Center for Not-for-Profit Law (2012) Legal Framework for Social Economy and Social Enterprises: A Comparative Report

SÖBs and GBPs receive financial support from the AMS to cover the costs incurred by hiring disadvantaged workers (see 2.2.1).

As per AMS guidelines, SÖBs are more market oriented than GBPs: at least 20 per cent of their resources have to be generated from the market¹². On the contrary, there is no such requirement for GBPs, which can only bid for public contracts¹³.

Distinctions between SÖBs and GBPs are however blurred on the ground¹⁴. The situation varies from one province to another, as there is some flexibility in the way the federal AMS regulatory guidelines are implemented by the provincial AMS. In some regions, GBPs are quite market-driven and for example, do not limit themselves to bidding for public contracts.

11 http://www.ams.at/wien/sfa/14340_10175.html

12 AMS (2013)

13 AMS (2011)

14 Interview with bdv Austria carried out as part of this study

On top of SÖBs and GBPs, there is a third instrument relying on personnel deployment (also called staff leasing - Gemeinnützige Arbeitskräfteüberlassung). It has been increasingly used in recent years¹⁵. It is a system whereby a non-profit employee leasing company (this would be the entity referred to as a social enterprise) puts its workforce (made of unemployed people) at the disposal of another employer (a mainstream), who benefits from favourable conditions. Thus, the unemployed person, usually less disadvantaged than an SÖB or GBP participant, gets a chance to directly enter the regular labour market. There are three non-profit employee leasing companies in Vienna for example¹⁶.

The BMASK recently commissioned a study to evaluate its policy towards social enterprises (not yet published). It will shed some light on how to better respond to today's challenges¹⁷. Reflections on the following issues will be included: how to allow SÖBs and GBPs to enter new, more profitable markets; how to deal with the increasing number of potential beneficiaries; how to better serve specific target groups, for example those with health issues; and how to improve follow-up support of persons having benefited from a transition job in order to increase integration rates into the first, regular labour market.

2.2 Public support schemes targeting social enterprises

State support to social enterprises mainly comes as part of its active labour market policy and thus, mainly consists of financial support to SÖBs and GBPs. In addition, there is at least one example of the access of social enterprises to an existing business start-up programme being explicitly facilitated, at the provincial level. Other business support schemes, implemented at the provincial level, do provide support to social enterprises (in the sense of SÖBs and GBPs mainly), although the service offer is not necessarily developed exclusively for social enterprises.

Besides, aws¹⁸, the federal bank promoting businesses in Austria, offers a wide range of support tools, although, for now, these are not specifically designed for social enterprises. A tailor-made support scheme is in the pipeline but its launch is conditional upon the availability of funding which has not yet been secured.

2.2.1 Active labour market policy instruments

2.2.1.1 Financial support to SÖBs and GBPs

SÖBs and GBPs receive financial support from the AMS to cover the costs incurred by hiring disadvantaged workers who tend to have a lower productivity. In 2012, the level of support received from the AMS amounted to around €20,000 per job created and per year. The total cost of this active labour market policy for the AMS exceeded €150 million and supported around 26,000 persons in 2012¹⁹. Co-financing by the European Social Fund (ESF), the relevant province and other local (semi-)public entities, is also possible.

Business start-up programme for the unemployed (UGP)

UGP is an existing programme implemented by the AMS in order to support participants in their efforts to become self-employed²⁰. This programme is meant for job seekers and persons at risk of unemployment who have a concrete business idea and appropriate qualifications. First, participants enter a clarification stage where the feasibility of the project is assessed. The programme then provides assistance in the form of start-up counselling, business-related training and skills development. Advisory services continue even after the

15 BMASK (2013a)

16 http://www.ams.at/wien/sfa/14340_24387.html

17 http://www.pro-spect.at/projekte/projekt_soziale_Unternehmen.php

18 www.awsg.at

19 BMASK (2013a)

20 http://www.ams.at/sfa/14081_10435.html and BMASK (2013b)

registration of the company (up to four consultancy appointments within the first two years of the company) and is provided by external business consultants commissioned by the AMS. Throughout their participation in the programme, the participants are financially supported.

This programme is not specifically tailored to the needs of social entrepreneurs, although it is open to them. In Vienna, there is the project to better advertise this programme as a solution for potential social entrepreneurs and to propose some adjustments to better adapt it to the specifics of the sector. The UGP, in its Social Entrepreneurs version, will be officially launched in May 2014²¹.

Other provincial schemes in the field of business support

There are certainly other business support schemes accessible to, but not specifically designed for, social enterprises. These are typically put in place at the provincial level by private organisations, which work in partnership with public institutions, notably the AMS, as part of the active labour market policy and often receive public funding to implement some of their actions. For example, the two following institutions are known to have provided consulting services for people wanting to run an SÖB or GBP²²: the Institut für Arbeitsmarktbetreuung²³ in Carinthia and the Institut für Ausbildungs- & Beschäftigungsberatung (IAB)²⁴ in Upper Austria. Such organisations also undertake relevant research projects or evaluation studies, e.g. to identify what are the success factors when running a social enterprise.

2.2.2 Foreseen instruments and schemes

Austria Wirtschaftsservice (aws)

aws, the federal bank promoting businesses, provides a whole range of financial services (loans, guarantees, equity, grants) as well as advisory services to enterprises at all stages of their development, from their early phase to their internationalisation. In addition, it promotes entrepreneurship in the society by organising competitions among students, in order to encourage them to have business ideas.

aws does not have yet any instrument specifically targeting social enterprises. A few social enterprises have however, benefited from aws mainstream instruments. aws is currently developing its offer to better meet the needs of social enterprises²⁵. A grant scheme is ready to be implemented, but its launch will depend on whether fundraising efforts targeting the different relevant ministries are successful. At this stage, no concrete timetable for implementation is known. Further details can be found in Box 5.

Box 5 New aws scheme under development

The foreseen instrument called “aws Social Business CALL” has been designed based on the experience gathered by aws when contributing to the development of other business sectors (like the creative industries and life sciences). The support will be based on two components: capacity building and financial support. These two pillars are really complementary and one does not go without the other. Its main characteristics being still subject to change, the following elements are given for illustrative purposes only:

- The capacity building component will have the broad aim to make social enterprises investment ready.
- Since the social enterprises sector is only nascent in Austria, the financial support will come in

21 Interview with a Member of Vienna City Council carried out as part of this study

22 Interview carried out as part of this study

23 <http://www.ifa-kaernten.at/index.htm>

24 <http://www.iab.at>

25 Interview with aws carried out as part of this study

the form of a grant (of up to €150,000 – as per the draft proposal for this instrument).

- To select beneficiaries, a call will be issued and the grant will be paid out in tranches, with disbursements conditional upon the achievement of milestones defined in an agreement between the social business and aw.s.

To start with, three calls are foreseen, one call per year during a three-year period. Each call could support between 15-20 projects, which make a total of 45-60 projects supported over three years (these figures are an educated guess, the number of scalable ideas to be found in Austria in the field of social entrepreneurship being still unknown).

Networking platform in Vienna

The Matching Platform “Social City Wien” has recently been launched²⁶. It will promote social enterprise, covering both well-established SÖB and GBP and new bottom-up initiatives and targeting social investors as well as individuals interested in setting up social enterprises. The aim of the platform is to provide advice and foster learning and knowledge exchange. It will also act as a think tank. No funds will be distributed. Many partners from the social enterprises scene are involved, notably the Competence Center for Non-profit Organisations and Social Entrepreneurship (WU Vienna), bdv Austria and HUB Vienna.

2.2.3 The role of European Structural Funds

ESF support was mainly found to target WISEs. Austria's accession to the EU in 1995, and more specifically the financial means made available via the ESF, led to an increase in the number of SÖBs and GBPs set up²⁷. To illustrate the importance of these financial means, at least in the early years following the accession, it can be underlined that over the period 1996-1998, up to 50 per cent of the total AMS budget for active labour market policy instruments was determined by the ESF and associated national co-financing. In 2006, that share was much lower (about 15%), but still significant²⁸. Over the period 2007-2013, WISEs were found to benefit mainly from²⁹ the Operational Programme Employment Austria, and more specifically:

- Objective 2: Active and preventive measures to support employment (290 million euros including national co-funding);
- Objective 3b: part of the objective 3 Integrating disadvantaged people into employment specifically dedicated to people far from the labour market (275 million euros including 54 per cent national co-funding for the whole Objective 3); and
- The Operational Programme in Burgenland.
- Examples of two projects implemented by WISEs and receiving ESF support in Carinthia³⁰ and Lower Austria³¹ can be found on the ESF website. Another example of support is the quality label for WISEs developed by bdv Austria in the scope of an EQUAL project.

ERDF was not found to play a role in the field of social enterprises, at least as far as WISEs are concerned³².

26 <http://www.socialcity.at/>

27 bdv austria (2008)

28 BMASK (2013a)

29 bdv austria (2008)

30 <http://www.esf.at/esf/projekte/kaernten/>

31 <http://www.esf.at/esf/projekte/niederoesterreich/>

32 bdv austria (2008)

Table 2.1 Overview of publicly funded schemes specifically designed for or targeting social enterprises (X no; ✓ yes)

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Awareness raising (e.g. award schemes, communication, advocacy)	X	X
Social entrepreneurship education (e.g. academic courses)	X	X
Pre-start / start-up support e.g. <ul style="list-style-type: none"> ▪ Business support e.g. mentoring consultancy, coaching etc. ▪ Grants ▪ Infrastructure e.g. incubators 	X	X
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	X	X
Investment readiness support	X (planned: <i>aws Social Business CALL</i>)	X
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	X	X
Physical infrastructure (e.g. shared working space)	X	X
Collaborations and access to markets	X	X
Networking, knowledge sharing and mutual learning initiatives	✓ Social City Wien	X

2.3 Other specialist support and infrastructure available to social enterprises

As highlighted under section 2.2, there are not many publicly funded support schemes targeting social enterprises beyond the support provided as part of the active labour market policy. A number of other private, non-profit organisations providing support to social enterprises could however be identified. Many of them started operations only recently. A first subsection presents organisations active in the field of social entrepreneurship education, namely WU Vienna (which is also the specialised research institution on this theme), Pioneers of Change and the Social Impact Award. Secondly, initiatives delivering pre start and business support and facilitating networking are introduced. The last subsection reports on main awareness raising events.

2.3.1 Social entrepreneurship education

The Competence Centre for Non-profit Organisations and Social Entrepreneurship of WU Vienna

The Competence Centre for Non-profit Organisations of WU Vienna³³ has traditionally had a strong focus on all kinds of issues relevant to non-profit organisations (business administration, management, economy, sociology and social politics). It is also extensively active in the field of social entrepreneurship (the recent change in names, in autumn 2013,

33 <http://www.wu.ac.at/npo/competence/about>

explicitly adding a reference to social entrepreneurship, illustrates this). Both teaching and research activities are carried out.

As far as teaching is concerned, WU Vienna initiated the first academic and award winning course on Social Entrepreneurship in Austria³⁴. The course is intended for students of the Bachelor Programme Entrepreneurship & Innovation (named SBWL in German). The course is built around two pillars:

- Theory: discussion around the social enterprises concept, based on latest research questions;
- Practical side: 4-5 students team up around a common project (be it, for example, the design of an innovation management concept for a large non-profit organisation, the development of a social business idea or the production of an implementation plan for an existing idea). The deliverable will be a document containing a thorough analysis of the situation and recommendations for action.

In the research area, substantial empirical contributions were made during the last years. In Vandor, Hansen & Millner (2012), the support needs of social entrepreneurs are detailed, based on an explorative quantitative survey conducted in seven European countries. It also explores whether organizational maturity or the way value is created by the organization influence the type of support needed. In Schneider & Maier (2013), the results of phone interviews undertaken with around 100 social enterprises are presented. It allows a description of the Austrian social enterprises sector in detail: existing support structures, understanding of the social enterprises concept, legal form chosen, financial situation, activities carried out, and number of employees.

Pioneers of Change

Pioneers of Change³⁵ offers a full-year curriculum specifically designed for change-makers: social entrepreneurs who have an idea but do not know how to implement it or who are already running their social enterprise but do not know how to scale up their ideas. The programme consists of: nine two-to-five-day modules spread throughout the year, on themes such as project development, social financing solutions, going public; project work, to make sure progress is made with regards to the implementation of the social business idea; and several forms of support (i.e. individual coaching, group discussions, training in personality development). Regular fees amount to € 5,200 excl. VAT and some participants can benefit from a sponsored price of € 3,100. Pioneers of Change was launched in 2010 and some 90 people have already been trained.

The Social Impact Award

The Social Impact Award³⁶ is an 'ideas' competition coupled with a learning programme, targeting students and encouraging them to engage in social entrepreneurship. The programme was originally initiated in Austria, in 2009, by WU Vienna. It is now replicated in seven other countries: Croatia, Czech Republic, Greece, Romania, Russia, Slovakia and Switzerland. In Austria, the program is coordinated by the Impact HUB Vienna. The best projects receive some financing as summer stipends/seed funding (around €4,000) and full summer membership in the Impact HUB Vienna. In addition, they become part of a three-month intensive incubation process. Furthermore, throughout the year, workshops are held on e.g. idea generation and business modelling. In total, 92 projects were submitted in Austria in 2013 and 200 persons participated in workshops.

34 <http://vvz.wu.ac.at/cgi-bin/vvz.pl?C=S&LANG=DE&S=13W&LV=3&L2=S&L3=S&T=&L=vandor+peter&I=&JOIN=AND>

35 <http://pioneersofchange.at>

36 www.socialimpactaward.at

2.3.2 Networking initiatives, pre start and business support

Emersense

Emersense³⁷ is a social enterprise based in Vienna. It aims to creating 'enabling spaces' for ideas to flourish (the name Emersense comes from "Emerging Sense"). The concept is that young and idealistic individuals have the potential to initiate positive societal transformation and simply need an environment that enables them to make use of their potential. Concretely, Emersense organises events where such an environment is created. For example, each year, Emersense organises "Solution", a four-day space for 17-25 year olds, to articulate their intention for positive impact and start working on their "solutions", now, as a first step towards a bigger plan. Emersense is also at the origin of the creation of the Impact HUB Vienna.

Impact HUB Vienna

Impact HUB Vienna³⁸ is part of a worldwide network of shared working spaces bringing together people coming from different backgrounds but all striving towards social change. The Impact Hubs provides social enterprises/ social entrepreneurs with both physical infrastructure and a network, a community. Becoming a member costs a monthly fee. In Vienna, several options exist to better respond to differing needs: prices range from € 20 to € 280 and services vary from a simple access to a working space (equipped with WiFi, printer, scanner, storage, meeting rooms, etc.) to a free access to business workshops and experts for individual advice. Around 300 people are connected via the Impact HUB Vienna.

Impact HUB Vienna runs several programmes addressing different target groups, and has notably co-founded an investment readiness programme³⁹. Through Investment Ready, selected social ventures, coming from all Central and Eastern Europe countries, are provided with dedicated mentoring, coaching and consulting hours over a period of 4-5 months. One mentor, from the Boston Consulting Group, provides general business skills and a second mentor provides industry expertise. The mentors bring in new insights and provide access to networks. At the end of the programme, participants present their venture to potentially interested social investors /impact investors, notably during the CEE Impact Day, an event gathering all players active in the field of social investment⁴⁰. Investment Ready was launched in 2011. It is funded through a mix of investor donations, participant fees and success fee (percentage of investment an enterprise is successful in securing)⁴¹.

Ashoka

Ashoka⁴² is a global support network of social entrepreneurs. Its main instrument is a fellowship programme whose basic idea is as follows: After a selection process based on five key criteria, selected Ashoka fellows receive a living stipend for an average of three years (1 to 3 years based on needs), allowing them to focus full-time on scaling up their operations and spreading their ideas⁴³. Since its launch in 1980 in India, Ashoka has supported around 3,000 Ashoka Fellows in 70 countries. Operations in Eastern Europe started in 1995 and in Western Europe in 2003. Austria's country office, founded in 2011, is also responsible for operations in Poland, Czech Republic, Slovakia and Hungary. There are four Austrian fellows at the moment⁴⁴. The selection process is very rigorous: to select twelve Ashoka fellows across the five countries, 1,000 applications were received and 300

37 <http://emersense.org>

38 <http://vienna.impacthub.net>

39 <http://investment-ready.org>

40 <http://ceeimpactday.org/>

41 Interview with Impact HUB Vienna carried out as part of this study

42 <https://www.ashoka.org/about>

43 <https://www.ashoka.org/support/venture>

44 <http://austria.ashoka.org/österreichische-fellows>

were screened. The worldwide ratio generally referred to is one Ashoka fellow found each year per 10 million inhabitants⁴⁵.

Apart from the living stipend in itself, Ashoka fellows benefit from its worldwide network from former fellows, they become part of a community. In addition, Ashoka fellows are provided with pro-bono business support services, delivered by leading global consulting companies which are Ashoka partners (in the areas of management, communication, accounting, legal issues, etc.).

2.3.3 Other awareness raising events

Social Business Day

The social business day⁴⁶ is a yearly networking event, organised since 2009, in order to connect social entrepreneurs, non-profit organisations and commercial companies. The program consists of workshops, panel discussions, presentation of good practice examples and dedicated times to meet participants and exhibitors. Each year, a specific theme is chosen. In 2013, the focus was on different stages in the working life (career entry, corporate volunteerism, older workers).

Awards

Over the last ten years, many awards honouring social entrepreneurs have been launched in Austria. The whole social enterprises sector thus gained visibility while winners and finalists were under the media spotlight which can only be good for the launch or scaling up of their activities. Table 2.2 provides an overview of the main awards organised in Vienna. While all award competitions are very different by nature, they all place a high value on social innovation in their evaluation processes.

Further awards not included in the table but presented elsewhere in the report because of their particularities recapped here, are:

- **Essl Social Prize** (see 2.6.1): First awarded in 2008, the €1,000,000 prize targets successful social enterprises, active globally or in Austria who want to replicate their models. Social enterprises cannot apply for the prize but instead are nominated by a dedicated committee.
- **The Social Impact Award** (see 2.3.1): The programme is specifically dedicated to raise awareness about social entrepreneurship among students and includes a business support component

The benefits of having many award events should however not be overestimated: winning an award does not necessarily go hand in hand with receiving longer-term business support and it should not be considered as a source of finance per se⁴⁷. Also, the fact that awards are proliferating can make it difficult to maintain an interest in these events and could lower their publicity effect. In addition, there have been critics that the same players tend to win the different awards (which can either mean that the social enterprise sector counts a limited number of actors or that the potential of the awards is not fully exploited as other initiatives could be publicized)⁴⁸.

45 Interview with Ashoka carried out as part of this study

46 <http://www.socialbusinessday.org>

47 Pühringer & Hammer (2013)

48 Nacheva (2013)

Table 2.2 Overview of awards for social enterprise

	Sozial Marie	Award for social Integration	Ideen gegen Armut	Trigos - category Social Entrepreneurship	Sustainable Entrepreneurship Award
Launch year	2006	2007	2008	2012	2012
website	http://www.sozialmarie.org	http://www.socialintegration.org/award/	http://www.ideen-gegen-armut.at	http://www.trigos.at	http://se-award.org
Organiser(s)	Foundation: Unruhe Privatstiftung	Foundation: Essl foundation	Industry (Coca Cola Österreich)	Industry in cooperation with non-profit organisations	Club of sustainable entrepreneurs Vienna - Verein für nachhaltiges Wirtschaften Wien
Award	Cash prizes of €15,000 (1st place), €10,000 (2nd place), €5,000 (3rd place); €1,000 for 12 further projects	A total prize money of €616,000, shared among 35 winners (in 2013) as well as additional benefits (Public Relation support, Social Integration Network, NGO Academy)	€42,000 each for the top two projects (2013)	No prize money	€10,000 for the winning project
Targeted stage	Ongoing projects	Ongoing or completed projects	Business idea / early stage	Operating social enterprises	Two categories: Best project (Ongoing or completed projects) and Best idea (planning phase)
Eligible countries	Austria, Hungary and the Czech Republic. Partly (within a 300km circle around Vienna): Slovakia, Poland, Croatia, Slovenia and Germany	Countries in Central, Eastern and South-Eastern Europe, among which Austria	Austria	Austria	Global

Sources: Pühringer & Hammer (2013), Schiller (2013) and awards' websites

2.4 Networks and mutual support mechanisms

There are two main networks in Austria, bdv Austria and *Sozialwirtschaft Österreich* which represent WISEs and social services providers respectively. Newer types of social enterprises do not have a comprehensive network representing them although some community building initiatives do exist, at a global level. Apart from Ashoka (presented above in 2.3), there is '*Architects of the Future*', which originates from Austria.

2.4.1 *bdv Austria*

bdv Austria is the federal umbrella association for WISEs in Austria⁴⁹. It gathers the nine networks of WISEs active in Austria (one for each province) and altogether represents 250 members, i.e. approximately 42,000 employees. Members are all active in the field of re-integration of long-term unemployed people into the labour market. There are three main types of social enterprises:

- SÖBs, GBPs and GPs which provide the long-term unemployed with fixed-term transition jobs
- Enterprises providing advisory and consultancy services to particularly disadvantaged unemployed people
- Enterprises offering courses and training which will facilitate the re-integration into the labour market.

bdv Austria's mission is to do advocacy work in the field of labour market policy, represent the interests of WISEs and their employees, enhance the visibility of the sector, facilitate knowledge sharing among members. Via its structure (a network of networks), it can play a pivotal role in connecting the provincial, national and European levels. Bdv Austria is indeed very active at the European level and is notably a GECES member⁵⁰.

2.4.2 *Sozialwirtschaft Österreich*

*Sozialwirtschaft Österreich*⁵¹ is a networking platform for social service providers. It represents the interests of its 330 members towards relevant institutions, primarily at the national level, and advocates for an improvement of the framework within which these operate, notably via the achievement of collective agreements. Its members have four main areas of activity: work integration, work with disabled people, social and health services, and children welfare. While not all member organisations comply with the definition of a social enterprise as defined within the scope of this study, social enterprises can be found among the members. One example is the interviewed organization ÖKO-Service (which is also a member of bdv Austria).

2.4.3 *Architects of the Future*

'Architects of the Future' builds up a community feeling among inspired young social entrepreneurs from all over the world⁵². It advocates that a profound transformation of society can only start within one's own inner self. Each year, it organises an award ceremony and a retreat. The five-day retreat is an opportunity to network with like-minded people and to gain energy for the challenges of the everyday life as a social entrepreneur, while carrying out spiritual practices such as meditation and yoga. The award ceremony allows welcoming ten more Architect in the community. The initiative has strong roots in Austria: the association is registered in Vienna and the jury is Austrian. "Architects of the Future" is supported by the Austrian foundation, Essl foundation.

49 <http://www.bdv.at/bdv-austria-english/>

50 <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2753>

51 <http://www.bags-kv.at/>

52 <http://architectsofthefuture.net>

Box 6 Key findings

Public sector support to social enterprises consists mainly of financial support to SÖBs and GBPs. Others schemes, financed by public funds (like the UGP or aws business support), are accessible to social enterprises and steps have been taken to better adapt these tools to the needs of social enterprises.

Besides, there are many, often new, private initiatives supporting social enterprises. Many of them are interlinked. For example :

- Peter Vador, researcher and lecturer at WU Vienna, is the initiator of the **course on Social Entrepreneurship and contributes to research in this area**. But he is also founder and academic director of the Social Impact Award, which is coordinated by the HUB Vienna;
- Ashoka is on the advisory board of Pioneers of Change. Christian Felber, who is among the initiators of the movement « Economy for the Common Good » and the Bank for the Common Good, is also a speaker at Pioneers of Change.

2.5 Marks, labels and certification systems

In Austria, there is no accreditation or certification scheme that would seek to distinguish social enterprises from other types of businesses. One way to identify social enterprises active in the field of work integration is to focus on enterprises offering transition jobs and being supported by the AMS (SÖBs and GBPs). Some provincial AMS have an updated list of supported SÖB and GBP available on their website⁵³. bdv Austria also have a database of its members⁵⁴.

Two initiatives are described below: a quality label for WISEs by bdv Austria and a system for measuring and reporting the social impacts of social enterprises namely the Common Good Balance Sheet.

2.5.1 Quality label for WISEs by bdv Austria

bdv Austria developed a label (called Gütesiegel für Soziale Unternehmen) to prove the ability of SÖBs and GBPs to consistently meet a certain quality level. The social, organisational and economic dimensions are taken into account in the assessment. Table 2.3 provides more details.

Table 2.3 Key features of bdv Austria's label: Gütesiegel für Soziale Unternehmen

Label	
Certifying body/ Organisation operating the scheme	bdv Austria is the initiator of the scheme and the owner of the mark "Gütesiegel für Soziale Unternehmen". The certifying body is Quality Austria ⁵⁵ , a private company providing, inter alia, certification services.
Year of establishment	2009
Geographical scope of the scheme	Nationwide

53 See for example the list of supported projects in Lower Austria by following this link: http://www.ams.at/_docs/300_gbp_soeb.pdf

54 <http://www.bdv.at/datenbank/>

55 <http://www.qualityaustria.com>

Aims and objectives of the scheme	<p>Aims include:</p> <ul style="list-style-type: none"> ■ building trust among clients and financial supporters (notably the AMS) towards <i>SÖBs and GBPs</i> ■ being used as a performance improvement tool for <i>SÖBs and GBPs themselves</i>
Criteria for participation	<p>Only <i>SÖBs</i>, <i>GBPs</i> and <i>GPs</i> can participate, i.e. enterprises offering transition jobs for the unemployed and being supported by the AMS.</p>
Costs	<p>The external costs are broken down as follows (companies with less than 200 employees pay the lower prices):</p> <ul style="list-style-type: none"> ■ preliminary discussion (one-time) (€510) ■ optional pre-assessment (one-time) (€140) ■ assessment itself, including document review (every 3 years) (€3,360 or €5,600) ■ issuance of a label certificate, label promotion related services (website, communication, marketing, etc.) (annual) (€770 or €1,510) ■ extra cost in case of further development of the criteria requiring an additional assessment (as it occurs) (€500 or €700) <p>The AMS contributes to the labelling costs.</p>
Scope and requirements for marks/ labels/certification:	<p><u>Scope:</u> The assessment covers both prerequisites and quality criteria. The prerequisites to fulfil on a mandatory basis include:</p> <ul style="list-style-type: none"> ■ Dedication to four core values: public-benefit aim, anti-discrimination, social integration and gender mainstreaming ■ Compliance with applicable legal (especially labour) legislation ■ Personnel development concept for transition workers ■ Documentation of business processes ■ Equal pay for equal work ■ Determination of socio-economic indicators and key results <p>The assessment is then based on nine quality criteria of two kinds: Enablers and Results. The Enablers determine how results are achieved, while the Results illustrate what has been achieved. Each criterion is supported by a number of sub-criteria which go into more detail. This model derives from the EFQM Excellence Model.</p> <ul style="list-style-type: none"> ■ <i>Enablers</i> ■ Leadership ■ People ■ Strategy ■ Partnerships and Resources ■ Processes, Products and Services ■ <i>Results</i> ■ People Results ■ Customer Results ■ Society Results ■ Socio-economic key Results <p><u>Requirements:</u> The label is granted for a period of three years. Every three years, there is an on-site visit carried out by two assessors: one expert in the field of WISE, coming from bdv Austria, one expert from Quality Austria, who has the last word in the decision making process.</p>

Scale of participation	Around 30 SÖBs and GBPs have been granted the label. Knowing that, in 2010, the AMS supported close to 200 SÖB and GBP56, this represents around 15% of all SÖBs and GBPs having been granted the label.
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Source: *bdv Austria's website: www.bdv.at/was-ist-das-quetesiegel/ and *bdv Austria, Quality Austria (2011)**

bdv Austria plans to develop a similar labelling scheme for the social enterprises providing individual counselling services to particularly disadvantaged groups of job seekers.

2.5.2 Common Good Balance Sheet

The Common Good Balance Sheet⁵⁷ is a system to focus on non-monetary indicators to measure success. It has been developed by the global movement “Economy for the Common Good”, which has strong roots in Austria and is also quite active in Spain, Italy, Germany and Switzerland. The Common Good Balance Sheet is based on 5 dimensions: Human dignity, Cooperation and Solidarity, Ecological Sustainability, Social Justice, Democratic Co-determination and Transparency. Scores can range from -1,000 to +1,000 points. Published Common Good Balance Sheets are either subject to a peer evaluation or to an external audit (which option has been chosen is clearly indicated).

Not all enterprises involved in this movement will fully comply with the definition of a social enterprise used within the scope of this study (for example in the sense that profit distribution is not necessarily limited) but there are some commonalities. For example, two interviewed social enterprises were found to have produced Common Good Balance Sheets.

2.6 Social investment markets

2.6.1 The supply of finance

In Austria, there are only a few specialist providers of finance to social enterprises. To a large extent, social enterprises will take the same funding channels as mainstream enterprises. The main players supplying finance to social enterprises, regularly quoted during the interviews carried out as part of this assignment, are two foundations: ERSTE Foundation and Essl foundation. Foundations being providers of finance to social enterprises is however rather an exception in Austria. There are also dedicated funds, specifically targeting social enterprises, which are not headquartered in Austria but have operations in the country, namely BonVenture and Toniic (a global network of impact investors). Furthermore, crowdfunding is seen as an opportunity in Austria. For now, there is no ethical bank operating in Austria. Two initiatives can however be mentioned here: HERMES-Österreich (an association which has been helping finance social and ecological projects for around 30 years) and the Bank für Gemeinwohl (a social bank currently being established in Austria). Last but not least, the introduction of social impact bonds is also being considered.

ERSTE Foundation, Erste Group and good.bee

Erste Group and ERSTE Foundation⁵⁸ were founded in 1819 as the first Austrian savings bank under a single entity (‘Erste Oesterreichische Spar-Casse’). Back then, the original idea behind the creation of the organisation was a social business idea: allowing people with low incomes to save money and invest in their futures. Currently, the two entities are legally separated but ERSTE Foundation controls close to 22 per cent of the shares of Erste Group, meaning it is its largest shareholder.

56 BMASK (2013a)

57 <http://www.gemeinwohl-oekonomie.org/en/>

58 <http://www.erstestiftung.org>

ERSTE Foundation implements its own projects and supports projects implemented by others, within the framework of three programmes: Social Development, Culture and Europe.

Social Development projects represent more than 40 per cent of the total of projects funded over the period 2005 - 2010. ERSTE Foundation is recognised in the social enterprise ecosystem as a key player. It contributed to make the social enterprises sector visible. For example, it co-organised⁵⁹ the Social Business Tour 2010, a tour which allowed participants in Vienna, Bratislava Budapest, Belgrade, Prague and Bucharest to gain comprehensive knowledge of the social business concept through talks, workshops, panel discussions and networking events and with Professor Muhammad Yunus as a keynote speaker. In addition, it supports Ashoka and the Social Impact Award.

Moreover, it co-founded good.bee in 2008 together with Erste Group. good.bee is active in all Central and Eastern Europe and has two main business lines: microfinance and the financing of social enterprises. good.bee 's support to social enterprises implies providing them with loans, lines of credit and working capital. Soft support (e.g. pre-start support, consultancy services) is also offered. According to the Erste Group's annual reports for 2011 and 2012, good.bee has been mainly active outside Austria while activities in Austria have been mainly oriented towards financial inclusion and microfinance.

Essl Foundation

Essl Foundation⁶⁰ has two main missions: promoting social innovation and social entrepreneurship and supporting people with disabilities.

In the field of social innovation and social entrepreneurship, Essl Foundation's support focuses on existing, already successful social enterprises that have the ambition to replicate their model. The support essentially takes the form of the yearly giving out of a €1,000,000 prize; it is called the Essl Social prize (first awarded in 2008). Additionally, Essl Foundation supports role model projects together with other foundations⁶¹, with both financial and general business support (e.g. consulting and advisory services).

BonVenture

BonVenture⁶² describes itself as a Venture Philanthropy Fund. Each year, it makes about 2-5 investments in social enterprises, for a value ranging from €200,000 to €1,000,000. Its investments thus focus on the scaling up of operations. In case profits are made, these are given away by investors, in the form of grants. BonVenture was established in 2003 in Germany, at a time where the field of social investment was new in Europe. It operates in Germany, Austria and Switzerland. BonVenture currently has two funds: the first closed in 2003, the second in 2008 and a third is currently in its fundraising phase. In addition to financial support, BonVenture also provides investees with advisory services and general business support and incites them to put in place sophisticated reporting systems as well as information management system⁶³. BonVenture currently finances two social enterprises in Austria: abotic GmbH (Vienna) and atempo Gruppe (Graz)⁶⁴.

Toniic

Toniic⁶⁵ is a leading global impact investor network. The Director for Toniic Europe, Nikolaus Hutter, is Austrian-born. Toniic is active in the social enterprise scene in Austria and for

59 together with Erste Group, good.bee, the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, and The Grameen Creative Lab.

60 <http://www.esslsozialpreis.at/en/essl-foundation/>

61 <http://sinn-stifter.org/sinnstifter/>

62 <http://www.bonventure.de>

63 Interview with BonVenture carried out as part of this study

64 BonVenture (2013)

65 www.toniic.com

instance, co-initiated the Investment ready program, together with Social Impact International and the Impact HUB Vienna (see 2.3.2).

Crowdfunding platforms

Crowdfunding is a “collective resource-pooling practice used to finance individuals, companies, organizations, funds, projects, products or groups. This process operates via online marketplaces and electronic payment. These platforms aggregate rather small amounts of capital in a limited time-frame from many individuals who share a common interest in a specific idea, project or business”⁶⁶.

In Austria, there are two main platforms, namely conda⁶⁷ and respekt.net⁶⁸. Their explicit mission is to have a positive social impact. Crowdfunding is a very recent trend: conda was only established in March 2013. Respekt.net was set up in September 2010 and has since then (as of February 2014) helped gather around EUR 0.65 million to support around 140 social projects⁶⁹. A priori, the organisations running these social projects do not necessarily need to engage into economic activity and therefore the scale of social enterprises participation is unclear but there is anecdotal evidence of social enterprises using this platform⁷⁰. This source of financing is seen by persons interviewed as part of this study as an opportunity for social enterprises, in particular for those in an *early* stage of development.

However, the current legal framework is said not to enable the development of crowdfunding and this has become an important issue in Austria⁷¹. One issue, which received a lot of media attention, was the concern expressed by the Financial Market Authority about the absence of a banking license in a crowdfunding operation. Austria is however expected (although this is not certain) to move forward in order to better enable crowdfunding, considering the demands elaborated by Junge Wirtschaft (“Young Economy”), a sub-organisation of the WKO (Austrian Chamber of Commerce) and the general public support for a change⁷².

HERMES-Österreich

Established some 30 years ago, the association HERMES-Österreich⁷³ collects donations, allowing people to direct their money towards green or social purposes. HERMES-Österreich can for example provide collateral and in this way help social enterprises get access to funding from commercial banks. In 2012, 8 new collaterals could be granted, out of 30 requests received⁷⁴.

Box 7 Bank für Gemeinwohl: a project to lift the barriers to accessing finance

The idea to establish a new bank was first formulated by Christian Felber of Attac Austria in 2008, shortly after the financial crisis. The key characteristics of the Bank für Gemeinwohl (literally bank for the common good) will be to pursue a common good purpose and not to distribute any profits⁷⁵. It will focus on core functions, namely processing payments, accepting deposits and making loans. Savers will be offered, among others, interest-free deposits, which will make sure the bank can grant

66 Gajda and Mason (2013)

67 <https://www.conda.at/>

68 <http://www.respekt.net/>

69 <http://www.respekt.net/media/zahlen-und-fakten/zahlen-und-fakten-2014/>

70 See for instance: <http://www.bdv.at/2013/12/crowdfunding-gabarage-33-fuer-eine-zweite-chance/>

71 <http://inventures.eu/majority-of-austrians-in-favour-of-crowdfunding>

72 Gajda and Mason (2013)

73 <http://www.hermes-oesterreich.at>

74 *HERMES-Österreich (2014)*

75 <http://www.mitgruenden.at>

very cheap credit to common good projects. The contribution of the selected projects towards the common good will be assessed based on the criteria developed by the Common Good movement described in section 2.5. A cooperative, owning the totality of the bank, will be set up to allow for a maximum stakeholder participation.

Many steps which needed to be accomplished prior to the launch of the bank have already been undertaken. In early 2014, the last step is underway: cooperative members are actively sought to build up the capital of the bank.

The Austrian social enterprises scene takes an active part in the development of this project. For instance, Judith Pühringer from bdv austria is a member of the managing board while Marie Ringler from *Ashoka and Johannes Gutmann* from the social enterprise *SONNENTOR* are among the official supporters of the initiative. It is expected that the Bank für Gemeinwohl will scale up the amount of finance available to social enterprises in the years to come.

Social impact bonds

The idea of introducing social impact bonds in Austria is currently being discussed. A social impact bond is a contract in which the public sector commits itself to repay investors (capital and risk premium), provided that specified social outcomes are being achieved when implementing a social programme. The rationale behind this commitment is that a successful social programme results in public sector savings. That way, the public sector does not bear the risk of services being potentially ineffective, the third party investor does⁷⁶. The introduction of social impact bonds was announced in the official work programme of the government for the years 2013-2018⁷⁷. More information, e.g. on the implementation calendar, is however not available.

The social enterprise sector discussed the pros and cons of this new financing instrument, during an event organised in February 2013 by the WU Vienna⁷⁸. Several concerns were raised. Up until now, social impact bonds have mainly been used in Anglo-Saxon countries, and whether this model could be successfully transferred to a country such as Austria remains an open question. Besides, the risk premiums of up to 13 percent for which public bodies are liable were perceived as excessive. Last but not least, social impact bonds might create perverse incentives: to be sure to meet the pre-defined outcomes, social service providers might be tempted to avoid (or cherry pick) specific target groups⁷⁹.

2.6.2 The demand for finance

The level of demand for finance is necessarily difficult to estimate, given the low number of specialised providers of finance to social enterprises and the lack of visibility of social enterprises up until very recently.

Evidence from interviews carried out as part of this study indicates that the demand for finance has increased over time, with the number of social enterprises being set up. In addition, it was made clear that financing needs depend on the stage. Most demand for finance is currently concentrated on the early stage, when, on average, enterprises are looking for €20,000 to €50,000. This is consistent with the findings from Vandor, Hansen & Millner (2012) which show that social enterprises require most external support as far as financing is concerned in the actual start-up phase than at later stages when operations are running and impact is being scaled up. Typically here, social entrepreneurs look for funding to support themselves so they can work on further developing their business idea and seed

76 <http://www.socialfinance.org.uk/work/sibs>

77 Erfolgreich. Österreich. Arbeitsprogramm der österreichischen Bundesregierung für die Jahre 2013 bis 2018. <http://www.bka.gv.at/DocView.axd?CobId=53264>

78 http://www.wu.ac.at/npo/competence/events/ws/social_impact_bond

79 Pühringer & Hammer (2013)

capital to undertake the first operations visible from the outside. Once they are scaling their operations, social enterprises are looking for €200,000 to €500,000.

2.6.3 Market gaps/ deficiencies

Before discussing the insufficiency of funds available, interviewees underlined that there is a strong need, on the demand side, to work with social enterprises to make them investment ready and, on the supply side, to raise awareness about social enterprises.

Regarding the availability of finance per se, there is no dedicated fund for social enterprises in Austria and the regular risk capital market might not be able to meet all demands. As an interviewee put it: “Generally speaking, the risk capital market is very narrow in Austria, there are few players active. It is difficult to raise funds for any start-up, even the ones in an established sector. This leads to the assumption that it will be even more difficult for a social enterprise start-up that operates in a new sector.” Also, accessing regular funds is believed to be more difficult for social enterprises as the foreseen profits are not as high as in mainstream companies (except for technological fields in the environmental sector, such as renewable energy which are considered as quite profitable).

A survey by Lehner (2011), among about 30 Austrian social enterprises, shows that only about 10 *per cent* of respondents claim that they have sufficient financial means for expansion. Around 40 *per cent* however state that “means are scarce but will do”.

As evidenced by interviews undertaken as part of this assignment, the mismatch between supply and demand is thought to be concentrated on the early stage, when the amount of finance sought for is limited (from €20,000 to €50,000 and in any case less than €200,000).

For that segment, business angels and foundations could help fill the gap but there are further hampering factors as described below.

A qualitative study by Bauer-Leeb and Lundqvist (2011) researched relationships between social entrepreneurs and business angels in Austria and Sweden. Few cases of business angels investing in social entrepreneurs’ ventures were found. Main reasons behind this situation are:

- While the decisive factor for investment is trust, the screening carried out by the business angel will necessarily be broader in case of a social enterprise, as a social entrepreneur needs to exhibit both social and entrepreneurial qualities. Yet, the higher the number of factors that are screened, the lower the chances of investments.
- Evidence of a gap between the discourses of business angels and social entrepreneurs was found, as if adding the epithet social to enterprise pulled the discourses apart, by making exchanges more complex and calling for detailed explaining.

The existence of a discursive gap and the fact that investors have difficulties adopting the word “social” has been confirmed by the interviews carried out as part of this study and can be further illustrated by the fact that social investors tend to refer to themselves as impact investors⁸⁰. Developing a common understanding will take time.

Box 8 Foundations in Austria: an untapped potential

Foundations are traditionally regarded as operating for the public good. However, Austria’s foundations pursue a public benefit purpose only to a very limited extent, as the results of Schneider, Millner & Meyer (2010) show.

Out of the more than 3,000 private foundations in Austria, only about 200 (i.e. 7%) have a clear public benefit purpose. Between 10 and 40 million euros are thus spent each year by private foundations on public benefit purpose activities, mainly in areas such as education and training, social services and culture. This represents only 1 to 5 euros per capita per

80 See for example the websites of www.toniic.com and www.thegiin.org

year.

Compared to many other European countries, that amount is very small. In Germany for instance, more than 95 *per cent* of the 17,000 foundations have a public benefit purpose. The value they spend amounts to €180 to €230 per capita per year.

Factors explaining the Austrian situation are notably cultural and historical: the belief that the satisfaction of social needs falls exclusively under the remit of the public sector is widespread, the foundation law was not originally set up with a view to the pursuing public benefit purposes and there is a lack of awareness about the possibility to pursue public benefit purposes.

Besides, tax treatments are not as favourable as in other countries. Donors (e.g. a foundation to a beneficiary organisation or a private person to a public benefit purpose foundation) are, since 2009, entitled to tax deductions, but only if the beneficiary is registered on the list updated yearly by the Ministry of Finance⁸¹. Interviews carried out as part of this assignment however underlined that the list is quite restrictive and favours larger non-profit organisations. Interviewees further indicated that the new European foundation law might be a trigger for reform in Austria. The proposal for a Regulation for a European Foundation Statute was adopted on 8 February 2012. Unanimous agreement in Council and adoption by the Parliament will be required for the Proposal to be approved. For now, scrutiny by the Council is still ongoing⁸².

A further diagnosis made by Austrian players⁸³ is that the social investment market is very fragmented, not functioning as an eco-system. As a consequence, it is difficult for social enterprises to find their way among the various sources of finance potentially available to them, knowing that each actor will have its own language and expectations about social enterprises. In parallel, on the supply side, providers of social finance find it hard to identify social enterprises meeting their specific investment requirements and to partner with other players. In Germany, an agency has been set up, originally by Ashoka, to address this gap: the Financing Agency for Social Entrepreneurship (FASE)⁸⁴. FASE works with all types of investors (private investors, family offices, foundations, social investors and banks) and provides them with a pipeline of projects in the field of social entrepreneurship. It helps social entrepreneurs find appropriate financing, often by combining several sources of finance. The Austrian social enterprises scene would welcome such a development in Austria.

2.7 Overview of the key actors in the social enterprise ecosystem

The table below provides a snapshot of the main actors involved in the social enterprise ecosystem. This should, however, not be seen as an exhaustive list.

81 https://service.bmf.gv.at/Service/allg/spenden/show_mast.asp

82 European Foundation Centre (2014)

83 Kick off report by bdv austria, Ashoka, HUB Vienna, aws, **Federation of Austrian Industry (not published) – see also Error! Reference source not found.**

84 <http://www.fa-se.eu>

Table 2.4 key actors in the social enterprise ecosystem

Name	Role	Website
<i>Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</i>		
BMASK - Federal Ministry of Labour, Social Affairs and Consumer Protection Department VI/A/4 Labour market promotion	Ministry in charge of active labour market policy. Relates to SÖBs and GBPs only.	http://www.sozialministerium.at/siteEN/
Austria Wirtschaftsservice (aws)	Federal bank promoting businesses in Austria. Offers financial as well as advisory services. Not specifically designed for social enterprises. A tailor-made instrument is in the pipeline	https://www.awsg.at/Content.Node/
<i>Customers – authorities contracting social enterprises</i>		
Public enterprises and administrations including local authorities	According to a survey on main clients of SÖBs and GBPs ⁸⁵ , public enterprises and administrations rank third, behind final consumers and private enterprises.	n/a
<i>Organisations promoting, certifying and awarding social business labels</i>		
bdv Austria	Quality label for WISEs. Certifies the ability of SÖBs and GBPs to consistently meet a certain quality level.	http://www.bdv.at/
Common Good Balance Sheet	A system for measuring and reporting the social impacts of, amongst others, social enterprises	http://www.gemeinwohl-oekonomie.org/en/
<i>Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models</i>		
University of Economics and Business in Vienna (WU Vienna)	Course on Social Entrepreneurship for students of the Bachelor Programme Entrepreneurship & Innovation, combining theory and practice (project development)	http://vvz.wu.ac.at/
Pioneers of Change	A one year programme to learn how to implement / scale up social business ideas	http://pioneersofchange.at
Social Impact Award	Idea competition coupled with a learning programme (workshops on social entrepreneurship). Winners receive start up and development support services	www.socialimpactaward.at

⁸⁵ bdv austria (2008). The categories No answer and Other represent respectively 23% and 13%.

Country Report: Austria

Name	Role	Website
<i>Research institutions/ Organisations that have the capacity act as an observatory and to monitor the development and to assess needs and opportunities of social entrepreneurs and social enterprises</i>		
Competence Center for Non-profit Organisations and Social Entrepreneurship of WU Vienna	Research on non-profit organisations and social entrepreneurship	http://www.wu.ac.at/npo/competence/about
<i>Providers of social enterprise start up and development support services and facilities (such as incubators)</i>		
Impact HUB Vienna	Shared working spaces, community building, support services, e.g. the investment readiness programme	http://vienna.impacthub.net/
<i>Business support providers</i>		
Business start-up programme for the unemployed (UGP)	AMS programme to help the unemployed, become self-employed. Accessible to future social entrepreneurs. Ensures personal income for work on activities and provides business support	http://www.ams.at/
<i>Facilitators of learning and exchange platforms for social enterprises</i>		
Ashoka	Fellowship programme (ensuring personal income for work on activities), global network, support services	http://austria.ashoka.org
Emersense	Social enterprise organising events to crystallize personal intentions and ideas	http://emersense.org
Architects of the Future	Builds up a global community of social entrepreneurs (via an award ceremony and a retreat)	http://architectsofthefuture.net
<i>Social enterprise (support) networks, associations</i>		
bdv Austria	federal umbrella association for WISEs	http://www.bdv.at/
Sozialwirtschaft Österreich	Social partner organisation/ Networking platform for social service providers (some of which are social enterprise as per this study's definition)	http://www.bags-kv.at/
<i>Key providers of finance</i>		
ERSTE Foundation, Erste Group and good.bee	Foundations active in the field in all Central and Eastern Europe. Focus on microfinance and financing of social enterprises and other initiatives.	http://www.erstestiftung.org/

Country Report: Austria

Name	Role	Website
Essl Foundation	Foundation supporting role model projects via the Essl Social prize and also together with other foundations. Provides financial and general business support services	http://www.esslsozialpreis.at/en/essl-foundation/
BonVenture	Venture Philanthropy Fund, based in Germany and active in Austria	http://www.bonventure.de
Toniic	Global impact investor network with some activities in Austria	www.toniic.com
Conda respekt.net	Crowdfunding platforms	https://www.conda.at/ http://www.respekt.net/
Bank für Gemeinwohl	<i>(in development)</i> Bank which will be a social enterprise itself; expected to inter alia provide finance to social enterprises.	http://www.mitgruenden.at

3 Mapping of social enterprise in Austria

This section maps the scale and characteristics of social enterprise in Austria. It describes the role of social enterprises in addressing societal problems and the key enabling factors and constraints influencing their development.

3.1 The spectrum of social enterprises in Austria

In Austria, the term “social enterprise” is still mostly associated with WISEs, especially among policy-makers. As highlighted (Section 2.1), two main types of WISEs exist in Austria⁸⁶: socio-economic enterprises (SÖBs) and non-profit employment projects/companies (GBPs). These are the only forms of organisations formally recognised as social enterprises. They are therefore discussed separately even if from a legal point of view, they are either associations or “public benefit” private limited liability companies.

As highlighted in section 1.2, other types of social enterprises come from the social economy (social and care services providers of the non-profit sector) or from new initiatives (which consist of, inter alia, social businesses owned by larger non-profit organisations, very young start-ups or earned-income companies). They are primarily organised as associations or “public benefit” private limited liability companies.

Table 3.1 Labels that can conform to the social enterprise definition and reasons why

Label	Why applicable to the definition of social enterprises
SÖBs and GBPs	By definition, SÖBs and GBPs pursue a social mission on behalf of the AMS and engage in economic activity.
Associations with at least one paid employee	Typically, these are traditional non-profit welfare service providers. The focus will be on those organisations with at least one paid employee, as a proxy for engagement in economic activity (e.g. it will automatically exclude all those very small sport associations). Social enterprises part of the new initiative wave are also organised as associations.
<i>“public benefit” private limited liability companies (GmbH)</i>	These are private limited liability companies who are recognised by fiscal authorities as organisations pursuing a public benefit purpose and are therefore granted a preferential tax treatment. Their statutes should make it clear that profits will not be redistributed. These can be either independent organisations (from the social economy or from the new initiative wave) or social businesses owned by large non-profit organisations (NPOs). Some associations have indeed established their own social business ventures (fully-owned subsidiaries). These should have a social impact while being self-sufficient from an economic point of view.

In Austria there are sheltered workshops which offer regular employment to persons with disabilities (according to defined eligibility criteria). They function as special forms of limited liability companies within the framework of the Disabled Persons Employment Act. As they operate as a regular commercial company (GmbH), they fall out of the remit of this Study. Cooperatives are not used as forms for social enterprises due to their mutual character. They are regarded as pure commercial organisations providing a primarily material kind of support to their members and their importance has decreased over the last decades⁸⁷. It

86 Heckl & Pecher (2007)

87 Heitzmann & Simsa (2004)

should however, be noted that this legal form has very recently been revitalized⁸⁸. For example, a cooperative will own the Bank für Gemeinwohl. The recent survey among social enterprises in Austria however confirmed that cooperatives do not yet play a significant role in the sector⁸⁹.

3.2 Application of operational definition: determining the boundaries

Table 3.2 Application of the Operational Definition - SÖB and GBP

EU definition	SÖB and GBP
<p>It must engage in economic activity: this means it must generate income from market sources</p>	<p>AMS guidelines clearly state that SÖBs and GBPs have to be engaged in the production of goods and services. All workers are paid. For SÖBs, it is specified that goods or services should be sold at market prices and that the share of income derived from market sources should be from at least 20 <i>per cent</i>. In the case of GBPs, no provision on the share of earned income exists and it is simply indicated that the goods or services offered should benefit the society at large (i.e. being co-financed or commissioned by a public or non-profit entity).</p> <p>By definition, SÖBs are thus more market oriented than GBPs. It can however be that <i>GBPs are quite market-driven; it depends mainly on how the AMS guidelines are implemented at the provincial level (in some provinces, GBPs can thus enter the private market).</i></p> <p><i>On the ground, on average, SÖBs and GBPs derive around 40 per cent of their resources from market sources.</i></p>
<p>It must pursue an explicit and primary social aim: a social aim is one that benefits the society</p>	<p>AMS guidelines make a clear statement that the objective of SÖBs and GBPs is primarily to facilitate the reintegration of long-term unemployed and other hard-to-place groups into the labour market. This is achieved via the provision of temporary jobs (up to one year) in a near market environment and the offer of additional related support (e.g. training). SÖBs and GBPs are largely considered as fulfilling a social mission on their own right. That is the reason why Austria's active labour market policy set up these tools in the 1980's and still provides substantial funding today.</p>
<p>It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making</p>	<p>AMS guidelines make it clear that any profit distribution is forbidden. In case profit is made, funding from the AMS will be reduced accordingly the following year. In practice, arrangements can be made with the provincial AMS so that the profit made is reinvested within the company.</p>
<p>It must be independent: independence means organisational autonomy while participation means it allows stakeholder views to be appropriately represented in its decision making processes</p>	<p>Legally speaking, SÖBs and GBPs are independent. Most SÖBs and GBPs are associations or, to a lesser extent, limited companies.</p> <p>In terms of their ownership structure, SÖBs and GBPs are thus independent from public authorities. They, however, receive substantial public funding for the social service they render to the community (around €20,000 <i>per temporary job per year</i>). As a consequence, their autonomy is partial, as far as their entrepreneurial freedom is concerned. The AMS is indeed involved to a large extent in the functioning of SÖBs and GBPs. For example, in case of a sudden increase in the number of orders received, an SÖB or GBP cannot take the initiative to hire additional staff even if that is absolutely necessary to meet the demand. Along the same lines, an SÖB or GBP cannot decide to raise the salary of employee who would be performing particularly well, even if that increase is financed by its earned income. It can also not take decisions with regards to investments on an independent basis.</p> <p>Additionally, many SÖBs and GBPs have been set up by large charity organisations.</p>

88 Neumayr, Schneider, Meyer & Haider (2007)

89 Schneider & Maier (2013)

EU definition	SÖB and GBP
	The extent to which SÖBs and GBPs are independent from them varies from case to case.
Inclusive governance: characterised by participatory and/or democratic decision-making processes	Regarding stakeholders participation, no criteria on this theme are included in the AMS guidelines. Rules on governance actually depend on the legal form chosen (association or limited company). It may be the case that stakeholder views are, at least informally, represented in the decision making process but this is seen in Austria as an area where there is scope for improvement.

Sources: AMS (2013), AMS (2011), bdv Austria (2008), interviews carried out as part of this study

Table 3.3 Application of the Operational Definition – associations and “public benefit” private limited liability companies (gGmbH)

EU definition	Associations with at least one paid employee	“public benefit” private limited liability companies (gGmbH)
It must engage in economic activity: this means it must generate income from market sources	NPOs do not necessarily meet this criterion. The statistics which follow however show that many NPOs do engage in economic activity. In 2005, NPOs with at least one paid worker, on average, derived 30% of their revenues from service fees and sales and a further 30% from performance related contracts with the public sector.	Economic activity is the core activity of these companies. ⁹⁰
It must pursue an explicit and primary social aim: a social aim is one that benefits the society	NPOs do not necessarily meet this criterion. The statistics which follow however show that many NPOs do have a social aim. Employees working in NPOs with at least one paid worker were, in 2001, active in the following fields: <ul style="list-style-type: none"> ■ 50% in ‘health and social work’ (e.g. old people’s homes, hospitals, community care) ■ 23% in ‘education’ (e.g. primary, secondary and higher education, adult and other education) ■ 23% in ‘other community, social and personal service activities’ (e.g. employers’ and professional organisations, collection of refuse, other entertainment activities, libraries, archives, museums and other cultural activities). 	The by-laws of the private limited liability companies must clearly express the public benefit purpose of the organisation. The relevant tax authorities granting the preferential treatment will verify that the activities carried out indeed help pursue the public benefit purpose.
It must have limits on distribution of profits and assets: the purpose of such limits is to prioritise the social aim over profit making	By definition, an association is not profit oriented. The profits made should be re-invested in the organisation ⁹¹ .	A public benefit organisation may generate profits. However these must remain within the organisation.
It must be independent: independence means organisational autonomy	It can also be that though legally speaking, independent associations have closed ties to the political parties or public administration.	gGmbH do not necessarily meet this criteria. gGmbH can be a fully owned subsidiary of another organisation, e.g. a non-profit

90 Austrian Business Agency (2013)

91 <http://www.verbandsrecht.at/faq.htm>

EU definition	Associations with at least one paid employee	“public benefit” private limited liability companies (gGmbH)
		organisation.
Inclusive governance: characterised by participatory and/or democratic decision-making processes	NPOs do not necessarily meet this criterion. Their governance is not necessarily inclusive: it depends on how broad and representative is their member base and therefore on who are represented in the general assembly (which is the main decision-making organ of an association) ⁹² .	GgmbH generally do not need to have a supervisory board representing stakeholders' interests ⁹³ .

Sources: Neumayr, Schneider, Meyer & Haider (2007), Heitzmann & Simsa (2004)

3.3 Measurement of social enterprise

3.3.1 Methodology

There is no comprehensive dataset on the number of social enterprises, due to the fact that social enterprise is not a well-defined, publicly endorsed concept, at least in its wider sense. Different sources can however serve as a basis to estimate the number of social enterprises under each label.

The quality of the estimates given here varies for each label. Estimates are reliable for SÖBs and GBPs. For the number of associations, they are based on transparent assumptions on the number of associations meeting the operational criteria out of the total number of associations with at least one paid worker registered in a comprehensive census (which unfortunately dates back from 2001). Figures on the number of “public benefit” private limited liability companies (GmbH) should particularly be interpreted with caution (as there is no source of information available to distinguish “public benefit” private limited liability companies from the rest of private limited liability companies).

The estimations will be put into perspective with the results from Schneider & Maier (2013). The authors did not develop an operational definition or criteria to ex ante identify social enterprises. They made a quick overview of the various definitions found in literature and concluded that there was no consensus about the key defining characteristics of a social enterprise.

Three complementary approaches were used by the authors to identify social enterprises:

- First, support organisations were listed to identify social enterprises which are in direct contact with them. Ten organisations were included in the scope of the research, namely: Ashoka, bdv austria, Essl Social Prize, good.bee, HUB Vienna, Pionners of Change, Social Business Day, Social Impact Award (SIA), Trigos Preis für social enterprises and WU Vienna.
- In parallel, a media and Internet searches were conducted to identify further social enterprises, especially those working in isolation.
- Finally, a snowball sampling technique was used, asking each participating organisation to recommend other interviewees.

92 Pfaffenzeller (2003)

93 Austrian Business Agency (2013)

This way, the authors are likely to have identified enterprises pursuing a social purpose while being to some extent market orientated, which thus, at least partially comply with the EU definition. However, as described in the section 1 on “Current concepts and ideas of social enterprise in Austria”, the understanding of the governance dimension by Austrian support organisations may differ from the EU definition (inclusive governance not being a key characteristic of a social enterprise in Austria for instance) while a greater emphasis might be placed on innovation – which would then be reflected in the type of social enterprises they support. In addition, with this method, a high share of the selected sample is likely to comprise organisations in their very early stage of development (having not yet a legal form and thus unlikely to engage yet in substantial economic activity).

The Schneider & Maier study (2013), identified and contacted 273 social enterprises, of which 105 participated in the survey. In the end, around 75 per cent of interviewees self-identified their organisation as a social enterprise.

The survey by Schneider & Maier (2013) reveals the limits of the approach chosen y to approximate the size of the social enterprise sector. 40 per cent of social enterprises identified by Schneider & Maier (2013) do not fall under any of the labels listed in Table 3.1: 17.5 per cent having opted for a sole proprietorship, 17.5 per cent having not yet any legal form, 5 per cent having other legal forms. This will be taken into account by calculating a new total incorporating a 40 per cent share of other social enterprises.

3.3.2 SÖB and GBP

In 2010, there were close to 200 SÖB and GBP⁹⁴. SÖB and GBP hire two types of employees: professional personnel (managers, socio-pedagogic personnel, skilled workers) and temporary workers belonging to their target groups. In 2012, more than 32,000 persons from the target groups could be offered temporary work contracts at SÖBs and GBPs (the number of temporary positions is around 8,000)⁹⁵.

3.3.3 Associations with at least one paid employee

Based on a census from 2001, Austria counts around 11,000 associations with at least one paid worker. They employ about 115,000 persons, i.e. 85,000 “full time equivalent” (FTE) employees⁹⁶. Among them, only 4 per cent, i.e. 450 associations, are believed to meet all operational criteria.

The number of identified associations by Schneider & Maier (2013) is estimated to be around 101⁹⁷. All are considered to meet the Operational Definition.

3.3.4 “public benefit” private limited liability companies (gGmbH)

There are no statistics available about the number of “public benefit” private limited liability companies and even guess estimates are difficult to produce. A lower bound estimate, supposed to capture only a small portion of the phenomenon, is 300. Furthermore, evidence from the literature suggests that an increasing number of public benefit limited companies are being established, notably in the cultural and social fields⁹⁸. Therefore, all “public benefit” private limited liability companies are believed to meet the operational criteria.

94 BMASK (2013a)

95 BMASK (2013a)

96 Neumayr, Schneider, Meyer & Haider (2007)

97 The details of the own calculation are as follows: 273 (total number of social enterprises identified) * 37% (percentage of associations among the 80 interviewees who considered their organisation as a social enterprise)

98 Schneider & Hagleitner (2005)

The number of identified private limited liability companies by Schneider & Maier (2013) is presumably of around 70⁹⁹. All are considered to be in a position to be recognised by tax authorities as public benefit organisations and meet the Operational Definition.

Table 3.4 summarises the estimates on the number of social enterprises. The lower bound estimates come from an extrapolation from Schneider & Maier (2013)¹⁰⁰ while the upper bound estimates are based on own calculations and associated assumptions. The number of social enterprises that fit within the boundaries of the operational definition thus lies between 275 and 1,250.

Table 3.4 Estimates of number of social enterprises covered under the spectrum of this assignment

label	lower bound*	upper bound	Total population	Key assumptions (upper bound estimate)
Associations with at least one paid worker*	101 (calculated as 37% of 273)	450	11,000 (2001 census)	It is assumed that 4% of all associations with at least one paid worker would fully meet the EU operational criteria. This is a guesstimate. Generally, associations do not meet the criteria on “economic activity”, “social aim” and “independence and participation”. But this can be regarded as rather conservative considering that only associations with at one paid employee are included and the remarks on activity sector and sources of revenues made in Table 3.3 based on Neumayr, Schneider, Meyer & Haider (2007). The conservative nature of these 4% is likely to exclude the following type of SE: traditional non-profit service providers who now increasingly use market based approaches.
Private limited liability companies with public benefit status (gGmbH)*	63 (calculated as 23% of 273)	300	300 (2005)	Schneider & Hagleitner (2005). 300 corresponds to the number of results one gets when looking up « gemeinnützig » in the registry of company names. Knowing that companies do not have to include that mention in their names and that cooperatives can also be « gemeinnützig »
Other (sole proprietorship etc.)	109 (calculated as 40% of 273)	500		Schneider & Maier (2013) Associations = 37% Limited liability = 23% Sole proprietors = 17.5% No legal forms = 17.5% Other = 5%
Total	273	1,250		
Total excl. other	~165	~750		

**likely to include most SÖBs and GBPs. See section 3.4.1 below.*

3.4 Characteristics of social enterprises

The description of WISEs mainly derives from information gathered by bdv austria and the BMASK.

99 The details of the own calculation are as follows: 273 (total number of social enterprises identified) * 40% (percentage of associations among the 80 interviewees who considered their organisation as a social enterprise)

100

To characterize the social enterprise sector in its broader sense, including those new initiatives which have emerged relatively recently, the results of the empirical study carried out by Schneider & Maier (2013) will be used. More specifically, the description of the characteristics of social enterprises will be based on the 80 interviews where the interviewee described his/her organisation as a social enterprise.

3.4.1 Legal forms

Most SÖBs and GBPs are associations (close to 60%) or, to a lesser extent, private limited liability companies (22%)¹⁰¹.

In addition, the empirical results from Schneider & Maier (2013) show that the legal form most commonly adopted by Austrian social enterprises, namely by close to 40 **per cent** of interviewees¹⁰² is associations. Other social enterprises are either private limited liability companies (almost 25%) or sole proprietorships (more than 15%). Furthermore, a significant proportion of organisations, namely close to 20 **per cent**, do not have yet any legal form, being at a very early stage in their development.

In Austria, both associations and private limited liability companies can be granted preferential tax treatment provided they are recognised as public benefit organisations. This is relevant for social enterprises, although, as such, the legal form remains identical (See Box 9).

Box 9 “Die gemeinnützige GmbH” (gGmbH) as public benefit organisations

Many social enterprises are registered as associations in Austria. This legal form is however not ideal for those undertaking economic activities. For example, in terms of governance and management, the membership structure of an association does not facilitate rapid decision-making processes. In addition, liability is not limited. Last but not least, access to funding is more complicated.

The private limited liability company (GmbH) is the second most widespread legal form among social enterprises in Austria. Under this legal form, the ownership and organisational structure is clearer and the liability is limited, which can be seen as advantages for a social entrepreneur. Nonetheless, if a social enterprise registers as a private limited liability company, it can be confusing as, by definition, a private limited liability company is a for profit venture.

In Austria as in other German speaking countries, a private limited liability company (as well as associations) can be granted preferential treatment by the competent tax authorities if they are recognised as public benefit organisations (gemeinnützig). The only prerequisite is that the articles founding the organisation state that it pursues a public benefit purpose. On the ground, it implies that the organisation indeed implements public benefit purpose activities and that profits should not be redistributed. This status does not imply any change to the legal form of the organisation.

As understood by fiscal authorities, a public benefit purpose is directed towards the general public (not members of the organisation). Examples of eligible activities include: the promotion of art and science, health care services, welfare services, services for the elderly or the disabled, social housing projects, education, nature conservation, disaster relief, development aid, consumer protection, sports.

This recognition as a public benefit organisation gives right to preferential tax treatments,

101 Bdv austria (2008). The rest includes those who did not answer to the question: 17%.

102 Percentages are calculated on the two-thirds of interviewees who described themselves as social enterprises, i.e. are 70.

both as far as corporate income tax and value added tax are concerned, provided that the activities carried out are regarded as indispensable to pursue the public benefit mission of the organisation¹⁰³.

A priori, opting for a public benefit limited company seems interesting for social enterprises. Nevertheless, that option, which basically exists in Austria since 1945, is not systematically used by social enterprises according to the interviews carried out as part of this study. There have been calls to reform public benefit status to make it more suited to today's needs and in particular those of social enterprises. Several limitations were pointed out. Firstly, activities considered as public benefit activities in the sense of the Federal Fiscal Code (Bundesabgabenordnung - BAO) are seen as quite limited. For example, it is specified that public benefit organisations should directly work with persons in need (which can de facto exclude certain fields of activity). Secondly, the need to clearly define the public benefit purpose and strictly identify the target group in the articles founding the organisation was seen as a barrier for social enterprises in their early phase of development (e.g. start-ups) which evolve very rapidly. Besides, the ability to build up reserves is restricted, which can in turn undermine the access to finance. In addition, the administrative burden associated to reporting requirements was also mentioned.

Last but not least, the capital requirements are seen as a barrier for social enterprises (this is however not specific to public benefit private limited liability companies, but true for all private limited liability companies). On this last point, there has been a recent change in laws which will make it easier to set-up private limited companies in Austria. Capital requirements were lowered from €35,000 to €10,000¹⁰⁴, at least one half must be fully paid in.

Sources: Schneider & Hagleitner (2005), Stichlberger (2012), Lehner (2011b), <http://www.vereinsrecht.at/faq.htm#faq1> and interviews carried out as part of this study

3.4.2 Business models

Sources of income

The share of earned income among SÖBs and GBPs lies on average at 40 per cent while public funds cover the remaining 60 per cent. Public contributors include (by decreasing order of importance): the AMS, Provincial governments, the Federal Social Office and specific funds such as the waff (Vienna Employment Promotion Fund). Municipalities were not found to be significant contributors¹⁰⁵. Main clients for SÖBs and GBPs are final consumers (32%) and private enterprises (20%). Public enterprises and administrations represent altogether less than 15%¹⁰⁶.

Furthermore, Schneider & Maier (2013) show that Austrian social enterprises have on average annual revenues of €30,000 euros (this is possibly due to the bias towards pre-starts and start-ups in the sample). A quarter of the interviewed organisations have substantially higher revenues, of more than €125,000. The budget is composed of three main sources of income:

- Just above half of revenues come from private funds. These are made of (by decreasing order of importance): money taken out of the pocket of the founders of the social enterprises (25% of the total annual budget), money from support organisations (10%), donations (less than 10%) and sponsoring (5%).

¹⁰³ In case of a private limited liability company, other activities should represent 25% of the turnover.

¹⁰⁴ GmbH-Gesetz, RGBl. Nr. 58/1906 zuletzt geändert durch BGBl. I Nr. 109/2013, article 6, entry into force: July 2013.
<http://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Bundesnormen&Dokumentnummer=NOR40152065>

¹⁰⁵ bdv austria (2008)

¹⁰⁶ bdv austria (2008). The categories No answer and Other represent respectively 23% and 13%.

- 35 per cent are earned income
- 15 per cent are public funds. It should however be noted that 60 per cent of surveyed organisations have not received any public funding.

Still according to the same empirical study, almost 75 per cent of the interviewed organisations state that in the longer term, they wish to be able to derive the totality of their income from market sources, mainly because they want to ensure their autonomy.

Schneider & Maier (2013) however, warn that these figures need to be interpreted bearing in mind that the social enterprise 'sector' in Austria is very young (75% of the organisations were started in or after 2009), with the age of an organisation influencing the predominant sources of income. For instance, a survey carried out in Germany¹⁰⁷ concludes that the proportion of income coming from public funds increases as the organisation grows. Furthermore, one of the private sources of income, namely founders' money, is likely to reduce over time.

Social impact

By definition, SÖBs and GBPs deliver social impact through the people they employ. Sometimes, they simultaneously deliver further impact (e.g. environmental impact) due to the nature of services and goods they sell. For instance, in the database of bdv Austria¹⁰⁸, more than 70 WISEs were found to work in the recycling sector.

Other types of social enterprises deliver social impact typically by the nature of services and goods they sell: it lies at the heart of their mission. For example, social enterprises contacted as part of this study strived to solve social problems not addressed efficiently by the public sector (e.g. by improving financial literacy), to promote local development (e.g. by creating employment opportunities on the countryside) or to act as change multipliers (e.g. by encouraging others to set up their own social business).

Furthermore, in the Common Good Balance Sheet some social enterprises are using (see 2.5), very varied criteria related to social impact. Some are linked to the very nature of the products the enterprise is offering (e.g. fulfilling basic human needs or serve humankind, society or the environment; as opposed to being detrimental to human dignity and human rights). Some rather refer to the way the enterprise is operating (e.g. facilitating a satisfactory work-life balance, ensuring an ethical supply management and investing profits for the Common Good). Last but not least, complementary actions a social enterprise can carry out are also taken into account (e.g. undertaking lobbying action to promote the development of higher standards for the whole sector)¹⁰⁹.

Use of paid workers

By definition, SÖBs and GBPs only use paid workers.

Schneider & Maier (2013) show that on average, every interviewed organisation has two full-time employees, 2.4 part-time employees and 6 volunteers. More specifically, 20 per cent of the organisations rely solely on volunteers while 60 per cent do not have any volunteers. 50 per cent have no full-time employees. In many cases, especially in the first years, the founders themselves keep the organisation moving.

3.4.3 Fields of activity

The primary mission of SÖBs and GBPs in Austria is to provide full work integration for disadvantaged people. Typically, they are active in sectors such as¹¹⁰:

107 Mercator Forscherverbund (2012)

108 <http://www.bdv.at/datenbank/>

109 <http://www.gemeinwohl-oekonomie.org>

110 <http://www.bdv.at/datenbank/>

- Catering / kitchen services
- Recycling / repairing / maintenance
- Relocations
- Greenspace management
- Home services / cleaning
- Second hand shops
- Copy shops

During interviews carried out as part of this study, it was underlined that these niche markets tend to be the ones traditionally neglected by mainstream companies because they are not seen as profitable enough. At the national level, there are now discussions on how to help SÖBs and GBPs enter new markets which would be more profitable. For example, some SÖBs and GBPs could become specialist suppliers to the industry. Fears of unfair competition are however, being raised by mainstream enterprises.

Social enterprises interviewed as part of the Schneider and Maier study (2013), which have been established quite recently, have a quite different profile compared to WISEs and quote most frequently the following fields of activities: Education and research (20%), environmental protection (20%), projects in developing countries (10%), labour re-integration projects (10%), support and networking of social entrepreneurs (10%) and local development (8%). Contrary to the entire non-profit sector, social services and healthcare are only marginally represented (5% and 2% respectively).

3.4.4 Target groups

WISEs focus primarily on the long-term unemployed in general (50%). People with special needs (17%) are also specifically supported, as are work returners, e.g. after a maternity/paternity leave (12%) and people with an immigrant background (7%). To a lesser extent, former drug-addicts, ex-offenders or people receiving social welfare payments are also targeted¹¹¹. Some WISEs can also be designed to address the needs of low-skilled workers or of older people¹¹².

Discussions at the national level, as evidenced by interviews carried out as part of this study, highlight a need to do more to integrate specific target groups, notably those with health issues who could benefit from part-time measures during longer period of time.

For other types of social enterprises, the situation is different: their target group mainly refer to their clients. The study by Schneider & Maier (2013) illustrates that the target groups vary according to the business model used to generate earned income. Products and services are mainly sold to ethical consumers or customers in developing countries (e.g. drinking water treatment devices). Linkages are mainly fostered between people coming from the same region or wanting to become active in society. Counselling and training are mainly provided to children and young people. Work re-integration projects mainly target young people, older unemployed people and people with an immigrant background.

3.5 Summary of mapping results

Box 10 Summary of findings

There exist organisations that comply with most operational criteria and most certainly the de minimis criteria (economic activity and social aim). They comprise SÖBs and GBPs,

111 bdv austria (2008)

112 Hausegger, Hager, Reidl & Reiter (2010)

which are the only publicly endorsed form of social enterprises, but also other types of social enterprises. One way to identify them is to focus on those associations and limited companies who are regarded as “public benefit” organisations by fiscal authorities. In practice however, matters are complicated by the fact that there is currently no way to distinguish these organisations that benefit from tax-related advantages on this ground. It should also be noted that not all social enterprises try to apply for this preferential fiscal status.

The majority of social enterprises (be it SÖBs and GBPs or other types of social enterprises) are organised as associations. The private limited liability company (GmbH) is also a common legal form.

The main differences between SÖBs / GBPs and other types of social enterprises are as follows:

- SÖBs / GBPs are well-established (since the 80's or 90's) and other types of social enterprises are very new (50% less than two years old)
- Other types of social enterprises engage in wider fields of activity, moving beyond work integration. Some even have ambitious purposes in terms of policy impact and questioning of the economic system.
- SÖBs / GBPs rely to a large extent on public funding (60% of their revenue). That is not the case for other types of social enterprises (public funding constitute only 15% of their income), who largely express the wish to stay autonomous in the future.
- In many cases, other types of social enterprises however still need to invent this sustainable financing model. They intend to increase the share of earned income while for now the gap is filled with founders' money.

SÖBs / GBPs only use paid workers while other types of social enterprises do have volunteers.

Table 3.5 Mapping the 'universe' of social enterprises in Austria

Dimension	Criterion	Institutionalised Forms of social enterprise (WISE)	Other types of organisations often regarded as social enterprises	
		SÖB and GBP	Associations with at least one paid employee	"public benefit" private limited liability companies (gGmbH)
Entrepreneurial dimension	Engagement in economic activity	Yes, especially for SÖBs	<i>Not necessarily</i>	Yes
Social dimension	Social aim (public benefit)	Yes	<i>Not necessarily</i>	Yes (since recognised as "public benefit")
Independence and governance	Distribution of profits and/or assets according to defined rules and procedures	Yes	Yes	Yes (since recognised as "public benefit")
	Limits on distribution of profits	Yes	Yes	Yes (since recognised as "public benefit")
	Asset lock - existence of asset lock	Yes	Yes	Yes
	Autonomy - organisational autonomy	Yes (but AMS guidelines have to be complied with)	Yes	Yes
	Inclusive governance	Not specified	<i>Not necessarily</i>	<i>Not necessarily</i>
Estimated number		200 (2011)	11,000 (2001 census)	300 (2005)
Estimated % meeting eligibility criteria (approx)		90%	4%	100%
Estimated number meeting eligibility criteria		180 <i>NB: SÖB and GBP's are likely to be included in the number of Associations and gGmbHs/ GmbHs</i>	450	300

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Dimension	Criterion	Institutionalised Forms of social enterprise (WISE)	Other types of organisations often regarded as social enterprises	
		SÖB and GBP	Associations with at least one paid employee	"public benefit" private limited liability companies (gGmbH)
Entrepreneurial dimension	Share of income derived from : fees (incl. membership fees);trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	On average 40% of earned income	For those meeting the criteria: 35% of earned income (<i>subject to change</i>)	35% of earned income (<i>subject to change</i>)
	The use of paid workers	Yes (exclusively)	Yes	Yes
Social dimension	Fields of activity	Work integration. Active in niche markets (e.g. recycling, environmental services, catering)	For those meeting the criteria: Varied fields of activity (not necessarily focused on social and health services)	Varied fields of activity
	Target groups (customers/ users of goods and services provided)	Long-term unemployed	Varied	Varied
Governance dimension	Transparency - a system for measuring and reporting impact	Some have, others don't	Some have, others don't	Some have, others don't
Legal forms		Mainly associations and limited liability companies	Associations	Limited liability companies

3.6 Opportunities and barriers

Several opportunities and challenges for social enterprises in Austria were identified as part of this assignment and will be summarised here.

One important positive development is that the entire social enterprise ecosystem in Austria (including bdv Austria, Ashoka, Impact HUB Vienna, aws, Federation of Austrian Industry) is coming together¹¹³. The Social Business Initiative of the European Commission has been a trigger behind this networking effort and is thus regarded as an opportunity for Austria, mainly in the sense that it helps push the issue higher on the national agenda. The idea is to join forces, develop a sectoral identity and to do advocacy work together. A common vision on how to foster the development of the social enterprise sector in Austria is being developed and concrete demands and ideas will be passed on to the relevant decision-makers. This should remedy the fact that social enterprises, beyond SÖBs and GBPs, have not received endorsement or support from the Government. For now, the group gathers in an informal way but it intends to publicly release a joint strategic position paper around mid-2014.

Other main opportunities revealed during the course of this study relate to supply of finance to social enterprises and include the planned instrument called “aws Social Business CALL” (see 2.2.2) and the project “Bank für Gemeinwohl” (see Box 7). It should however be reminded that in the former case, discussions are still ongoing and in the latter case, the project is still in its fundraising phase. On the question of financing, Austria's foundation law was on the contrary seen as a major barrier in the sense that it does not give incentives to channel funds towards public benefit purposes (see Box 8). The tax-related provisions on public benefit activities (Gemeinnützigkeitsrechts) could also be adapted (see Box 9).

Furthermore, there are currently discussions on how to make the most out of SÖBs and GBPs. SÖBs and GBPs are emblematic tools of Austria's active labour market policy fostering labour market integration, whose current guidelines essentially date back from the early nineties. On the one hand, bdv Austria will soon release a position paper on the “future of the guidelines”, recapping the reasons why a change is perceived as necessary and detailing its preferred policy option. The core idea is to grant more autonomy to both SÖBs and GBPs (who would be subject to the same regulatory guidelines) and to allow them to be more entrepreneurial in order to unleash their employment potential. Another key objective is to reduce the administrative burden associated with the compliance controls, for both social enterprises and the AMS¹¹⁴. BMASK has launched an evaluation whose conclusions and recommendations will soon be released¹¹⁵.

One challenge will be to maximise the social impact of social enterprises. Social entrepreneurship initiatives have multiplied over the recent years but still need to be strengthened. The social enterprises interviewed by Schneider & Maier (2013), half of them not older than two years, revealed that a fourth of their annual income came from the founders' pockets, which is not sustainable. Time will tell if their ideas could be translated into successful business models and strategies. Creating a sustainable business model and strategy continuously ranks among the top five external support needs of social enterprises, at all stages of development, according to a survey among around 120 social enterprises carried out in seven countries, including Austria¹¹⁶. Besides, to scale up the innovative solutions designed by social enterprises, one option is to develop partnerships, notably with larger, traditional non-profit organisations which cover the whole territory. For example, R.U.S.Z. (see also 3.6) initiated together with Ö3 (a radio channel) and Caritas Austria a very successful mobile phone collection system¹¹⁷. This does not exclude that large non-profit

113 Interviews with bdv Austria and Ashoka carried out as part of this study

114 Interview carried out as part of this study

115 http://www.pro-spect.at/projekte/projekt_soziale_Unternehmen.php

116 Vandor, Hansen & Millner (2012)

117 <http://www.rusz.at/mission/>

organisations can be innovative themselves and find new ways to deliver their services (see for example the social business ventures established by Caritas Vienna¹¹⁸).

3.7 Reflections and concluding remarks

Work integration social enterprises, in the form of SÖBs and GBPs, have a long tradition in Austria. They are increasingly referred to as social enterprises and constitute the only form of social enterprises that Austrian policy-makers institutionally recognise, although not technically a separate legal form for social enterprise. Besides, traditional non-profits have long played a key role in the provision of welfare services.

Over the past five years, a wave of new initiatives has arisen. Triggers have been globally active networks opening offices in Austria (Ashoka, Impact Hubs), the proliferation of awareness raising events (awards) and associated media attention, the launch of Austrian-born initiatives with European or global reach (e.g. the Economy for the Common Good, Architects of the Future, the Social Impact Award). This makes the Austrian social enterprise scene very vibrant: many new support organisations and new social enterprises have been launched. Inevitably, many recently established social enterprises and social enterprises on the verge of being set up still need to build their own track record. They are active in very diverse fields of activity, including education and research, environmental protection, project with developing countries and local development. They often define their purpose as changing the institutional framework and questioning the current economic system.

Several long-established successful social enterprises exist in Austria, including SONNENTOR and R.U.S.Z. which are presented in Annex 3. These do not work in isolation and also play a role in the dynamism of the sector observed today.

The ecosystem for social enterprises is progressively becoming more functional and many projects are currently underway to further improve the situation: the first step, which has already been undertaken, is to network all actors and develop a common vision for the sector.

Annex 1 Comparative overview of legal forms most commonly used by social enterprises in Austria

Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
Definition	<p>An association is an organisation made up of a group of individuals (its members), who have decided to come together for a particular purpose.</p> <p>Associations are the cheapest way to create a juridical person. However, the members of the management committee have personal liability.</p>	<p>A GmbH is a form of company commonly used by for-profit organisation. It is typically established with commercial aims to distribute profits to its shareholders, although non-profit versions are available. The shareholders are the owners of the company.</p> <p>A GmbH limits liability of partners/shareholders, which makes it easier to recruit shareholders.</p> <p>The legal form allows the company to including municipalities and other institutions as shareholders is an easy way to give them a formal role in the enterprise.</p>	<p>A Sole proprietorship is a natural person doing business (and employing other people) in their own name.</p>
Key national legislation governing legal form	Associations Act, Vereinsgesetz	Act on Limited-Liability Companies (Gesetz über Gesellschaften mit beschränkter Haftung, GmbHG), Commercial Code (Unternehmensgesetzbuch, UGB)	Civil Code of Austria (Allgemeines bürgerliches Gesetzbuch, ABGB), Commercial Code (Unternehmensgesetzbuch, UGB)
Whether the legal form is used exclusively or not exclusively for social enterprise	<p>Not exclusively for social enterprise.</p> <p>An association can serve any purpose that forms a shared interest of their members; all lobbying purposes and social and political ideals are possible aims.</p>	<p>Not exclusively for social enterprise.</p> <p>A GmbH can pursue any purpose. The not-for profit and community-based aims of the company can be laid down in the articles of association.</p>	<p>Not exclusively for social enterprise.</p> <p>A sole proprietorship can carry out any business purposes. Full responsibility and liability of the entrepreneur is the central element.</p>
Methods of creation	Associations are established by at least two persons as founding members drafting a set of statutes and submitting these to the Associations Authority. The authority has the power to refuse permission to	A GmbH is incorporated by drafting articles of association (or in the case of a single shareholder, a declaration on founding of a GmbH), the appointment of a managing director (natural person),	There are no required methods of creation. The entrepreneur simply begins the business activity. Some activities require a business licence being

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Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
	<p>found the association if the stated aims of the association are contrary to law. If no notification is served by the authority, the association may begin its activities.</p> <p>The association is registered on the central register of associations.</p>	<p>The Declaration by a notary and payment of the charter capital before registering in the companies register.</p>	<p>obtained.</p> <p>Registration with the companies register is optional although will be required if the business has a turnover of more than €700,000 for two years in a row.</p>
Required capital or assets	Not applicable for this legal form.	€10,000	Not applicable for this legal form.
Management and corporate governance	<p>A management board is required to oversee the management and affairs of the legal form.</p> <p>At least two persons must form this management committee. They are elected or removed by a vote of the general meeting of members.</p> <p>The board is responsible for the complete operational activity of the association; they act in the name of the association towards outside parties (can enter into contracts, receive official/legal communications).</p> <p>The Associations Act requires the association to make provision for a committee of arbitration to deal with conflicts.</p>	<p>A managing director is required to oversee the management and affairs of the legal form.</p> <p>The minimum number of managing directors is one natural person.</p> <p>Managing directors are appointment or removed by vote of the shareholders with a simple majority.</p> <p>The managing directors' duties include the responsibility for the operation of the GmbH, the representation of the company towards outside parties. The directors are also responsible for the annual financial statement. Managing director/s is/are prohibited by law from engaging in any activity which would compete with the company.</p>	Not applicable for this legal form.
Rights of members	<p>The legal form has members. The members' rights must be specified in the statutes. They must include at least:</p> <ul style="list-style-type: none"> ▪ The right to be given a copy of the statutes; ▪ The right to participate in a general meeting 	<p>The legal form has members in the form of the shareholders.</p> <p>The ultimate control of the company rests with the members. The members can pass resolutions which give directions to the managing directors or change</p>	Not applicable for this legal form.

Country Report: Austria

Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
	<p>of members;</p> <ul style="list-style-type: none"> ▪ The right of 10% of the members to call a general meeting; ▪ The right of members to appeal against decisions of the management committee that affects them. <p>There is often a distinction made between active and supporting members. Active members have voting rights and supporting members pay fees but do not have voting rights.</p>	<p>the Articles of Association. They also have the power to appoint or remove directors.</p> <p>The members have the right to receive the annual accounts, including the directors' and auditors' reports (if any).</p>	
Voting and representation of members in general meetings	<p>Votes and representation of the members are done through the general meeting of members.</p> <p>A general meeting of members must be held at least once every 5 years.</p>	<p>Members are represented in a general meeting. They can also pass resolutions outside of a general meeting. If not otherwise required by the Articles or by company law, resolutions are passed with the majority of the votes cast.</p> <p>General meetings may be called at any time by the directors. Members can also require the directors to call a general meeting.</p>	Not applicable for this legal form.
Types of shares, if any	Legal form does not have shares.	The legal form does have shares. The voting right is by share.	Legal form does not have shares.
Distribution of dividends on share capital	Distribution of profits to the members is not allowed. Profits can and must be used only to further the aims of the association.	<p>Dividends are distributed to the shareholders on a proportional share of the profit according to the balance sheet.</p> <p>Dividends can only be paid out after the company has paid in the declared share of the charter capital (at least 50%).</p>	Not applicable for this legal form.

Country Report: Austria

Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
Distribution of reserves	Not applicable for this legal form	The Charter capital cannot be paid out. It is retained to protect creditors.	Not applicable for this legal form.
Allocation of the surplus particularly to compulsory legal reserve funds	Not applicable for this legal form	There is no requirement to allocate surpluses to compulsory legal reserve funds other than the Charter capital, but a monthly rate depending on the sum of the salaries must be paid into the insolvency fund.	There is no requirement to allocate surpluses to compulsory legal reserve funds, but a monthly rate depending on the sum of the salaries must be paid into the insolvency fund.
Distinction dividends/refunds and distribution of refunds	Not applicable for this legal form.	Not applicable for this legal form.	Not applicable for this legal form.
Restrictions on ability to trade	<p>Any economic activity can be pursued which serves the aims of the association. However, the fields of activity must be described specifically in the statutes and any profits must be used exclusively to further the aims of the association.</p> <p>Association cannot covert into a different type of legal form, but associations often set up a limited-liability company in their sole ownership.</p>	<p>GmbHs are not allowed to act as insurance companies or as purely political organisations.</p> <p>The non-profit nature of a GmbH is often declared in the articles of association in order to qualify for tax advantages and to entice funding.</p> <p>However, this non-profit status is subject to examination of the actual business practice of the company.</p>	<p>For some activities a proof of competence or particular qualifications are required in order to obtain a business licence.</p> <p>The unlimited personal liability of the entrepreneur may make it less likely to take on more risky activities.</p>
Internal financing (e.g. investment title, member investors, increase in members contributions)	Membership fees are possible as a way of financing the association's operation.	It is possible to increase the capital of the company in proportion to the existing shares of the shareholders.	The proprietor can invest his own capital.
External financing (e.g. banking loans, issuing bonds, specific investment funds) including	Donations can be made to associations, but no profits can be distributed. It is not necessary for an investor to become a member, but a regulation to this effect can be inserted into the statutes	Capital can be invested by shareholders or outside persons. Bonds and participation certificates (Genußscheine) can also be issued.	The proprietor can take up loans and can issue participation certificates.

Country Report: Austria

Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
possibility for non-member investors	("supporting member").		
Transparency and publicity requirements (and related auditing issues)	There are no filings or auditing requirements.	The balance sheet must be published annually in the companies register and annual accounts and status report must be issued to all shareholders. Larger GmbHs are required to engage external auditors.	There are no filings or auditing requirements.
Employee involvement systems	The Associations Act does not make any rules about how staff can participate in decision making. However, if there are regularly employed staff (Angestellte), they have the usual rights of representation under the Labour Relations Act (Arbeitsverfassungsgesetz), e.g. the right to form a works council, etc. Employees cannot receive a proportion of the legal form's profits.	If a GmbH has more than 300 employees, the works council has the right to nominate 1/3 of the members of the supervisory board. General rights of participation (e.g. formation of a works council) are provided for in the Labour Relations Act (in particular the Arbeitsverfassungsgesetz) Normally employees can only receive a proportion of the legal form's profits, if they are shareholders. However, an arrangement to pay a share of profits to employees can be made be a decision of the shareholders.	The entrepreneur can voluntarily give employees bonuses; these are taxed in the same way as their regular salary.
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	The association is wound up by a vote on dissolution of the association in the general meeting.	The GmbH is wound up by decision of the shareholders (simple majority, certified by notary), or by insolvency. The Liquidations process involves a determination of the initial balance, a call to creditors, a valuation of assets, the payment of debts, and finally the distribution of the remainder to shareholders before the company is deleted from companies register.	The legal form is wound up either by the ceasing of the business activity or by liquidating the assets if insolvent.
Distribution of the proceeds of	The General meeting must decide assets are	Creditors are paid first before the distribution of the	After the creditors are paid, any surplus assets or

Country Report: Austria

Legal form	Association (Verein)	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	Sole proprietorship
dissolution, liquidation, disinvestment (in particular provision of asset lock)	disposed on dissolution. Assets may not be distributed to members but can only be donated to other non-profit/charitable organizations which pursue similar aims. This must be specified in the association's statutes.	remained to the shareholders. Employees are compensated from the insolvency fund. Remaining profits of non-profit GmbHs must be transferred to other non-profit enterprises, may not be distributed to shareholders.	capital belong to the entrepreneur. Employees are compensated from the insolvency fund.
Conversion to another form of company	Not applicable for legal form.	Not applicable for legal form.	Not applicable for legal form. The sole proprietorship cannot convert into a different legal form although the sole proprietor can establish a partnership of corporation.

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A2.2 List of consultees

Name of the person	Organisation/ Role	Stakeholder category
1. Peter Vandor	<i>Researcher and lecturer</i> Institute for Entrepreneurship and Innovation, Vienna University of Economics and Business	Academic
2. Trude Hausegger	<i>Managing Director</i> Prospect Unternehmensberatung	Expert
3. Hannes Edlinger	<i>Head of Department</i> VI/A/4 Labour market promotion, BMASK (Federal Ministry of Labour, Social Affairs and Consumer Protection)	National policy maker
4. Tanja Wehsely	<i>Member</i> Provincial Parliament of the province of Vienna Vienna City Council	Regional policy maker
5. Judith Pühringer	<i>Managing Director</i> bdv Austria	Network / Association of social enterprises
6. Wolfgang Gruber	<i>Managing Director</i> Sozialwirtschaft Österreich	Network / Association of social enterprises

Name of the person	Organisation/ Role	Stakeholder category
7. Marie Ringler	<i>Managing Director</i> Ashoka Foundation Austria	Organisation providing support
8. Alexis Eremia	<i>Co-founder & Executive Director</i> Impact Hub Vienna Incubation Programs <i>Co-founder</i> Emersense	Organisation providing support
9. Michael Fembek	<i>Programme Manager</i> Essl Foundation	Social investor
10. Johann Heep	<i>Business Development and Relationship Manager</i> GoodBee (Erste Bank Stiftung)	Social investor
11. Dorothee Vogt,	<i>Investment Manager</i> Bon Venture	Social investor
12. Hannes Schwetz	<i>Investment Manager</i> aws	Social investor
13. Katrin Gaupmann	<i>Communication & Project Manager</i> Trigos Award	Other – organiser of Awards
14. Evelina Lundqvist	<i>Managing Director</i> The Good Tribe	Social enterprise
15. Johannes Gutmann	<i>Managing Director</i> SONNENTOR	Social enterprise
16. Sepp Eisenriegler	<i>Managing Director</i> R.U.S.Z.	Social enterprise
17. Christian Wolf	<i>Managing Director</i> ÖKO-Service.	Social enterprise
18. Sandra Turecek	<i>Business developer</i> Career Moves	Social enterprise
19. Florian Pomper	Head of Innovation Caritas Vienna	Social enterprise

Annex 3 Examples of social enterprises

Social enterprises striving for the Common Good

SONNENTOR started in 1988 as a small enterprise encouraging local farmers in Waldviertel to market their organic product under the same logo. Since then, the company has turned into a very successful medium-sized company distributing the trademark products of more than 150 SONNENTOR farmers in 50 countries. SONNENTOR has 200 employees in Austria and 80 employees in its subsidiary company in the Czech Republic.

Although SONNENTOR would not describe itself as a 'social enterprise', it first and foremost pursues a social mission by **promoting local development, creating employment opportunities (including on the countryside), distributing healthy, organic food and protecting the environment**. Making profits is seen as necessary to ensure long-term viability and these are entirely reinvested in the company.

SONNENTOR, with its 25-year experience in implementing societal change, is a key actor in the ecosystem around social enterprises in Austria.

SONNENTOR is one of the pioneers in the global movement "Economy for the Common Good". Overall, the 2013 results of its **Common Good Balance Sheet**, verified by external auditors, show that SONNENTOR scored 595 - knowing scores can range from -1,000 to +1,000 points, this falls in the second-best, light-green colored category.

SONNENTOR is also an active partner and financial supporter in the setting-up of the first cooperative bank which will strive exclusively for the common good in Austria, named "**Bank für Gemeinwohl**". Additionally, it is a partner of Pioneers of Change.

SONNENTOR's efforts have been recognized by the TRIGOS award in 2008 and more recently by the 'Best Project' at the **Sustainable Entrepreneurship Awards (SEA)**, in 2012.

Sources: Interview with Johannes Gutmann, Founder and Manager, SONNENTOR, conducted as part of this study; www.sonnentor.com; www.gemeinwohl-oekonomie.org, and www.demba.at

Social enterprises as initiators of changes in policies

R.U.S.Z. primary objectives are **resource efficiency and social inclusion**. R.U.S.Z. provides repair services for household appliances, consumer electronics and IT. It sells certified, high-quality used equipment as well as new washing machines and dryers that were diagnosed in the in-house R&D department as particularly durable and easily repairable.

From 1998 to 2007, R.U.S.Z. was an SÖB and thus supported to a large extent by the AMS. R.U.S.Z. was successfully transformed into a non-profit private enterprise in 2008 and now operates on a cost-recovery basis and employs 15 people (mostly former long-term unemployed people). 7 other persons are employed by a separate entity (R.U.S.Z. - Association for the promotion of the social economy) to notably undertake studies and manage EU projects. R.U.S.Z. produced its first Common Good Balance Sheet in 2013.

R.U.S.Z. has been leading many initiatives, to replicate its model and also lift the barriers it is facing and change policies, both in Austria and Europe.

R.U.S.Z. was among the initiators of the Austrian umbrella organization **RepaNet** (www.repanet.at) and its EU equivalent RREUSE (www.rreuse.org), which gather social enterprises with activities in reuse, repair and recycling. These networks help making advocacy work successful. For example, Article 11 of the Waste Framework Directive explicitly states that: "Member States shall take measures, as appropriate, to promote the re-use of products and preparing for re-use activities, notably by encouraging the establishment

and support of re-use and repair networks (..”.

Besides, R.U.S.Z. is **raising awareness about planned obsolescence**, with 200 relevant editorial contributions published over the last eighteen months. The next step is to make publicly available a white list¹¹⁹ registering the large household appliances and consumer electronics devices, which comply with **ONR 192102**, the Durability mark for electric and electronic appliances designed for easy repair (developed jointly by the Ministry of Life, the Austrian Standards Institute and R.U.S.Z.). This project (for which funding is not yet secured) is intended to inspire others: the Austrian Energy Agency already announced its willingness to include **durability and reparability** as additional evaluation criteria on www.topprodukte.at. EU institutions are also targeted so that they include durability and reparability criteria in the Ecodesign Directive, as well as in the energy efficiency label. R.U.S.Z. has already received the Vienna Environmental Award 2013 for its work on Planned Obsolescence¹²⁰.

Sources: Interview with Sepp Eisenriegler, CEO of Repair and Service Centre R.U.S.Z., conducted as part of this study; www.rusz.at

Social enterprises as change-makers to achieve a Zero Waste society

The Good Tribe implements a triple bottom line approach, achieving social and environmental impact as well as financial profit. The Good Tribe defines itself as “a social venture that offers innovative tools to raise awareness and create passion for a Zero Waste society”. Attention is paid to both material resources and human capacity, with creativity playing an essential role to achieve a Zero Waste society.

The Good Tribe has developed an interesting business model generating earned income and based on multiple activities.

It relies mainly on a **fee-for-service model**. Thus, the Good Tribe organises Zero Waste upcycling workshops where the participants create new products of *higher* value from old pieces of garment, textiles, paper and carton. In addition, it offers facilitation and moderation services as well as consulting services, e.g. to help with the development and implementation of a sustainability strategy.

It also produces **goods for sale**. Via its fashion design activities, it notably sells unique pieces made from old clothes.

The structure of the organisation is also quite innovative and flexible. The Good Tribe operates from Austria as a **network of self-employed co-workers** and from Sweden via a limited company. In Austria, it is a member of the HUB Vienna.

One of the founder of The Good Tribe also set up **Zero Waste Jam**, a company which sells jam made, by a **network of franchisees**, from fruits that would otherwise have been thrown away.

Sources: Interview with Evelina Lundqvist, Founder and CEO, The Good Tribe, conducted as part of this study; www.thegoodtribe.com and <http://zerowastejam.com/en/>

119 This will be a joint project of R.U.S.Z., the Association for Consumer Information (VKI), the Consumer Protection Division of Chamber of Labour (AK) and the Ministry of Life.

120 <http://www.wien.gv.at/rk/msg/2013/03/03003.html>