



European  
Commission

# SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country report

**AUSTRIA**

Maria Anastasiadis  
Waltraud Gspurning  
Richard Lang

This report is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Austria based on available information as of May 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual, fiscal and legal framework. It includes an estimate of the number of organisations and outlines the ecosystem as well as some perspectives for the future of social enterprises in the country.

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1<sup>st</sup> edition

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This report provides an overview of the social enterprise landscape in Austria based on available information as of May 2018. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Maria Anastasiadis and Waltraud Gspurning from University of Graz and Richard Lang from Johannes Kepler University Linz were responsible for the revision of the report.

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## Countries included in the three social enterprise mappings by the European Commission

		TYPE	2014	2016	2018-19
1	Albania	Fiche			
2	Austria	Report			
3	Belgium	Report			
4	Bulgaria	Report			
5	Croatia	Report			
6	Cyprus	Report			
7	Czech Republic	Report			
8	Denmark	Report			
9	Estonia	Report			
10	Finland	Report			
11	France	Report			
12	Former Yugoslav Republic of Macedonia	Fiche			
13	Germany	Report			
14	Greece	Report			
15	Hungary	Report			
16	Iceland	Fiche			
17	Ireland	Report			
18	Italy	Report			
19	Latvia	Report			
20	Lithuania	Report			
21	Luxembourg	Report			
22	Malta	Report			
23	Montenegro	Fiche			
24	The Netherlands	Report			
25	Norway	Fiche			
26	Poland	Report			
27	Portugal	Report			
28	Romania	Report			
29	Serbia	Fiche			
30	Slovakia	Report			
31	Slovenia	Report			
32	Spain	Report			
33	Sweden	Report			
34	Switzerland	Report			
35	Turkey	Fiche			
36	United Kingdom	Report			

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## List of acronyms

- > **AMS** Labour Market Service (*Arbeitsmarktservice*)
- > **ApflG** Compulsory Education or Training Act (*Ausbildungspflichtgesetz*)
- > **AWS** Austria Economy Service (*Austria Wirtschaftsservice*)
- > **BEinstG** Disabled Persons Employment Act (*Behinderteneinstellungsgesetz*)
- > **BAO** Austrian Federal Tax Code (*Bundesabgabenordnung*)
- > **Bdv** Federal Umbrella Association for Social Enterprises
- > **BMASK** Federal ministry of labour, social affairs and consumer protection (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz*)
- > **CSR** Corporate social responsibility
- > **DABEI** Umbrella organisation for working integration (*Dachverband berufliche Integration*)
- > **EC** European Commission
- > **ECNL** European Center for Not-for-Profit Law
- > **ECO-WISE** Ecologically Oriented Work Integration Social Enterprises
- > **EFQM** European Foundation for Quality Management
- > **EMES** EMES International Research Network
- > **ENSIE** European Network for Social Integration Enterprises
- > **ESF** European Social Fund
- > **EU** European Union
- > **FH** University for applied sciences (*Fachhochschule*)
- > **FY** Financial year
- > **GBP / BG** Non-profit employment project (*Gemeinnütziges Beschäftigungsprojekt*)
- > **GBPÜ** Non-profit employment project - Public benefit staff leasing (*Gemeinnütziges Beschäftigungsprojekt - Gemeinnützige Arbeitskräfteüberlassung*)
- > **GBV** Austrian Federation of Limited-Profit Housing Associations (*Österreichischer Verband Gemeinnütziger Bauvereinigungen*)
- > **GmbH** Limited Liability Company (*Gesellschaft mit beschränkter Haftung*)
- > **GEMSE** Together more social entrepreneurship (*Gemeinsam mehr social entrepreneurship*)

## 10 | List of acronyms

- > **gGmbH** Public Benefit Limited Company (*Gemeinnützige Gesellschaft mit beschränkter Haftung*)
- > **GRI** Global Reporting Initiative
- > **IB** Integrative Enterprise (*Integrativer Betrieb*)
- > **ICNPO** International Classification of Non Profit Organisations
- > **ICSEM** International Comparative Social Enterprises Models
- > **IFA** Institute for Labour Market Supervision and Research (*Institut für Arbeitsmarktbetreuung und -forschung*)
- > **IGO** Interest Group of Public Benefit Organisations (*Interessenvertretung Gemeinnütziger Organisationen*)
- > **NACE** Statistical Classification of Economic Activities in the European Community (Nomenclature Générale des Activités Économiques dans les Communautés Européennes)
- > **NPO** Non-Profit Organisation
- > **ÖGV** Austrian Cooperative Association (*Österreichischer Genossenschaftsverband*)
- > **ÖNACE** Statistical Classification of Economic Activities in the European Community Austria (Nomenclature Générale des Activités Économiques dans les Communautés Européennes Österreich)
- > **ÖVP** Conservative Austrians People 's Party (*Österreichische Volkspartei*)
- > **ÖSTAT** Austrian Statistical Office (*Österreichisches Statistisches Zentralamt*)
- > **R4E** Recognised for Excellence
- > **SIA** Social Impact Award
- > **SB** Social Business
- > **SBI** Social Business Initiative
- > **SME** Small and Medium-sized Enterprise
- > **SMS** Social Ministry Service (*Sozialministeriumservice*)
- > **SÖB** Socio-economic enterprise (*Sozialökonomischer Betrieb*)
- > **SÖBÜ** Socio-economic enterprise - Public benefit staff leasing (*Sozialökonomischer Betrieb -Gemeinnützige Arbeitskräfteüberlassung*)
- > **SPÖ** Social Democratic Party of Austria (*Sozialdemokratische Partei Österreichs*)
- > **TEP** Territorial Employment Pact
- > **TSO** Third Sector Organisation
- > **VAT** Value Added Tax (*Umsatzsteuer*)

- > **WISE** Work Integration Social Enterprise
- > **WoGen** Housing projects Cooperative (*Wohnprojekte-Genossenschaft*)
- > **WU** University of Economics and Business (*Wirtschaftsuniversität*)

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## Executive summary

### Background

As in many other European countries, the phenomenon of social enterprises has a long history in Austria with roots back to the pre-welfare period. The history of these initiatives is closely linked to the evolution of the Austrian welfare system and to social movements. The development in Austria can be divided in four phases from which four traditions of social enterprises-related organisations have emerged. Among pre-welfare state initiatives there exist bottom-up self-help such as community-led cooperatives, non-profit oriented charitable societies and welfare associations, which reacted on public needs and called for social rights. The phase of the state-centred corporatism was dominated by large non-profit organisations and large cooperatives, which acted as intermediaries between the state and citizens. In the 1970s several activists became promoters of new-bottom-up initiatives in Austria, which are summarized under the term “New Social Movement”. They addressed new needs arising in society in ecological, cultural, social and political concerns and experimented with alternative forms of social and economic practises whereof the tradition of collectively founded social enterprises emerged. Since the 1990s welfare-state-rearrangements have led to a marketisation especially in the delivery of social services. In line with this development, two new trends can be observed: the emergence of social businesses and the creation of community-led cooperatives.

### Concept legal evolution and fiscal framework

The concept of “social enterprises” is not very frequently used in the Austrian context—neither in public nor in professional discourse. Instead German terms are more common such as *Sozialwirtschaft* (social economy) or *Sozialintegrationsunternehmen* (social integration enterprises). In research discourses there exists a variety of international terms and concepts related to the social enterprise concept, such as non-profit organisations, third sector, voluntary sector or social entrepreneurs. However, there is a tendency to use them as synonyms. Hence, there is no consensus in Austria as to what constitutes a social enterprise and, more precisely, where the boundaries around this notion should be placed. Therefore the four different traditions previously characterised serve as the basis for applying the criteria of the EU operational definition. As there is no specific legal form for social enterprises in Austria, those that actually exist—associations, public benefit limited liability companies, and cooperatives—are characterised based on whether they correspond with the definitional criteria. Furthermore, there exist basic fiscal advantages and labour cost subsidies from which social enterprises can benefit.

## Mapping

There is no database in Austria that would allow analysing social enterprise as defined by the EU operational criteria. Therefore, the rough estimation on the spectrum of social enterprise in Austria conducted draws on data from the Austrian Statistical Office and the commercial register, complemented by other sources. Approximately, 1,500 organisations could be identified as social enterprises, including associations, cooperatives and public benefit limited liability companies. An in-depth analysis of various research studies paved the way to sketching the main characteristics of social enterprises in Austria. The results show that they rely on a typical resource mix, have a diverse employment structure—including paid and voluntary work—and act in several fields of activity in order to serve public demands.

## Ecosystem

The ecosystem for social enterprises in Austria is shaped by the interplay among different actors, which influence their development. They include national and local policy makers, organisations promoting and recognising social enterprises' activities, research and education as well as exchange platforms and financial intermediaries. In addition, social enterprise networks constitute an important category of actors due to their self-promoting role and advocacy function. Nevertheless, even if the ecosystem seems well developed it still remains fragmented there is a perceivable demand for sustainable financing structures.

## Perspectives

Social enterprises are an important and growing sector of the Austrian economy. Especially in times of growing social problems, such as migration, demographical changes, and welfare-state reforms currently undertaken by the present right-wing-conservative government, the contribution of social enterprises is expected to become more important. They take over responsibility through generating innovative and demand-oriented services and find ways to sustain them. However, they are confronted with constraining factors, which determine the sustainability of their development, such as limited socio-political support; short-term instead of long-term funding; legal and fiscal uncertainties; limited recognition; and no common understanding of social enterprises, which determines their visibility. Against this background, there is a demand for strategies to optimize the financial and legal conditions as well as to raise the visibility of social enterprises.



# 1


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## BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

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There is a wide spectrum of organisations in Austria, with different aims, ranging from grassroots to more market-oriented forms. Table 1 represents a first delineation of the different traditions of socially oriented initiatives that have emerged and developed in Austria since the 19<sup>th</sup> century. It shows that the social-enterprise phenomenon in Austria has been fed by various traditions in connection with welfare state development and social movements. Drivers such as voluntary engagement, Christian beliefs and values, as well as social workers as key initiating actors are present in all periods. Stable economic development serves to create opportunities for social enterprise development; as for public policy, depending on the period, it can be identified as a driver or as a hindrance.

The emergence of social enterprise has been influenced by political development but in turn, organisations play an important role in shaping societal life as a whole. They contribute to citizen participation and empowerment and they enhance social cohesion, inclusion and job creation. Thus the role of these organisations turns out to be twofold: they serve as “bottom-up” innovators, on the one hand, and as “top-down”-governed service providers on the other. The relationship between the government and the organisations can be characterised in line with Young (2000), as confrontational, complementary and collaborative.



## 16 | Background: Social enterprise roots and drivers

Although the notion of “social enterprise” only entered the public discourse in the late 1990s, a similar phenomenon has a much longer tradition in Austria. The development of social enterprises is strongly linked to the social, political and economic development that find expression in the Austrian welfare state, on the one hand; and to civil society responses and social movements, on the other hand (Anastasiadis 2016). It is crucial to consider these historical trajectories in order to understand the current context of the social enterprise debate in Austria.

For this reason, the development of different traditions of social enterprise-related organisations in the Austrian socioeconomic context is provided. According to the results from a systematic literature review<sup>1</sup>, four phases of development were identified from which four traditions of social-enterprise-related organisations have emerged (Anastasiadis and Lang 2016), which reside within and at the boundaries of the broader social economy: cooperatives, non-profit organisations (NPOs), collective social enterprises and social businesses.<sup>2</sup>

### 1.1. Pre-welfare state initiatives

As in many other European countries, the phenomenon of social-oriented initiatives has a long history in Austria, with roots that date back to the late 19<sup>th</sup> and early 20<sup>th</sup> centuries (Anastasiadis 2006a, Neumayr *et al.* 2007, Pennerstorfer *et al.* 2013). It was a time of growing social needs resulting from industrialisation and two World Wars. It was also a time of emergence of several social movements (the youth movement, women’s movement, the labour movement, etc.), which reacted to these needs and called for social rights and security (Anastasiadis 2016).

In line with this, Austria was, together with Germany, one of the first nations to carry out social security reforms in the Bismarckian tradition. The welfare state in Austria came to be described as a conservative welfare state model, following the typology put forward by Esping-Andersen (Borchert 1998, Tálos 2005, Anastasiadis 2006a). Previously to and during the emergence of the welfare state, bottom-up self-help organisations emerged (including community-led cooperatives and non-profit oriented

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(1) This literature analysis was embedded in the International Comparative Social Enterprises Models (ICSEM) project. The working paper “Social Enterprises in Austria - a contextual approach to understand an ambiguous concept” delivers a detailed discussion on the development of and discourses on different social enterprises types in Austria.

(2) These traditions are not to be mistaken with legal forms. Regarding cooperatives, they are not defined as cooperative organisations from a purely legal perspective but also take into account organisations acting in accordance with cooperative principles and in the tradition of the cooperative movement.



charitable societies), on the one hand; so did top-down-initiated “self-help” welfare associations (organisations reflecting the expanding social and labour market policy), on the other hand. Both played a decisive role in serving public needs, especially in the fields of education, housing, social and health care. Additionally, they had an important political influence on the upcoming social security and welfare systems. They were closely interlinked with public bodies, preparing the ground for a state-centred corporatist system (Melinz 2004).

At this point, it has to be mentioned that the corporatist model in Austria has always had a tendency to incorporate bottom-up social movements. A well-known example in this early period of welfare was the incorporation of the cooperative settlers’ movement into the successful public housing model of “Red Vienna”, during the 1920s (Lang and Novy 2014).

## 1.2. Organisational isomorphism in the state-centred corporatism

After World War II, the corporatist system was institutionalised. With the rise of the Keynesian concept, the welfare state expanded. During this era, large non-profit organisations (NPOs), like *Volkshilfe* or *Caritas*, and large cooperatives, such as *Konsum* and *Raiffeisen*, prevailed, acting as intermediaries between the state and citizens (Lang and Novy 2014). Many cooperatives and civil society organisations that were initially founded with a strong social purpose gradually transformed into either purely commercial enterprises or were integrated into the mainly state-financed welfare sector as service providers (Melinz 2004, Anastasiadis 2006b). In this period, tendencies towards “organisational isomorphism” and standardisation are observable, as well as a resistance to bottom-up social innovations induced by actors such as community-led initiatives (see Esping-Andersen 1999, Lehner 2011).

The welfare and social security systems in Austria worked comparatively well at that time, with generous benefits and good-quality services. Thus, it can be assumed that Austrian residents did not tend to actively request social change and saw no need for increased self-responsibility in general-interest service provision at that time. The existing system has also been defended by strong interest groups such as trade unions or the chambers of commerce and labour, as is typical for a corporatist system (Palier 2010, Lehner 2011).

Another characteristic of Austrian socially-oriented initiatives is their party-related fragmentation, especially for certain sub-sectors such as care services or housing (see Anastasiadis 2006b, Simsa *et al.* 2006, Lang and Novy 2014): many organisations

## 18 | Background: Social enterprise roots and drivers

were supported either by the Social Democratic Party (SPÖ) or by the conservative Austrian People's Party (ÖVP). The church also played an important role in running a group of NPOs (e.g., in care services), which were often affiliated with the ÖVP (Neumayr *et al.* 2007).

### 1.3. New Social Movement and welfare pluralism

In the late 1970s and early 1980s, this state-centred welfare system started to change. In line with the so-called “New Social Movement”, ecological, cultural, social and political awareness raised among Austrian citizens, which led to the founding of smaller self-help organisations experimenting with alternative forms of social and economic practises (Anastasiadis 2006b, Simsa *et al.* 2006, Neumayr *et al.* 2007). They emerged as collectively founded social enterprises in the niches left open by traditional NPOs, using resources not specifically earmarked for social service provision (Borzaga and Defourny 2001).

This movement can be viewed as an expression of dissatisfaction with the mostly state-driven system. An additional driver can be seen in new needs arising in society, such as a rising unemployment rate, which led to gaps in general-interest service delivery. The new organisations associated with the self-help culture of the traditional cooperative movement began to take over more responsibility from the state with the aim to complement state provision and force the state to improve its own policies. Evers and Olk (1996) articulated this change with the notion of “welfare pluralism”. A main feature of this strategy was a partnership-based cooperation between the state and the organisations: the state provided support, but the organisations designed and delivered the services needed. This period was described by several researchers as a highly innovative time, when political decision makers developed services and measures in cooperation with organisations. The experimental labour market policy can be viewed as an example of this innovation. It prepared the ground for the subsequent evolution of work integration social enterprises (WISEs) (Zauner 2006, Lechner *et al.* 2016, Anastasiadis 2016).

## 1.4. Rearrangement of responsibilities in the welfare market

In the mid-1990s, Austria joined the EU; this event can be seen as having triggered a mainstreaming of national social enterprise practises, in line with internationally promoted terms and concepts related to civil society (Beck 1993, Giddens 1998). At the same time, the welfare-market concept found its way into the Austrian context. Since then, there has been a clear tendency in the country towards downsizing the welfare state (see Meyer 2009, Anastasiadis 2006b).

Between 2000 and 2006, liberal social policy reforms were undertaken by a right-wing conservative-populist government, which aimed to implement tighter controls and sanctions for beneficiaries of the social security system (Tálos 2005, Stelzer-Orthofer 2011). These reforms were only marginally withdrawn by the social-conservative government between 2006 and 2017 (Anastasiadis 2016). Moreover, researchers observed a trend towards privatisation and outsourcing of public services under more restrictive conditions (Dimmel 2012).

To increase the transparency and efficiency of the subsidies granted to organisations, performance-related contracts replaced lump-sum subsidies to a large extent (Melinz 2004, Dimmel 2012). Professionalism, competition, effectiveness, and efficiency were the corresponding catchwords. As a consequence, traditional NPOs started adopting more market-based approaches (charging service fees, passing performance-based contracts, etc.) (Neumayr *et al.* 2007), thus moving in the direction of a more social-enterprise-like approach, which stimulated social enterprise development.

NPOs started to establish economic ventures to generate earned income, whether from government contracts or from the sale of goods and services. Caritas' "Magdas Hotel" can be mentioned as an example hereof<sup>3</sup>. Further, the strong affiliation of NPOs to political parties gradually eroded (Pennerstorfer *et al.* 2013). Similarly, the remaining large cooperatives started to implement professional management structures and to focus more on economic efficiency (Lang and Novy 2014), which reduced member and community influences in daily organisational life (Melinz 2004).

In contrast to the dominant top-down paternalist culture of mainstream cooperatives, some community-based cooperatives have been founded since about 2000. Although small in size and absolute numbers, these new cooperatives, operating in fields such as collaborative housing, local service provision or technology education, are characterized by pronounced social aims, community participation, and innovative entrepreneurial approaches (Lang and Roessler 2011, Fink *et al.* 2017, Lang and Stoeger 2018).

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(3) <https://www.caritas-wien.at/shops-service/magdas-hotel/>

Additionally, entrepreneurial social businesses emerged in Austria at the beginning of the present decade. These tend to be small-sized businesses with a social mission, founded mainly by young start-ups (Vandor *et al.* 2015). For this “new generation” of organisations, market-income generation is seen as necessary and valuable and as more sustainable than public subsidies (Schneider and Maier 2013, Vandor *et al.* 2015). This indicates a different tradition, compared for instance to the social-enterprises types that emerged in the welfare-pluralism period, such as WISEs, which mainly rely on a collective basis and on a resource mix.

In summary, since the mid-1990s, the conservative welfare state model has gradually changed into a more liberal one. This clearly goes hand in hand with a marketisation of the field and a higher level of responsibility for the organisations to solve growing societal problems, such as migration, demographic change and marginalisation of rural communities, through generating innovative services and finding alternative ways to finance them. What influence the 2017 newly elected right-wing conservative-populist government will have on further development will have to be observed carefully. Some trends will be outlined in section 5.

## 1.5. Social enterprise traditions

As the briefly sketched historical trajectories show, different traditions behind socially oriented initiatives with various legal forms have emerged over time.<sup>4</sup> Table 1 differentiates between the longest-standing traditions and younger traditions. Initiatives with the longest-standing traditions are cooperatives and NPOs. Younger traditions have given rise to new types of collective social enterprises, such as WISEs (or other income-generating organisations without a profit-maximising goal) in several action fields and social businesses in the form of young start-ups with a social aim.

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(4) A typology alongside legal forms is developed in section 2.2, which will serve as a basis for the mapping section.

Table 1. Social enterprise traditions in Austria

	Longest-standing traditions		Younger traditions		
Social enterprise traditions	Cooperatives		NPOs	Newly established collective social enterprises	Social businesses
Characteristics	Community-led cooperatives with a focus on social aims and a community and common-good orientation	Large cooperatives with a focus on social aims and a public-benefit orientation (mainly limited-profit housing)	Collectively founded non-profit organisations with a self-help as well as a public-benefit orientation, active in several action fields	Collectively founded non-profit-maximising organisations with a public-benefit orientation, active in several action fields	Mostly individually-driven young start-ups with a social mission

Source: Adapted from Anastasiadis and Lang 2016.

As far as cooperatives are concerned, in this report, they are not defined from a purely legal perspective, but also take into account organisations acting in accordance with the cooperative principles and in the tradition of the cooperative movements.<sup>5</sup> Two major streams are apparent, namely community-led cooperatives and large cooperatives. Community-led cooperatives are characterised by strong member and community influence in governance and by innovative entrepreneurial leadership, as the example in illustration 1 clarifies.

## Illustration 1. SMartAT

SMartAT illustrates the social-enterprise type of small community-led cooperatives in Austria. SMart (which is the acronym for “*société mutuelle pour artistes*”) operates in the sector of the arts and culture. It was originally developed in Belgium, in 1998, for artists and creatives, in order to improve their working conditions in the broader field of the social economy. The Austrian SMart (SMartAT) started to operate in 2014 in Vienna. In 2015, the SMartAT limited profit cooperative was founded.

SMartAT takes over a majority of the administrative tasks that artists and other creatives must perform and thus provides support in a field where short-term,

(5) See also <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

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temporary and project-related contracts are a given fact. SmartAT offers three service tools:

- > *SMartProduction* carries out the administration and financial management of activities and projects.
- > *SMartAdmin* assists groups and individuals with the financial administration of their activities and projects.
- > *Insurance packages*: in cooperation with a large Viennese insurance company, SMart chooses insurance packages that are particularly useful for artists and other creative workers.

According to the Austrian Cooperative Association (ÖGV), SMartAT serves 38 artists and creatives. SMartAT has eight employees, corresponding to 4.5 full-time equivalents.

The legal form of cooperative ensures that the project is equally owned by all its members and thus operated in accordance with the principles of democratic leadership and active participation of its members. The cooperative form also guarantees that profits are fully reinvested in order to expand services and support artists. The vision of SMartAT is to combine new forms of practical solidarity with risk minimising and shared economy. The members of SMartAT finance to a large extent the organisation. The statutes of SMartAT determine a value of 50 EUR per share. Each member has to buy at least one share. The percentage of self-generated income is, according to the stakeholder questionnaire delivered in the framework of this mapping update, higher than 25%.

Together with eight other autonomous country organisations in Europe (in Belgium, Germany, France, Spain, Italy, Hungary, the Netherlands and Sweden) SMartAT belongs to the international network of SMart, which facilitates artists' mobility and the implementation of international projects through the exchange of expertise, networking and research.

<http://www.smart-at.org/>

More information: ÖGV 2017.

Although the roots of many large cooperatives can be traced back to community-led movements, by now, many have implemented corporate models and entrepreneurial mechanisms in management. More importantly, some of these large cooperatives, primarily in the housing sector, still have a strong social mission and also involve certain stakeholders in their governance, as the example in illustration 2 shows.

## Illustration 2. BWS and so.vie.so

BWS (*Gemeinnützige allgemeine Bau-, Wohn- and Siedlungsgenossenschaft reg. Gen.m.b.H*) provides a good example of a large limited-profit cooperative. Through its project “so.vie.so”, it implements traditional cooperative principles in the social housing sector.

BWS was founded in 1911 in Vienna with the aim to create small apartments for socially deprived people. In 1914, the first apartments were built in Vienna, followed by further ones in other Austrian municipalities. Today BWS administrates 22,000 apartments throughout Austria and it has about 140 employees.

BWS' main fields of activity are the planning and managing of schemes for subsidised social housing and communal facilities, large-sized energy-saving measures, loft conversions and house management. The purpose of the company such as it is defined by its statutes is to provide its members with apartments of appropriate quality at an appropriate price and to administrate these apartments.

BWS thus mainly serves the cooperative members. In order to achieve the right to buy or rent an apartment, each cooperative member has to buy a certain number of shares (the number is determined by the management board) when entering the cooperative.

As a public-benefit housing cooperative, BWS benefits to a large extent from public funding, via residential building subsidies (*Wohnbauförderung*), which are paid for the building of new apartments in Austria. Furthermore, the residents contribute to the revenues of BWS through their acquisition of membership shares.

So.vie.so (the acronym for “Sonwendviertel Solidarity”), one of the latest projects by BWS, was realized between March 2012 and December 2013 in Vienna, in the immediate neighbourhood of the new main train station. So.vie.so reflects a revival of traditional cooperative principles, such as resident self-organisation and communal living. Participation opportunities were and are provided for the residents in the planning process (which was externally facilitated and kicked off three years before the actual completion of the scheme), as well as in the on-going management of the scheme. The residents engage in specific working groups, such as (rooftop) gardening or fitness classes, and manage respective communal areas. The idea of this professional “community coaching” was to sharpen residents' awareness of their immediate social environment through regular meetings and workshops where they get to know their neighbours' needs and interests. In so.vie.so, the residents are organised within a tenant's advisory board. That kind of participation goes well beyond what is offered in mainstream cooperative and limited-profit housing in Austria.

<http://www.bwsg.at>; <http://www.sovieso.at>

More information: Lang 2016.

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The spectrum of NPOs includes self-help as well as general-interest initiatives in several fields, reaching from traditional welfare organisations to locally-based self-help associations, and public-benefit (*gemeinnützige*) foundations. In recent years, some NPOs have increasingly been using market-based approaches: these organisations can be considered as “social enterprises emerging from the non-profit sector”. Such development is indicative of the dynamics at work in the sector and reveals overlaps between the different traditions, as the example in illustration 3 shows.

### Illustration 3. *Volkshilfe Austria and Volkshilfe Steiermark gGmbH*

Volkshilfe is one of the Austrian key players in the social and health sector and provides an example of a social enterprise derived from the NPO tradition. Volkshilfe operates as an association; it was founded in 1947 with a focus on providing care for the population that suffered, after World War II, from hunger, unemployment and health problems. Today Volkshilfe Austria employs 9,000 paid employees and 25,000 volunteers throughout the country.

Since its inception, Volkshilfe Austria has served all groups in need of care (from children to old people), and groups who are threatened by poverty and exclusion. It is thus connected to the policy areas of social affairs, care, integration and employment.

As its core fields of activity, Volkshilfe Austria cites foster and care, poverty, asylum and integration and employment. Beyond the Austrian projects and services in child care, elder care, legal advice services, refugee relief and disaster relief, it operates internationally by providing humanitarian help in acute crises and cases of emergency; it is also active in development cooperation with a view to creating sustainably better conditions for people who live in poverty. The overall aim of Volkshilfe is to contribute to a socially fair world.

As one of the leading NPOs in Austria, Volkshilfe has an important political voice and seeks dialogue with politicians. In 2016, for instance, it published a position paper on the poverty of children in which several political demands were made. Another socio-political instrument is the so-called “social barometer” (Sozialbarometer), a survey conducted by Volkshilfe and SORA (an opinion research centre), by which the Austrian population is regularly asked about relevant socio-political issues, e.g. solidarity in the society or public awareness of care and foster.

Volkshilfe Steiermark is one of today’s nine sub-organisations of Volkshilfe (one in each province). Together with five other provincial organisations, it was also founded in 1947. While Volkshilfe Österreich operates as an association, Volkshilfe Steiermark is



structured as an association and public-benefit limited liability company. The association Volkshilfe Steiermark is the owner of the Volkshilfe gGmbH. The latter delivers services in four fields of activity which are subdivided into further projects and institutions:

- > home care;
- > residential care;
- > assisted living;
- > pre-school and school child care.

Volkshilfe Steiermark employs 2,800 paid employees. It generates 117 million EUR turnover per year, more than 25% of which are generated by market activities, according to the stakeholder questionnaire. Donations are a further important financing source for Volkshilfe Steiermark.

<https://stmk.volkshilfe.at/>; <https://www.volkshilfe.at>

The younger initiatives—newly-established collective social enterprises and social businesses—rely on an earned-income business model, as shown in illustration 4. Therefore, they are understood by some researchers as all belonging to the same category—namely that of “social businesses” (Vandor *et al.* 2015). The suggested differentiation between new types of collective social enterprises and social businesses intends to highlight the rather individual-driven governance culture of the latter, as compared to the collectively-founded social enterprises set up during the welfare-pluralism period. This differentiation corresponds to current national and international debates on social entrepreneurship (Benadusi *et al.* n.y, Nicholls 2008, Balgar 2011).

## Illustration 4. *Reparatur- und Service-Zentrum (R.U.S.Z)*

R.u.s.z, is a key player in the Austrian social enterprise sector. It is a WISE that was born from the tradition of collective social enterprises, but which subsequently evolved into a social business.

The repair and service centre R.U.S.Z. was founded 1998 in Vienna. Until 2007 it operated as a SÖB (see section 4) and was thus funded to a large extent by the Austrian Labour Market Service (AMS). In 2008, it was transformed into a limited liability company (GmbH) without public benefit status. Another entity—“R.u.s.z-Association”—is also integrated into the company. It is responsible for the promotion of the social economy (notably through undertaking studies) and for managing EU projects. Recently, a second location of the repair and service centre has been opened in Graz.

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R.u.s.z. generates 95% of its income through market activities. It employs overall 25 people in its two legal entities. In the repair and service centre, mostly long-term unemployed mechatronics are employed.

R.u.s.z. provides repair services for electric and electronic devices, especially for household appliances, consumer electronics and IT equipment. Furthermore, it sells certified household appliances, audio and video devices and IT equipment. Through the “Clean Clothes” (*Saubere Wäsche*) service, clients can rent washing machines from the company, which, in turn, guarantees a yearly technical service. And last but not least, R.u.s.z runs a weekly Repair Café in Vienna where clients can bring small devices and repair them themselves under the guidance of a R.u.s.z-staff.

R.u.s.z pursues mainly social, economic and ecological objectives, according to the generally accepted principles of sustainability. It engages in lobbying for RREUSE in Austria and the EU. It was among the initiators of the Austrian umbrella organisation RepaNet and its EU equivalent RREUSE, which represent social enterprises with activities in reuse, repair and recycling. When the manager of R.u.s.z was the president of RREUSE, he fought successfully for consideration to be given to local needs in EU legislation. A concrete example of a measure achieved is the prioritised right of social enterprises (*sozialwirtschaftliche Unternehmen*) to cherry-pick used appliances from communal recycling yards.

Furthermore, R.u.s.z engaged in a multi-annual media campaign against planned obsolescence. It co-developed the worldwide unique label for durability and reparability of electric and electronic devices (ONR 192102:2014). R.u.s.z can also be seen as one of the drivers for the 2014 Action plan published by the European Commission to foster a circular economy instead of a growth-oriented economy.

<https://www.rusz.at>


# 2

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## CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

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When applying the EU operational definition, only the tradition of community-led cooperatives and the one of collectively founded social enterprises meet the social, economic and participatory governance criteria according to their key features. But also cooperatives, NPOs and social businesses can be considered as social enterprises in some cases, depending on their prioritisation of the social aim, their economic activity and legal form. Regarding the legal forms, cooperatives and public-benefit limited liability companies meet the criteria to a high degree. This is not so clear in the case of associations. Even when they are acting in a social field of activity they often do not have an economic activity and rely on voluntary work. Nevertheless, the legislation in Austria provides several fiscal advantages and labour cost subsidies, when serving a specific target group or providing specific services. These can be applied by all traditions and by most of the legal forms.



## 2.1. Defining social enterprise borders

### 2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition put forward by the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers, and stakeholders affected by its business activity.

This definition classifies the key features of social enterprise along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to the governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can combine in different ways, and their balanced combination matters most when identifying the boundaries of the social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them for the purpose of the current phase of the study (see Appendix 1 for further details).

### 2.1.2. Application of the EU operational definition of social enterprise in Austria

When applying this operational definition in Austria, it first has to be underlined that the term “social enterprise” is not very frequently used in the Austrian context—neither in research nor in public and professional discourse. The German terms that are most commonly used instead are those of “social economy” (*Sozialwirtschaft*), “social-integration enterprises” (*Sozialintegrationsunternehmen*), “public-benefit organisations” (*gemeinnützige Organisationen*) and “cooperatives” (*Genossenschaften*) (Anastasiadis and Lang 2016).

Research discourses in and on Austria are dominated by a variety of mostly international terms and concepts, which are somehow related to the social enterprise concept, such

as those of NPOs, third sector, voluntary sector or social entrepreneurs. The terms social enterprise, social entrepreneurs and NPOs are in many cases not discussed separately in Austrian literature. In fact, there is a tendency to use them as synonyms (Lehner 2011, Millner *et al.* 2013). The academic use of these terms is also affected by the particular scope of research: business and management studies tend to focus on social entrepreneurship and non-profit management, while social scientists rather concentrate on typical social enterprises such as WISEs (Leeb 2003, Heitzmann 2004, Anastasiadis and Lang 2016). The academic discourse on cooperatives has traditionally been separate from NPOs and social enterprises.

Additionally, the understanding of these terms obviously differs depending on the policy actors concerned. Politicians and public authorities tend to view social enterprise according to their specific public policies and competence categories (e.g., economy or social affairs). For instance, Austrian policy makers still tend to think of social enterprise as referring only to work integration social enterprises, which have long been a flagship instrument of Austria's active labour market policy (for details on this, see section 4). In recent years, interest in social enterprises has grown in the ministry of economic affairs, but in this case, the interest focuses on the wave of social start-ups.

Hence there is no consensus in Austria as to what constitutes a social enterprise and, more precisely, where the boundaries of this notion should be placed. As an alternative to the above-mentioned approaches, it is useful to draw first on the four different traditions of socially-oriented initiatives that emerged in the Austrian historical context (see table 1), and to analyse whether or not the different traditions of socially-oriented initiatives meet the criteria of the EU operational definition (table 2). In a second step, an approach based on the main legal forms that correspond to the criteria of the operational definition is adopted. This legal typology will also serve as a basis to quantify the scope of the social enterprise sector in Austria, which will be done in section 3.

**Table 2. Matching the traditions of social enterprise in Austria with the EU operational definition**

Indicator	Longest-standing traditions			Younger traditions	
	Community-led cooperatives	Large cooperatives	NPOs	Newly established collective social enterprises	Social businesses
<b>Social dimension</b>	Yes	Depends on the sector, primarily in housing	Yes	Yes	Depends on the primacy of the social aim
<b>Economic dimension</b>	Yes	Yes	Depends on the use of marked-based approaches	Yes	Yes
<b>Participatory governance</b>	Yes	Limited	Yes	Yes	Depends on the legal form

Source: Authors' analysis.

According to their key features, *community-led cooperatives* and newly established *collective social enterprises* come close to the EU operational definition, as they display many of the indicators. Their primary objective is to achieve social impact rather than generating profit for owners and shareholders, as is typical for WISEs. Furthermore, many of them act under the legal form of an association or a public-benefit limited company (*gemeinnützige GmbH*) (see sections 2.2 and 3.1). Both these types promote a participatory governance strategy.

This is not so clearly the case for *social businesses*, as some of them chose the legal form of sole proprietorship (*Einzelunternehmer*) (see section 3.1), which does not necessarily feature a participatory governance strategy. Furthermore, the primacy of the social goal seems not to be clear in some cases. Consequently, only social businesses set up as public-benefit limited companies meet the social and participatory governance criteria.

NPOs cannot be considered as prototypical social enterprises on a conceptual level, given their traditional strong dependence on public subsidies. Furthermore, many organisations rely mainly on membership fees, donations and voluntary work. In this context, however, it should be underlined that, in recent years, a significant number of NPOs have increasingly been using marked-based approaches and moving from the association status to a public-benefit limited company form, thus shifting towards a stronger entrepreneurial stance. These initiatives meet the indicators to a very large extent and can be considered as “social enterprises emerging from the NPO sector”.

As already mentioned in section 1, many *large cooperatives* that had initially been founded as social-purpose organisations have, over time, transformed into purely commercial enterprises (e.g. credit or consumer cooperatives). Therefore, they do not meet the social and participatory dimension of the social enterprise definition anymore. But there are also some large cooperatives that still come close to the EU operational definition. These are cooperatives in the social housing sector, which are also labelled as “limited-profit housing associations” (*gemeinnützige Bauvereinigungen*). They operate under the Limited-Profit Housing Act. Their pronounced social mission is reflected in the fact that their profit distribution is limited and in their explicit focus on providing affordable and cost-rent housing for a wide range of households in terms of income levels (Ludl 2007). They have implemented corporate management approaches and member and resident participation has been limited over the years (Lang and Novy 2014). Against this backdrop, the participatory dimension might be limited.

## 2.2. Legal evolution

In Austria, a particular legal form for social enterprise does not exist, and the term is not even explicitly used in corporate law. Thus, the initiatives belonging to the different social enterprise traditions identified above are incorporated in the country under one of the following available legal forms:

- > public-benefit limited company,
- > association,
- > cooperative.

### Public-benefit limited company

Among existing legal forms, the public-benefit limited company (*gemeinnützige GmbH or gGmbH*) is the one that comes closer to the concept of social enterprise (Lehner 2011). The gGmbH is a company established to pursue public-benefit goals. It is principally governed by the law on limited liability company (GmbH-Gesetz 2018) and it is by law a conventional enterprise. Therefore, the economic activity is a core goal of the company (Austrian Business Agency 2018). The law on limited liability companies does not rule the public-benefit purpose. Instead the possibility for GmbH to be granted the public-benefit status has been developed in tax law (see section 2.3); such possibility is also offered to initiatives operating under other legal forms, such as foundations.

To achieve tax benefits, the companies must demonstrate a public-benefit purpose, such as pursuing the work integration of disadvantaged workers, delivering social services or

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qualification services for disabled persons<sup>6</sup>, as it is the case in the example described in illustration 5. The tax authorities granting the preferential treatment will verify that the activities carried out indeed help pursue the public-benefit purpose. As far as the economic dimension is concerned, the gGmbH may generate profits. However, these must remain within the organisation.

A gGmbH is owned by several shareholders, which could be public entities or other social enterprises; and an association can be the owner of one or more gGmbH. Shareholders are involved in decision-making, especially in the general assembly. Additional supervisory boards, which represent other stakeholders' interests, are generally not needed. Therefore, democratic and participatory governance is limited in this legal form, making it less suitable for community or citizen-based social enterprises. For instance, a group of citizens or neighbourhood community, as the producers or recipients of a service, can only have an indirect voice in the governance, e.g. through an association that becomes a shareholder of the *gemeinnützige GmbH* (Rößl *et al.* 2010).

### Illustration 5. Innovia

Innovia is a social enterprise operating under the legal form of a public-benefit limited liability company (gGmbH). It is located in Innsbruck, the capital of the province Tirol, and it was founded in 2007. Its primary aim is to contribute to providing equal opportunities for people with disabilities and learning disabilities, refugees and migrants by offering them qualification and training services. Therefore, the main policy areas are employment and education. Innovia is organised in teams, and each team works on different projects addressing the equality of opportunities. The heads of the projects act at the same time as counsellors, coaches and trainers. The overall project name is "Job fit" and it is divided into five sub-projects:

- > Job fit for employees, offering extra occupational qualification services;
- > Job fit for companies, offering information, counselling and coaching for companies;
- > Job fit for girls;
- > Job fit for autists;
- > Inclusive occupational and educational information at the two Tyrolean job fairs "Visio" and "Best".

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(6) Some social enterprises do not apply for the public benefit status and operate as normal GmbH. However, they are bound via funding schemes and organisational bylaws to reinvest their profits in the enterprise.



As the list of sub-projects shows, Innovia also supports companies, including public authorities, through sensitising, counselling and training in dealing with disabled, learning disabled, refugees and migrants. The aim is to raise the awareness about the situation of those people and to recognise their potential and chances in the labour market.

Furthermore, Innovia runs a youth coaching project, which is a counselling service for youth who suffers from personal or labour-related crises in the transition between school and employment.

Innovia produced a common-good balance sheet for the years 2013 and 2014. According to this, the company employs between 24 and 26 workers, including two managers and 2 to 4 trainees, corresponding in total to 16 full-time equivalents.

According to the common-good balance sheet, Innovia generated a turnover of approximately 900,000 EUR and an asset of 7,000 EUR in 2013. It is mainly financed by public authorities (above all the “*Sozialministeriumsservice*”), and additionally financed through various EU funds supporting short-term projects. Self-generated income amounts, according to the stakeholder questionnaire, to less than 25% of the yearly turnover and comes mainly from the sales of workshops and advanced trainings.

<http://job-fit.innovia.at>

## Association

An important legal form is that of association (*Verein*). It is less market-oriented than the *gGmbH* but it has a strong focus on democratic decision-making and it allows for flexible membership. It is typical of all kinds of initiatives established in a bottom-up tradition, which is an important criterion also for many social enterprises in Austria (Anastasiadis 2013b). An association is per law defined as a non-profit organisation with a general-interest orientation. Even if the core goal of an association is not to generate profit, the law allows associations to sell services and goods as long as the profits made are re-invested in the organisation to serve the defined public interest. Associations are liable for taxation and damages and in general the association guarantees for the asset. Further, the management body has to provide an overview of the yearly revenues and expenditures, which is observed by accountants of the organisation. If the revenues or expenditures are higher than 3 million € in between two years or if the income on donations is more than 1 million € in between two years the association has to provide a balance sheet which is proved by external accountants. In case of cease of the association the asset has to be used as defined in the by-law of the association wherein the specific public interest the organisations serves is also defined (Vereinsgesetz 2018). Based on these facts, associations are

allowed to perform as social enterprises. Nonetheless, since many associations rely exclusively on voluntary work and donations in Austria, not all of them fully meet the economic criteria. Additionally, within the spectrum of activities, which is very broad, the social goal—such as work integration, social care delivery, etc.—is one of many objectives.

### Cooperative

Another possible legal form is that of cooperative (*Genossenschaft*), which has a long tradition and still plays an important economic role in the country in various fields of the market. This is also a form adopted by a significant number of social enterprises, for example in the social housing sector (Lang and Novy 2014). In principle, the hybrid character of a cooperative organisation makes it an ideal and typical legal form for a social enterprise, as it combines elements of the member-based association and the limited liability company. According to Austrian legislation, the principal objective of a cooperative is the promotion of members' economic activities (Miribung and Reiner 2013, *Genossenschaftsgesetz* 2018). However, this does not rule out the possibility for cooperatives to pursue social goals too.

Each cooperative must join an auditing association (*Revisionsverband*), which presents both advantages and disadvantages. On the one hand, the compulsory regular auditing enhances the sustainability and reliability of the business for members and external partners. On the other hand, the association membership fees are relatively high for small cooperatives. Until recently, the choice of the auditing association was rather limited, in a sector traditionally dominated by large, more market-oriented cooperatives intertwined with political interests.<sup>7</sup> In 2016, a new auditing association was founded, which aims to represent cooperatives oriented towards the common good (*Gemeinwohl*).<sup>8</sup>

In Austria, all cooperatives have to implement a two-tiered governance structure that must include a general meeting (*Generalversammlung*) and a management board (*Vorstand*). According to legislation, the management of the cooperative is directed by its members and the board is exclusively appointed from the membership (Miribung and Reiner 2013). The capital of a cooperative is variable; this is consistent with the principle of open membership. Since recently, investor membership has also been

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(7) The three dominant cooperative auditing associations are the Raiffeisen Association (*Raiffeisenverband*), the Austrian Cooperative Association (*Österreichischer Genossenschaftsverband*, ÖGV), and the Austrian Federation of Limited-Profit Housing Associations (*Österreichischer Verband Gemeinnütziger Bauvereinigungen*, GBV). Especially the Raiffeisen Association is a significant player within the political system in Austria.

(8) "Rückenwind - Förderungs- und Revisionsverband gemeinwohlorientierter Genossenschaften" (*Tailwind - Association for promotion and auditing of cooperatives for the common good*); see also <http://www.rueckenwind.coop>

allowed. The focus on profits is encouraged by the law so that the cooperative remains economically viable and competitive. Profits are mostly allocated to the reserve fund; paying dividends is an exception (Miribung and Reiner 2013). Cooperatives regulated by the Limited-Profit Housing Act (i.e. *gemeinnützige Wohnbaugenossenschaften*) are limited in the distribution of their profit and have an obligation to reinvest gains into affordable housing construction and refurbishment (Ludl 2007).

As operational foundations do not play a significant role in Austria, this legal form is not included here. Some foundations provide capital for social enterprises. These are mentioned in section 4, as they operate within a specific ecosystem.

Section 3.2.4 presents research on the use of the main legal forms available to social enterprises in Austria. The following table gives an overview showing whether or not the legal forms mentioned above meet the criteria of the EU operational definition.

**Table 3. Matching legal forms with the EU operational definition**

Definitional categories	Public benefit limited company	Association	Cooperative
<b>Social dimension</b>	Only when acting in a social field of activity such as health and social work, education and other community, social and personal services (cultural activities, sports, etc.)	Only when acting in a social field of activity which implies the delivery of services such as health and social work, education and other community domains (cultural activities, sports, etc.)	Only when acting in a social field of activity, such as housing, environment or culture
<b>Economic dimension</b>	Yes	Only when having an economic activity, such as an activity generating income on the market (e.g. via public contracts)	Yes
<b>Participatory dimension</b>	Generally yes (when they are bound—by law in the case of WISEs or according to bylaws in other cases—to reinvest their profits in the enterprise)	Yes	Yes

Source: Authors' analysis.

## 2.3. Fiscal framework

### 2.3.1. Fiscal advantages

The legal status of *Gemeinnützigkeit* (best translated as “public benefit” or “public interest”) plays a significant role for organisations with social aims in Austria, providing them with tax incentives (§§34-47, Bundesabgabenordnung 2018). This status can be obtained by all legal forms except cooperatives. Cooperatives in Austria still cannot be recognised as public-benefit (*gemeinnützige*) organisations according to the Austrian Federal Tax Code (*Bundesabgabenordnung*) (Miribung and Reiner 2013)<sup>9</sup>, but those operating under the limited-profit act are exempt from corporation tax (Moreau and Pittini 2012).

The legal framework of *Gemeinnützigkeit* provides that tax benefits are granted to any organisation (be it an association, a GmbH limited-liability company, a church or a foundation) that pursues a public-benefit goal and whose assets are solely and directly used to further this goal. A purpose is deemed to be a public-benefit goal “when its implementation supports the community at large in intellectual, cultural, moral or material terms (promotion of health care, art and science, care for the elderly, public education, nature etc.). A group of individuals is not considered as the general public when there are close ties between the beneficiaries and the organisation, or when the number of eligible beneficiaries is insignificant” (ECNL 2012: 34). The concrete tax benefits—either tax reductions or tax exemptions—are defined in the tax laws and concern the corporate tax, the municipal tax, the VAT, and the land and the inheritance tax.<sup>10</sup>

In addition, “[the public-benefit organisation] may not generate profit or pay dividends to its shareholders; [it] may not pay its shareholders, following the termination of the organisation, more than their paid-up equity share and the fair market value of their contribution; it may not have overhead costs exceeding 8% of its annual income; and, in case of dissolution, the remaining proceeds of the organisation must be destined for public-benefit purposes” (ECNL 2012: 34).

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(9) Although experts have argued that this unequal treatment cannot be upheld – especially after the introduction of the SCE as a cooperative that can pursue social aims and act in the public benefit – the Austrian Federal Ministry of Finance continues to take this view (Röbl and Reiner 2010; Miribung and Reiner 2013).

(10) Corporate tax (Körperschaftsteuer, tax reduction -§1, 5, 21, Freibetrag, §23 Körperschaftsteuergesetz); municipal tax (Kommunalsteuer - tax exemption - §8, Abs 2 Kommunalsteuergesetz); VAT (tax exemption - §6, Z14, 25, Umsatzsteuergesetz); land tax (Grundsteuer and Bodenwertabgabe - tax exemption - §2, Z3(b) Grundsteuergesetz; §3, Abs 1 Bodenwertabgabegesetz); inheritance tax (Erbchafts- und Schenkungssteuer - tax exemption - §15, Abs 1, Z14, 14a Erbschafts- und Schenkungssteuergesetz).

Some of the experts consulted share the opinion that only few social enterprises apply to obtain the legal status of *Gemeinnützigkeit*, due to the inflexibility of this status. For example, if an organisation lose this status following controls by the tax office, it is forced to pay back the tax benefits, which generates financial challenges for the organisation. This legal status will also be analysed in section 5, where the results from the stakeholders' meeting are presented.

### 2.3.2. Labour costs subsidies

In Austria, there are support schemes providing enterprises in general—not specifically social enterprises—with employment subsidies, such as the payment of indirect labour costs, which are, for the most part, social insurance costs. These support schemes can be used by all social enterprises equally and are not limited to a specific legal form or a specific service. Other public support schemes, which are dedicated to workers disadvantaged in the labour market (such as Employment Initiative 50+ and Action 20.000), are outlined in section 4.

The first category of subsidies targets the (re)integration of unemployed or other hard-to-place groups into the labour market. It includes the “employment subsidy” (*Eingliederungsbeihilfe*) and the “employment bonus” (*Beschäftigungsbonus*). The Disabled Persons Employment Act (*Behinderteneinstellungsgesetz*) can also be considered as belonging to this first category, although this law does not prescribe a public payment of labour costs but rather a penalty tax for enterprises that fail to comply with the law.

- > Employment subsidy (*Eingliederungsbeihilfe*, or “Come back”)  
This labour cost subsidy is provided by the Labour Market Service (AMS) for all enterprises—not only social enterprises—that hire unemployed people over 45 and long-term (at least six months) unemployed people. The employer and the AMS individually agree on the amount of the subsidy (see AMS 2018).
- > Employment bonus (*Beschäftigungsbonus*)  
This policy provided for the reimbursement of 50% of indirect labour costs for all enterprises—not only social enterprises—for each additional job created since July 1, 2017 for the unemployed, for “job-switchers”, and for people having taken part in a specific law-defined educational programme. On December 31, 2017, this policy ended, and it is currently unclear whether (and when) it will be established again under the new government (see AWS 2018).
- > Disabled Persons Employment Act (*Behinderteneinstellungsgesetz*)  
This law requires enterprise to employ disabled people and provides for support to enterprises that comply with such obligation. For the disabled themselves, the law includes protective rights, when they are defined as “benefited disabled”

(*begünstigte Behinderte*). This is the case when their employability adds up to at least 50% of a normal employability (§2). Enterprises with more than 25 employees are obliged to employ at least one benefited disabled person. Enterprises that do not comply with such requirement have to pay a compensation tax whose amount can vary, depending on the size of the enterprise, between 250 EUR and 375 EUR per month and per disabled person that should be employed by the enterprise and is not (§§1, 9). These compensation taxes flow into a tax fund for the work inclusion of the disabled. For 2018, it is guaranteed by law that 90 million EUR from the compensation fund will be granted to enterprises in order to support work-inclusion measures (§10 Abs 1[a]). These measures include subsidies covering labour costs and adaptations of the work place for the disabled (Anastasiadis 2016).

The second category of labour-cost subsidies specifically supports innovative ideas of small, growing enterprises; it takes the form of “labour cost subsidies for innovative start-ups” (*Lohnnebenkostenförderung für innovative Start-ups*).

### 2.3.3. Fiscal benefit for donations

A support scheme with indirect benefits for social enterprises refers to the income tax (*Einkommenssteuer*) in Austria. Private people and companies can deduct donations up to 10% of their profits from their income tax when such donations are made to certain listed organisations, e.g. organisations with the public-benefit status. An organisation can receive donations up to a limit of 500,000 EUR in five years (§4a Einkommenssteuergesetz).

# 3


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## MAPPING

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According to the available data on associations, public benefit limited liability companies and cooperatives, approximately 1,500 social enterprises, meeting the EU operational criteria, could be identified in Austria. Among them, some 1,000 associations are active in the social and cultural field or in the housing sector; 320 public benefit limited liability companies; 70 limited-liability companies without public-benefit status, operating in social fields; and 120 cooperatives active in various business fields, such as housing, social care, community energy, sustainable consumer goods, local service provision, culture, consulting, advocacy and education.

As regards the economic dimension of social enterprises, research studies show that, overall, income generation via public contracts or sales to private customers constitutes an important source of income, besides public funding. Paid work is important in Austrian social enterprise, but voluntary work plays an important role as well, especially among smaller community-led cooperatives and in social enterprises derived from the NPO sector. The results also show that the organisations react to societal demands in different fields of activity. Concerning the participatory dimension, most of the social enterprises in the research chose a participatory legal form: WISEs and NPOs with a business approach are often operating as associations or public benefit limited liability companies. The category of social businesses offers a greater diversity as it includes limited companies and a few sole proprietorships. As regards both streams of the cooperative tradition, not all organisations in these two groups operate under the legal form of cooperative; there are also here associations, among small community-led cooperative-type initiatives, and limited companies, among larger cooperative-type enterprises active in the social housing sector.



The lack of a consensual understanding of social enterprises (see section 2.1) as well as the lack of a specific legal framework embracing the whole scope of social enterprises, including specific criteria similar to the EU operational definition (see section 2.2), affects the estimation of the weight and numbers of social enterprises at large. The difficulties in providing precise figures are also related to research on the phenomenon in general, as almost no comprehensive empirical data on this subject is available (Neumayr *et al.* 2007, Lehner 2011).

Some data on the sector is available from the Austrian Statistical Office and from research on cooperatives. There are also some studies on WISEs, and some groundwork on social entrepreneurs in Austria has been carried out by a group of researchers at the Institute for Non-profit Management at WU Vienna (Millner *et al.* 2013, Schneider and Maier 2013). This Institute and the Institute for Social Policy at the same University are also responsible for mapping the non-profit sector in Austria (Neumayr *et al.* 2007, Pennersdorfer *et al.* 2013). Other research activities tend to focus on specific fields, such as childcare and work integration (Leichsenring 2001, Gruber 2006, Bdv 2008, Gschöpf 2010, Anastasiadis 2016), and previous attempts to map the sector in Austria remain fragmented. This, combined with the lack of general data, is the reason why it is not possible to provide precise statistics on social enterprises in this section.

In order to assess the scope of the social enterprise phenomenon, the following approaches were used. Firstly, data from the Austrian Statistical Office were analysed to match legal forms with fields of activity and public-benefit status. The Austrian Statistical Office and the commercial register turned out to be the only relevant sources for the purpose of this report. Secondly, three types of research studies were used in order to analyse the characteristics of social enterprises (source of income, labour characteristics, fields of activity and legal forms):

- > a narrow approach, including data on new collective social enterprises, which come very close to the EU definition (see table 2, section 2.1.2). The data mainly focus on WISEs;
- > a broader approach, including a broader spectrum of organisations, of which some could be considered as social enterprises according to the operational definition; and
- > research on community-led cooperatives and larger cooperatives in the social housing sector.



## 3.1. Measuring social enterprises

As mentioned above, there is no database in Austria that would allow for an analysis of social enterprise such as it is defined by the EU operational criteria. Therefore, the following rough estimation on the spectrum of social enterprise in Austria draws on data from the Statistical office and the commercial register. These data are complemented by estimations put forward in academic research papers. The Austrian Statistical Office provides statistics on enterprises along the European category system of economic activities (NACE; for Austria: ÖNACE), as well as statistics on working places with at least one paid employee, structured by the legal form of enterprises in 2015 (see Statistic Austria 2018).

As Austrian Statistical Office was not able to compute separately data about those GmbH that have the public-benefit status (*gemeinnützig*), the authors used the commercial register to produce estimates about gGmbH.<sup>11</sup> The commercial register makes it possible to search for companies by entering keywords that are contained in the official name of the enterprise. Searching for organisations whose name included the terms “*gemeinnützig GmbH*” or “*gGmbH*” allowed us to identify 320 social enterprises. In a second step, the register for “*GmbH + Social*” was used in order to identify social enterprises operating as a GmbH without public-benefit status but having a prioritised social aim. This second search allowed us to identify 70 additional social enterprises. The 415 social enterprises identified in this way surely do not represent the whole spectrum of social enterprises operating as gGmbH or GmbH, as, in many cases, the public-benefit orientation does not appear in the company name, nor does the word “social”, so this has to be considered as a conservative estimation.

As far as associations are concerned, the first selection included those that are active in the social and cultural fields as well as in the housing sector. According to the data of Austrian Statistical Office, there are in total 3,969 organisations. An additional selection had to be undertaken in order to identify, among these organisations, those with an economic activity. As Austrian Statistical Office does not provide data on the revenue of these organisations, another point of reference was selected. The results of a large study on NPOs carried out in the mid-2010s serve as a starting point (Pennerstorfer *et al.* 2015). In the sample of 837 NPOs that were analysed, 628 (75%) operated as associations, as outlined in section 3.2. and 50% of the sample employ only up to eight employees. These results can, with caution, be considered as an indication of the economic activity of associations; it can be assumed that, at utmost, 50% of all associations are economically active. But the difference between the average number of employees (56 per organisation) and the median (up to 8 in 50% of the organisations) in the investigated NPOs indicates that a few organisations employ many employees;

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(11) <https://firmenbuch.at>

this is particularly true in the field of health and social service, including care homes. Against this background, it can be assumed that the share of associations having an economic activity is lower than 50%. Our rough estimation is 25%, which would add up to about 1,000 associations acting as social enterprises in the selected fields.

In the data from Austrian Statistical Office, 102 cooperatives were identified, all of them active in the housing sector. According to a rough estimation by the authors, based on Internet search, personal communications with sector representatives and experts as well as on some previous studies, there were some 20 community-led cooperatives operating in business fields such as social care, community energy, sustainable consumer goods, housing, local service provision, culture, consulting, advocacy and education. They are registered with one of the cooperative audit organisations (ÖGV or *Rückenwind*). An additional 98 large cooperatives were identified in the limited-profit housing sector, according to the yearly report of GBV (2017). The authors thus assume that about 120 cooperatives are active as social enterprises in the different fields of activity.

Table 4 gives an overview of the rough estimation of the number of social enterprises by legal types.

**Table 4. Rough estimation of the number of social enterprises in Austria**

Legal form	Estimated number	Source
Association	1,000	Austrian Statistical Office (25% of organisations in the selected fields)
GmbH, gGmbH	415	Commercial register
Cooperative	120	Self-estimation and GBV 2017
<b>Total</b>	<b>Approx. 1,535</b>	

## 3.2. Social enterprise characteristics

There are three research studies that constitute the basis for specifying the characteristics of social enterprises.

The first research project conducted in 2009 corresponds to a narrow approach: it identified 400 WISEs (Anastasiadis 2016).<sup>12</sup> Further research concentrated on a subgroup of this population, namely ecologically-oriented WISEs or “ECO-WISEs”. With the help of a questionnaire, 151 organisations and projects defining themselves as ECO-WISEs were identified. Sixty-one of these 151 ECO-WISEs then responded to a more detailed second questionnaire on their organisational conditions (financing, employment, government, goals, etc.). In 2015, a trend survey was carried out with the same sample. Thirty-three of the remaining 140 ECO-WISEs responded. Among the ECO-WISE in the 2009 survey, 45 of them included their total turnover for the financial year 2007, which amounted to 54 million EUR for all ECO-WISEs. In the survey conducted in 2015, only 28 organisations answered this question and the turnover amounted 29 million EUR in total for the financial year 2014. Such amount represents an average of approximately 1 to 1.2 million EUR per organisation. As regards the employment situation, the 33 ECO-WISEs questioned in the trend survey in 2015 had in total 2,277 employees in the 2014 financial year, of which 1,306 were transitional employees (57%). This clearly underlines the priority of the social aim in these organisations.

The second study is the 2015 study on NPOs mentioned in the previous section and it relates to the broader approach. It refers to a previous study from 2006 (Schneider and Haider 2009) and includes a longitudinal analysis. The full sample of NPOs with at least one paid employee which was generated in cooperation with Austrian Statistic Office included 5,104 organisations in 2006. The sample from 2014/2015 comprised 4,269 NPOs, including nursing homes for the elderly and children’s day-care institutions. 832 NPOs from the 2014/2015 sample responded to an online questionnaire. The study provides key data on the organisations’ employment and financial situation as well as on their legal forms. Each of the 832 NPOs that responded employed 56 paid employees on average. Information on the total turnover is not given in this study.

A third study which corresponds to the broader approach is based on secondary data analysis. According to this study by Vandor *et al.* (2015), between 1,200 and 2,000 social businesses (start-ups and established NPOs) were identified in the period 2013-2015. In this analysis, social business (SB) was defined in a working definition by two

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(12) More exactly, there were 399 projects, carried out by 218 organisations. These figures come from the regional Labour Market Service departments and from an Internet search focusing on organisations and projects that are not funded by the Labour Market Service and that generate funds from different sources.

obligatory and two additional criteria. The obligatory criteria state that generating a positive social effect must be the central aim of the organisation, and that market-based income should represent at least 50% of the enterprise's total income. The additional criteria specify that the enterprise should generate a positive effect for the central stakeholder of the organisation (e.g. employees, the environment), and that the profit distribution should be limited. According to this definition, the generated sample comes very close to the EU operational definition of social enterprise used for the purpose of the present study. The following data served as a basis for a secondary data analysis:

1. 200 SBs via an Annual Member Survey of Impact HUB Vienna in 2013 (Vandor 2014);
2. 135 SBs in the sample established by Schneider and Maier (2013) for their study on social entrepreneurship;
3. Between 400 and 1,200 SBs in the sample established by Pennerstorfer *et al.* (2015) for their study about NPOs;
4. 170 SBs among the members of the *arbeit plus* network;
5. 450 SBs operating as public-benefit limited liability companies were identified via the commercial register (Österreichischer Firmencompass).

For a detailed analysis of the fields of activity, financial situation, regional differences, labour characteristics, etc. of the identified SBs, only secondary data from Vandor (2014), Schneider and Maier (2013) and Pennerstorfer *et al.* (2015) were compared—and only for the 190 organisations that met the two obligatory criteria of the working definition. The participatory governance dimension and the limited-profit distribution dimension were not taken into account. The 190 SBs employed in total 16,794 paid employees and aggregated 699.5 million EUR annual turnover in total. Most of it was generated by established NPOs in the sample (694.7 million EUR).

Research with a focus on community-led cooperatives and larger cooperatives in the social housing sector is scarce. Exact and reliable data on small community-led cooperatives are not available. Data on enterprises having emerged from this social-enterprise tradition provided here and in the following sections is thus a rough estimation by the authors, based on Internet search, personal communications with sector representatives and experts, and some previous studies. Data on larger cooperatives in the social housing sector come from the annual report of the GBV 2017 (Österreichischer Verband Gemeinnütziger Bauvereinigungen – Revisionsverband; “Austrian Federation of Limited-Profit Housing Associations”).

### 3.2.1. Sources of income

Social enterprises in Austria rely on a mix of resource derived from public subsidies, public contracts, sales of goods and services, membership fees, donations and other private revenues, as illustrated in table 5.

**Table 5. Sources of income**

		Public subsidies	Sales of goods and services	
			Public contract/ Customers	Private customers
Cooperatives	Community-led cooperatives	No data available		
	Large cooperatives in the housing sector	No data available		
NPOs		16.5%	70%	2%
ECO-WISEs (sub-group of the “new collective social enterprises” tradition)		28%	37%	32%
Social businesses	Younger and smaller initiatives *	12%	0	71%
	Large, well-established enterprises **	4%	57%	35%

		Member- shipfees	Donations	Other private revenues	Total in EUR
Cooperatives	Community-led cooperatives	No data available			150,000 / 30,000 – 600,000
	Large cooperatives in the housing sector	No data available			50.6 billion
NPOs		10.7%			No data available
ECO-WISEs (sub-group of the “new collective social enterprises” tradition)		0	1%	2%	29 million
Social businesses	Younger and smaller initiatives *	16%			699.5 million
	Large, well-established enterprises **	3%			

\* Schneider and Maier sample (2013).

\*\* Pennerstorfer *et al.* sample (2015).

As far as *small, community-led cooperatives* are concerned, about 7 out of the 78 commercial cooperatives (*gewerbliche Genossenschaften*) registered with the Austrian Cooperative Association (Österreichischer Genossenschaftsverband) can be considered as social enterprises. This group of cooperatives had a yearly total turnover of about 150,000 EUR for the 2017 fiscal year (Pogacar 2018). The 13 cooperatives that are registered with the recently founded auditing association (*Revisionsverband*) “Rückenwind” account for a yearly turnover between 30,000 EUR and 600,000 EUR per cooperative (Staudinger 2018). The resource mix of small, community-led cooperatives consists according to personal communication with experts of income from product sales and service fees, income from shareholders’ equity, and some start-up or temporary public funding.

With a view to the 185 identified *larger cooperative social enterprises*, which are active, as already mentioned, in the field of housing, public subsidies account for about 90% of their income. Such subsidies are mainly direct object-specific subsidies, i.e. financial assistance for the construction of houses (Moreau and Pittini 2012). Additional primary income comes according to personal communication with experts from rents, management fees, sales (regulated according to cost-coverage principle), and from shareholders’ equity of housing in their own name. These enterprises also have secondary business activities, such as building housing for third parties, commercial premises, car parks or communal facilities for the general public (Ludl 2007). The balance sheet total of all limited-profit housing organisations amounts to 50.6 billion EUR and the average balance sheet total per member organisation is 273 million EUR for the fiscal year 2016 (GBV 2017).

As regards *NPOs*, the financing mix of the 837 organisations that took part in the 2013 survey is as follows: 70% of NPOs’ income corresponds to the turnover generated by sales to public customers for services (sales to private customers only comes up to 2%); 16.5% of NPOs’ resources come from public subsidies; and 10.7%, from money transfers (78,8% of them donations, followed by 14,4% membership fees and 6,7% sponsoring) (Pennerstorfer *et al.* 2015). The longitudinal analysis (for a reduced sample of enterprises that answered the question about their resource mix both for 2007 and 2014) showed a rising percentage of market-based income (including revenue from public contracts) by approximately 7% from 2005 to 2014. Money transfers remained about the same and public subsidies decreased by approximately 5.5% (Pennerstorfer *et al.* 2015). These results indicate a shift towards public contracting, which will be discussed in section 4.3.1.

The results on the financial situation of a specific type of collective social enterprise—namely *ECO-WISEs*—show that the average resource mix is almost divided up in thirds: in 2014, sales to private customers represented 32% of ECO-WISEs’ total income; sales to public customers amounted to 37%; and funding from public authorities

(subsidies) accounted for 28%. Donations (1%) and other sources (2%) did not seem very important for this group of WISEs. The importance of public subsidies in this resource mix is beyond dispute, but the relatively high level of sales, be they to public or private customers, indicates that self-financing also represents an important source (Anastasiadis 2016).

Concerning *social businesses*, a comparison between the Schneider and Maier sample (younger, smaller organisations) and the Pennerstorfer *et al.* sample (mostly large, well-established enterprises derived from the NPO sector, of which only those whose market-generated income represented at least 50% of the total income were taken into account) shows that the *younger, smaller organisations* generate a much higher percentage of their income from market sales than the *larger, well-established enterprises* (71% vs. 35%). A total of 57% of the larger enterprises' turnover come from public contracts. In younger smaller organisations 16% comes from private funding including donations, sponsoring and membership fees, while it is only 3% for larger, well-established enterprises. Public funding through subsidies amounts to 12% in younger organisations and 4% older ones (Vandor 2015). These results show that younger, smaller social businesses are the organisations with the highest share of income from market sales compared to other types of social enterprise. Whether and how this resource strategy of younger enterprises could turn out as a role-model for the other types of social enterprise will be discussed in section 5.

### 3.2.2. Use of paid work and volunteers

The employment structure is also quite diverse in the investigated organisations. Table 6 illustrates the relation between paid and unpaid work in the investigated organisations.

**Table 6. Use of paid workers and volunteers**

		Number of paid workers (on average per organisation and not full time equivalent)	Number of volunteers (on average per organisation)
Cooperatives	Community-led cooperatives	43.5	No data available
	Large cooperatives in the housing sector	49	No data available
NPOs		56	483
ECO-WISEs (sub-group of the “new collective social enterprises” tradition)		51 (57% transitional employees, 12% “key workers”, 5% managers)	1.6
Social businesses	Younger and smaller initiatives *	2.12 - 4	2.4 - 4.3
	Large, well-established enterprises **	144	52

\* Vandor 2014 and Schneider and Maier 2013 sample.

\*\* Pennerstorfer *et al.* 2015 sample.

*Small, community-led cooperatives* have about 870 employees in total; the seven organisations registered with the “ÖGV” had about 850 employees in total in 2017, and the 13 cooperatives registered with “Rückenwind” had about 20. It is assumed that volunteering and self-help contributions also play an important role, such as for collaborative housing organisations. As regards *larger cooperatives* in the social housing sector, the 185 limited-profit housing organizations had a total of 9,018 employees in 2017: 4,302 in cooperatives, 3,632 in limited companies, and 1,084 in stock companies (GBV 2017).<sup>13</sup>

(13) It should be noted that, as underlined above, the cooperative organisation is not considered in this report from a purely legal perspective, and also include in our understanding of the concept organisations that are not legally registered as cooperatives but act in accordance with the cooperative principles.



The 837 *NPOs* investigated employed 56 paid employees per organisation on average. Less than one third of them work full-time and 78.6% are women; 50% of the *NPOs* employ only up to eight employees. The difference between average (56) and median (8) indicates that a few organisations employ many employees.<sup>14</sup> This is especially the case in the field of health and social services, including home care. A total of 60.2% of the surveyed *NPOs* employ volunteers—on average, 483 volunteers per organisation. Volunteers work on average 15.4 hours per month (Pennerstorfer *et al.* 2015). Extrapolating from the sample, the study also provides statistical estimations on the employment situation in the whole *NPO* sector. According to this, it is estimated that *NPOs* employ 236,400 paid workers, most of them in the field of social work activities (care homes excluded), followed by care homes and education. Beside these paid workers, it is estimated that some 507,000 volunteers work at least once a month in an *NPO*. A longitudinal analysis (for a reduced sample of organisations that provided data about their employment situation both in 2006 and 2014) showed an increase in the number of paid employees, which indicates a growth of the sector. The average number of volunteers per organisation in *NPOs* employing volunteers rose from 156 in 2006 to 785 in 2014, which underlines the growing importance of volunteers in these organisations.

In 2014, the total of 2,277 employees in the 33 *ECO-WISEs* analysed comprised 1,306 transitional workers (57%) and 278 so-called “key workers” (12%), who are responsible for the on-the job training and social support. Further 105 (5%) were employed in management positions and another 105 (5%) were student apprentices (Anastasiadis 2016).<sup>15</sup>

As far as *social businesses* are concerned, the secondary data analysis shows a total number of 16,794 paid employees in 190 organisations. On average, *large, well-established enterprises* (Pennerstorfer *et al.* sample) employ 144 persons, while *younger and smaller organisations* (Vandor [2014] and Schneider and Maier samples) employ between 2.12 and 4 persons.

On average, each large, well-established social business employs 52 volunteers, and smaller, younger social businesses employ between 2.4 and 4.3 volunteers.

The difference, in terms of both paid workers and volunteers, between well-established social businesses (some of them very large, operating at the level of the whole country, or even internationally), on the one hand, and smaller, younger social businesses, on the other hand, is particularly striking.

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(14) Unfortunately, original data from this study are not available so more precise statistical information about median values and levels of variation in a sample with very large and very small *NPOs* cannot be included.

(15) The rest consist of volunteers (n=2; 1% board members and n=28; 1.2% on operational level), trainees (n=36; 1.6%), and civil servants (n=7; 0.3%)(Anastasiadis 2016).

### 3.2.3. Fields of activity

The analysis of the main fields of activity is based on several categorical systems, which were mostly generated during each research project, often through an approach mixing theoretical and heuristic inputs. For the categorisation of the different fields of activity of ECO-WISEs, for example, the GRI reporting system was used as a model (2006); for the research on NPOs, the ÖNACE system was an important source.

*Small, community-led cooperatives* are active in various fields, such as social care, community energy, sustainable consumer goods provision, housing, local services provision, culture, consulting, advocacy and education. *Larger cooperatives* in the social housing sector, i.e. limited-profit housing organizations (*gemeinnützige Wohnbauvereinigungen*), are primarily engaged in the construction and management of housing. Secondary business activities refer, for instance, to the construction of housing for third parties, of commercial premises, of car parks or of communal facilities for the general public (Ludl 2007).

Most of the 837 *NPOs* that took part in the survey operate in the field of social service activities (341 of them). The following fields of activity, by order of importance, are education (239 *NPOs*), health (180 *NPOs*), representation of interests (122 *NPOs*), sports (91 *NPOs*), arts and culture (89 *NPOs*), research (80 *NPOs*) and ecology (39 *NPOs*) (Pennerstorfer *et al.* 2015).

Given their core goal of work integration, ECO-WISEs deliver a social service and can be considered as belonging to this meta-category in the ÖNACE-system. WISEs are also operating in different business fields to sell their service and products. The fields of activity most frequently mentioned by the 33 surveyed ECO-WISEs are (Anastasiadis 2016):

- > Household-related services: 84 organisations
- > Re-use and recycling: 56 organisations
- > Nature protection 35 organisations
- > Food services: 12 organisations
- > Counselling in ecological concerns: 7 organisations

As regards *social businesses*, *younger organisations* operate, according to Vador (2014) and Schneider and Maier (2013), mainly in the fields of science and education, environment, and social inclusion or social services. The results were similar for *well-established, larger enterprises* (Pennerstorfer *et al.* 2015).

### 3.2.4. Legal form

The chosen legal form can be seen as an indicator of the participatory dimension.

As could logically be expected, *small, community-led cooperatives* often operate under the legal form of a cooperative. About 20 of these organisations are registered with one of the cooperative audit organisations (ÖGV or Rückenwind), but due the restrictive institutional conditions for founding a cooperative (see section 2) this category also includes organisations legally registered as associations.

In the category of *larger cooperatives* in the social housing sector (a category that includes 185 limited-profit housing providers), there are 98 organisations registered under the legal form of cooperative, 77 limited companies and 10 stock companies (GBV 2017).

The association legal form is the most common legal form among *NPOs*: indeed, 628 of the 837 surveyed *NPOs* (75%) operate as associations. The remaining organisations operate as public-benefit limited liability companies (10.6%), and 32 (3.9%), as limited liability companies without the public-benefit status or as limited liability companies governed by public confessional law (10.6%). A minority of organisations functioned as foundations (1.8%) and 12 (1.4%) had chosen another form, not specified in the study (see Pennerstorfer *et al.* 2015).

Among the 33 *ECO-WISEs*, there were in 2014 19 associations (60%), nine public-benefit limited liability companies (28%), three organisations acting under the public confessional law (9%), and one that had chosen another form—a mix of an association and a sole proprietorship (3%). Different practises of participation were identified through a multiple-choice questions (several answers possible), such as team meetings (implemented by 100% of the surveyed organisations), participation options for transitional employees (79%), workers' assemblies (*Betriebsversammlung*) (57%), workers' committee (*Betriebsrat*) (46%), and participation for volunteers (39%). These results indicate that these social enterprises clearly have a participatory governance culture (Anastasiadis 2016).

With a view to *social businesses*, Vandor (2015) differentiated between the samples. In the Vandor (2014) and Schneider and Maier (2013) samples, which included *younger and smaller initiatives*, 37% of enterprises operated under the legal form of association, 28% were limited liability companies (with or without public-benefit status), 2% were sole proprietorships and 6% had another legal form, which was not specified. *Larger, well-established social businesses* in the Pennerstorfer *et al.* (2015) sample operated as associations (54%), as public-benefit limited liability companies (27%), as organisations governed by public confessional law (25%), as foundations (3%) or as sole proprietorships (1%).

According to the available data on associations, public-benefit limited liability companies and cooperatives, approximately 1,500 social enterprises can be identified meeting the EU operational criteria in Austria. Among them around 1,000 associations exist in the social and cultural fields as well as in the housing sector; 320 public-benefit limited liability companies, and 70 limited liability companies without public benefit status in social fields. Moreover, there are 120 cooperatives in various business fields such as housing, social care, community energy, sustainable consumer goods, local service provision, culture, consulting, advocacy and education.

As regards the economic dimensions of social enterprises, various research studies show that in addition to public funding, income generation via public contracts or sales to private customers is an important source of income. Further, paid work is important in Austrian social enterprises although voluntary work plays an important role as well, especially among smaller community-led cooperatives and in social enterprises stemming from the non-profit sector. Additionally the results show that the organisations react to societal demands in different fields of activity. Concerning the participatory dimension, most of the social enterprises represented in the research chose a participatory legal form: WISEs and NPOs with a business approach are often operating as associations or public-benefit limited companies. The category of younger social businesses offers a greater diversity: this group also includes limited companies and a few sole proprietorships. As regards both streams of the cooperative tradition, not all organisations in these two groups operate under the legal form of cooperative; there are also among small community-led cooperatives some associations and limited companies among larger cooperatives active in the social housing sector.

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## ECOSYSTEM

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The ecosystem for social enterprises in Austria is shaped by the interplay among different actors, which influence their development. Regarding the policy schemes for social enterprise, the only institutionalised social enterprise form is work integration social enterprise (WISE). A second category of policy schemes in Austria does not specifically address social enterprises; rather, it is intended for enterprises in general that fulfil specific criteria. For one set of policy schemes, such criteria are linked to the workers hired (employment of specific groups of people, disadvantaged in the labour market) such as the “Employment Initiative 50+”; another set of schemes is intended for specific types of enterprises, mostly innovative start-ups with a social aim such as the support structures from the “Austrian *Wirtschaftsservice*”. Additionally, support structures provided by the EU exist such as ESF, EaSI and Erasmus. Besides that, social enterprises can benefit from subsidies and public procurement modalities to provide general-interest services at the national and local levels. The introduction of the public procurement framework in 2002 has continuously led to a shift from a subsidise culture towards public contracting that has clearly changed the relation of social enterprises with public authorities. Furthermore, a more restrictive handling of the funding directives for WISEs is observable in Austria. While these two strategies intent to create competition among social enterprises, a significant state intervention takes place in the Austrian limited-profit housing sector (*gemeinnütziger Wohnbau*). About 90% of projects by limited-profit housing associations receive public funding, mainly in the form of object-specific subsidies for housing construction and refurbishment. Besides public authorities networks, community building and exchange platforms as well as research and skill development platforms and financial intermediaries contribute significant to the development of social enterprises in Austria. However, even if the ecosystem seems well developed in Austria it still remains fragmented and a demand for sustainable financing structures is perceivable.

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## 4.1. Key actors

Table 7 below gives an overview of key actors who influence the development of social enterprise in Austria. These actors include national and local policy makers from different areas, researchers and education providers, networks and financial intermediaries.

**Table 7. Key actors in the Austrian ecosystem**

Areas of activity	Actors
Governmental departments/institutions	<ul style="list-style-type: none"> <li>&gt; BMASK - Federal Ministry of Labour, Social Affairs and Consumer Protection; Department VI/A/4 Labour market promotion</li> <li>&gt; Austria Wirtschaftsservice (aws)</li> <li>&gt; Regional and local authorities providing subsidies and contracting social enterprises</li> </ul>
Authorities designing and enforcing public procurement legislation	<ul style="list-style-type: none"> <li>&gt; <i>Bundeskanzleramt V8 Verfassungsdienst</i></li> </ul>
Authorities designing and enforcing legal, fiscal and regulatory frameworks	<ul style="list-style-type: none"> <li>&gt; <i>Finanzministerium (fiscal)</i></li> </ul>
Organisations promoting, certifying and awarding labels, business prizes, social reporting systems and other mechanisms to raise awareness about and acknowledge the social value of the products, services or ways of production of social enterprises	<ul style="list-style-type: none"> <li>&gt; <i>arbeit plus</i> (quality label for WISEs)</li> <li>&gt; Architects of the Future</li> <li>&gt; Social business day</li> <li>&gt; Sozial Marie</li> <li>&gt; TrigOS</li> <li>&gt; future4you GmbH (Social Entrepreneurship Award)</li> <li>&gt; Common Good Balance Sheet</li> </ul>
Institutions and initiatives promoting social enterprise education and training Observatories and entities monitoring the development of social enterprises and assessing their needs and opportunities	<ul style="list-style-type: none"> <li>&gt; NPO &amp; SE Competence Centre</li> <li>&gt; IFA Styria</li> <li>&gt; Pioneer of Change</li> <li>&gt; Social Impact Award</li> <li>&gt; Next - Award and Social Entrepreneurship Programme</li> <li>&gt; FH Campus Vienna</li> <li>&gt; Johannes Kepler University Linz (JKU)</li> <li>&gt; University of Graz</li> </ul>
Incubators	<ul style="list-style-type: none"> <li>&gt; Impact HUB Vienna</li> </ul>
Facilitators of learning and exchange platforms	<ul style="list-style-type: none"> <li>&gt; Ashoka (fellowship programme)</li> <li>&gt; Emersense (events)</li> <li>&gt; Architects of the Future (global community building)</li> <li>&gt; Network platform in Vienna "Social City Wien"</li> <li>&gt; Impact HUB</li> <li>&gt; Organisation for public-benefit founding (<i>Verband für gemeinnütziges Stiften</i>)</li> </ul>

Areas of activity	Actors
Organisers of social enterprises networks, associations and pacts that engage in advocacy and mutual learning and in facilitating joint action	<ul style="list-style-type: none"> <li>&gt; <i>arbeit plus</i> and regional networks</li> <li>&gt; Sozialwirtschaft Österreich</li> <li>&gt; Interest Group of Public-Benefit Organisations (IGO - <i>Die Stimme der Gemeinnützigen</i>)</li> <li>&gt; <i>Dabei Austria</i></li> <li>&gt; Organisation for Public-Benefit Founding (<i>Verband für gemeinnütziges Stiften</i>)</li> <li>&gt; GEMSE (<i>gemeinsam mehr social entrepreneurship</i>)</li> <li>&gt; Economy for Common Good</li> <li>&gt; Austrian Federation of Limited-Profit Housing Associations (<i>Österreichischer Verband gemeinnütziger Bauvereinigungen – Revisionsverband</i>, or GBV)</li> <li>&gt; Initiative for Collaborative Building and Housing (<i>Initiative für gemeinschaftliches Bauen und Wohnen</i>)</li> <li>&gt; Austrian Cooperative Association (<i>Österreichischer Genossenschaftsverband</i>, or ÖGV)</li> <li>&gt; Tailwind – Association for the Promotion and Auditing of Cooperatives for the Common Good (<i>Rückenwind – Förderungs- und Revisionsverband gemeinwohlorientierter Genossenschaften</i>)</li> <li>&gt; <i>Die WoGen Wohnprojekte-Genossenschaft e. Gen</i></li> <li>&gt; <i>Dachverband habiTAT</i></li> </ul>
Financial intermediaries (social-impact investors or funds, philanthropic investors or funds, crowdfunding platforms, etc.) for social enterprises and support infrastructures	<ul style="list-style-type: none"> <li>&gt; Sense Founders (<i>Sinnstifter</i>)</li> <li>&gt; ESSL Foundation</li> <li>&gt; Erste Foundation</li> <li>&gt; Bonventure</li> <li>&gt; Crowdfunding platforms (e.g. respect.net)</li> <li>&gt; HERMES Österreich</li> <li>&gt; Bank for the Common Good (<i>Bank für Gemeinwohl</i>)</li> <li>&gt; Social-impact bonds</li> </ul>

## 4.2. Policy schemes and support measures for social enterprises

In Austria, there is no specific policy scheme for social enterprises. In the following sub-sections, the support structures for all enterprises that fulfil specific criteria are presented (4.2.1); then support measures specifically addressed to social enterprises whereby the support structures for WISEs as institutionalized form of social enterprises in Austria are described in more detail (4.2.2); and the role of European Funds in supporting social enterprises is presented (4.2.3).

### 4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (and which may benefit social enterprises)

In addition to the mentioned labour cost subsidies (see section 2), this section characterises other support measures.

#### **Enterprises in general employing specific labour market-disadvantaged groups**

The BMASK defined senior citizens as one particular group of disadvantaged workers, as their unemployment rate has increased in recent years. Therefore the ministry of labour, social affairs and consumer protection established two programmes for the elder unemployed: Employment Initiative 50+ (“Beschäftigungsinitiative 50+”) and Action 20.000 (“Aktion 20.000”).

#### **Employment Initiative 50+ (*Beschäftigungsinitiative 50+*)**

As of 2017 the project aims to fund 175 million EUR from the social security system to employ people aged 50 and over. Up to 60% are assigned to the “Eingliederungsbeihilfe” (Employment subsidy, see also section 2.3) and “Kombilohn” (combined salary) and up to 40% to SÖB and GBP. The AMS absorbs the indirect labour costs for people aged 50 and over, who operate under the following circumstances: unemployment for at least six months, suffering from health problems, lack of work for more than two months within the last year, registered as unemployed for at least four months, and with the intent to re-enter the labour market (see BMASK 2017a).

#### **Action 20,000 (*Aktion 20,000*)**

In June 2017 the former Austrian government enacted the Action 20,000 to create jobs for 20,000 long-term unemployed citizens aged 50 and over, especially in municipalities, through public benefit organisations and WISEs. The aim of this programme was to halve the rate of long-term-unemployment within this group, and public funding intended to absorb up to 100% of the labour costs. The programme started in July 2017 in selected regions in each federal state and intended to extend to all regions in Austria in 2018 (BMASK 2017a), but the new government halted the programme in December 2017.

#### **Business start-up programmes**

There are two business start-up programmes in Austria supporting enterprises in general (aws) or addressing specifically unemployed (UGP).



### *Austria Wirtschaftsservice (aws)*

Aws<sup>16</sup>, the federal bank that aims to promote businesses, provides a wide range of financial tools (loans, guarantees, equity, grants) as well as advisory services at all stages of business development, from their founding to their expansion on the international level. The bank offers support to enterprises in general, and social enterprises are not excluded from access to these tools. In fact, aws established a grant scheme especially targeting social enterprises, called “aws Social Business Call”. It funded up to 100,000 EUR for concept and study costs, product costs, project related personal costs, and project related material costs of social businesses, social entrepreneurs, and social enterprises in a founding or growing stage of their development. For example, in 2017 a café called NAMSA received funding from the aws Social Business Call. The café provided early employment experiences for refugees in Tirol. The last call was closed in April 2018.

### **Business start-up programme for the unemployed (UGP)**

UGP<sup>17</sup> is an existing programme implemented by the AMS in order to support participants in their efforts to become self-employed. This programme is meant for unemployed citizens 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. After the registration of the company, the participants can use advisory services provided by an external business consultant. The duration of the programme is limited to six months. Throughout this period the AMS bears the costs for the counselling, training and, under certain conditions, the cost of living of the participants. Although this programme is not specifically tailored to the needs of social enterprises, it is open to them.

## 4.2.2. Support measures specifically addressed to social enterprises

Support measures specific to social enterprises mainly address WISEs, which employ hard-to-place unemployed workers, such as the long-term unemployed, disabled workers or senior citizens. The integration of these vulnerable groups in the labour market is regarded as a public task and is part of the Active Austrian labour market policy, for which the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection is responsible (BMASK 2017a). The ministry sets up the political framework in this area, while the public Labour-Market Service (AMS) conducts the concrete implementation of the labour-market policy at the federal level and in each province.

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(16) <https://www.aws.at/>

(17) <http://www.ams.at/service-arbeitsuchende/finanzielles/foerderungen/unternehmensgruendungsprogramm>

During their development from the 1980s onward, four different accreditation schemes have been established (Anastasiadis 2016, WIFO and prospect 2014, Lechner *et al.* 2016):

- > Socio-economic enterprises (*Sozialökonomischer Betrieb* – SÖB).
- > Non-profit employment projects/companies (*Gemeinnützige Beschäftigungsprojekte* – GBP or *Gemeinnützige Beschäftigungsgesellschaften* – BG, the latter is a form of GBP which only exists in the province of Styria).
- > Integrative enterprises (*Integrative Betriebe* – IB).
- > Low-threshold part time work projects.

This following section describes the four schemes, beginning with SÖB and GBP as the most widespread forms of WISEs in Austria. SÖB and GBP are not legal forms but rather labels that organisations complying with AMS guidelines can apply for. In practice, most SÖB and GBP are run by associations or public-benefit limited liability companies (gGmbH) as illustrated in the example in illustration 6, Integra. Additionally, many GBP are attached to traditional large NPOs, such as Caritas, Hilfswerk and Volkshilfe.

In addition to SÖB and GBP, there exists a third instrument relying on personnel deployment (called public benefit staff leasing–*Gemeinnützige Arbeitskräfteüberlassung*–SÖBÜ and GBPÜ). In this system, a non-profit employee leasing company (an entity referred to as a social enterprise) puts its workforce (composed of unemployed citizens) at the disposal of another mainstream employer who benefits from favourable conditions. Thus, the unemployed participant, usually less disadvantaged than an SÖB or GBP participant, receives the opportunity to directly enter the regular labour market.

### **SÖB**

The target groups of SÖB are hard-to-place people with a reduced productivity. The jobs provided by SÖB are temporary and in some sense sheltered, though near-market transition jobs. SÖB's objective aims for the sustainable re-integration of the prospective employee into the mainstream labour market. The usual work duration is one year. In some cases, e.g., for the over-50 and long-term unemployed, the work can be exceeded. SÖB works under market conditions. They produce goods or services for sale. At least 20% of their resources have to be generated from the market. The labour political tasks of SÖB are defined by the AMS guidelines as follows:

- > To provide temporary jobs.
- > To organise counselling and training possibilities within the enterprise.
- > To remove the obstacles hampering the reintegration of temporary workers into the labour market.
- > To improve the chances of reintegration by allowing transitional workers.

The AMS bears part of the costs for the employment and qualification of transitional workers, for their socio-pedagogic support, their outplacement (integration into the mainstream labour market), their support after the outplacement, and the staff development of the enterprise. Furthermore, the AMS provides funding for employing key workers who train the transitional workers and manage the commercial enterprise. In addition, the AMS can assume costs for the membership of SÖB in umbrella organisations, for interests, for investments, for severance indemnity or depreciation (AMS 2017a). According to the AMS-guidelines, government authorities (municipalities and provinces) should assume at least one-third of the remaining part of the costs (AMS 2017a).

## Illustration 6. Integra

Integra, located in the province of Vorarlberg, is a public benefit limited liability company which integrates SÖB, production schools and other projects on 20 locations in the most western province of Austria. In 2004 three former employment projects merged to form Integra gGmbH. In 2013 it merged again with another WISE, “*Werkzeit*” into “Integra Vorarlberg gGmbH”. As a typical WISE it provides work, training and counselling for long-term unemployed jobseekers with special needs or health problems, as well as asylum seekers and refugees.

Integra provides work in the fields of trade, services (e.g. household, gardening, transport, relocation, car washing, waste management), handcraft (e.g. wood, metal), farming, production and catering. Special youth and qualification programmes (e.g. German courses, basic education and coaching for youth refugees) complete the range of activities. Private parties as well as companies and municipalities in Vorarlberg buy products and services from Integra. In the case of staff shortages Integra also provides staff leasing for companies.

In 2018 Integra employs more than 700 transitional workers and 107 key workers. Throughout 2017, 1,500 transitional workers worked at Integra; due to the limited time of employment, 40% of them in youth programmes. Furthermore, Integra offers 25 “jobs with perspective”, which are permanent jobs for people who struggle immensely to find a place in the first labour market. 50% of the SÖB of Integra are generated from sales revenues. The rest is publically funded by the AMS, the province of Vorarlberg, the EU and the *Sozialministeriumsservice*.

<https://www.integra.or.at>

<http://www.sozialeunternehmen-vorarlberg.at>

### **GBP**

The target groups, job duration, and the labour political tasks are the same for GBP as for SÖB. The main differences concern the market-orientation and the structure of financing. Products and services produced in GBP are not market-oriented, but rather serve a public benefit on a regional and local level. As such, mostly public authorities order the products and services. The fields of activity include landscape conservation, culture, social services and local development.

The AMS pays the costs for transitional workers up to 66.7% and for key workers up to 100%. The costs for over 50 long-term-unemployed can also be funded up to 100%. Further fundable costs include material costs like depreciation, debt financing, membership in umbrella organisations, quality management, and training. Costs for administration and cleaning staff as well as further material costs must be borne by generating income, donations, or public authorities such as provinces and municipalities. According to the AMS guidelines, the payment of at least one third of the personal and material costs by public authorities is obligatory for the AMS funding of GBP (AMS 2017b).

### **Integrative enterprises (*“Integrative Betriebe”, IB*)**

As defined in the federal guidelines for integrative enterprises (BMASK 2004): “IBs are institutions for the professional integration of people with disabilities who, because of the type and seriousness of the disability, are not yet or will never again be active in the general labour market, but who possess an economically utilizable minimum performance capability.” (Bdv Austria 2008: 49).

The intended beneficiaries are the “benefitted disabled,” and according to the Disabled Persons Employment Act (§2 Abs 1 BEinstG, see also section 2.3, Fiscal framework), their employability has to be at least 50%. The federal guidelines describe the characteristics of the “favoured disabled” in more detail:

- > They are not yet or can never again be active on the general labour market, but are capable of rehabilitation;
- > their remaining economically utilizable performance capability following relevant training and a relevant job trial is likely to be half of the productivity of normal personnel in the same job; and
- > their capacity for socialisation is proven and they are largely independent of care.

At least 60 of 100 employees in an IB have to be benefitted disabled.

The services of IB are differentiated in three modules. The first, the employment module, provides jobs for people with disabilities. Employment subsidies from the compensation fund (§10 Abs 1(a) BEinstG; see also section 2 Fiscal framework), from the particular

province and the AMS are paid to compensate the lower productivity of those with disabilities. Goods and services produced in IB are market-oriented like those produced in SÖB. In the second module, the vocational preparation module, workers with disabilities become qualified in order to enable their placement in the general labour market. In the third, the services module, IB operates as service institutions transferring their disabled-work integration and care knowledge and capabilities to other companies and institutions. According to the federal guidelines, an IB has to operate as a GmbH and must submit its balance sheet to the compensation fund for checking if the funding and generated income is used for serving the annual social goal.

The BMASK provides IB with a basic subsidy for infrastructure from the compensation tax fund. The provinces must pay 100% of this amount. Money can also be administered from the compensation tax fund for a going concern. In this case the federal ministry determines the amount of the subsidy (Bdv Austria 2008). Currently there are 8 IB in Austria at 21 locations, employing 2,870 employees, 70-80% of them with disabilities (see Integrative Betriebe Österreich o.J.)<sup>18</sup>.

### **Low-threshold part time employment**

This programme is relatively young and is sometimes included in already existing WISEs such as SÖB or GBP with their specific funding structures. The intended beneficiaries are particularly hard to place into the labour market because of a very long-term-unemployment or a complex multi-problematic situation. This programme aims to bring certain groups closer to the labour market. These initiatives are in most cases small projects with an insecure financial structure depending on market-based activities and additional subsidies from local municipalities and provinces as shown in the example in illustration 7. This type still lacks a genuine accreditation or funding scheme with the Labour Market Service (AMS).

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(18) See also <http://www.integrative-betriebe.at/index.php/iboe/zahlen-daten-fakten>

## Illustration 7. Heidenspass

Heidenspass is a typical social enterprise belonging to the WISE category. It is a low-threshold employment project in Graz, the capital of the province of Styria. An association named “*Fensterplatz*” manages this project, and was founded in 2006. The aim of Heidenspass is to provide employment, education and training to jobless youth in the field of recycling. The “up-cycling” of textiles, plastics or other (waste)-materials into aesthetic goods makes up the specific policy of “Heidenspass”, which is connected to the policy areas of social affairs and employment and, additionally, to the environment.

Today Heidenspass employs 12 administrative and key workers plus 16 youth project workers in four different fields of activity:

- > Learning basics of sewing and producing up-cycled textiles for sale in a sewing workshop.
- > Producing up-cycling-products from different materials (e.g. plastics, wood, glass) for sale in a general workshop. Furthermore, they realize interior designs in cooperation with companies and private customers.
- > Selling the self-produced up-cycled products in the sales shop.
- > Preparing vegetarian meals for themselves and the employees in a self-run kitchen, which can also be rented by companies for events.
- > Training and counselling in youth-related issues of interest, e.g. democracy, drug prevention, sports.

Heidenspass defines itself as an entrepreneurial social business with a hybrid financial structure. In the founding year 2006 their sales income from the up-cycled products amounted to 3%, and has since raised to 30%. The province of Styria, the municipality of Graz, the ministry of labour, social affairs, health and consumer protection, and the ministry of Education and Science publically finance all other activities. Projects are additionally funded by the ESF and the “fund healthy Austria” (“*Fonds Gesundes Österreich*”).

<https://www.heidenspass.cc/>

In some cases these projects are part of a step-model in existing WISEs, whereby the low-threshold part time work functions as a “door-opener”, to allow a feasible integration into the mainstream labour market (Anastasiadis 2016). Distinct municipalities, provinces and the ESF funded the creation of the step-model (bbs Beschäftigungsbetriebe Steiermark 2017).

STEPs made its debut in the province of Styria (Paierl and Stoppacher 2009). After a pilot period 14 styrian organisations continued the programme under the name “Entry” until the end of 2017, and has since continued under the name “Entrada.” A Styrian Entry project named SÖB BICYCLE provides an example of low-threshold part time work for disadvantaged youth in the field of bicycle repair and sale (cf. BICYCLE o.J.). In the province of Lower Austria the project “NÖ-Stufenmodell der Integration” was carried out from 2013 to 2017 by eight organisations throughout the province. It was funded by the AMS and ended 31 December 2017 (Hager *et al.* 2017).

### Effects of the qualification obligation law on WISEs

Subsequently, a very new form of WISEs specifically addressing youth, is described as follows: The training guarantee (*Ausbildungsgarantie*), as one of the measures of the EU youth guarantee implementation in Austria, “ensures everyone up to 18 years and socially disadvantaged youth, slow learners and, increasingly also education drop-outs and young adults up to 24 years, an apprenticeship position.” (BMASK n.y.: 3). The training guarantee led, among other results, to the adoption of the Compulsory Education or Training Act (*Ausbildungspflichtgesetz–APfG*) in 2016 (BMASK 2017b). According to this act each Austrian is obliged to complete a qualification or vocational training by his or her 18<sup>th</sup> birthday.

The AMS or SMS (“*Sozialministeriumservice*”) must co-create a perspective or supervision plan together with the youth involved. The law can indirectly affect WISEs by obtaining support in employing youth with special needs or with disabilities (§ 4 *Ausbildungspflichtgesetz–ApfG*). As one result of the law the so-called production schools (“*Produktionsschulen*”) increased, some of them fulfilling the criteria of social enterprises. Youth prepare to find a job on the mainstream labour market, thereby simultaneously benefitting from work and training while also receiving other forms of emotional and psychological support. INTEGRA gGmbH in the province of Vorarlberg, for example, functions as a “production school” (see illustration 6). Approximately 700 employees and 107 key workers engage in a variety of activities such as car wash, gardening, second hand shops, catering and waste management (Integra Vorarlberg 2018).

### 4.2.3. The role of EU funds

Austria joined the European Union in 1995, providing new funding opportunities for social enterprises and especially for WISEs. The ESF funding schemes particularly influenced their development to a large extent.

#### ESF

Since the mid -1990s, the number of WISEs increased thanks to the financial means made available via the ESF for labour market policy (see Bdv 2008; Anastasiadis 2016). Between 1996 and 1998 the ESF and associated national co-financing provided up to 50 per cent of the total AMS budget for active labour market policy instruments. In 2006, that share was much lower (about 15%), though still significant (BMASK 2013). In the period 2000-2006 the constitution of the “Territorial Employment Pacts” (TEP) was finalized with the support of the ESF. This became an important support structure for WISEs and especially for creating innovative joint projects (Anastasiadis 2016). Between 2007 and 2013, WISEs mainly benefited from the Operational Programme “Employment Austria”, and more specifically from:

- > Objective 2: Active and preventive measures to support employment (290 million EUR 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 EUR including 54 %national co-funding for the whole Objective 3); and
- > The Operational Programme in Burgenland.
- > The quality label for WISEs developed by arbeit plus (former Bdv) in the scope of an EQUAL project.

During the current operational programme the ESF makes more than 442 million EUR available to co-finance qualification and employment projects assigned to the EU-programme “Employment Austria 2014-2020”. Generally, the fund finances 50% of the costs except for projects carried out in the province of Burgenland, whose current status is one of a “province in transition”. Here the ESF finances 60%. (Europäischer Sozialfonds in Österreich 2017a). An updated list of operations in Austria displays 534 projects from 2014 to 2017 co-funded by the ESF, but only approximately 80 can be regarded as social enterprises:

- > 45 initiatives are production schools.
- > 20 initiatives are low-threshold part time work projects.
- > 15 initiatives belong to the Styrian network project ENTRY.<sup>19</sup>

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(19) See Europäischer Sozialfonds in Österreich 2017b.



The other labour market measures, co-funded by the ESF, provide individual support (including services within the education system to reduce the school-drop-out-rate) for people with special needs to improve their employability. This includes education counselling, job training, school social work, youth coaching, and professionalisation of basic education (BMASK 2017a). Two important intended beneficiaries of these measures are youth and migrants, the latter in consequence of the refugee movement in 2015 and 2016 that continues to deeply affect the country.

Beside these support measures, the support for the TEP was phased out during the current period. According to an expert (interviewed on 20 April 2018) these led to a lack of coordinating structures, which became evident in the realisation of Action 20.000 (see section 4.2.1).

Additionally, the Employment and Social Innovation programme (EaSI) includes a specific strand for social enterprises. As part of it, the “EaSI guarantee” facilitates social enterprises access to bank loans since 2016. In Austria “Erste Group” is an intermediary for this strand. According to the available data from EIF, 25 Austrian social enterprises have already benefitted from these loans, with a total volume of 3.4 million EUR.<sup>20</sup> In June 2018 the European Investment Fund (EIF) and all seven Erste Group member banks have signed a new guarantee agreement, which was made possible by the European Fund for Strategic Investments (EFSI), the core of the Investment Plan for Europe. This new guarantee agreement allows Erste Group’s network of local banks to provide a total of 50 million EUR loans to more than 500 social organisations over the next five years in Austria, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia. The organisations will be able to benefit from loans at a reduced interest rate and with lower collateral requirements under the EU supported programme. The Group will provide financing to innovative, socially-oriented organisations active in the education, health and social services sectors, or employing disadvantaged, marginalized, or vulnerable groups.<sup>21</sup>

Austrian social enterprises also benefit from other EU funding-schemes such as ERDF (European regional Development Fund, Europäischer Fond für regionale Entwicklung) with its Interreg-projects and the research-related programmes such as Horizon 2020. Thereby they participate mainly sporadically and benefit indirectly via capacity building according to the stakeholders consulted for this report. Additionally the ERASMUS programme provides some benefit as it is an important scheme to foster qualification and occupational training.

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(20) See: [http://www.eif.org/what\\_we\\_do/microfinance/easi/easi-implementation-status.pdf](http://www.eif.org/what_we_do/microfinance/easi/easi-implementation-status.pdf)

(21) See: [http://www.eif.org/what\\_we\\_do/guarantees/news/2018/efsi-easi-erste-group.htm](http://www.eif.org/what_we_do/guarantees/news/2018/efsi-easi-erste-group.htm)

## 4.3. Relations of social enterprises with public authorities and public procurement framework

As mentioned in section 1, the relationship between social enterprises and public authorities underlies the changes in financing structures since the mid-1990s, when the welfare-market emerged in Austria. Since then public funding has become more restrictive and controlled, especially for social services. A shift has taken place from a subsidies-culture towards public contracting. Through public contracting (*Leistungsverträge*), the organisations started to agree on given criteria, namely the type, quantity and costs of the services provided.

Another key challenge occurred with the compliance of EU criteria and the initiatives to reduce public expenditure during the 2000s. As a result, many social services underlay the procurement law since 2002, which fosters competition, minimizing innovation and the quality of the services as some researchers have argued (Meyer 2009). Critics see this as an expression of the neoliberal creation of competition in the social service sector.<sup>22</sup> As a matter of fact, since then mainstream enterprises are competing with public benefit organisations, which has led, according to researchers, to a decrease in concerning the prize and the quality of the services (Diebäcker *et al.* 2009, Dimmel 2017). The following section describes the present conditions concerning the procurement law for social services along as the changing conditions in realizing the funding regulations for WISEs, which do not underlay the procurement law but are serving public contracts (Anastasiadis 2016, Dimmel 2017). Additionally the report characterizes relations between cooperatives in the housing sector and public authorities.

### 4.3.1. Public procurement framework

The Austrian public procurement law ought to follow the regulations from the European Union. The EU-amendments on the regulation from 2014 should have been implemented in the national law until at least April 2016. The Austrian government did not adhere to the time limit, which was followed by an admonition by the EU. In 2017 the amendments were integrated in a draft version. The network *Sozialwirtschaft Österreich* (see section 4.4.) participated with other platforms in this process and agitated for the implementation of the EU-recommendations concerning a) competitive tenders for social services, b) the criterion of awarding the economically advantageous bid instead the lowest price, and c) the compliance with social and environmental principles. The draft version was enacted by the Austrian government in April 2018 and

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(22) Social service is here understood as broader term including e.g. health care and social care services as well as education and qualifications services.

is currently being appraised (Sozialwirtschaft Österreich Newsletters from February and April 2018).

In concrete the draft version includes the following amendments:

- > Competitive tenders for social services are limited to public benefit organisations. Follow-up orders are possible after a three-year period. Direct awards are allowed up to a sum of 100,000 EUR, and up to a sum of 150,000 EUR a previous announcement is required (Entwurf des Bundesvergabegesetz 2017, §151, 152).
- > The criterion of awarding the economically advantageous bid instead the lowest price is transposed in § 91 Abs 6-8.
- > The compliance with social and environmental criteria finds respect in §20 (e.g., raising employment options for disadvantaged groups to promote social inclusion, social responsibility).

In an advisory response, the networks engaged welcomed these improvements but still they argued that the government should favour other alternative personal and general funding sources ("*Subjektförderung*"), aside from tendering, as stipulated in the EU-rules (Europäische Union 2014). The growing use of competitive tenders fosters standardisation of the services, which determines social innovation. Further tendering prevents important processes of a joint development of services needed between politics and service deliverers. Additionally, tender procedures generate a high level of bureaucracy, which makes it impossible for smaller organisations to participate (ÖAR *et al.* 2017).

#### 4.3.2. Funding conditions in WISEs

As set out in section 4.2.2, WISEs act under different accreditation schemes. Several studies indicate that with the end of the 1990s the conditions for WISEs became more restrictive (Bdv 2008, Wifo and prospect 2014, Anastasiadis 2016). Evidently, this is apparent in the declining number of new-founded WISEs. According to the results of a survey on Austrian WISEs, 24.5% were founded in the 1980s, 42.16% in the 1990s, and only 7.8% between 2000–2008 (Bdv 2008). An analysis of the annual reports of the Labour Market Service (AMS 2001-2015) undertaken by Anastasiadis (2016), has revealed that the overall expenses for the active labour market policy rose continuously from 2000 until 2014 in Austria, i. e., from 600 million EUR to 1.2 billion EUR, but by comparison the numbers of supported persons has grown far more. Concerning work integration measures, the expenses doubled from 175 million to 319 million EUR, while the number of supported persons quadrupled from 21,000 to 80,000. It is obvious that this cannot be handled without major cutbacks to the quality of the service. This often goes along with a reduction of the duration of the transitional period, which is not standardized in the funding guidelines (Anastasiadis 2016). Another survey on WISEs

in Austria revealed that the average duration of transitional workers has reduced from 241 days in 2005 to 116 days in 2012 (Wifo and prospect 2014).

Both examples—the transposed procurement framework and the funding directives of WISEs—clearly show the changing relation of social enterprises with public authorities. In section 5, the report will explore the tensions of *quality* and *quantity* in social enterprises, together with stakeholders’ estimations of current and future development.

#### 4.3.3. Public interventions in the limited-profit and collaborative housing sectors

Significant state intervention takes place in the limited-profit housing sector (*gemeinnütziger Wohnbau*) in Austria. Direct subsidies to cooperative housing providers is an important type of public support and rests on the traditional political consensus in Austria that housing provision should not be left to the ‘free market’, but should be a key responsibility of public politics (Lang and Stoeger 2018). The provinces (*Bundesländer*) are fully responsible for designing and allocating their own housing subsidies, which are co-financed by contributions from the central state budget.

About 90% of projects by limited-profit housing associations receive public funding, mainly in the form of object-specific subsidies for housing construction and refurbishment. Further, the smaller collaborative housing initiatives (*gemeinschaftliches Bauen und Wohnen*) benefit from forming partnerships with established larger limited-profit housing suppliers to realise their housing projects (Lang and Stoeger 2018). Since 2008, however, the provinces have been allowed to divert central state funding to non-housing areas, such as public infrastructure or childcare facilities. This independence has reinforced within-country differentiation in provincial housing subsidy policies. Thus, some provinces, such as Salzburg, curtailed their housing subsidy programmes, while others, e.g., Vienna, have maintained or increased the amount of subsidies (Lang and Stoeger 2018).

The limited-profit housing sector is also in “strategic partnerships” with municipalities to deliver social housing, as most municipalities in Austria have stopped acting as social housing providers themselves (Lang and Novy 2014). In return, local authorities reserve the right to allocate units to residents from their own social housing waiting lists (Ludl 2007, Moreau and Pittini 2012). Local authorities also play a key role for limited-profit housing in facilitating direct access to affordable land, e.g., through favourable strategic land-use planning or developer competitions. In Vienna, collaborative housing projects (e.g., *Baugruppen*) especially benefit from this active enabler role of the municipality, which rests in stark contrast to the situation in the rest of Austria (Lang and Stoeger 2018).

## 4.4. Networks and mutual support mechanisms

Austria does not have a comprehensive network representing all social enterprise. There is one network representing the interests of WISEs: “*arbeit plus*” with its regional networks. *Sozialwirtschaft Österreich* represents social and health service providers and IGO advocates NPOs in general. DABEI Austria is an umbrella organisation for enterprises working with citizens with disabilities. Further, there is a networking platform representing organisations with public benefit defined by law such as NPOs, gGmbH and foundations (*Verband für gemeinnütziges Stiften*) and a multi-stakeholder network called GEMSE as well as networks of Austrian cooperatives. For newer forms of social enterprises, a few community building initiatives and exchange platforms do exist, some of them at a regional level (Social city Wien, Emersense), and a global level (Impact Hub Vienna, Ashoka, Architects of the Future). Events (Social Business Day), prizes (Essl Prize) and awards (Sozial Marie, Trigos, Sustainable Entrepreneurship Award) are also qualified to represent the interests of social enterprises not only through providing networking and/or financial support but also increasing their visibility to the public. Lastly, this section describes two “quality labels” or certification schemes, to distinguish enterprises meeting specific criteria beyond other types of businesses: the quality label for WISEs by *arbeit plus* and the Common Good Balance Sheet represents a system for measuring and reporting the social impacts of social enterprises.

### 4.4.1. Networks, community building and exchange platforms

#### **Arbeit plus and regional networks**

*Arbeit plus*–Social Integration Enterprises Austria (until 2016 “Bdv Austria”) is the federal umbrella association for WISEs in Austria.<sup>23</sup> It gathers nine federal networks (one for each province) and represents 200 non-profit member organisations nationwide employing 40,000 employees. *Arbeit plus* undertakes advocacy work in the field of labour market policy, represents the interests of WISEs and their employees, enhances the visibility of the sector and facilitates knowledge sharing among members. In order to make the accomplishments of the social economy visible on the European level and to strengthen their cause, *arbeit plus* is a member of the European Network for Social Integration Enterprises (ENSIE).

#### **Sozialwirtschaft Österreich**

*Sozialwirtschaft Österreich*<sup>24</sup> provides a networking platform for social and health service providers. It represents more than 300 member organisations and the entire sector that

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(23) [www.arbeitplus.at](http://www.arbeitplus.at)

(24) <http://www.bags-kv.at/>

is characterised by its predominantly charitable status. As a lobby organisation and employers' association, *Sozialwirtschaft Österreich* works for an improved awareness of the sector's services, provides legal advice for its member organisations, assesses new acts and laws, and negotiates the sector's collective agreement on behalf of the employers. Although not all member organisations comply with the definition of a social enterprise given in this study, social enterprises can be found among the members.

### **IGO – Interest Group of Public Benefit Organisations (*IGO - Die Stimme der Gemeinnützigen*)**

IGO represents the interests of NPOs by negotiating interests, bundling resources, and arguing/advocating for common concerns to opinion leaders and decision makers in politics, administration, business and media, in order to strengthen NPOs that work for public benefit.<sup>25</sup>

### ***Dabei Austria***

Dabei Austria is a nationwide umbrella organisation representing the interests of service providers offering occupational orientation and integration to people with disabilities.<sup>26</sup> It advocates for 90 organisations with 190 projects on behalf of the Federal Ministry of Social Affairs and Consumer Protection.

### **Organisation for public benefit founding (*Verband für gemeinnütziges Stiften*)**

The Organisation for public benefit founding represents and interlinks organisations that pursue public benefit such as NPOs, foundations, funds and gGmbHs.<sup>27</sup> Provided services include: knowledge transfer and information, interlinking and development, counselling, advocacy towards politics, and public relations work.

### **GEMSE (*gemeinsam mehr social entrepreneurship*)**

GEMSE is a multi-stakeholder consortium consisting of members from the Federation of Austrian Industries, Federal bank promoting businesses in Austria, Impact HUB, *arbeit plus*, Austrian Council of Research and technological development, Vienna business agency, and several private experts. This network has gathered in multi-stakeholder conferences since 2014 and is currently developing formalized structures. The central aim is to foster a dialogue between different representatives engaging in the topic of social enterprises and social entrepreneurs in Austria.

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(25) <http://gemeinnuetzig.at/>

(26) <http://www.dabei-austria.at>

(27) <http://www.gemeinnuetzig-stiften.at>

### Network platform in Vienna *Social City Wien*

The Network platform in Vienna *Social City Wien*<sup>28</sup> defines itself as a hub for social innovation and for social engagement that brings together private actors and actors from the social enterprises scene to promote private and communal innovations in order to foster a city of Vienna worth living in. For example, it offers co-working spaces or a digital platform for microenterprises to present themselves to the public. *Social City Wien* does not distribute any funds.

### *Emersense*

*Emersense* is an evolving social enterprise based in Vienna. It aims to create “an enabling space for the value creators of today”.<sup>29</sup> The concept is to combine the idealism for a better world with the pragmatism of making it happen—by offering “funky, fresh and unconventional ways of enabling individuals and organisations to bring intentions into action and realize their full potential for a positive contribution to society”. In order to realise the concept, *Emersense* organises conferences, designs learning environments, creates labs, and hosts and nurtures an international community. *Emersense* also runs the Impact Hub Vienna.

### Impact Hub Vienna

Impact Hub Vienna is part of a worldwide network uniting people from different backgrounds, professions and cultures “with imagination and drive to pursue enterprising ideas for the world”.<sup>30</sup> It provides social enterprises / social entrepreneurs with training and support, work spaces, lectures, training workshops, community networking events and incubation programmes. Becoming a member costs a monthly fee ranging from 20 to 225 EUR depending on the services needed. The Impact Hub Vienna community consists of more than 500 members.

### Ashoka

As part of a global support network, *Ashoka* creates networks of social entrepreneurs (“changemakers”) with an innovative idea and business model that strives to solve the most pressing societal challenges.<sup>31</sup> Its main instrument is a fellowship programme: Based on five criteria selected, *Ashoka* fellows receive an individual living stipend for three years allowing them to focus full-time on spreading their ideas. Apart from the living stipend, fellows benefit from a network of investors, Pro Bono partners and Pro Bono consultants. Since Austria’s country office was founded in 2011, there have been eight fellows in Austria in the fields of education, economic development, human rights,

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(28) [www.socialcity.at](http://www.socialcity.at)

(29) <http://emersense.org>

(30) <https://vienna.impacthub.net>

(31) <http://ashoka-cee.org>

education and civic participation. The ALMENDA cooperative in Vorarlberg provides an example, as it aims to strengthen the regional economy and solidarity by creating a complementary time-based currency. The Austrian team of *Ashoka* also supports the fellows in the Czech Republic, Hungary, Poland and Slovakia.

### Architects of the future

The Architects of the future emphasizes and encourages the combination of social engagement, economic activity, and spiritual endeavours of young social entrepreneurs from all over the world.<sup>32</sup> Each year the “Architects of the Future Award” is conferred upon ten of the most inspiring young people who dedicate their lives to a higher mission by finding outstanding and innovative solutions for pressing problems. The nomination for the “Architects of the Future Award” is conducted in cooperation with *Ashoka*, Echoing Green, Shift Foundation, Unlimited Ltd., and various other organisations that aim to support social entrepreneurs. The final selection is made by an Austrian Jury that is composed of people from the fields of economics and spirituality. In selecting the candidates, particular emphasis is placed on the personality of the prospective Award winners, their inner motives and values. Furthermore, the contents of the projects are taken into account, thus highlighting issues such as impact, creativity and transformational power. An additional focus is put on the even distribution in terms of geographical scope and gender. According to the website of Architects of the future the last call for the award was conducted in 2015.

### Economy for the Common Good

The global movement “Economy for the Common Good” started in Austria in 2010, then spread its influence to other middle, western and eastern European countries, and has, now reached Latin America, USA and Africa.<sup>33</sup> It describes an economic system that is built on values that promote the common good in an economic, political and social sense. The economic success of an organisation is determined according to values that serve the common good. The objective of the political engagement is a good life for all living beings and for the planet. The social initiative is based on the collective and respectful actions of as many people as possible. As a central instrument to measure the success of an organisation, the Economy for the Common Good movement developed the “Common Good Balance Sheet” described in section 4.4.2.

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(32) <http://architectsofthefuture.net>

(33) <https://www.ecogood.org/en>



### **Initiative for Collaborative Building and Housing (*Initiative für gemeinschaftliches Bauen und Wohnen*)<sup>34</sup>**

Another recent relevant tendency in the housing sector is the emergence of an organised collaborative housing movement as a response to developments in the well-established limited-profit housing sector, including its large cooperatives (Gruber 2015; Lang and Stoeger 2018). The Austria-wide umbrella association comprises a variety of locally-based organisations, such as Baugruppen and Cohousing in different legal forms, and addresses both urban and rural housing schemes.

### **Austrian Federation of Limited-Profit Housing Associations (*Österreichischer Verband gemeinnütziger Bauvereinigungen – Revisionsverband, GBV*)**

The Austrian Federation of Limited-Profit Housing Associations (GBV) is the compulsory audit organisation and representative body for 185 limited-profit housing providers across Austria (including both cooperatives and companies).<sup>35</sup> It collaborates with national stakeholders (such as local authorities), and international ones (such as ICA and CECODHAS). The Limited-Profit Housing Act mainly guides the monitoring of Limited-Profit Housing Associations irrespective of the type of organisation in matters such as the principle of ‘cost-based’ rent-setting, appropriate use of assets, and obligation to reinvest gains into housing construction and refurbishment.

### **Austrian Cooperative Association (*Österreichischer Genossenschaftsverband, ÖGV*)**

ÖGV is the compulsory audit organisation and representative body for about 100 commercial and economic cooperatives in Austria.<sup>36</sup> It adheres to the principles developed by Hermann Schulze-Delitzsch who invented the concept of commercial cooperatives. ÖGV also engages in legal and tax consulting for member organisations as well as in start-up consulting for new cooperatives, including the promotion of citizen-based cooperatives (*Bürgergenossenschaften*).

### **Tailwind – Association for promotion and auditing of public benefit cooperatives (*Rückenwind – Förderungs- und Revisionsverband gemeinwohlorientierter Genossenschaften*)**

*Rückenwind* is a recently founded smaller-scale audit organisation for cooperatives in Austria.<sup>37</sup> The association aims to represent cooperatives that are oriented towards “the common good” (*gemeinwohlorientierte Genossenschaften*), which, among other things, relates to the principles of solidarity, sustainability and democratic

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(34) <http://www.inigbw.org>

(35) <https://www.gbv.at>

(36) <http://www.genossenschaftsverband.at>

(37) <http://www.rueckenwind.coop>

participation. It also accepts supporting members (*fördernde Mitglieder*) and carries out start-up consulting.

#### ***Die WoGen Wohnprojekte-Genossenschaft e. Gen.***<sup>38</sup>

This housing cooperative founded in 2015 is the first to primarily focus on developing new collaborative housing projects. It acts similarly to a secondary cooperative and services new projects with legal advice, organisational development and community building expertise, as well as property management. The deposits of the cooperative members help support initial financing thus contributing to reduced interest on borrowed capital. New and existing projects can also join the cooperative, further broadening the scope of this umbrella network.

#### ***Dachverband habiTAT***

This umbrella organisation supports the development of resident-led local housing projects.<sup>39</sup> The model originated in Germany under the name Mietshäuser Syndikat (“Tenant Syndicate”) and reflects the traditional cooperative principles of self-help, solidarity and self-management. While it is already well developed in Germany with more than 100 local organisations, it recently managed to establish its first housing project called “Willy\*Fred” in Linz. More “Syndicate” projects are currently under way in Austria: three in Vienna, one in Salzburg and one in Innsbruck.

### 4.4.2. Events and prizes

#### **Social business day**

The Social Business Day, a venture market, organised by *arbeit plus* Vienna, is a yearly networking event in which social entrepreneurs, non-profit organisations and commercial companies can present their ideas of social business. Each year, a specific theme is chosen. In 2018, under the title “From Drop-out to Drop-in” the focus is on the creation of jobs that make sense to people and provide them civic participation opportunities.

#### ***Sozial Marie***

The Prize *Sozial Marie* was launched 2006 by the foundation *Unruhe Privatstiftung*.<sup>40</sup> It provides a yearly funding for ongoing social projects (15,000 EUR (1st place), 10,000 EUR (2nd place), 5,000 EUR (3rd place); and 2,000 EUR for 12 further projects). Austria, Croatia, the Czech Republic (partly), Germany, Hungary, Poland, Slovakia and Slovenia are all eligible countries.

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(38) <https://diewogen.at>

(39) <https://habitat.servus.at>

(40) <https://www.sozialmarie.org/de>

## Trigos

The Trigos Prize has existed for 15 years and was launched by the Federation of Austrian Industries in cooperation with several NPOs (e.g., Red Cross, Caritas, Global 2000).<sup>41</sup> The call for 2018 includes the category Social Innovation and Future Challenges wherein operating social enterprises in Austria are awarded the Trigos trophy.

## Sustainable Entrepreneurship Award

The Sustainable Entrepreneurship Award<sup>42</sup> was launched 2012 by “future4you GmbH”. It provides annual funding of 10,000 EUR for the winning project in two categories: Best project (ongoing or completed projects) and Best idea (project in planning phase).

The “award for social integration” launched in 2007 and *Ideen gegen Armut* (“Ideas against poverty”) launched in 2008, both mentioned in the National report Austria from 2014, are no longer awarded.

### 4.4.3. Quality labels

#### Quality label for WISEs by arbeit plus (*Gütesiegel für Soziale Unternehmen*)

This quality label was developed by *arbeit plus* (the former Bdv Austria) in 2010 for SÖB and GBP to consistently meet a certain quality level in social, organisational and economic dimensions.<sup>43</sup> Only WISEs can participate. The certifying body is Quality Austria, a private company providing *inter alia*, or certification services. Experts of Quality Austria and *arbeit plus* assess the enterprises. For instance, they examine how effectively funds and resources are used. Furthermore, they check the strengths and developmental opportunities of the enterprise in order to maintain or improve the quality standard. The label is granted for a period of three years. Every three years the label can be renewed when meeting the assessment criteria. Enterprises with a maximum of 200 employees pay a lower price than enterprises with more than 200 employees. The AMS contributes to the labelling costs. Since 2014 the quality label has been classified as Recognised for Excellence (R4E) within the EFQM quality management system.

#### Common Good Balance Sheet

The Common Good Balance Sheet is a tool developed by the global movement “Economy for the Common Good,” (described in section 4.4.1) and serves as a system to focus on non-monetary indicators to measure success of an enterprise.<sup>44</sup> The heart of the Common Good Balance Sheet is the Common Good Matrix. It describes 20

(41) <http://www.trigos.at>

(42) <http://se-award.org>

(43) <http://arbeitplus.at/guetesiegel/>

(44) <https://www.ecogood.org/en/common-good-balance-sheet/common-good-matrix/>

common good themes, which intersects with four values (Human dignity, Solidarity and Social Justice; Environmental Sustainability; Transparency; and Co-Determination); and five stakeholder groups (suppliers; owners; equity and financial service providers; employees, customers and business partners; and social environment). For each theme, an overall assessment is made and given a Common Good Score. Scores can range from -3,600 to +1,000 points. The Common Good Matrix is the basis for creating a Common Good Report, a comprehensive account of an organisation's standing in relation to the common good.

Not all enterprises involved in the common good movement will fully comply with the definition of a social enterprise used within the scope of this study (in the sense that profit distribution is not necessarily limited) but there exist many commonalities.

## 4.5. Research, education and skills development

The fields of research, education and skills development also offer additional support structures. The NPO & SE Competence Centre at the WU Vienna is an important research institution particularly dealing with NPOs and social entrepreneurship. As an example of a smaller, regionally operating research organisation focusing on labour market research, IFA Styria is mentioned. Additionally, several initiatives offer specific learning programmes for social business that come occasionally paired with awards (Pioneer of Change, Social Impact Award, Next). Several departments in Austrian Universities focus on the research and study of social enterprises and social innovation (e.g., University of Graz, University of Linz, FH Campus Wien). As mentioned in section 2, research initiatives are fragmented in Austria: they focus on different traditions such as NPOs, cooperatives, collectively social enterprises (such as WISEs) and entrepreneurial social businesses, summarized in table 1.

### NPO and Social Enterprise Competence Centre

The Competence Centre for Non-profit Organisations and Social Entrepreneurship (NPO & SE Competence Centre)<sup>45</sup> is an academic unit of the Vienna University department of business and economics (WU). It promotes the exchange between research and practice in the field of NPOs by carrying out NPO-related research on a high level (e.g., evaluations, benchmarking, SROI-analysis), and by organising workshops and sessions and participating in research networks. Since 2013 the research activities have focused on social entrepreneurship. The institute recently provided substantial empirical contributions, including a study on the potential of social business in Austria, conducted in 2015 by Vandor *et al.*

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(45) <https://www.wu.ac.at/npocompetence/>

## IFA Styria

The Institute for labour market supervision and research (*Institut für Arbeitsmarktbetreuung und -forschung* - IFA) provides expertise in applied social scientific analysis and evaluation studies in the province of Styria with a focus on labour market policy, advanced training and education, economic and regional development, EU-programmes and projects, and integration of citizens with disabilities.<sup>46</sup> The institute carries out most studies on behalf of public authorities such as federal and provincial ministries.

## Pioneer of Change

Pioneers of Change<sup>47</sup> offers a full-year curriculum specifically designed for social entrepreneurs who need assistance in implementing their ideas for “creating good lives”. During the programme several forms of support (i.e., individual coaching, group discussions) are given in personality development as well as in project management. Regular fee for the one-year-training is 4,610 EUR excluding VAT. Twenty-four grant receivers (called “pioneers”) can take part in the programme. Since its foundation in 2010, between 15 and 20 pioneers complete the programme annually in fields spanning from humanities to agriculture. The founder of Respect.net, for example, received their training for this unique crowdfunding platform.

## Social Impact Award

The Social Impact Award (SIA)<sup>48</sup> is an “ideas” competition coupled with a learning programme, targeting students and encouraging their engagement in social entrepreneurship. WU Vienna originally initiated the programme in Austria in 2009, and is now replicated in 17 other countries. In Austria, the programme is coordinated by the Impact HUB Vienna. The best projects receive financing as summer stipends/seed funding (around 3,000 EUR) 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 topics such as idea generation and business modelling. In 2017 the best 55 ventures from 18 countries were promoted with the Social Impact Award along with seed funding of 100,000 EUR in total.

## Next - Award and Social Entrepreneurship Programme

Next<sup>49</sup> is a new programme that provides an award for social entrepreneurship. Launched recently in 2018 by the NPO & SE Competence Centre in cooperation with UniCredit Bank Austria and UniCredit Foundation, it addresses organisations that aim

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(46) <http://www.ifa-steiermark.at/>

(47) <https://pioneersofchange.org/>

(48) [www.socialimpactaward.at](http://www.socialimpactaward.at)

(49) [www.next-award.at](http://www.next-award.at)

to take their already-successful social entrepreneurship innovation to the next level. Through a three-module-system, Next provides support in organisational development and leadership skills. Following the three-modules-programme an expert jury chooses three finalists with the best development plan for an innovative project with social impact. They receive the award prize of 30,000 EUR, which they will use to implement the submitted project in the following months.

### **FH Campus Vienna**

The FH Campus Vienna<sup>50</sup> offers a Master's Degree in Social Economy and Social Work (*Sozialwirtschaft und Soziale Arbeit*), which provides students with scientific competencies and skills for managing organisations in the social sector.

### **Johannes Kepler University Linz**

The Institute of Innovation Management (IFI) undertakes research on "innovation practice" rooted in social and regional contexts.<sup>51</sup> It aims to explore the emergence of innovative resource combinations in the form of social enterprises, community-led businesses and place-based entrepreneurship. With this topical focus, it strives to contribute to academic discourse, policy and practice, and teaching.

### **University of Graz**

The department of social work undertakes research on social enterprises, volunteer work, and solidarity economy in the form of regional, national and international research projects, among other topics.<sup>52</sup> These topics are essential parts of the master degree on social work.

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(50) [https://www.fh-campuswien.ac.at/studium/studien-und-weiterbildungsangebot/detail/sozialwirtschaft-und-soziale-arbeit.html?tx\\_asfhcw\\_course%5Bcontroller%5D=Course&cHash=de8d3480f6785cf319c26a3caeda9a3c](https://www.fh-campuswien.ac.at/studium/studien-und-weiterbildungsangebot/detail/sozialwirtschaft-und-soziale-arbeit.html?tx_asfhcw_course%5Bcontroller%5D=Course&cHash=de8d3480f6785cf319c26a3caeda9a3c)

(51) <http://ifi.jku.at/>

(52) <https://erziehungs-bildungswissenschaft.uni-graz.at/de/institut/arbeitsbereich-sozialpaedagogik/>

## 4.6. Financing

### 4.6.1. Demand for finance

Social enterprises need financing to cover operational costs and to make investments. These needs are important at the time of creation as well as in periods of growth and development. Based on research undertaken in several studies (see selection in section 3), social enterprises in Austria receive financing from different actors and sources, including funding from public authorities, sales of service to public authorities, sales to private customers, donations/sponsoring, financial intermediaries and membership fees. These studies exemplify the trend in changing and insecure financing situations, according to the economic, social and political climates. Since few alternative financing channels exist, businesses often reinvest any surpluses to support their social aims, or accumulate reserves to avoid credit dependency on the mainstream banking system.

As no estimations exist on the demand for investment in social enterprises in Austria, the opinions from the stakeholders consulted for this report provide the basis to describe the current situation (see appendix 4 for a list of the stakeholders involved). They express a need for sustainable public funding as well as more start-up funding. Others call for more public investment in general by federal states and municipalities or favoured funding for creating innovative services in order to remain competitive in the market. Further, experts desire the establishment of alternative funding options by law in order to gain access to capital more easily (e.g., crowd funding instruments, common good banks). These stakeholders' concerns illustrate a current lack of adequate funding structures and alternative capital access.

### 4.6.2. Supply of finance

Few finance providers are specially tailored to fit the needs of social enterprises in Austria. The main finance suppliers to social enterprises are associated in *Sinnstifter*, an association with the aim of supporting initiatives with public benefit. Twelve foundations belong to *Sinnstifter*, *inter alia*, along with two nationwide and internationally operating "big players", Essl Foundation and Erste Foundation. Interestingly, it is rather exceptional that foundations finance social enterprises in Austria (Schneider *et al.* 2010); nevertheless, they have recently provided seed and venture capital to social enterprises. Social enterprises also make use of dedicated funds (like those of Bonventure) which specifically target their activities. The funding organisation may not be headquartered in Austria, but it does operate within the country. Austria also considers crowdfunding as an opportunity, especially since no ethical banks currently operate in Austria. Besides the mainstream banks which generally do not have specific schemes for financing social enterprises, three initiatives do exist: The Erste Group which operates as an

intermediary since 2016 for the EaSI guarantee (see 4.2.3), HERMES-Österreich (an association which has financed social and ecological projects for around 30 years) and the *Bank für Gemeinwohl* (“the Bank for the Common Good” under establishment in Austria). Finally a pilot project on Social impact bonds is currently in process.

### ***Sinnstifter***

*Sinnstifter* was founded in 2010 by six foundations (e.g., Essl Foundation, Erste Foundation, Unruhe Privatstiftung), and six smaller regionally operating foundations have since joined the association.<sup>53</sup> In cooperation they give funding and business support to social enterprises and entrepreneurs who launch public benefit oriented projects, e.g. in the fields of work integration, youth, education, regional cohesion and, more recently, integration of refugees. As an example, MTOP (“More than one perspective”), a social business founded in 2016, has the mission of linking well qualified refugees and enterprises by offering application training, coaching, case management, and event organising.

### **Essl Foundation**

Essl Foundation has two main missions<sup>54</sup>: promoting social innovation and social entrepreneurship, and supporting disadvantaged people with disabilities. In the field of social innovation and social entrepreneurship, Essl Foundation gave out the yearly-awarded ESSL Social prize until 2014 (see 4.4). It supports projects aimed at public benefit, especially for people with disabilities. Since 2010 it has been organising the “Zero Project”, an initiative targeting a world without (with “zero”) barriers for people with disabilities. The Zero Project investigates national and international best practice models and legal frameworks fostering the integration of its participants. The Zero Project report, so far published once in 2015, gathered the results of the research. Additionally, as a member of *Sinnstifter*, Essl Foundation supports role model projects together with other foundations, with both financial and general business support (e.g. consulting and advisory services).

### **Erste Foundation**

Erste Foundation—the “voices and ideas of civil society”<sup>55</sup>—implements its own projects and supports projects implemented by others in Central, Eastern and South Eastern Europe, within the framework of three thematic fields: Social Innovation, European Cohesion and Democracy and Contemporary Culture. According to the Country Report Austria of 2014 “ERSTE Foundation is recognised in the social enterprise ecosystem as a key player. It contributed to make the social enterprises sector visible” (European

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(53) <http://sinn-stifter.org/>

(54) <https://zeroproject.org/about-us/about-essl-foundation/>

(55) <http://www.erstestiftung.org/>



Commission 2014:17). Among several activities featuring social issues in Europe, it participates in funding social enterprises and entrepreneurs, such as MTOP (see *Sinnstifter* in this section). Moreover, the historical roots and the initial savings bank idea led Erste Foundation to found *Zweite Sparkasse* (Second savings bank) in 2006 to provide key financial services to people who did not have access to them due to financial complications.

### Bonventure

Bonventure, founded in 2003 in Germany, supports social enterprises in Austria, Germany and Switzerland with the approach of social venture capital.<sup>56</sup> It has three portfolios in its programme: Social affairs and Education, Ecology, and Society. Additionally, it provides investees with advisory services and general business support and assists them implementing sophisticated reporting systems as well as information management systems. Two Austrian social enterprises are currently financed by bon venture: atempo–portfolio Social affairs and myAbility–portfolio Society.

### Crowdfunding platforms

In 2015 the Law of Alternative Financing Instruments (*Bundesgesetz über alternative Finanzierungsformen (Alternativfinanzierungsgesetz–AltFG)*<sup>57</sup> was enacted in Austria to regulate crowdfunding. It determines that an issuer (e.g. an entrepreneur) is allowed to publically provide a maximum of 1.5 million EUR in the form of alternative finance instruments for an entrepreneurial activity. A minimum of 150 investors can invest the maximum amount of 5,000 EUR each within a year. According to an internet search there are two crowdfunding platforms in Austria with an explicit social aim: Respekt.net<sup>58</sup>, a platform to strengthen civil society, and Crowdfunding for the Common Good<sup>59</sup>, a platform run by the Cooperative for the Common Good. A further crowdfunding platform, run by the BAWAG/PSK Bank<sup>60</sup>, does not explicitly require a social impact of the financed projects; nevertheless, a few socially engaged projects were and are funded via the platform. A priori, the organisations running these social projects do not necessarily need to engage in economic activity, therefore the scale of social enterprises' participation on the crowdfunding platforms is unclear.

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(56) <http://www.bonventure.de>

(57) <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20009241>

(58) <https://www.respekt.net>

(59) <https://www.gemeinwohlprojekte.at/crowdfunding-fuer-gemeinwohl/>

(60) <https://www.crowdfunding.at/>

### HERMES Österreich

The association HERMES Österreich stands for responsible fund management.<sup>61</sup> It collects donations, allowing people to direct their money towards future-oriented, regional, environmental and social purposes. HERMES-Österreich, for example, provides collateral and in this way helps social enterprises gain access to funding from commercial banks.

### Bank for the Common Good (*Bank für Gemeinwohl*)

The establishment of the *Bank für Gemeinwohl*<sup>62</sup> (bank for the Common Good) is still the main mission of the 2014 founded Cooperative for the Common Good. It is in the process of becoming a fully licensed bank with the core functions of processing payments, accepting deposits and making loans. But the organisation has taken steps since 2014 to reach the main goal of the bank: supporting the financing of common good projects (see also “Common good balance sheet” in section 4.4); namely, establishing a screening instrument to prove the common good orientation of submitted projects, and launching the Crowdfunding platform for Common Good (see also “Crowdfunding platforms” earlier in this section). As the next step, the Bank for the Common Good will negotiate with the Finance Market Supervision Authority in Austria in order to get the license for a so called “small bank” which can provide common good deposits for private people and companies. The following main features characterise the planned common good deposits: 1. They will not be financed by speculations; 2. Depositors will have to pay a “common good fee”; and 3. No interests for deposits will be paid.

### New social finance instruments

With a social impact bond, the public sector commits itself to repay so-called Upfront financiers (capital and risk premium), provided that the implementation of a social programme by a specialized organisation (like a social enterprise) produces a specified social outcome.<sup>63</sup> 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 potentially ineffective services; rather, the third party investor (the Upfront financier), bears this risk (see European Commission 2014).

The commitment expressed by the Austrian Federal Government for Labour, Social Affairs and Consumer Protection in its work programme for 2013 to 2018 to use social impact bonds, led to a first pilot project, launched in 2015 for a three-year commitment in the state of Upper Austria. Its name is “Economic and social empowerment for women

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(61) <http://www.hermes-oesterreich.at>

(62) <https://www.gemeinwohl-genossenschaft.at/ueber-uns/gemeinwohl-banking>

(63) [https://www.sozialministerium.at/site/Soziales\\_und\\_KonsumentInnen/Soziale\\_Themen/Soziale\\_Innovation/Social\\_Impact\\_Bond/](https://www.sozialministerium.at/site/Soziales_und_KonsumentInnen/Soziale_Themen/Soziale_Innovation/Social_Impact_Bond/)

affected by violence” (Ökonomisches und soziales Empowerment von gewaltbetroffenen Frauen). The objective is to offer women affected by violence financial independence by placing them in long-term jobs that may contribute to their ability to permanently leave abusive situations. The social impact bond in this project works as follows: In an agreement with *Juvat gemeinnützige Gesellschaft mbH*, the Austrian Federal Ministry stipulates that “for the duration of the project (from September 2015 to August 2018) a determined number of women affected by violence will be placed in jobs that will allow them to earn a living—and that they will stay in these jobs for at least one year. The clearly formulated provisions regarding the goals to be achieved and the characteristics of the target group guarantee that the success of the project can be definitively measured.” (Juvat o.J., 3). Four foundations, *inter alia* Erste Foundation, and the operating Juvat gGmbH act as upfront financiers.

Since the pilot project is still in operation, no results about success or failure are available. There are some critical aspects on social impact bonds, one of them pointing out the possibly perverse incentives for the operating social enterprise to avoid (or cherry pick) specific target groups in order to reach pre-defined outcomes (see also European Commission 2014).

#### 4.6.3. Market gaps and deficiencies

Regarding the financing situation in general, several factors determine a sustainable establishment of social enterprises in Austria. They can be summarised as follows:

- > The goal to reduce public expenditure has led to restrictive funding conditions and a shift towards public contracting and procurement.
- > This happens at a time with growing societal tendencies of exclusion, where innovation is needed and the demand to finance these innovations is growing.
- > Given their typical financial mix, social enterprises tend to generate resources from different sources. Market-activities are growing, but they display an insecure financing opportunity. The income depends a) on the purchasing power, which in turn is influenced by the socio-economic situation in general, and b) on the fulfilment of the predominant social goal (e.g. work integration).
- > Alternative investment, e.g. via funds, donations and foundations, is not currently well established in Austria. The social investment market is still very fragmented. This makes it difficult for social enterprises to orient themselves among the various sources of finance potentially available to them, knowing that each actor will have its own language and expectations about social enterprises. At the same time, social finance providers find it hard to identify social enterprises meeting their specific investment requirements.

With this background in mind, there exists a clear need to improve the financing structure and culture in Austria. One option may lie in creating agencies that match the demands of social enterprises with interested investors. Another possibility lies in establishing foundations to help fill this informational gap. This report discusses additional opportunities in section 5, along with the estimations of stakeholders on current and future development in the field.


# 5

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## PERSPECTIVES

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At a time when risks of social exclusion are growing (due e.g. to rising unemployment and poverty) and social policy budgets are increasingly strained, social enterprises take over responsibility to enhance social inclusion. They design and deliver demand-oriented services and find alternative ways to finance them. Against this background, a slight growth of the sector is currently perceivable in Austria. At the same time, constraining factors have an negative impact on the sustainable establishment of social enterprises in Austria: short-term instead of long-term support (as exemplified by the case of WISEs, with a shortening of the transitional periods); legal and fiscal uncertainties, caused among others by the public-benefit regulation, which limits the entrepreneurial scope for social enterprises; and continued lack of recognition of social enterprises and of their positive effects on society, resulting from insufficient data and a fragmented debate. Moreover, welfare-state reforms, which are currently being undertaken by the present right-wing conservative government in an extensive way, are causing uncertainties among social-enterprise representatives. The stakeholders consulted for this report thus call for reforms to optimise the conditions in which social enterprises emerge and operate. It seems necessary, among other measures, to implement an appropriate support structure for WISEs, which would allow to design and deliver client-oriented services under feasible financial conditions. Another suggestion is to adjust the public-benefit regulation, e.g. loosening the asset lock or allowing cooperatives to apply for the status. With a view to representing the interests of social enterprises and to making the social-enterprise sector and its positive societal effects more visible to the public, it was recommended that joint activities of existing networks be enhanced and that a cross-sectional acting ministry, or at least a secretary of the state, be established. Additionally, an extensive research strategy may help to increase the visibility of social enterprise in Austria.



## 5.1. Overview of the social enterprise at the national level

The contribution of social enterprises toward innovating and democratizing the welfare system in Austria is beyond dispute, according to several researchers and stakeholders consulted for this report (Bdv 2008, Millner *et al.* 2013, Lang and Novy 2014, WIFO & prospect 2014, Pennersdorfer *et al.* 2015, Vandor *et al.* 2015, Anastasiadis 2016, Lechner *et al.* 2016). As outlined in section 1, they played a decisive role in framing and shaping the conservative and collaborative welfare state. Since then they have created and delivered demand-oriented services as bottom-up innovators and top-down governed service providers with a strong relation to public policies. The various identified traditions of social enterprise roots are summarized in table 1 (cooperatives, NPOs, newly established collective social enterprises and entrepreneurial social businesses) and reflect the different visions behind them.

With this background, it is not surprising that the debate on the phenomenon of social enterprises remains fragmented. This becomes evident in the separated network-landscape: e.g., *Sozialwirtschaft Österreich* represents the broad field of social services derived from the NPO-tradition; *arbeit plus* is the Austrian-wide network for WISEs; Impact Hub is a platform to enhance entrepreneurial social businesses; and Österreichischer Genossenschaftsverband represents cooperatives in several sectors.

Similarly the research landscape is divided in research focusing on cooperatives, NPOs, and social entrepreneurs, as well as on specific types of social enterprises such as WISEs as outlined in section 2. Both the networks and research intend, as do others activities, to enhance the visibility of social enterprises and to communicate their impact in social and economic concerns (e.g., positive effects on the overall employment situation as important job-providers, solving societal problems, benefits to the overall economy). In the last decades, welfare state reforms have noticeably influenced the development of social enterprises. An observable trend towards marketisation raises the responsibility for social enterprises to engage with growing societal problems (such as migration, demographic change, and marginalisation of rural communities), through generating innovative services and finding alternative financing. Thus, the boundaries between the different traditions begin to blur. Several networks are currently reacting to this: initiatives such as GEMSE intend to connect to and learn from one another, and to initiate a cross-traditional debate, which could raise consciousness and recognition among policy makers and the public as a whole.

## 5.2. Constraining factors and opportunities

The stakeholders consulted for this report identified a slight growth of social enterprises in Austria due to growing societal needs and further outsourcing of public services. Additionally, they mentioned factors which contribute to this perceivable growth, such as the rising importance of new initiatives in rural areas; the growing ecological awareness in society especially among youth; slow and selective improvement of public supporting schemes for social enterprises; slow but increasing visibility of social enterprises; and growth in the number of networks together with a rising professionalisation and economic awareness in social enterprises.

And yet this optimistic view is overshadowed by the constraining factors the stakeholders mentioned, which determine the sustainability of the development of the social enterprises sector: such as little socio-political support (through short-term instead of long-term support); legal and fiscal uncertainties; still too little recognition of social enterprises and their positive effects on society; and no common understanding of social enterprises, which undermines their visibility. Further, a few respondents perceive the recent political development in Austria as a threatening factor. The predicted trend of further downsizing the welfare state and increasing privatisation of public services under restrictive conditions completes that view.

During the discussion at the stakeholder meeting, the participants specified the following constraining factors to focus on: a) the financial situation with emphasis on the labour market policy strategy specifically affecting WISEs; b) the legal situation, particularly public benefit regulations as well as legal-frame and umbrella organisations in the cooperative-sector; c) the visibility of social enterprises and their contribution to society and the issue of fragmented debate; and d) the governmental change exemplified in uncertainties concerning the labour market policy strategy, which again especially affects WISEs.

### 5.2.1. Financial situation

#### **Funding conditions for WISEs**

One participant describes the present situation as follows: Until now the labour market policy support structures have been influencing social enterprises, especially WISEs. Yet, the main targets of labour market policy measures have changed over time. The “Action 8,000”, established at the beginning of the 1980s, focused on a wider social aim by sustainably integrating 8,000 unemployed citizens into the labour market. Nowadays the conditions for work integration have become more restrictive, which hinders sustainable integration. According to stakeholders, the average job duration

for transitional-workers has decreased by far (four months compared to 12 months as outlined in section 4 for SÖB).

Strict labour market policy regulations (a maximum of six months transitional employment, as another participant remarks) hinder WISEs ability to operate as ideal social enterprises matching the social aim of integrating long-term unemployed people with an entrepreneurial spirit of the social enterprise. Evidence for these changes can be found in recent research studies (WIFO and prospect 2014, Anastasiadis 2016, see also section 4). WISEs are forced to integrate more people in a shorter period of time under more restrictive funding conditions. This tends to skew the focus on the type of unemployed people who have better chances to being integrated into the labour market and to neglect the ones at the end of the labour-market queue. The obligation to provide short-term employment for social enterprises makes it impossible for more-challenged people to qualify within a WISE although it would constitute an adequate measure for becoming integrated into the labour market sustainably, according to the mission of WISEs.

### **Importance of provinces and municipalities**

Some of the participants point out the important role of provinces and municipalities in funding WISEs and social enterprises in general. They often act as co-funders in addition to the labour market service (AMS) or EU. Especially at a local level, the authorities often provide monetary or non-monetary support as outlined in section 4.

## **5.2.2. Legal situation**

### **Public benefit regulations**

The public benefit status is, according to the stakeholders, one of the main constraining factors for the development of social enterprise. For the stakeholders consulted, two problems are striking.

First, the definition of “public benefit” by law leaves a lot of space for an organisation’s interpretation. When the regional tax authority office, which has the power of decision on the status, deprives an organisation of its public benefit status, the organisation no longer possesses any fiscal advantages as described in section 2. Further, the tax reliefs have to be paid back for the respective period by the organisation, which causes financial problems. Two participants mentioned two examples to illustrate the problem: A Viennese social enterprise operating in the repair sector was deprived from its public benefit status because the tax authority office decided that employing long-term unemployed or disabled people was not a sufficient criterion for a public benefit status. Another social enterprise operating in the catering sector was threatened with losing its public benefit status as it competes with commercial companies in the food service market, which do not receive any fiscal advantages. In the end, the organisation



won the trial with the argument that its primary goal is not to sell food but to employ people that face many barriers in the job market.

The second problem refers to the constraints a public benefit organisation faces in not generating any assets without reinvesting them solely and directly to feed the public benefit goal. This asset lock significantly limits their entrepreneurial scope and should be eased, in the view of some stakeholders.

### **Legal framework and umbrella organisations in the cooperative sector**

Regarding the cooperative sectors, one of the participants identifies the legal frame and the traditional large umbrella organisations as hindering factors. The legal frame, concretely the Austrian Federal Tax Code (*Bundesabgabenordnung*), excludes cooperatives from the public benefit status and thus from its fiscal advantages (see also section 2). Consequently, it is impossible to establish social cooperatives that would come close to the EU operational definition of social enterprises. An adjustment of law may extend the cooperatives' possibilities.

A somewhat more substantial problem than the legal frame is demonstrated in the policy of the traditional umbrella organisations in the cooperative sector. The primarily large organisations are said to mainly represent the interests of large, commercially-oriented cooperatives and to hinder small community-led ones in asserting themselves. Nevertheless, a present trend exists in Austria to create new umbrella organisations supporting those small cooperatives.

## **5.2.3. Visibility**

### **Fragmented landscape of social enterprises**

The non-existing overall legal frame for social enterprises and the insufficient data situation in Austria leads to the discussion of enhancing the visibility of social enterprises. Although the participants agree on the importance of making the sector more visible, they doubt whether it makes sense to give the different traditions of social enterprises a unified legal frame. Each entity has constructed its own identity, which may be lost in a process of unification.

## **5.2.4. Governmental change**

### **Labour market policy changes**

The WISE-sector might underlie a transition process at the present because of the governmental change, as one of the participants remarks. The new government has forced the Labour Market Service to work out a reform concept by the middle of 2018 and the public has little idea of what that will entail, creating uncertainty among WISEs.

According to some of the participants, the present labour market policy strategy in Austria tends to support companies and their productivity rather than long-term employment which would bring an added value for the society as a whole.

## 5.3. Trends and future challenges

The stakeholders involved called for reforms that would be suitable to optimize the financial and legal situation and to enhance the visibility of social enterprises.

### 5.3.1. Financial situation

#### **Supporting long-term employment and qualification as a labour market political measure**

As discussed in the subsections above, an important labour market policy strategy is to support long-term employment to combat poverty and foster social inclusion. Therefore, concrete ideas and concepts are needed for the present and the future. Stakeholders expressed concerns about the need for funding conditions to become more client-orientated and feasible. For example, shorter transitional periods work against the increasing demand for work integration. Simply put, the economic crisis led to a reduction in job opportunities in the labour market, which lead to an increase in the exclusion of marginalized persons such as the elderly (typically perceived at the end of the labour queue), along with low qualified, long-term job seekers with multiple social and psychological problems. Participants perceive that shortening the transitional work periods undercuts services and reduces flexibility at the exact moment their needs are expanding.

As a strategy, various regions developed cooperative pilot projects with the aim to create flexible, long-term job options in a so-called “third” or “extended” labour market for highly disadvantaged target groups, as well as implicate low-threshold projects that aim to bring certain groups (like early school leavers) closer to the labour market (see section 4). However, these efforts still lack a genuine funding scheme with the Labour Market Service and other partners from the public sector. These initiatives are (in most cases), small subsidiary projects or come from parent companies with an insecure financial structure dependent on market-based activities and additional subsidies from municipalities.

An appropriate support structure for WISEs and their service users is clearly needed. This could be developed in a corporate process between politicians and practitioners as well as representatives of the commercial sector, with the aim to design innovative, inclusion-oriented services with feasible financial conditions.

### 5.3.2. Visibility

#### Connecting the different traditions of social enterprises to reduce fragmentation

A central future challenge lies in uniting the different traditions of social enterprises. The WISE-sector has already taken a few steps to open toward newer Start-ups in the social business economy. *Arbeit plus*, the networking platform for WISE, recently began providing a special membership to these Start-ups with the intent to connect them to one another. In the view of the representative of *arbeit plus*, the future model of social enterprise becomes more entrepreneurial, focused on creating more work opportunities independent from the AMS due to its restrictive guidelines. “Innovation Lab”, founded by *arbeit plus* in 2016, also serves networking between traditional NPOs, newer entrepreneurs and the public sector. These initiatives underline the ambition to overcome different traditions, to learn from one other and to build networks to jointly communicate with representatives of the government in order to develop sufficient structural conditions. Furthermore, such joint initiatives can also enhance the visibility of social enterprises in general.

#### Central and regional authorities/agencies

An important issue illuminated in the discussion revolved around how to manage the future political challenges. One of the stakeholders proposes establishing a cross-sectional acting ministry, or at least a secretary of the state, for social economy that could represent the interests of social enterprises. Another suggested option to reach that goal involved the creation of a central innovation agency.

Beyond representing the interests of social enterprises, a centrally operating authority or agency would essentially focus on rendering the social enterprise-sector and its positive effects more visible to the public. Perhaps additional regional support structures, “regional hubs,” or the already existing regional management agencies (*Regionalmanagementstellen*) as a stakeholder expresses, could contribute to the visibility of the societal added value on a regional and local level, especially in rural areas lacking support.

#### Extensive social enterprise research

As this report has demonstrated the fragmented nature of research and data in Austria, such a central authority/agency could initiate an extensive research on the sector. For example, gathering data from the centrally-organized Austrian Statistical Office, could provide an important contribution to creating a common identity of social enterprise and therefore increase their public visibility. One such extensive research task could calculate socioeconomic trends displaying the societal added value of social enterprise. Ideally, these research criteria would correspond on an international level, and researchers would foster trans-disciplinary collaboration along with practitioners in the field.

At the moment, the actors and circumstances driving these future innovations remain open. According to one of the stakeholders, it seems that future innovations may come from the social business sector rather than from the labour market and social policy sectors. Innovative financing models like crowdfunding, the increasing importance of donations, investments from the commercial sector, and new forms of cooperatives point toward this trend.



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APPENDICES

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## Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Entrepreneurial/ economic dimension</b>	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises. <sup>64</sup>	<ul style="list-style-type: none"> <li>&gt; Whether the organisation is or is not incorporated (it is included in specific registers).</li> <li>&gt; Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial).</li> <li>&gt; Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers.</li> <li>&gt; Whether there is an established procedure in case of SE bankruptcy.</li> <li>&gt; Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income).</li> <li>&gt; Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider.</li> <li>&gt; Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.</li> </ul>	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> <li>&gt; We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).</li> </ul>

(64) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.”

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Social dimension (social aim)</b>	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> <li>&gt; Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members.</li> <li>&gt; Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions.</li> <li>&gt; Whether SEs' action has induced changes in legislation.</li> <li>&gt; Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing.</li> </ul>	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> <li>&gt; The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level.</li> <li>&gt; In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply).</li> <li>&gt; What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country.</li> </ul>



Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Inclusive governance-ownership dimension (social means)</b>	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<ul style="list-style-type: none"> <li>&gt; Whether SEs are open to the participation and/or involvement of new stakeholders.</li> <li>&gt; Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels -give voice to users and workers in special committees?).</li> <li>&gt; Whether a multi-stakeholder ownership structure is imposed by law (e.g. France).</li> <li>&gt; Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to.</li> <li>&gt; Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE).</li> <li>&gt; Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long term.</li> <li>&gt; Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws.</li> <li>&gt; Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).</li> </ul>	<p>SEs must ensure that the interests of relevant stake-holders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> <li>&gt; Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset.</li> <li>&gt; SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency.</li> <li>&gt; Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).</li> </ul>

## Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations	<a href="#">Sonderauswertung aus der Arbeitsstättenzählung 2015: "Working places with at least 1 employee 2015 along legal forms and ÖNACE"</a> Statistical register	Statistic Austria National Statistics Office (NSO)	2015 N.A.	✓	N.A.	N.A.	1 - The register covers all associations. It is necessary to estimate SEs based on the sector of activity (education, human health and social work activities, arts and entertainment and real estate activities) and self-estimation based on 25% have an economic activity
Public benefit GmbH	<a href="#">Austrian Commercial register</a> Administrative register	Republic Austria Government Institution	2018 Continuous	✓	N.A.	N.A.	2 - Underestimation as it is possible to identify only those having words "gemeinnützig", "gGmbH" and "GmbH + Social" in their official name
Cooperatives	<a href="#">Sonderauswertung aus der Arbeitsstättenzählung 2015: "Working places with at least 1 employee 2015 along legal forms and ÖNACE"</a> Statistical register	Statistic Austria NSO	2018 Monthly	✓	N.A.	N.A.	1 - The register covers all cooperatives in the field of real estate activities. The register of GBV and other sources were applied in order to estimate cooperatives in other fields (social care, community energy, sustainable consumer goods, etc.). Data provided upon request
Cooperatives	<a href="#">Verbandsstatistik 2016 - Die gemeinnützige Wohnungswirtschaft in Zahlen</a> Administrative register	Austrian Federation of Limited-Profit Housing Associations (Bdv) Representative body	2015 N.A.	✓	N.A.	N.A.	4 - Official data provided by the auditing association
Cooperatives	Self-made estimations	Self-made estimations	2018 N.A.	✓	N.A.	N.A.	1 - Self-made estimations by the authors of this report, based on internet search, personal communications with sector representatives and experts, as well as from previous studies

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## Appendix 4. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
Walerich Berger	Jugend am Werk Steiermark	Managing director	PRAC
Siegfried Ebner	Team Styria Werkstätten GmbH	Managing director	PRAC
Sepp Eisenriegler	R.U.S.Z. (Reparatur- und Service-Zentrum)	Managing director	PRAC
Michael Fembek	Essl Foundation	Program Manager	SUP
Franz Ferner	Volkshilfe Steiermark	Managing director	PRAC
Fritz Fessler	Genossenschaft für Gemeinwohl	Chairman	SUP
Charlotte Gruber	arbeit plus	Board member	SUP
Monika Haider	equalizent	Managing director	PRAC
Silvia Jölli	Heidenspass	Managing director	PRAC
Sabine Kock	SmartART	Managing director	PRAC
Markus Neuherz	Dabei austria	Managing director	SUP
NN	BMASK, VI/A/4	Divisional head,	SUP
Florian Pomper	Caritas Wien	Managing director	PRAC
Judith Pühringer	arbeit plus	Managing director	SUP
Berthold Schleich	ARGE Abfallvermeidung Ressourcenschonung und nachhaltige Entwicklung GmbH	Managing director	PRAC
Hannes A. Schwetz	aws	Program Manager	SUP
Eva Skergeth-Lopic	Chance B	Managing director	PRAC

Full name	Organisation	Role	Stakeholder category
Wolfgang Spiess-Knafl	Next Generation Impact GmbH	Managing director	SUP
Peter Stoppacher	IFA Steiermark	Managing director, researcher	ACA
Johannes Ungar	innovia - Service & Beratung zur Chancengleichheit gGmbH	Managing director	PRAC
Peter Vandor	WU/Social Entrepreneurship Center	Divisional head, senior researcher	ACA
Artūras Vasiliauskas	British Council Lithuania	Manager	SUP
Konstantina Zöhrer	Gemse	Independent advisor	SUP
Gerhard Zwingler	Nets.Werk Steyr	Chairman	PRAC

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