



# **Mutual Learning Programme**

DG Employment, Social Affairs and Inclusion

**Peer Country Comments Paper - Austria**

**Social enterprises in Austria:  
long tradition – no definition**

**Peer Review on "Social economy and social enterprises  
in legislation and practice"**

**Slovakia, 20-21 June 2019**

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## **1 Introduction**

This paper has been prepared for the Peer Review on "Social economy and social enterprises in legislation and practice" within the framework of the Mutual Learning Programme. It provides a comparative assessment of the policy example of the host country and the situation in Austria. For information on the host country policy example, please refer to the Host Country Discussion Paper.

## **2 Overview of key trends**

In Austria, there is a long tradition of socially-oriented initiatives that dates back to the 19<sup>th</sup> century. In the interplay between welfare-state development and social movements, various initiatives have emerged in Austria, which represent different social enterprise traditions: cooperatives, non-profit organisations (NPOs), newly established collective enterprises and social businesses. Along with some changes in welfare-state arrangements, a marketisation of the delivery of social services can be observed since the 1990s. (Anastasiadis et al., 2018; Mathis et al., 2016; Anastasiadis/Lang, 2016). Despite the outlined tradition, there is no official definition, nor specific legal form for social enterprises and the term is not commonly used. Moreover, in the academic discourse there is no consensus on what constitutes a social enterprise. Terms that are used to indicate social enterprises are NPOs, third-sector, voluntary sector and social entrepreneurs. The most common legal forms used are public-benefit limited company, association and cooperative, which are not required to be in line with the criteria of the EU operational definition in the Social Business Initiative (SBI). (Anastasiadis et al., 2018)

In the political debate and among public authorities, social enterprises mainly represent a synonym for work integration social enterprises (WISE). The only existing institutionalised forms of social enterprises are: socio-economic enterprises (*Sozialökonomische Betriebe* – SÖB) or non-profit employment projects (*Gemeinnützige Beschäftigungsprojekte* – GBP). In 2018, there were approx. 300 SÖBs and 300 GBPs. New forms of social enterprises such as social start-ups, which offer market-oriented services in support of a social mission are slowly emerging and generate growing interest from the Ministry of Economic Affairs (Anastasiadis et al., 2018; Mathis et al., 2016).

## **3 National policies and measures**

As there is no definition and no specific legal form for social enterprises, there are no policy schemes exclusively designed for social enterprises, except for WISEs.

### **3.1 General support measures which may be used by social enterprises**

The fiscal framework in Austria has a number of support measures, which do not target exclusively social enterprises, but can be used by social enterprises as well and are – due their specific characteristics – especially beneficial to them.

Tax incentives are provided to organisations with the legal status *Gemeinnützigkeit* (i.e. public benefit or interest). Except cooperatives, any organisation, regardless of its legal form, can obtain this status when it pursues a public-benefit goal, does not generate profits and pays dividends to its shareholders. The tax reductions and tax exemptions are granted in relation to corporate tax, municipal tax, VAT, land and inheritance tax (Anastasiadis et al., 2018).

Other support measures include:

- A subsidy related to labour costs, mainly the payment of indirect labour cost (i.e. social insurance costs), which targets the (re)integration of hard-to-place groups into the labour market;
- The employment subsidy (*Eingliederungsbeihilfe*), which is provided if unemployed people over 50 or long-term unemployed people are hired. The amount of the subsidy is negotiated between the employer and the Public Employment Service (Labour Market Service – AMS).
- A combined salary (*Kombilohn*) for supporting the employment of persons, who have been unemployed for at least six months and suffer from health problems.<sup>1</sup>

The *Behinderteneinstellungsgesetz* ('Persons with Disabilities Employment Act')<sup>2</sup> requires that enterprises with more than 25 employees hire one 'benefited person with disabilities' (*begünstigt Behinderte*, i.e. persons with a degree of disability of at least 50%) for every 25 employees. If the enterprise is not compliant with this rule, it is required to pay a compensation tax (between EUR 262 and EUR 391, depending on the size of the enterprise, for each benefited person with disabilities not employed). The compensation tax fund is fed by these taxes and is used for measures to support work inclusion of persons with disabilities.<sup>3</sup>

Moreover, social enterprises can benefit from a regulation in the income tax law. Donations to listed organisations (e.g. organisations with the status public benefit) of private persons and companies can be deducted from the income tax for up to 10% of their profits.<sup>4</sup>

### 3.2 Specific support structures for WISEs

Specific support for social enterprises is part of the Austrian active labour market policy and is provided only for WISEs. Thus, while the Ministry of Labour, Social Affairs, Health and Consumer Protection is responsible for the political framework, the Public Employment Service (PES) (Labour Market Service – AMS) is responsible for the implementation of this support.

There are different types of accreditation schemes:

- SÖBs offer temporary jobs through near-market 'transition jobs' (temporary jobs which provide an occupation similar to the first labour market but in a relatively sheltered environment) to people with a reduced productivity due to long-term unemployment and multiple problems, e.g. low qualification and social skills, homelessness, ex-prisoners, debts, drug abuse (see Section 4.3). SÖBs work under market conditions and produce goods and services for sale. The SÖBs have to generate at least 20% of their resources from the market. The PES bears part of the costs for the employment of the transitional worker, their qualification, socio-pedagogic support, the staff development, outplacement and support after the outplacement; for the employment of key workers who are responsible to train the transitional workers and to manage the enterprise; and for preparatory measures. Additionally, municipalities and provinces should defray part (at least one-third) of the remaining costs. (AMS, 2018a)
- GBPs are very similar to the SÖBs, but the products and services offered are not market-oriented and serve a public benefit (e.g. landscape conservation, culture, social services, local development). Costs for transitional workers are covered up to two thirds (if persons are long-term-unemployed and over 50 years old up to

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<sup>1</sup> <https://www.ams.at/unternehmen/service-zur-personalsuche/foerderungen/eingliederungsbeihilfe#vorarlberg>

<sup>2</sup> <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10008253>

<sup>3</sup> [https://www.sozialministeriumservice.at/site/Menschen\\_mit\\_Behinderung/Ausbildung\\_Beruf\\_und\\_Beschaeftigung/Ausgleichstaxe\\_und\\_Praemie/](https://www.sozialministeriumservice.at/site/Menschen_mit_Behinderung/Ausbildung_Beruf_und_Beschaeftigung/Ausgleichstaxe_und_Praemie/)

<sup>4</sup> [https://service.bmf.gv.at/Service/allg/spenden/show\\_mast.asp](https://service.bmf.gv.at/Service/allg/spenden/show_mast.asp)

100%), for key workers up to 100%. A precondition for funding is that public authorities pay at least one third of personal and material costs. (AMS, 2018b)

- Integrative Businesses (*Integrative Betriebe* – IB) aim at the integration of 'benefited persons with disabilities' (according to definition of the Persons with Disabilities Employment Act – see above) who are not yet or will never again be active in the general labour market. The IB offer three services ('modules'): the employment module, where products and services are produced (similar to SÖB); the module for vocational preparation and job placement with qualification measures; the services module, where knowledge and advice concerning the integration of persons with disabilities is offered to other enterprises and institutions. (Anastasiadis et al., 2018)

### 3.3 Networks

There are two main networks in Austria: *Arbeit plus* (formerly bdv austria) and *Sozialwirtschaft Österreich* (Social Economy Austria). *Arbeit plus* is the federal umbrella organisation for WISEs in Austria and has nine regional networks for each province with 200 non-profit member organisations. The main purpose of the network is to represent the interests of the WISEs and their employees, to do lobbying in the field of labour market policies, to facilitate knowledge-transfer among its members and to enhance the visibility of the sector. *Arbeit plus* is also active at European level and is member of the European Network of Social Integration Enterprises (ENSIE). The network developed a quality-label for WISE (*Gütesiegel for Soziale Unternehmen*) to attest a certain quality in relation to social, organisational and economic criteria.<sup>5</sup>

*Sozialwirtschaft Österreich* (Social Economy Austria) is a networking platform for social service providers with over 400 members in the fields of work integration, work with persons with disabilities, social and health services, and children welfare. It advocates for an improvement of the framework conditions of the sector, mainly via the achievement of collective agreements.<sup>6</sup>

Besides to these networks, there are a couple of regional networks (e.g. *Social City Wien*, *Emersense*) and networks which are part of a global network (e.g. *Ashoka*) and represent the interests of social enterprises in different areas. (Anastasiadis et al., 2018)

### 3.4 Training and skills development

There are several organisations providing training opportunities for social entrepreneurs or people who want to work in the sector, e.g. *Pioneers of Change* (full-year curriculum designed for social entrepreneurs) or *FH Campus Vienna* (Master Degree in Social Economy and Social Work). Moreover, the *Social Impact Award* offers to their winners a learning programme and *Next* is a programme providing an award for an innovative project with social aim of already existing social enterprises. (Anastasiadis et al., 2018)

### 3.5 Financing

There are only few finance providers tailored to meet the needs of social enterprises. For instance, *Sinnstifter* is an association of 12 foundations (among them *Essl Foundation* and *Erste Foundation*) offering funding and business support to social enterprises and enterprises launching projects with a public benefit. *Essl Foundation* supports social innovation and social entrepreneurship mainly in the field of integration of people with disabilities. (Anastasiadis et al., 2018)

*Bonventure* provides social venture capital, advice, and general business support to social enterprises in Austria, Germany and Switzerland in the field of social affairs and education, ecology, and society (Anastasiadis et al., 2018). Moreover, there are two crowdfunding platforms with an explicit social aim: *Respekt.net*<sup>7</sup> (crowdfunding for a

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<sup>5</sup> [www.arbeitplus.at](http://www.arbeitplus.at)

<sup>6</sup> [www.bags-kv.at](http://www.bags-kv.at)

<sup>7</sup> <https://www.respekt.net/crowdfunding-fuer-eine-bessere-gesellschaft/>



better society) and Crowdfunding for the Common Good<sup>8</sup> (run by the Cooperative for the Common Good).

### 3.6 Events and prizes

To enhance the visibility of the sector, events and prizes have been established. *Arbeit plus* Vienna organised in 2018 the 4<sup>th</sup> Austrian Social Business Day, a yearly networking event.<sup>9</sup> The *Sozial Marie* by the *Unruhe Privatstiftung* is the oldest prize for social innovation in Europe and awards 15 projects yearly since 2005.<sup>10</sup> The Trigos Prize for Corporate Social Responsibility (CSR) by the Federation of Austrian Industries, the Federal Economic Chamber and NPOs includes the category Social Innovation and Future Challenges.<sup>11</sup>

### 3.7 Service vouchers

There are service vouchers in Austria, but they are not linked to services offered by social enterprises. The basic idea of the service vouchers in Austria is to create a legal framework for work in private households connected with care for the home and garden or babysitting and to fight undeclared work in this area. The wage must not go below the minimum wage and not exceed approx. EUR 600. The service voucher includes an accident assurance.<sup>12</sup>

## 4 Assessment of success factors and transferability

### 4.1 Success factors

In comparison to the Austrian situation, the following key success factors of the Slovakian Act can be identified:

- A clear but broad definition and approach;
- The preservation of the pluralism of legal forms;
- The establishment of a department of social economy and social entrepreneurship, which can contribute to boost the concept;
- The inter-governmental cooperation of different ministries (including the Ministry of Economy and Finance), which resulted in concrete actions to support social enterprises, and with the Slovak Business Agency;
- The requirement to provide business plans when applying for the status, as it can enhance the sustainability of social enterprises and can contribute to avoiding the closedown of promising organisations once funding (e.g. from ESF-funds) expires.

Nevertheless, it seems that the perception of social enterprises as work integration enterprises persists and that all registered social enterprises under the Act are focussing on this issue. Attributing the responsibility for the Act on Social Enterprises and Social Economy to the Ministry of Labour, Social Affairs and Family is likely to narrow the scope of social enterprises. Thus, it would be crucial to establish a sustainable inter-governmental cooperation and to raise awareness about the new possibilities provided by the Act. Moreover, an evaluation system should be foreseen to monitor progress and to enable evidence-based adaption of the Act if needed.

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<sup>8</sup> <https://www.gemeinwohlprojekte.at/crowdfunding-fuer-gemeinwohl/>

<sup>9</sup> <http://www.arbeitplus-wien.at/presse-details+M5625b285a61.html>

<sup>10</sup> <https://www.sozialmarie.org/de>

<sup>11</sup> <http://www.trigos.at/trigos/uebertrigos/kategorien>

<sup>12</sup> <https://www.vaeb.at/cdscontent/?contentid=10007.721346&conversationContext=1>

## **4.2 Transferability to Austria**

Generally, an Act on the Social Economy and Social Enterprises similar to the one in Slovakia could be transferred to Austria. The definition of social enterprise has to be clear and broad at the same time. Considering the different traditions in Austria, it would be important not to link social enterprises to a specific legal form but to guarantee the possibility that organisations with different legal forms can apply for the status of social enterprise, as experts doubt the benefits of a unified legal frame (Anastasiadis et al., 2018). Nevertheless, the establishment of a 'status of social enterprise' is likely to trigger a broader discussion that could contribute to legal improvements.

Such an Act should be prepared by in-depth research and analysis to ensure that it fits the specific situation of the country and does not hamper well-established structures. Furthermore, an evaluation process to assess the Act and the related measures on a regular basis should accompany the implementation to enable feedback loops and incorporation of lessons learnt in possible adaptations.

To make the adoption of a specific act on social enterprises successful it would be crucial to initiate an inter-ministerial dialogue with the Ministry of Economy in order to reach a mutual understanding of social enterprises, which would include all forms of social enterprises, from work-integration social enterprises to newly-emerged social businesses. The establishment of an inter-ministerial working group and/or the establishment of a specific department on social economy could enhance the visibility and raise awareness of the concept. Moreover, a public dialogue about the different aspects of the social impact of social enterprises has to be initiated. Thus, the involvement of relevant stakeholders is important (e.g. in the fields of ecology or creative industries). To underline the business character of a social enterprise the involvement of the Economic Chamber is a key factor. A first step would be to raise awareness concerning the interests and challenges of social enterprises in the Chamber, in order to establish a sustainable cooperation aiming at implementing tailored support structures.

## **4.3 Lessons learnt for Slovakia**

Focusing on WISE, lessons for Slovakia can be derived from the Austrian practice. WISE (especially SÖBs) in Austria offer jobs at the second labour market (transition jobs) with the aim to (re-)integrate hard-to-place people with reduced productivity (transitional workers) to the first labour market in a regular job. Thus, a set of accompanying measures are provided. Key workers, i.e. qualified persons, are working together with the transit workers and offer them qualification and training on the job to make them ready for the first labour market. Additionally, assistance is available to tackle the multiple problems the transit workers often face (e.g. drug abuse, debts, etc.). Furthermore, support to find a job on the regular job market is offered. (AMS, 2018a)

This shows a different approach as the main objective of the WISE is not only to offer jobs to long-term unemployed people, but to enable them to get a regular and sustainable job by employing them temporarily in a sheltered environment and offering additional support. Thus, transitional workers may stay in the transition job normally no longer than one year.

A key success element is the combination of an on-the-job training, qualification measures and outplacement plus assistance and support.

## **5 Questions**

- How will the Act be monitored and evaluated?
- Which networking and dissemination activities are planned to raise awareness for the Act and its possibilities?
- Institute of Social Economy:

- What are the main objectives?
- Will the Institute also be responsible for research in the field and evaluation of the Act and its implementation?
- Which networking activities are planned?

♦ ~~Municipal social enterprises~~

- ~~– Can you explain the difference concerning the number of enterprises (estimation of experts versus declaration of municipalities)?~~
- ~~– How relevant is the question if they are true social enterprises or social innovation in public administration? Is it a contradiction?~~

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## Annex 1 Summary table

The main points covered by the paper are summarised below.

### Situation in the peer country

- Different social enterprise traditions.
- No official definition, no specific legal form.
- No consensus in the academic discourses about what is a social enterprise.
- Social enterprise often used as synonym for WISE – here an institutionalised form exists.
- Social start-ups slowly emerge.

### Assessment of the policy measure

- No policy schemes exclusively for social enterprises exist except for WISEs.
- Social enterprises may benefit from specific tax incentives and labour costs subsidies.
- Specific support structures for WISEs.
- Two main networks (one is the umbrella organisation for WISEs).
- Some organisations provide training or financing, the visibility of the sector is enhanced by events and prizes.

### Assessment of success factors and transferability

- Success factors of the Slovakian Act in comparison to Austria: clear, but broad definition, department of social economy and social entrepreneurship, inter-governmental cooperation, requirement of business plans.
- When implementing a similar act, it would be crucial to not constrain social enterprises to specific legal forms.
- Establishment of an inter-ministerial working group or a department of social economy would enhance visibility and raise awareness.
- Involvement of Economic Chamber important.
- In-depth research for preparing such an act and evaluation process to assess the measure as key factor.

### Questions

- How will the Act be monitored and evaluated?
- Which networking and dissemination activities are planned to raise awareness for the Act and its possibilities?
- Institute of Social Economy: What are the main objectives? Will the Institute also be responsible for research in the field and evaluation of the Act and its implementation? Which networking activities are planned?
- ~~Municipal social enterprises: Can you explain the difference concerning the number of enterprises (estimation of experts versus declaration of municipalities)? How relevant is the question if they are true social enterprises or social innovation in public administration? Is it a contradiction?~~

## Annex 2 Example of relevant practice

Name of the practice:	Socio-economic enterprises (Sozialökonomischer Betrieb – SÖB)
Year of implementation:	1993
Coordinating authority:	Labour Market Service (Arbeitsmarktservice – AMS)
Objectives:	<p>To provide temporary jobs (so called transition jobs) for persons with reduced productivity (the long-term unemployed, older people, persons with disabilities, etc.) and multiple problems (e.g. low qualification and social skills, homelessness, ex-prisoners, debts, drug abuse).</p> <p>To organise assistance and training possibilities within the enterprise.</p> <p>To remove obstacles hampering the reintegration of temporary workers into the regular labour market.</p> <p>To improve the chances of reintegration of the transit workers through tailored qualification. (AMS, 2018a)</p>
Main activities:	<p>SÖBs work under market conditions and produce goods and services for sale. The SÖBs have to generate at least 20% of their resources from the market. The Labour Market Service (AMS) bears part of the costs</p> <ul style="list-style-type: none"> <li>• For the employment of the transitional workers;</li> <li>• Their qualification;</li> <li>• Their socio-pedagogic support, the staff development, their outplacement and support after the outplacement;</li> <li>• For the employment of key workers who are responsible to train the transitional workers and to manage the enterprise;</li> <li>• For preparatory measures.</li> </ul> <p>Additionally, municipalities and provinces should defray part (at least one-third) of the remaining costs. (AMS, 2018a)</p>
Results so far:	<p>An evaluation conducted in 2014 attested that SÖBs offer realistic chances for a reintegration at the regular labour market mainly for older people, persons with health problems and long-term-unemployed. For persons with multiple problems and very low perspectives they represent one of the few realistic job options. As the effects vary between target groups a differentiation of the support in the SÖBs is recommended. (Eppel et al., 2014)</p>

