

LEONARDO DA VINCI
TRANSFER OF INNOVATION

SESP



Case study AUSTRIA

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1. INTRODUCTION

Austria is positioned in the geographical heart of Europe. It has a population of 8.4 million (UN 2010) and covers an area of 83,871 sq km. Located in southern Central Europe, Austria's territory includes the Eastern Alps (which cover two thirds of its surface area) and the Danube region. Austria's major area of economic activity is in the Danube valley, the east and south-east, where it is less mountainous. The major language is German and the major religion Christianity¹.

Austria is a Federal Republic in which executive authority is divided between nine provinces and the federal bodies in Vienna. There is a provincial assembly and government in each of the provinces. The federal parliament consists of two chambers: the "Nationalrat" and the "Bundesrat". Austria's government is a so-called "Grand Coalition", between the Social Democratic Party (Sozialdemokratische Partei Österreichs, SPÖ) and the conservative People's Party (Österreichische Volkspartei, ÖVP). Austria is part of the European Union as well as the European Monetary Union, its currency being the Euro.

The capital, Vienna, is home to key international organisations, including the Organisation for Security and Cooperation in Europe (OSCE), the International Atomic Energy Agency (IAEA) and Opec, the Organisation of Petroleum Exporting Countries.

In 2010 Austria had a GDP of € 284 bn. and a GDP per capita of € 33,850. The GDP growth amounted to + 3.5 % and the inflation was 1.9 % in 2010. The main exports were machinery, metals, paper, textiles, food and livestock. 297,484 enterprises worked in the field of production and services in 2009. They had 2.7 mio. employees. More than 87 % of all Austrian enterprises worked with less than 10 employees (259,102 enterprises). At the same time only 0.4 % of the Austrian enterprises had more than 250 employees². Austria had the low unemployment rate of 4.8 % in 2010³.

The country has a spectacular mountain scenery and tourism plays an important role in the Austrian economy. Between November 2010 and January 2011 there were a total of 21.2 mio. overnight stays by visitors to Austria. Germans, Dutch and British visitors are the largest groups⁴.

Austria also has a very rich cultural heritage. Wolfgang Amadeus Mozart and Franz Schubert were famous composers of classical music. In the world of philosophy and ideas, Sigmund Freud still provokes controversy while Ludwig Wittgenstein was one of the major influences in the 20th century thinking. In fine art, the paintings of Gustav Klimt are widely admired.

¹ <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/europe/austria>

² http://www.statistik.at/web_de/statistiken/index.html

³ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

⁴ <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/europe/austria>

2. CONCEPT

In Austria the term social economy is not commonly used. It is rather an “academic” term mainly used in a scientific and an EU context⁵. There is no legal or official definition of a social enterprise in Austria⁶.

The term social economy coincides in many areas with the term third sector. Social enterprises are engaged in various fields of activities, mainly in social areas, in the health sector, sports and leisure time. The same is true for banks, insurances, trade, agricultural production, production of consumer goods and services. In general social enterprises are not public, non-profit oriented and self-governing. Membership is voluntary and work is either paid or done on a voluntary basis⁷.

Self-governed employment initiatives, social economic enterprises, sheltered workshops and associations active in the area of social services could be considered as social enterprises (in a wide sense) which address social exclusion since they meet following requirements⁸:

- To have a permanent production activity of goods and/or services
- To have a relatively high degree of autonomy
- To be characterised by a significant level of economic risk (which tends to rise over the time)
- Their operation is based on paid work, although unpaid voluntary work and partly remunerates or “paid” volunteering can sometimes be observed.

The social initiatives that have been founded in Austria since the early 1980s explicitly focus on three main objectives⁹:

- Offering employment opportunities
- Promoting (re)integration by means of training
- Achieving a good economic performance through a market-oriented approach

In the field of social integration through employment there are mainly two types of social enterprises in Austria:

- Socio-economic enterprises (Sozialökonomische Betriebe or SÖB)
- Non-profit employment projects/companies (Gemeinnützige Beschäftigungsprojekte/ Gemeinnützige Beschäftigungsgesellschaften or GBP)

Primary target groups of social enterprises are¹⁰:

- Permanently unemployed persons (persons with a minimum 50 % of invalidity)
- Persons with special educational needs
- Persons suffering from other impairment (e.g. emotional impairment)

⁵ Die Situation der Sozialwirtschaft in Österreich, Studie in Rahmen des Equal-Projektes: EQ Engagement mit Qualität für Steyr-Kirchdorf, Wolfgang Leeb, Wolfers 2003.

⁶ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

⁷ <http://www.ngo.at/home/fsoc.htm>

⁸ Austria. Social Enterprises and New Childcare Services. In: C. Borzaga, J. Defourny (ed.): The Emergence of Social Enterprise. Studies in the Management of Voluntary and Non-Profit Organizations, K. Leichsenring, London 2001.

⁹ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

¹⁰ Institutional and Legal Framework for Development of Social Economy Ventures in Croatia and Neighbouring Countries (Italy, Slovenia, Bosnia and Herzegovina, Hungary, Austria and Serbia), T. Petricevic, Tamkeen 2011.

3. LEGAL FRAMEWORK

In Austria there is an ongoing process of initiating the Law on Social Enterprises, which would encompass currently active Regulations of the Austrian Public Employment Service which is in close relationship with financing socio economic enterprises and regulations of the Ministry of Labour, Social Affairs and Consumer Protection of enterprises for integrating the permanently unemployed on the labour market. There are different types of organisations in Austria, each regulated by its own regulatory rules. What needs to be emphasized in Austria is the opportune and motivating tax system and legislation, according to which all enterprises, cooperatives and independent entrepreneurs that undertake their activities for common good, benefit from certain privileges (which is justified by the fact that these subjects undertake activities and accomplish goals which the country should undertake and realize anyway)¹¹.

The legal framework in Austria comprises the following regulations and laws:

- Federal regulation for the funding of social economic enterprises by Austrian Public Employment Service
- Regulations on integrative enterprises
- Law on foundations and endowments
- Law on associations
- Law on cooperatives
- Few tax laws

Given the social, cultural background of Austria - and apart from sheltered workshops – right now there are no specific legal regulations with respect to organisations that are active in the sphere of social inclusion. The existing organisations in the social sector help to maintain the social cohesion, to reintegrate special target groups into work and/or society, to cover areas in which merely market-oriented organisations are not active and to offer complementary response to statutory measures¹².

As there are basically no restrictions or incentives to take a specific legal form, Austrian social enterprises may choose their legal form according to their requirements. Nevertheless, the following legal forms are commonly used by social enterprises in Austria:

- Associations
- Private limited liability companies (Ges.m.b.H.)
- Registered societies (Gesellschaft bürgerlichen Rechts)
- Co-operatives

The legal forms of social welfare associations and/or non-profit organisations are usually based on the Association Act (Vereinsgesetz). This Act regulates the registration procedures, some tax exemptions and general rules on accountability, compulsory function and basic rules. However, some traditional associations and new initiatives, particularly those with economic activities, have turned into the organisational form of a private limited liability company (Ges.m.b.H) as the board of an association is liable for all financial risks linked to the association's activities. Some initiatives have also turned into registered societies (Gesellschaft Bürgerlichen Rechts) or co-operatives (Genossenschaften), although the legal regulations for each of these are quite complicated.

¹¹ Institutional and Legal Framework for Development of Social Economy Ventures in Croatia and Neighbouring Countries (Italy, Slovenia, Bosnia and Herzegovina, Hungary, Austria and Serbia), T. Petricevic, Tamkeen 2011.

¹² Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

In Austria there also exists the so called gemeinnützige GmbH with some tax alleviations, but so far, this form does not closely relate to the concept of a social enterprise and is very much focused on traditional non-profit organisations. However, recent trends in tax legislation seem to broaden several aspects of the gGmbH, and it seems that this form may once become a viable legal form for social enterprises in Austria¹³.

A special legal status for enterprises with a social aim has been developed in Austria only for sheltered workshops. These workshops offer regular employment to persons with disabilities (according to defined eligibility criteria) and function as special forms of limited liability companies within the framework of the Disabled Persons Employment Act. Thus, additional subsidies for these companies are guaranteed directly by the state¹⁴.

SÖB (socio-economic enterprises) and GBP (non-profit employment projects/companies) are the most common legal forms: non-profit making associations or non-profit making limited liability companies. Some GBP are independent legal entities, but most of them are part of a big organisation. They are often attached to big charity organisations and/or are created in partnership with local governments.

A non-profit company has to fulfil the guidelines of the Bundesabgabenordnung (BAO), the federal tax law and legal basis. On the one hand, a non-profit company has to fulfil the needs for "privileged activities"¹⁵:

- It has to take on a "state duty".
- It has to serve community-benefit aims directly and exclusively.
- It has to act without intent of making profit.

On the other hand, it also has to fulfil the guidelines concerning the goals of public benefit:

- To add value at a mental, cultural, moral or material level.
- The "public" addressed may not be a permanently small one! (e.g. an activity limited to a certain group of persons).

The welfare sector has evolved from a charitable approach to a fully fledged economic sector. This development has largely been financed by the public sector as part of its commitment to the welfare state. A large number of uncoordinated legal regimes have arisen in parallel with the result that social services are governed by a wide variety of provincial and federal laws and orders, optional in some instances and mandatory in others. There are vast differences, even from one province to another¹⁶.

¹³ The Phenomenon of Social Enterprise in Austria: A Triangulated Descriptive Study, Othmar M. Lehner, Jyväskylä 2011.

¹⁴ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

¹⁵ Exchange of Points, Trans-national Cooperation in EQUAL, Framework of Social Enterprises in Styria/Austria – Activity 2, Brigitte Neges, Andrea Grabher, Graz 2005.

¹⁶ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

For example in Styria, the south-eastern province of Austria, the framework for social enterprises has to be separated into two bigger groups of social enterprises¹⁷:

1. Social enterprises offering employment for people who are disadvantaged on the labour market:
 - o Sozialökonomische Betriebe (SÖB) – Social Economic Business
 - o Gemeinnützige Beschäftigungsgesellschaften (BG) – Employment Companies
 - o Gemeinnützige Beschäftigungsprojekte (BP) – Community–benefit employment projects
2. Advice services for people who are disadvantaged (topics according to target group, specific problems)

SÖB deal with catering, bicycle services, solar panels, tailoring and offer services for local authorities and private people like snow cleaning, cleaning, gardening, delivery and recycling. They are mostly organised as NGO or limited company GmbH. The trend is for NGOs to set up a limited company for their business activities. In 2000 there were ten SÖB in Styria employing 314 people.

BG on the other hand offer services in communal and local context like recycling, sub-construction work, gardening, computing, secretarial services as well as special services like revitalisation and renovation. They also cooperate with manufacturing industry, for example in packaging customized products. They are organised as a limited company GmbH. The owner/major partner often is a local authority. Supervision of all operational decisions is done by the subsidy giver (Employment Agency AMS). BG cannot develop any purely commercial fields of business. In 2000 there were ten BG in Styria employing 300 people.

BP are only few. Additionally advisory services for people who are disadvantaged comprise social support services, social work as combination of education, sociology and psychology as well as psycho-social services in a broader context. There are some bigger organisations – on the global and/or national level: Caritas, Rettet das Kind, BBRZ (Jugend am Werk), with more than 100 employees in Styria, offering services for different target groups and many smaller ones working on specific themes (like child protection, youth, etc.).

The legal regimes define the content, procedure and cost of social services, while public tendering developments also affect the social economy. It has to be mentioned that the legal framework has not been sufficiently adapted to the trend towards service contracts, competition and market opening. This situation is becoming increasingly untenable¹⁸.

According to the law the tax-privileged status of a public benefit organisation benefit is not fixed by the Feststellungsbescheid (official recognition of the body), but is decided in the "Besteuerungsverfahren" (taxation process), i.e. the taxation authorities review whether the organisation is really acting in a manner that qualifies for relief.

Benefits are:

- Reduced tax rate (e.g. for VAT, capital gains tax)
- Exception from corporate income tax
- No profits may be withdrawn (by owners), any profits must be either re-invested or used as reserves for the employees.

¹⁷ Exchange of Points, Trans-national Cooperation in EQUAL, Framework of Social Enterprises in Styria/Austria – Activity 2, Brigitte Neges, Andrea Grabher, Graz 2005.

¹⁸ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

Civil law, commercial law, labour law apply for the social enterprises and the private sector in the same way.

In Austria the ministries responsible for the functioning of social enterprises are the Ministry of Economy and the Ministry of Labour, Social Affairs and Consumer Protection. Moreover, a strong influence on the functioning of social enterprises can be attributed to public services (Public Employment Service), but also to specialized cooperatives like BDV Austria – National Union of Social Enterprises, SÖB Association – Union of Social Economic Enterprises and Local Employment Partnerships, which are financed by the European Social Fund. Austrian social enterprises distinguish the importance of BDV Austria, which acts in best interest of social enterprises predominantly by lobbying and advocating in continuous negotiations with the Austrian Public Employment Service¹⁹. Since there are many differences among GBP, there is no formal organisation representing this type of social integration enterprises. However, GBP form part of the Federal Umbrella Association for Social Enterprises²⁰.

¹⁹ The Social Economy Sector and the Situation of Social Enterprises in Austria - National Report 2010", ISEDENET Project, H. Gschopf, unpublished, Vienna 2010.

²⁰ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

3. SOCIAL ENTERPRISE CHARACTERISTICS (3-5 pages)

Social economy has become a major economic sector in Austria²¹. In 2008 about 6,000 companies worked in the social economy sector. It provided jobs for 138,000 people and generated € 4 bn. in revenues, a figure that is steadily growing²². The social and health sector is on the fifth place concerning aggregated value added in Austria, its share being 6,24 %. 8.8 % of all employees work in this sector. The share of women is very high amounting to 77 %²³.

The two types of social enterprises in Austria (socio-economic enterprises, SÖB and non-profit employment projects/companies, GBP) share same characteristics. The target groups of SÖB and GBP in Austria are people experiencing discrimination on the labour market: long-term unemployed, disabled people, young people with social handicaps, women above 45 and men above 50, women after a family break, groups like the homeless, alcoholics, drug addicts, released prisoners etc²⁴.

SÖB and GBP offer employment for their target group, they act as an economic enterprise on the market and they support their target group through socio-pedagogic assistance. Therefore two types of jobs are provided in the SÖB and GBP: Permanent jobs for professional personnel (managers, socio-pedagogic personnel, skilled workers) and jobs of limited duration (usually one year) for defined target groups, to offer them training, employment and support for the reintegration into the labour market. The integration part is financed through public funds, usually in contracts approved for one year, making it necessary for all enterprises to apply every year for a renewal of their financing contract.

In their organisational purpose and conceptualisation SÖB und GBP are very similar, but they focus on different target groups and are mainly financed by other governmental agencies. The main target group of SÖB are long-term unemployed people; that of GBP are (physically and/or mentally) handicapped people. There exists a variety of other, more or less similar or different programmes in Austria, which are intended for (unemployed) people with considerable difficulties (former drug addicts, the homeless, ex-prisoners, psycho-social disadvantages, disabilities), but they have a less high degree of "business character" and/or differ in organisational and legal forms from SÖB.

All SÖB and most GBP are continuously producing goods and/or selling services. SÖB are mainly engaged in the following fields: textiles, woodwork, restaurants, construction, metalwork, production, sale and repair of different goods, clearing out and waste disposal, home services. SÖB combine training and employment and the temporary employees get support to solve their individual problems throughout the time they stay in the enterprise. GBP are mainly engaged in the following fields: administration/office work, social services, environment, renovation, art/culture/research, tourism, crafts and trade. To a large extent, SÖB are operating on the competitive market and are therefore bearing the economic risk of their activities. The subsidies they received are only used to cover personnel costs, including training and qualification. GBP act in the non-market and in the market spheres. The scope of GBP is very wide: some support very little economic risk, because they offer occupational therapy for disabled people, while others run economic activities, competing on the market with the private sector.

²¹ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

²² http://www.statistik.at/web_de/statistiken/index.html

²³ Volkswirtschaftliche Gesamtrechnung, Hauptergebnisse, Daten für 2008, Statistik Austria, Vienna 2009.

²⁴ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

In Austria there exist also sheltered workshops for persons with disabilities. Sheltered workshops are profit-making organisations which employ disabled workers with the aim of integrating them in the labour market. Since 1979, nine sheltered workshops have been founded. They currently employ about 1,400 persons. At least 80 % of persons employed by sheltered workshops are disabled and are paid in accordance with collective agreements. After an initial training phase, disabled workers can achieve up to 50 % of the productivity of workers without disabilities. These sheltered workshops produce goods in the areas of skilled trades (metal, wood, printing, textiles) and services (copying, laundry).

In the area of social service provision, social welfare associations have a longstanding tradition in Austria, in particular those large voluntary organisations that are affiliated either to political parties or to the churches. Apart from the general reimbursement and/or subsidies they receive from regional governments, these organisations have used the opportunity of the Public Integration Allowance (GEB, Gemeinnützige Eingliederungshilfe) offered by the Employment Service (AMS) to co-finance additional or new kinds of services. Smaller initiatives and new associations have also been given the chance to develop innovative services by means of the GEB.

The Austrian welfare mix, i.e. the division of tasks among various actors to provide social security and to sustain social cohesion, has been shaped mainly by the following historical traditions and developments: first, the important historical influence of the Catholic church and its social welfare paradigms and, in particular, the principle of subsidiarity; second, the importance of welfare organisations affiliated to the socialist (now social democratic) movement, which favoured consumer co-operatives rather than producer co-operatives; and third, the corporatist approach to state regulation (Sozialpartnerschaft). Another important feature of the Austrian society after 1945 has been the far-reaching "pillarisation", which has created a universe of (welfare) organisations affiliated to political parties or religious entities. In the beginning of the 1980s, the Austrian government introduced specific instrument to support reintegration of long-term unemployed persons in the "normal" labour market. This so-called "experimental labour market policy" included subsidies for projects in disadvantages rural and alpine regions, the foundations of self-governed firms, and an action programme ("Aktion 8,000") to create, initially, 8,000 jobs for long-term unemployed by local governments and non-profit organisations. In addition to "Aktion 8,000" (which was renamed Public Integration Allowance (GEB, Gemeinnützige Eingliederungsbeihilfe) in 1996), another active approach was developed in the 1980s. This included, inter alia, orientation measures for young people, female returnees, and long term unemployed people. Furthermore, various socio-economic enterprises (Sozialökonomische Betriebe) and non-profit employment projects were set up in order to encourage the reintegration of specific target groups via a "third labour market".

The financing of SÖB and GBP is based on own revenue (approx. 40 % for SÖB and approx.

25 % for GDP) from the sale of goods and services and the remaining approx. 60 % and respectively 75 % are funds from the Austrian Labour Market Service, the European Social Fund, the provincial government, the regional administration, special funds for disabled people and - to a very limited extent - from private sponsors.

The remuneration of all employees (both permanent and temporary) in the SÖB and the GBP is set according to the collective agreements of the branch the enterprise is engaged in or there are special agreements for individual target groups. Usually there is no voluntary work in Austrian SÖB. In GBP voluntary work is performed only to a limited extent.

SÖB and GBP are run by managers who bear the economic risk of the project/company. As far as decision-making is concerned, within the project/company, the professional staff (including the managers) act as a team and temporary employees are granted a say in all matters concerning their personal affairs. In other words, decisions are made "in team", but the last say is with the manager; however, the decision-making power of the latter is not based on capital ownership, but laid down in a contract.

Close to all non-profit social service providers in Austria receive public funds. The three most important types of public funds are grants, reimbursements from the social insurance agencies and - becoming more important in recent times - revenues from service contracting.

In 2000 there were 59 SÖB offering 1,700 temporary workplaces; in the course of the same year, a total of 3,888 workers belonging to the target groups were employed and trained in these workplaces. SÖB employed 455 professionals and generated an own income of € 21.6 mio. Public funding accounted for 63 % of resources.

In 2000 there were also 120 GBP, offering around 1,900 workplaces for temporary employees; in the course of the same year, 2,720 workers belonging to the target groups were employed and trained in these workplaces. The GBP employed 475 professionals and generated an own income of € 14.4 mio. Public funding accounted for 73 % of the resources.

Quantitative information about Austrian social services is very scarce, given that most of their activities are not subject to the statistical reporting of the Federal Statistics Agency. Nevertheless available data states that social service organisations employ 53 % of all employees (approximately 100,000 persons) in the non-profit sector, contribute about a third to its total value added (32 %), while only 14 % of all organisations were engaged in this field. Apart from the paid workers, another 151,000 volunteers have been engaged in the social services organisations, this corresponds to an estimate full-time equivalent of 19,000 employees.

In terms of the kinds of social services provided, the vast majority of the organisations offer a broad range of services. In a survey from the year 2002, some 50 % of non-profit agencies focus on clearly distinctive areas of service provision, the three most important of which are employment related services (job placement, temporary employment and further training) (15 %), counselling and advisory services (7 %), home care/home help services (7 %) and assisted living (7 %).

In a survey of the year 1995 revenues of the social sector (without child care) amounted to € 2.2 bn. 68.5 % came from service fees, 15.5 % from subsidies, 8.9 % from donations and membership-fees and 7.1 % from others revenues. Social services (total income made up by 44 % of public funds) were financed evenly by private and public sources.

In 2002 new results from a survey among social service organisations in Austria provide that 98 % of all social service agencies obtained public funding in 2001. Nearly 40 % of all non-profit social service organisations use service contracts for funding their services. In 2002 just 4 % of social service agencies were entirely funded through performance related payments. The vast majority of non-profit social service is still funded through grants as well as revenues from service contracts.

Little research has been done on the success of social enterprises in reaching the target groups and beneficiaries as well as on the appropriate use of the instruments and resources available for dissemination and exploitation of results. Evidently there is a need of further research on these topics.

In order to be raise the effects of social enterprises and to enable social workers to carry out management functions in social organisations, master studies in social management have been implemented in Austria. They are academic qualification measures for social workers and try to answer the requirements of active social workers regarding an academic certification as well as to respond to the changing needs towards qualified personnel in social organisations in qualitative and quantitative terms. The graduates shall be able to cope with the growing business needs in social organisations without losing sight of the importance of the social work. They shall be able to fulfil management functions in all fields of social work and other related sectors like health care, education, culture and the public sector. One responsible organisation which offers master studies in the field of social management is the fh-campus wien (Vienna), a university of applied sciences. Before developing these master studies the fh-campus wien conducted a survey in social organisations and enterprises regarding further qualification measures. This approach assured that the master studies in social management meet the needs of social enterprises regarding the qualification of its personnel in terms of the business know-how of social workers. Next to the master studies of the fh-campus wien a variety of universities and training institutes carry out social management courses at local level. These include master studies and other further qualification measures in social management. The target group of master studies in social management are social workers with a specific educational background and working experience. In the case of the course of the fh-campus wien the participants should have attended the academy of social work for three years and got working experience in the social sector for more than two years.

4. EFFICIENCY

The efficiency of social enterprises in Austria is high concerning the amount of work done. But whereas social economy workers are highly motivated, they are poorly paid. Studies have shown that social economy work is strenuous, demanding and psychologically draining — and yet it is still regarded as meaningful and rewarding. This seeming contradiction means that the social economy sector has highly committed workers but cannot hold on to them, with the result that expertise and experience are constantly being lost²⁵.

Moreover Austrian social enterprises state as their biggest problem the “revolt” of other enterprises due to unequal competition. But the concern about economic/commercial goals is often disregarded due to finding solutions for employing the socially marginalized groups, and therefore understanding of such functioning can justify the “privileged” position on the market²⁶.

Furthermore there is the problem that Austrian banks have a nonexistent or one-size-fits-all approach to risk management with respect to the social economy. The business community chiefly objected to subsidies for sheltered employment enterprises when these resulted in direct competition. For instance, the engravers say that they were no longer able to compete with sheltered workshops operating with subsidised machinery, premises and wages. Cooperation and joint projects instead of competition should be the watchword here²⁷.

Cost and competitive pressures, and certain management concepts hold the risk that distinctions could be made between different beneficiary groups. In the social economy the same service can give rise to different costs. For example, counselling about the assistance available in given situations can be delivered quickly and simply in some cases, and quite simple information can be helpful. But if the problem is not clear, finding a solution may be a long-drawn-out process. In the case of back-to-work schemes, there are beneficiaries who can be integrated in the labour market after short initial guidance, and others who require much more assistance and attention without any guarantee of a successful outcome. Performance metrics, imposed from outside, are often based on job brokering quotas, the number of consultations per work unit, the number of client visits per worker or the like. There is an obvious danger that the social economy will no longer be able to afford to work with “difficult” clients and beneficiaries.

Austrian social enterprises rely mostly on the national co-financing (Public Employment Service, Budget Resources of provinces/cities/municipalities, State Department for Social Affairs), donations from structural/cohesive funds (European Social Fund), and own business resources at last. Although funding from public domestic resources is now considered as instrument for payment of costs (not anymore as grant), where social enterprises must reapply each year, without any guarantee for funding, this model proves to be unsustainable in the long run, not only for these social enterprises, but also for the sector of social economy as a whole.

²⁵ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

²⁶ Institutional and Legal Framework for Development of Social Economy Ventures in Croatia and Neighbouring Countries (Italy, Slovenia, Bosnia and Herzegovina, Hungary, Austria and Serbia), T. Petricevic, Tamkeen 2011.

²⁷ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

Sources of financing social enterprises:

- National cofinancing (Public Employment Service, province/cities/municipalities, State Office for Social Affairs)
- Donations from structural/cohesive funds (European Social Fund)
- Own business resources

In the TSESME study 2009 problems and factors diminishing the efficiency of social enterprises were displayed based on the statements gained from the experts' interviews²⁸:

Internal factors:

- High workload
- Poor payments
- Lack of time/time management
- Not enough staff
- Insufficient internal communication flow
- Poor social competences and conflict management
- Poor project management competences
- No economic orientation
- Inability to set clear priorities

External factors:

- Many competitors
- Legal regulations
- Weak intercultural awareness
- Different stakeholders

²⁸ TSESME, Regional study, Training Needs Analysis of Small and Micro Enterprises in Social Economy, AUSTRIA, Graz 2009.

5. CONCLUSIONS AND RECOMMENDATIONS

Undoubtedly, social services are among those areas in which additional employment opportunities are envisaged. At the same time, social services are at the forefront of the effort to combat social exclusion. Thus it seems only logical to conceive and to promote organisational forms that combine both the employment factor and concepts of social exchange, self-organisation and community organisation. Social enterprises that are guided by these fundamental values are therefore important partners for public authorities in particular, if the latter are seeking to increase their steering capacities as against their capacities for producing services²⁹.

In an effort to reduce the public cost of service production, Austria has embraced strategies of privatisation and new public management approaches. Part of the public monies has been shifted from grants (lump-sum subsidies) to performance-related payments in the 1990s. Service contracting is considered nowadays an effective tool to increase cost efficiency and quality in the provision of social services. Service contracts should increase the efficiency of service production compared to traditional funding arrangements with regard to the specific goals (outcomes) as specified in the agreement. However, this improvement may come at a cost for aspects of service delivery: By their very nature, contracts seek to detail target groups and delimit the amount and scope of services. As a result, there may be less leeway for non-profit organisations to cater to the needs of any specific group that has not been considered in the service contract.

Nevertheless, there is a good chance for growth of social enterprises in the area of social service delivery if both sides - social enterprises themselves and the state - agree on their mutual benefits and shortcomings. On the one hand, the evolution of a regulated "quasi-market" equal for all actors would be necessary to reduce bureaucracy, hierarchical dependencies and financial constraints. On the other hand, a debate on social enterprises with respect to their specific status, e.g. a debate about a legal regulation for social enterprises, could help to develop common strategies and guidelines. The first steps have been taken in Austria in both directions but it will still take time, organisational learning and political will for social enterprises to find their identity in a well-balanced welfare triangle in Austria.

Recommendations³⁰:

1. Financial safeguarding

A clear confession to high quality social services in the responsibility of the welfare state and creation of a legal framework with transparent and practical adequate possibilities of promotion. This includes:

- Financing of basic structures in order to stabilise the financial structure of the institutions
- Long-term financing models in order to enhance the possibilities of planning for actions and projects
- Financing of demand- and practice-oriented instruments for the equalization of women and men

²⁹ Study on Practices and Policies in the Social Enterprise Sector in Europe, Austria, Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, Vienna 2007.

³⁰ So sozial wie wirtschaftlich: Sozialwirtschaft in Österreich, Dokumentation über den 1. Kongress der Sozialwirtschaft in Österreich und die Kampagne des Netzwerk Sozialwirtschaft, Vienna 2005.

2. Quality

A clear confession to high quality social services in the responsibility of the welfare state including:

- Traceable and participative developed quality criteria for social services
- Upvaluation and enhancement of the attractiveness of the occupational areas within the social economy
- Inclusion and high assessment (min. 70 %) of quality criteria when choosing the best bidder at an open competitive bidding

3. General acknowledgement of the social economy

- Acknowledgement of the social economy as an autonomous area with a specific framework
- Creation of public awareness for the societal importance and the achievement of the social economy
- Upvaluation and enhancement of the attractiveness of the occupational areas within the social economy
- Social economy as an important partner for the economy and the public sector

4. Workplace-related claims

Amelioration of the conditions of employment in the social economy – this includes:

- Accredited, national consistent educations
- Consistent standards (collective contract) for remuneration and conditions of employment in the social branch
- Improved regulation of: working hours, compatibility of career and private life, legal framework for nursing relatives
- Safeguarding with labour and social law for atypical employees
- Anchorage of further education, down time in the labour law
- Fair remuneration, same wage for same work (within the branch and compared to equal occupational areas)