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## **WP3**

### **National report: Austria**

# **The Social Economy Sector and the situation of Social Enterprises in Austria**

**With special reference to “Work Integration Social Enterprises”**

## **Arge Müllvermeidung**

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## Abbreviations

AKÜ	(gemeinnützige) Arbeitskräfteüberlassung nonprofit temporary employment agency (personnel leasing)
AMS	Arbeitsmarktservice Public Employment Service
BDV Austria	Bundesdachverband für Soziale Unternehmen in Österreich Federal Umbrella Association for Social Enterprises – bdv Austria
BMASK	Bundesministerium für Arbeit, Soziales und Konsumentenschutz Federal Ministry of Labour, Social Affairs and Consumer Protection (2009 ff.)
BMSK	Bundesministerium für Soziales und Konsumentenschutz Federal Ministry of Social Affairs and Consumer Protection (2000 - 2008)
BSB	Bundessozialamt Federal Social Welfare Office
GBP	Gemeinnütziges Beschäftigungsprojekt nonprofit employment project
IB	Integrativer Betrieb integrative enterprise
NÖ	Niederösterreich Lower Austria
SIU	Soziales Integrationsunternehmen (a synonym for WISE) social integration enterprise
SÖB	Sozialökonomischer Betrieb social economic enterprise
STMK	Steiermark Styria
TAK	Transitarbeitskraft transit personnel
WISE	work integration social enterprise (soziales) Beschäftigungsprojekt

## Part I

### **Some remarks on the social economy sector as a whole and on the situation of social enterprises in Austria (with some statistical data)**

In the Guidelines for the national reports on the social enterprise sector in the participating countries provided by Eommex, “social enterprises” (and the social enterprise sector, respectively) are defined as enterprises characterized by:

- **an entrepreneurial spirit**

A social enterprise is autonomous (i.e., not a public unit), assumes economic risk and provides goods and/or services. It is market- and business-oriented.

- **a social aim or purpose**

A social enterprise devotes its activities to social objectives. Its aims are non-economic.

- **a not-for-profit distribution**

Social enterprises do not distribute their profits to persons with an ownership stake. Any surpluses generated must be retained with the organisation or company. Profits are reinvested to achieve the social aim and to serve the members' interest or a wider interest.”<sup>1</sup>

The definition above was used in the EU project “Study on Practices and Policies in the Social Enterprise Sector in Europe”<sup>2</sup>, a study on behalf of the European Commission and coordinated by the Austrian Institute for SME research, with organisations of 31 European countries participating. The project followed a rather sophisticated definition of social enterprises, put forward in an EMES research project - by condensing the 9 criteria applied there,<sup>3</sup> defining a social enterprise to the 3 given above.

In March 2009, EMES, a European Research Network specialized in “Third Sector” issues, published a brief document summarizing crucial comments made by some of its members with respect to that study.<sup>4</sup> In this paper EMES criticizes the approach of the study to social enterprises as not being adequate to their complexity and reality, but at the same time admits that definitions of the term social enterprise vary and that “the lack of a common definition at the EU-level is unquestionable”<sup>5</sup>.

That point reveals a problem regarding the data on the social enterprises sector.

There are no comprehensive data available in Austria that provide an overview of its landscape of social enterprises fulfilling exactly the three criteria mentioned above. Either the data available refer to an overly limited definition of social enterprises, thus excluding organisations that should be at-

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<sup>1</sup> Guideline, provided by Eommex within the project ISEDE-NET, p. 4.

<sup>2</sup> KMU Forschung Austria (Austrian Institute for SME research), Turku School of Economics: Study on Practices and Policies in the Social Enterprise Sector in Europe. Final Report, Vienna, June 2007. p. 8.

<sup>3</sup> DEFOURNY Jacques: Introduction. From Third Sector to Social Enterprise. in: BORZAGA Carlo, DEFOURNY Jacques (eds.): The Emergence of Social Enterprise. London, Routledge; 2001. p. 16 ff.

<sup>4</sup> EMES European Research Network: Remarks on the Study on Practices and Policies in the Social Enterprise Sector in Europe carried out by KMU Forschung Austria. March 2009.

<sup>5</sup> Ibid., p. 4 f.

tributed to social enterprises; or a definition that is too broad is applied to the data, and organisations are included in this definition that experts hardly consider to be social enterprises.

This reveals the rising difficulties when trying to formulate the social economy sector in Austria. On one hand, no actual secondary data are available<sup>6</sup> or are only available for certain segments of the sector; on the other hand, these data are based on different characteristics and ideas and therefore do not meet the definition in this report.

## **The NPO-approach to social economy, the social economy concept and some data on the social economy sector in Austria**

In Austria, data for the NPO sector are often quoted for a quantitative description of the social economy sector and thereby passed off as social economic data.<sup>7</sup>

However, “the 'nonprofit sector' and the 'social economy'... despite describing spheres with large overlapping areas, do not coincide exactly”<sup>8</sup>.

Amongst other things, this is revealed when concentrating on legal and institutional forms and on the special characteristics of social economic organisations. According to their concept, the following organisations are traditionally allocated to the social economy<sup>9</sup>:

- Associations, voluntary organisations and charities
- Cooperatives
- Mutual aid organisations
- Foundations and trusts.

On this basis, the following data were examined for Austria:

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<sup>6</sup> As searching for and analyzing primary data on the social economy sector in Austria would require a lot of research work, which far exceeds ISEDE-Net's (time and financial) resources and capacities, we will (of necessity) rely on available secondary data.

<sup>7</sup> See also: LEEB Wolfgang: The situation of the social economy in Austria. A study within the EQUAL-project “EQ – Engagement with quality for Steyr-Kirchdorf” (Manuskript) April 2003.

<sup>8</sup> European Economic and Social Committee (EESC): The Social Economy in the European Union. Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC). Brussels. 2007. p. 13.

<sup>9</sup> Ibid., p. 7.

See also: EMES European Research Network, UNDP (United Nations Development Programme): Social Enterprise – A New Model for Poverty Reduction and Employment Generation. UNDP Regional Bureau (Bratislava), 2008. p. 17.

## THE SOCIAL ECONOMY IN AUSTRIA<sup>10</sup>

Cooperatives & other such accepted forms	Mutual Companies & other similar accepted forms	Associations & other similar accepted forms (e.g., foundations)
- Cooperative Banks (2005: 35,718 jobs 642 enterprises) - Agricultural Cooperatives (2005: 21,802 jobs 97 enterprises) - Housing Cooperatives (2005: 4,275 jobs 101 enterprises) - Other Cooperatives (2005: 350 jobs 18 enterprises)	- Mutual companies (1990: 8000 jobs) <sup>(x)</sup>	- Total Nonprofit sector (1996/97: 190,000 jobs) <sup>(x)</sup>  - Health Associations (1995: 248 entities) - Research & Education Associations (1997: 1,729 entities) - Others (e.g., Culture & Sport) (1998: 5,862 entities)  - Foundations (1998: 598 entities) <sup>11</sup>
2005: 62,145 jobs 858 enterprises	1990: 8000 jobs	190,000 jobs 8,437 entities

### The NPO sector and the social economy sector: Some differences

This consideration and classification does not necessarily meet the NPO approach (see below notes on foundations) and refers to an oft-discussed difference between the two concepts of the “nonprofit sector” and the “social economy”.

A difference between these two sectors is that “the ‘nonprofit’ school emphasizes the non-distribution of profits.... The nonprofit constraint excludes cooperatives and mutual aid organisations on the grounds that they can distribute part of their profits to their members”.<sup>12</sup>

In contrast, the ‘social economy’ approach includes such organisations. “This approach thus includes the nonprofit organisational form, but rather than insisting on the non-distribution of profits, it highlights the democratic character of the decision-making process within the organisations, the priority of people and labour over capital in the supervision of the organisation, and the limited distribution of profits (rather than the non-distribution constraint).”<sup>13</sup>

<sup>10</sup> CIRIEC: The Social Economy in the European Union. Report by Rafael CHAVES & José Luis MONZÓN CAMPOS for the European Economic and Social Committee, No. CESE/COMM/05/2005. 2007, p. 54  
Data provided by the Austrian project correspondents BRAZDA Johann, SCHEDIWY Robert (University of Vienna), except where marked <sup>(x)</sup>.

<sup>(x)</sup>: CIRIEC: The Enterprises and Organisations of the Third System. A Strategic Challenge for Employment. (Liège), 2000. p. 19.

<sup>11</sup> The number of foundations has enormously increased since then; as of 12/31/2009 there were 3231.  
Source: Gewinn, issue 4/2010, p. 81.

<sup>12</sup> EMES, UNDP; 2008, p. 16.

<sup>13</sup> Ibid., p. 16.

This refers to another difference between 'social economy' approach and NPO approach. "The NPO approach... (does) not include such a characteristic element of the SE (social economy—authors' note) concept as democratic organisation. Consequently, in the NPO approach the TS (Third Sector—authors' note) includes many, and very important, nonprofit organisations that do not meet the democracy criterion and are consequently excluded from the TS by the SE approach... These nonprofit organisations... include... institutions which do not meet the democracy criterion and sell their services on the market, while meeting all the requirements set by the NPO approach. In the SE approach any nonprofit entities that do not operate democratically are generally excluded from the TS, although it is accepted that voluntary nonprofit organisations which provide non-market services to persons or families free of charge or at prices which are not economically significant can be included in the SE." <sup>14</sup>

### **The Third Sector approach as a way of overcoming these differences?**

How should these differences be dealt with?

Following a traditional view, evidently not all social enterprises meet the conception of the social economy (especially when they are not governed by an internal democratic codetermination), and furthermore do not always meet the requirements of the nonprofit sector (cooperatives, for example, usually pay parts of their revenues to their members; in the meantime representatives of the NPO sector also admit that distributing profits to members or owners by social economic organisations is compatible with the NPO approach, provided that distributions are "limited in scope." A much bigger problem occurs in this regard for foundations; see below).

In another publication<sup>15</sup> the authors (mostly from the same field) suggest using the concept of the third sector as the umbrella term to include both sectors (the NPO sector as well as the social economy sector).

"The concept of the 'third sector' has increasingly established itself in recent years as a synonym for the terms 'nonprofit sector' and 'social economy', especially in European academic literature. The third sector, as defined by the British government, refers to '*Non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals*'... The use of the term 'third sector' helps to overcome the differences between the many national models (and the diversity of the NPO approach and the social economy approach—authors' note). Therefore, this report will mainly employ the terms 'third sector' and 'third sector organisations' to refer to all the entities that are situated between the public and private domains and pursue specific social goals, while being totally or partially bound by a non-distribution constraint... The definition used here includes those cooperative organisations that limit the distribution of profits... Against this background, social enterprises are to be considered as a subtype of the third sector and as a new dynamic within the sector..."<sup>16</sup>

However, there exists an obvious contradiction that comes from these authors and is described elsewhere: "Since the 'third sector' is often used interchangeably with 'social economy', this could

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<sup>14</sup> EESC, 2007, p. 14 ff.

<sup>15</sup> EMES, UNDP; 2008, p. 16.

<sup>16</sup> Ibid., p. 16.

imply that the social economy is between the private and public sectors, which is wrong. Social economy enterprises and social enterprises are private enterprises, even if they have a different way of doing businesses.”<sup>17</sup>

By this juncture, one is led to confusion: Is the social economy positioned between the public and private sector as stated in the above quotation or still in the private sector as quoted here?

## Social economy enterprises and social enterprises

As though the social economy sector were not yet complex enough, recent developments within the social economy sector further complicate matters.

SOCIAL ECONOMY EUROPE, the EU-level representative institution for the social economy, suggests distinguishing between “social economy enterprises” (or “social economy organisations”) and “social enterprises”.<sup>18</sup>

According to it, a “social enterprise” is a particular kind of “social economy enterprise”. “What distinguishes social enterprises from other traditional third sector organisations ... (is that) social enterprises place a higher value on risk-taking...”<sup>19</sup> Nevertheless, “the generic term ‘social enterprise’ does not represent a conceptual break with existing institutions of the third sector, but a new dynamic, encompassing both newly-created organisations and older ones that have undergone an evolution towards more entrepreneurial activities”.<sup>20</sup>

“Organisations with legal forms which are typically for-profit can be considered as social enterprises when they demonstrate specific characteristics, including a constraint on the distribution of profits.”<sup>21</sup>

In accordance with developments of recent decades, the above list of the four forms of social economic organisations needs to be augmented with new organisational forms. One of the most common such organisational forms is social enterprises incorporated as:

- Limited companies, which either strictly follow the nonprofit idea (no distribution of profits to investors or managers) or at least sharply constrain the distribution of profits (limited return on capital) (limited liability companies with charitable or social economic orientation).

In addition, there are several other legal organisational structures.

A successful but still lone example in Austria is the so-called “Zweite Sparkasse” (second savings bank) that has the legal form of a:

- Mutual savings bank.

It was founded by the Erste Stiftung, the major shareholder of Erste Group, one of the largest banks not only in Austria but also in Central and Southeastern Europe, together with Caritas and Citizens Advice Bureaus which provide debt counselling services.

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<sup>17</sup> SOCIAL ECONOMY EUROPE, 06 March 2009, p. 2.

<sup>18</sup> Ibid..

<sup>19</sup> EMES, UNDP; 2008, p. 18.

<sup>20</sup> Ibid., p. 18.

<sup>21</sup> Ibid., p. 17.

In Austria, approximately 40,000 people have no bank account. For reasons such as unemployment, divorce or illness they slid into social and/or economic distress and lost their bank accounts due to debt.<sup>22</sup>

Since November 2006 the Zweite Sparkasse (second savings bank) has offered, for three years, a bank account without overdraft protection to those who are in desperate situations and have therefore no bank account. The goal is to provide people a way back to a debt-free life.<sup>23</sup>

Characteristic of such social enterprises is that they, or their owners, want to solve social problems or at least contribute to a solution using entrepreneurial approaches and methods. This is their specific identity. Therefore they are often named as social businesses. A second important criterion is to reinvest any profits generated.

No data are available for such social enterprises in Austria. It is also difficult to investigate such data because their legal structures do not differ from those of other ordinary companies. Therefore, in statistics they are subsumed under the above-mentioned traditional legal forms.

### **Nonprofit Enterprises focusing on social aims as criteria for defining social (economy) enterprises? Data on the prevalence of such enterprises in Austria**

For some Austrian experts, the third sector approach is too broad and they therefore attempt to distinguish the social economic sector from other sectors with regards to content, i.e., according to the organisations' activities.

In their opinion, the social economy sector will lose its profile when widening the already existing heterogeneity by using the third sector approach for a conceptual description.

They question whether all third sector organisations or those of the nonprofit or social economy sectors shall automatically be seen as social (economy) enterprises. Will sports organisations such as soccer clubs, flower seeding associations, societies for the prevention of cruelty to animals, or private cultural organisations such as the Salzburg Festival therefore also have to be subsumed under social (economy) enterprises? Will foundations in principle belong to this sector?<sup>24</sup>

They deny this; however, they emphasize the criteria of "social aim" or "social purpose" suggested in the ISEDE-Net guidelines because it differentiates the social economy from other segments in

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<sup>22</sup> <https://www.sparkasse.at/diezweitesparkasse>

<sup>23</sup> An account at the Zweite Sparkasse is only granted to those who are counselled by Caritas or Citizens Advice. Thanks to this counselling, affected persons have a genuine chance of solving their financial problems and subsequently opening an account at a conventional bank.

The Zweite Sparkasse has its registered office in Vienna. Due to high demand, branches have been opened in Graz, Innsbruck, Klagenfurt, Villach and Salzburg.

<sup>24</sup> Of the above-mentioned 3231 registered cooperatives as of 12/31/2009 (see note 11), only 220 have nonprofit status; the rest are private cooperatives with primarily tax saving purposes. Source:

Die Presse, 4/19/2010 ([die-presse.com/home/meinung/stadtplan/559194/index.do?from=suche.intern.portal](http://die-presse.com/home/meinung/stadtplan/559194/index.do?from=suche.intern.portal)).

Cf. also: Gewinn, issue 4/2010, p. 74: "The majority of cooperatives in Austria are self-interested and are more interested in their own well-being than in the common good."

Thus far the terminology is somewhat misleading, since in the European area a cooperative traditionally has nonprofit status.

terms of content, i.e., what it stands for and what the real purpose of it is, namely the provision of social services<sup>25</sup>.

Social enterprises provide legally or per provision of laws designated personal services for clients, who

- have certain social welfare state-defined problems such as unemployment, need of care, long time psychic or other disabilities, homelessness, addiction, social negligence, debts, etc., or
- have a demand for certain aid such as child care, family counselling, migrants' assistance or others.

These organisations must be qualified in order to provide these services, meaning that they are required to demonstrate a more or less high level of professionalism to the contracting body (usually the public authorities).

Constitutive characteristics of social services that are meant hereby and distinguished from other services of the third sector are:

- That the services take place within a direct interaction with the clients<sup>26</sup>, and
- Mostly act within a three-way agreement: contracting body/payer (mostly public authorities), social enterprise, client.<sup>27</sup>

It should be mentioned that the public authority in most cases is the only consumer, which leads to a monopolistic dependency for social enterprises, with all resulting consequences.

- That they are provided in stationary, ambulant or mobile fashion.

Organisations that provide such services have to meet an NPO approach to pass for social enterprises (at least in a broader sense). The criterion of a differentiation as regards content is not enough, as this can be seen (not only) in the example of nursing homes: some nursing homes are run by the public authority, others are run by profit-oriented owners, some are run by charitable institutions – whereas the quality of services provided may not necessarily differ.

In all three cases, social services are provided but only in the third case can a social enterprise be assumed in accordance with this approach (in the first case no economic risk occurs; in the second case the purpose lies in a preferable above-average return on investments and the private receipt of profit).

The number of social economic enterprises in Austria that fulfil these criteria (provision of social services, no distribution of potential profits to private persons or only within a certain limit) was stated for 2002 as follows, whereby no additional sources are quoted<sup>28</sup>:

- about 5800 social associations,
- about 200 limited companies with nonprofit orientation and
- about 20 cooperatives with social economic objectives.

<sup>25</sup> Sozialwirtschaft ist ... Diskussion mit Nikolaus Dimmel, Andreas Riesenfelder und Ruth Simsa, moderiert von Veronika Litschel und Petra Wetzel; in: Sozialwirtschaft in Österreich – Alternative oder Lückenbüßerin. Kurswechsel, issue 4/2004, p. 9.

<sup>26</sup> Ibid., p. 12.

<sup>27</sup> Ibid., p. 9.

<sup>28</sup> Überblick über die Organisationsstrukturen der Sozialwirtschaft in Österreich, in: Sozialwirtschaft in Österreich – Alternative oder Lückenbüßerin. Kurswechsel, issue 4/2004, p. 43

Which services are added in detail is unfortunately not mentioned in this source.

In these “roughly 6000 enterprises of the social economy:

- just under 125,000 persons were employed....
- Additionally, about 150,000 persons worked as volunteers in the social economy.”<sup>29</sup>

The 5 biggest organisations in Austria (Caritas Austria, Diakonie Austria, the Austrian Red Cross, Austrian Hilfswerk, Volkshilfe Austria) merged in 1995 as free welfare institutions into a federal consortium (BAG) “to articulate together social policy topics and achieve an improvement of the circumstances concerning the work for nonprofit institutions in Austria”<sup>30</sup>. The main topics are care, social welfare, poverty, integration and child care.

The four first-listed organisations employed a combined total of about 30,200 employees; in addition, they have about 96,300 volunteers. Further, the Red Cross has about 3600 persons carrying out alternative services.

All five organisations together generate a turnover of about € 1.4 billion.

Another presentation<sup>31</sup> shows for 1995-1997 the following data for Austria with highly divergent numbers:

- Nonprofit organisations only in the field of social services: 13,437
- Employees in the field of social services: 100,422.

These explanations shall approximately illustrate the dimension of the Austrian social economic sector even if the data may be contradictory.

From our perspective, the approach to include within the social economic sector only organisations that directly offer social services is too limited. We assume the approach following the recent developments of a more economic approach as more suitable (“social enterprises”) – of course without granting exclusivity to this approach.

Following this approach, the social economy does not define itself only by providing social services. To the social economy belong all organisations that:

- dedicate their main activities to the solution of social problems. These need not necessarily be purely social services!
- reinvest potential profits (or have a limited distribution to their members, as this is mostly the case with cooperatives).
- The criterion of an economic approach should be seen as relative and does not only count for social enterprises as they present themselves in recent developments.

As far as institutions are run by or are under control of the public authority, they are allocated to the public sector even if they provide social services.

For non-public organisations and enterprises, we believe that they all assume economic risk in some way. This is also true for traditional NPOs as well as for associations and similar institutions. They all with more or less economic approach have to act within changing markets and

<sup>29</sup> Ibid., p. 43.

<sup>30</sup> [www.freiewohlfahrt.at](http://www.freiewohlfahrt.at)

<sup>31</sup> HEITZMANN Karin: Dimensionen, Strukturen und Bedeutung des Nonprofit-Sektors. Eine theoretisch-konzeptionelle und empirische Analyse für Österreich. Thesis at the Vienna University of Economics and Business, Vienna, 2000, p. 187 f.

dynamic environments. They have to make decisions without having sufficient reliable and durable information of all factors that influence their business activities. That is to say, they have to act within (rising) uncertainties but still fulfil the requirements of their markets and environments to a sufficient degree to guarantee their continued existence. This is their economic risk.

## **Focus of the following description is on work integration social enterprises (WISEs)**

Following these explanations, the social economic sector is characterized by a high degree of heterogeneity and complexity concerning the organisational legal forms. This is far more the case concerning the characteristic fields of activities. Because of the different target groups and the adapted tasks and requirements a comparison as regards content is hardly possible. Their internal differences overbalance to a high degree their similarities as the characteristic fields of activities and situations such as unemployment, need of care, homelessness, addiction, refugee status, asylum counselling or child care can exemplary show.

Describing all activities in detail within this report would require a dedicated project, disregarding the unsatisfactory availability of data. For project pragmatic reasons we will concentrate further on in this report on a specific segment of this sector, namely on so-called “Work Integration Social Enterprises” (WISEs).

Besides the heterogeneity and complexity of this sector, there is another reason to concentrate on WISEs. WISEs usually have a defined mandate and subsequent deducible objectives but their operational area may be very different and they have no strict content restrictions. Theoretically they are free for a lot of fields of activities to achieve their objectives for their concerned target groups. This specific characteristic allows a link to Work Package 7 of the project ISEDE-Net, that puts the analysis and opening of additional and new market niches for social enterprises in the foreground. While for other social enterprises the fields of activity are often defined and new positioning is only possible within them, those work integration social enterprises are more open and are always looking for new fields of activity to achieve their objectives in a better and/or more cost-efficient manner.

### **Terminology: “Work Integration Social Enterprise” (WISE)**

«Social enterprises may be active in a wide spectrum of activities, as the ‘social purpose’ may refer to many different fields. However, one major type of social enterprise is clearly dominant across Europe, namely ‘work integration social enterprises’ (WISEs).... Precisely, the main objective of work integration social enterprises is to help low qualified unemployed people, who are at risk of permanent exclusion from the labour market. WISEs integrate these people into work and society through a productive activity.”<sup>32</sup>

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<sup>32</sup> DEFOURNY Jacques, NYSSSENS Marthe: Social Enterprise in Europe: Recent Trends and Developments. EMES Working Paper Series, No. 08/01. Liège. (2008), p. 8.

WISEs are instruments of an active labour market policy for people experiencing serious difficulties in (again) getting a job in the first labour market, thus avoiding further social exclusion. In WISEs the employed disadvantaged people earn income and their integration attempts to be achieved through productive activity and tailored counselling.

The main objective of WISEs is the integration of hard-to-place persons (e.g. long-time unemployed or disabled persons) into the regular labour market. Besides achieving this main objective, WISEs should also follow economic or socio-political objectives.

## Part II

### Origin and development of WISEs in Austria

Work Integration Social Enterprises in Austria have their origin in the 1980s. In 1983, “new experimental instruments of an active labour market policy were established to support the self-organisation of unemployed persons when looking for new jobs or to create working possibilities to maintain working ability”.<sup>33</sup>

The background for this development was the high, persistent unemployment rates in Europe in the 1980s and – to a relatively lesser extent – in Austria, where they led to the pursuit of new approaches in active labour market policy.<sup>34</sup>

In 1984, the first social employment actions for long-term unemployed persons were started, especially Aktion 8000. This employment programme of the Ministry of Social Affairs was an individual benefit programme, which means that the benefit was bound to the concerned person. Only single jobs were donated.<sup>35</sup> The programme’s objective was to create 8000 new jobs for long-term unemployed persons within expedient areas directly within the nonprofit sector or public sector. Private enterprises were excluded from this programme because the established jobs had to meet the public and common interests.<sup>36</sup>

This policy contributed to the emergence of a number of start-ups of social enterprises and WISEs, particularly in the late 1980s. The companies originated out of private initiatives as small projects. The reform of the labour market administration body in 1994, an increase of subsidies for active labour market measures and Austria’s accession to the European Union encouraged a further increase in active policy measures (because of their co-financing support by the European Social Fund) and consequently of social enterprises and WISEs in the middle of the 1990s.<sup>37</sup>

Aktion 8000 was the forerunner of the still-existing instruments “social economic enterprise” (SÖB) and “nonprofit employment projects” (GBP) that were established in 1993 (SÖB) and 1995 (GBP). These instruments allowed, for the first time, funding several jobs within one employer and therefore fund such projects and enterprises as a whole.<sup>38</sup> Both models will be described below. Following the founding generation, these enterprises were then professionalized<sup>39</sup> and a further one started around 2005.<sup>40</sup>

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<sup>33</sup> BMASK (Bundesministerium für Arbeit, Soziales und Konsumentenschutz): DOKUMENTATION Aktive Arbeitsmarktpolitik in Österreich 1994 – mid-2009. BMASK, Abt. VI/3. (Vienna) 31 July 2009, p. 27.

<sup>34</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria (ed.): WISEs and their Role in European Policies. National Report - Austria. Vienna, August 2008. p. 16.

<sup>35</sup> Ibid., p. 39.

<sup>36</sup> LEHNER Peter Ulrich, 2009, quoted at: [www.pfz.at/index.php?art\\_id=849](http://www.pfz.at/index.php?art_id=849)

<sup>37</sup> Bundesdachverband für Soziale Unternehmen in Österreich – bdv Austria, 2008, p. 19.

<sup>38</sup> BMASK, 2009, pp. 27 and 39.

<sup>39</sup> LECHNER Ferdinand, LOIDL Reinhard u.a.: Aktive Arbeitsmarktpolitik im Brennpunkt I: Evaluierung Sozialökonomischer Betriebe. Ed. by Arbeitsmarktservice Österreich, AMS report 18, Vienna, 2000. p. 76.

<sup>40</sup> AMS Niederösterreich, Personal communication, 5/5/2010.

At the end of the 1990s the first nonprofit temporary employment agency was founded. These organisations increased in number since then, while the number of “traditional” SÖBs and GBPs has not changed enormously since the beginning of 2000 apart from some ups and downs. The statistics still show an increase in SÖBs and GBPs because the temporary employment agencies use one of these models.

At the end of the 1970s a further kind of social enterprise was established on the market, the so-called sheltered workshop. Sheltered workshops are economic enterprises that predominantly employ disabled persons to integrate them durably into the labour market. Later on, the sheltered workshops were restructured and nowadays trade under the name of “integrative enterprises” (IB).

A further quantitative increase of WISEs would be possible especially within a demand-oriented guaranteed minimum income, which is an Austrian government plan to fight poverty and grant a minimum income to those who are unemployed but have no right to get unemployment pay. Until now those persons received social welfare that is very different depending on their region of residence.

The counselling of the employable persons concerned with reintegration into the labour market shall be performed by the job center. The next target is the establishment of a one-stop-shop instead of the today’s responsibility of each individual province.

The demand-oriented guaranteed minimum income is no unemployed basic income. In case of a basic capability to work, the grant depends on an individual’s willingness to work. This means that the persons concerned shall be integrated into charitable employment projects and obligated to self-improvement. The additional demand of transit jobs that will result from these new clients of the job centers cannot currently be estimated.

For a quantitative increase in transit jobs, limits still exist because of the available means. Additionally, a further reduction of existing jobs may be feared due to the current policy of savings within EU member states.

This also relates to the fact that the below models, drafted in detail, are unto one exemption very expensive measures of the labour market policy and therefore are not suitable to be installed extensively. Because of their target group – persons having severe problems with integrating into the labour market – they do not need to be installed within a large area.

In 2006 SÖBs were only 1.6 % of all “subsidy cases” whereas the amount granted was 6.1% of all subsidy means.<sup>41</sup> The situation concerning GBPs is similar.<sup>42</sup>

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<sup>41</sup> BMASK, 2009, p. 34.

<sup>42</sup> Ibid, p. 44.

## Types of WISEs in Austria and Their Characteristics

Regarding the various types of WISEs different approaches exist.

The Federal Umbrella Association for Social Enterprises – BVD Austria distinguishes between the following types of WISEs, for which it also uses the synonymous term “social integration enterprises” (SIUs)<sup>43</sup>:

- social economic enterprises (SÖB)
- nonprofit employment projects (GBP)
- (nonprofit temporary employment agencies)
- integrative enterprises for disabled persons
- social integration enterprises that make use of other fundings.

The Working Life Research Centre, Vienna lists as employment projects or alternatively “social integration enterprises” the following three:

- social economic enterprises (SÖB)
- nonprofit employment projects (GBP) and
- nonprofit temporary-employment agencies (AKÜ).<sup>44</sup>

The list of the Federal Umbrella Association for Social Enterprises is the more complete, by which we mean that another model should be added. This leads to the following six types of WISEs:

1. social economic enterprises (SÖB)
2. nonprofit employment projects (GBP)
3. nonprofit temporary-employment agencies (AKÜ)
4. integrative enterprises (IB)
5. employment projects for disabled persons
6. social integration enterprises that make (only) use of an integration subsidy to finance their services of integration into the labour market. This subsidy is open for all enterprises and therefore also for profit-oriented enterprises.

Hereafter the six types of WISEs and their specialities will be described in detail.

### 1. Social economic enterprises (SÖBs)

Unless noted otherwise, the following explanations are based on the “federal directive for the funding of social economic enterprises” of the Austrian Public Employment Service (Arbeitsmarktservice Österreich / AMS), which is also the basis for the model.<sup>45</sup>

<sup>43</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria, 2008, p. 16.

<sup>44</sup> ATZMÜLLER, Roland; KÖCHL Sylvia; RIESENECKER-CABA, Thomas: Wirtschaftliche und gesellschaftliche Bedeutung der Wiener Sozialintegrativen Unternehmen. Forba - research report, Vienna, 2006. p. 1.

<sup>45</sup> Arbeitsmarktservice Österreich: Bundesrichtlinie für die Förderung Sozialökonomischer Betriebe (SÖB), 1 May 2008. (Vienna).

### Characteristic, tasks and objectives

A social economic enterprise (SÖB) is a labour market instrument that is characterized on the one hand by its nature as an enterprise and on the other hand by the combination of economic (including the duty to gain its own share) and labour market political criteria for success (qualification and transfer of long-term unemployed or similarly disadvantaged persons into the first labour market). SÖBs are designed to secure a working situation that is as operational as possible.

SÖBs “are mostly established and run by nonprofit and self-help founded institutions and typically have the character of a small enterprise. Whether they launch a product or they offer services they have to stay competitive in the market. They are institutions of the second labour market; this distinguishes them precisely from any wage subsidies and other traditional labour market political instruments.”<sup>46</sup>

SÖBs shall help to sustainably integrate hard-to-place people into the labour market by offering close to the market but temporary jobs.

In doing so, they operate under market conditions. They have the social task of supporting above all people with limited productivity in recovering their capabilities to enter into the regular labour market.

The tasks of SÖBs are:

- to provide temporary jobs (so called “transit jobs”) for hard-to-place people;
- to organize counselling and training possibilities for this task group within the enterprise;
- to eliminate placement restraints and to reintegrate the temporarily employed into the regular labour market;
- to improve the chances of reintegration for the transit workers through systematic qualification.

The employment of the transit workers has a regular but temporary employment status. Job performance for the employee is the primary focus. Transit workers’ salaries are based on a working agreement.

### Legal form, organisational structure

Usually SÖBs are run in the legal form of an association, and seldom as a limited liability company. Nonprofit status is not a basic requirement. A SÖB also may be a for-profit enterprise! In point of fact, most SÖBs are NPOs.

Looking at the number of employees SÖBs are usually small businesses.

They are characterized by two different groups of employees:

- Key personnel  
Key personnel are those employees who have necessary roles of guaranteeing SÖBs’ sustainable existence. This encapsulates three working fields: the economic-organisational field (management, project management, administration or other), technical instruction within the field of service and production, and the socio-pedagogical guidance of transit workers.  
Key personnel usually have unlimited working treaties.

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<sup>46</sup> BMASK, 2009, p. 27.

- Transit workforce

Transit workforce usually have a short term contract.

Usually transit workers stay about one year within the enterprise. In well-founded individual cases the duration might be extended. The target is a stable and long-term integration of transit workers into the first labour market. Therefore, the individual situation and development must be borne in mind.

In reality the length of stay had been reduced since the last years and in average lies approximately by 6 months.<sup>47</sup>

The quantitative percentage between key personnel and transit workers depends on the working areas as well as on the possibilities and difficulties concerning the reintegration. Based on interviews with SÖB managements in 2000, the following data are available: the percentage between key personnel and transit workers lies in the economic-organisational field at 1:9; in the socio-pedagogical field at 1:13; and in the technical field 1:6<sup>48</sup>.

(The same study calculates an overall ratio of 1:3 when summarizing all ratios,<sup>49</sup> which seems to us inexplicable and unrealistic.)

#### Target groups for transit jobs

People having placement restraints and/or productivity restraints are especially:

- long-term unemployed
- elderly
- people with disabilities, also including persons with severe health restraints
- socially maladapted persons

as far as the following placement restraints exist:

- loss of social competence due to long-term unemployment
- poor qualification because of long-term unemployment
- loss of apartment
- former imprisonment
- debts
- drug abuse, etc.

Following a long phase of unemployment a limited integration capability may be assumed.

#### Financing and funding

The Arbeitsmarktservice (short: AMS, Public Employment Service), including its regional offices, are the main financiers of SÖBs.

In general, the regions and communities should also be involved in financing the SÖBs, which is usually also the case.

A share of the costs (at least 20%) has to be assumed by the SÖBs themselves. In addition to labour market policies, SÖBs also follow economic purposes, which have the following characteristics:

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<sup>47</sup> Various AMS centres, Personal communication.

<sup>48</sup> LECHNER Ferdinand et.al., 2000, p. 73.

<sup>49</sup> Ibid.

- They launch products on the market or offer services that have to be successful on the market—i.e. they work at market prices;
- a certain share of the total expenses of social economic enterprises has to be covered by return on sales.

SÖBs have to cover the running costs or at least 20% of total expenses through the returns out of their economic activities. This is not so strict in the founding and beginning phases of the business. In actuality, the AMS (Public Employment Service) often demands a notably higher share of returns.

If during the funding year an amount higher than agreed upon is generated via business activities, it will reduce the respective amount that had been granted for the running business, or the funding can be used for expenditures not originally foreseen, in particular for further training and self-improvement of key personnel or investments.

If the final account shows a higher demand for funding due to the actual business operations, funding that is higher than originally defined may be granted if this is deemed reasonable.

Even if within the respective directive the terminus funding is used for financing by the AMS (public employment service), the AMS itself no longer regards its contribution as funding but as payment of costs (partially reimbursement of costs) for providing labour market services through the SÖBs that are required by the AMS.<sup>50</sup>

#### Funding duration

Funding is usually granted for the period of one year (exceptions are possible). That is to say that the SÖB has to reapply every year. However, there is no guarantee that funding will be granted.

#### Tasks and evaluation of achievements

In addition to the requirement of sharing costs (see above), SÖBs also have to meet certain quotas involving the integration of transit workers into the first labour market.

This target depends on the severity of the placement restraints of employed transit workers. An average value may lie at about 40%<sup>51</sup>, i.e. 40% of transit workers shall have employment that is liable to insurance deductions in the first labour market after the end of employment at the SÖB.

The achievement of labour market political objectives will be checked by the AMS.

For evaluating short-term labour market success, the number of persons with employment three months after the end of the employment at the SÖB is drawn upon. Within the subsidy agreement between the AMS and the SÖB, a target figure is defined to this effect.

In case the target figure is not achieved, the reasons for this situation are analysed and improvements must be undertaken to ensure the enterprise's further existence of the enterprise.

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<sup>50</sup> BMASK, 2009, p. 28;  
AMS Niederösterreich, Personal communication, 5/5/2010  
AMS Wien, Personal communication, 5/17/2010  
AMS Steiermark, Personal communication, 5/20/2010.

<sup>51</sup> Various AMS centres, Personal communication.

If there are significant discrepancies, further financing of the SÖB will not take place without the deduction and definition of adjustment requirements. The organisation has the duty to cooperate in the improvement process.

In addition, long-term success in the labour market will be analysed. The data evaluated compare the days of employment 12 months before entering the SÖB to the days of employment 12 months after leaving the SÖB.

#### Geographical area covered

Viewed regionally, SÖBs are a Viennese phenomenon: In 2006, approximately two-thirds of all transit workers were in Vienna; Upper Austria was a distant second.<sup>52</sup>

## **2. Nonprofit employment projects (GBPs)**

The two models, SÖB and GBP, are very similar. Their parallel existence has historical reasons. The differences lie mainly in their approach to the market and financial management, especially the requirement to bear a share of the costs. But this is more theoretical—in practice they are very similar concerning this area as well.<sup>53</sup>

The basis for the following explanations is the “federal directive for nonprofit employment projects” (GBP) issued by the Austrian Public Employment Service. That directive defines the general framework for the model “nonprofit employment projects”.<sup>54</sup>

#### Characteristic: tasks and objectives

The objective of nonprofit employment projects is the integration of labour market political problematic groups into the first labour market and therefore similarly to the objectives of SÖBs. By providing relatively protected jobs (= transit jobs), a sustainable integration of hard-to-place persons into the labour market shall become possible.

A GBP must be a nonprofit entity, as its name suggests.

GBPs launch products or offer services that are demanded by a public charitable interest. The public or charitable interest shows through the financial contribution of other, especially public, bodies and an overbalanced existence of public or nonprofit contractors. The activities of GBPs are to be for the benefit of the general public and contribute to the achievement of regional or communal objectives.

GBPs are not competitors to businesses that offer their products and services under market regulations. (This may be the case for SÖBs, but it is something their financiers attempt to avoid.)

The basic idea behind these models is that from the point of view of society and employment it is far more reasonable to create employment for offering socially useful services and therefore use

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<sup>52</sup> BMASK, 2009, p. 31.

<sup>53</sup> AMS Niederösterreich, Personal communication, 5/5/2010.  
AMS Wien, Personal communication, 5/17/2010.

<sup>54</sup> Arbeitsmarktservice Österreich: Bundesrichtlinie Gemeinnützige Beschäftigungsprojekte (GBP), 1 January 2009 (Vienna).

public means than it is to spend money for unemployment payment and, moreover, surrender returns due to additional employment.

As is the case with SÖBs, the retention period within a GBP is limited to a maximum of one year (exceptions are possible). However, for GBPs as well, retention periods are in practice mostly far shorter, and approximately six months of employment are approved by AMS.

Employment and payment are regulated similarly to the SÖBs, on the basis of a collective bargaining agreement.

#### Legal form, organisational structure

GBP are run by nonprofit, partially also public authorities. Mostly they have the legal form of an association; less frequently they are run as a limited liability company.

Similar to SÖBs, they are small enterprises and have the same small enterprise character, and their employment structure is divided into key personnel and transit workers (details see under 1. social economic enterprises – SÖBs).

#### Target groups

The target group of nonprofit employment projects are usually hard-to-place people having limited productivity (a more specified definition is given within the description of SÖBs; see above).

#### Financing and Funding

The main financier is also the AMS (Austrian Public Employment Service), whereby, like the SÖBs, a financial contribution by the state and communities is aimed at and also realized.

Basic information for funding is the application for funding brought in by the project institution including a project concept and a description of the quality management system.

Funding is possible for:

- Personnel costs
- Material costs (depreciation, costs for external finance, fees for membership within an umbrella organisation, quality management costs, costs for training and further education).

Personnel costs for transit workers may be funded up to 66.7% and those for key personnel up to 100%.

Material costs may be funded up to 100%.

The financing of personnel costs for other personnel (administration/secretary, accounting, cleaning, etc.) and other material costs have usually to borne by the organisation itself. The money may come from the organisation's own resources, donations or a financial contribution from other bodies. Revenues may also come into account.

Similar to the SÖBs, the AMS sees its financial contribution not as funding but far more as a contribution to costs that arise while providing labour market political services by the GBP. A result of this is that a certain success is expected, similarly to the SÖBs.

#### Funding duration

This is also similar to the SÖBs. Funding agreements are always made for a period of one year (exceptions are possible).

### Tasks and evaluation of achievements

The concept of the project has to contain data concerning the objectives and contents of the non-profit work project and is an integral part of the funding agreement.

The project leader has to write an individual counselling report for every transit worker and inform the AMS as to whether the aim could be achieved or not.

The funding agreement *may* contain defined target figures, which is often the case.

These targets (number of transit workers who could be integrated into the first labour market) vary depending on the regional conditions and the severity of the placement restraints of the transit workers. GBPs may have to achieve the same values as SÖBs, but mostly have lower targets because they often employ persons having more severe problems and restraints. Generally, those data are handled differently in every province.

The controlling process (ratio of the number of transit workers who achieved the aim of the measurement in comparison to the total number of transit workers) is similar to the one for the SÖBs. This affects short-term success on the labour market as well as long-term success on the labour market. (See also the details for SÖBs, above.)

### Geographical area covered

Almost 45% of all transit workers in nonprofit employment projects work in Lower Austria, which leads Styria and Upper Austria by a wide margin.<sup>55</sup>

## **3. Nonprofit temporary employment agencies (nonprofit AKÜs)**

Similarly to SÖBs and GBPs, nonprofit secondment has the objective of (re-) integrating hard-to-place unemployed persons into the first labour market by placing the transit workers in adequate businesses. Compared to a commercial temporary employment agency, these do not pursue their aims for profit motives.

Nonprofit temporary employment agencies are characterized by:

- offering transit jobs for the named target group (especially young people, long-term unemployed or elder people) and
- gaining funds by the AMS to perform their activities.

Similar to SÖBs and GBPs they have an agreement with the AMS.<sup>56</sup>

The nonprofit temporary employment agencies do not represent a model of its own. Their funding is based on the guidelines for SÖBs or GBPs; therefore a nonprofit temporary employment agency has the character of a SÖB or a GBP.

Their independent position is based on two advantages in comparison to SÖBs and GBPs:

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<sup>55</sup> BMASK, 2009, p. 41.

<sup>56</sup> Dokumentation. Möglichkeiten der Kooperation von Arbeitskräftevermittlern und –überlassern mit dem Arbeitsmarktservice. Tagung der Österreichisch-Ungarischen ExpertInnenakademie of November 18-19 2004. Manuscript, p. 6.

- On the one hand they try to integrate transit workers directly into an enterprise in the first labour market without an intermediary employment in an enterprise of the second labour market. The advantage: enterprises are very restrictive concerning employment because of existing labour law-related reasons (compliance with cancellation period or other) and personal reasons (a high degree of uncertainty concerning the capability or will of those people). The secondment helps those persons to get a chance to show their capabilities and competences on the free labour market. The person is employed at the personnel leaser and will be leased to the enterprise for a predefined period for money. The leasing enterprise can terminate employment anytime. Nevertheless, the aim is to achieve an employment within the leasing enterprise.
- On the other hand, this model is more cost-efficient than SÖBs or GPs. The reason is that the secondment enterprise has a very cost-efficient structure and no costs for the infrastructure for a separate production or service enterprise arise. While the costs for one transit worker lay some years ago between € 25,000 and € 35,000<sup>57</sup>, they could be reduced to € 20,000 to € 30,000. In the case of a secondment, the costs for a single transit worker lie far beyond that (at about a fourth of that)<sup>58</sup>.

According to these data, it could be assumed that the nonprofit temporary employment agency is too large a competitor to the SÖBs and GBPs, which would call their continued existence into question.

But this is not the case, because the nonprofit temporary employment agencies have different clients. Clients of nonprofit temporary employment agencies have to have greater integration potential and do not need to go through an enterprise of the second labour market. They are not the typical people far from the labour market, as the persons counselled by SÖBs or GBPs are.

The target group for nonprofit temporary employment agencies is not as hard to place as the target group for the SÖBs or GBPs; still, they have difficulties finding employment. The reasons in particular are:

- they have no work experience (younger people), or
- they are returners and/or
- they are not in-demand from enterprises of the first labour market because of their age.

People of this target group have in common that they are mostly not accepted as clients of commercial secondment enterprises due to the above-mentioned reasons. They are therefore dependent on that kind of counselling.<sup>59</sup>

While for other WISEs the activities are a means to achieve a higher aim and may therefore be able to be changed, nonprofit secondment enterprises follow a predefined and fixed object of the company: the leasing of personnel to other enterprises for money regardless of the type of business.

<sup>57</sup> Cf. f.i.. Med Tech Plus: Nachhaltigkeitsbericht (Folder). Vienna, July 2007 ([www.promis14.at/util/dateiloadler.cfm?id=30](http://www.promis14.at/util/dateiloadler.cfm?id=30)).

Med Tech Plus was a WISE in Vienna, but does not exist anymore since 2009.

<sup>58</sup> AMS Vienna, Personal communication, 5/17/2010.

<sup>59</sup> AMS Niederösterreich, Personal communication, 5/5/2010.

AMS Vienna, Personal communication, 5/17/2010.

AMS Steiermark, Personal communication, 5/20/2010.

If they change their field of activities the object of their company would be lost. Regarding this and other planned activities within other work packages of the project ISEDE-Net, we do not assume that the model of nonprofit secondment is worthy of a detailed look within this project.

#### 4. Integrative enterprises (IBs)

Unless noted otherwise, the following explanations are based on the “directives on integrative enterprises” of the Ministry of Work, Social Affairs and Consumer Protection, which is the main financier of this instrument.<sup>60</sup>

##### Characteristic; tasks and objectives

Integrative enterprises’ (IBs) main objective is the integration of person with disabilities into the labour market. Their target group is persons who are not integrated into the regular labour market because of the kind or severity of their disabilities but still have a certain minimum of capability. The difference to SÖBs and GBPs lies primarily in the target group. Integrative enterprises focus on the integration of disabled persons and therefore offer them temporary jobs.

Integrative enterprises have various modules. They offer three services:

- employment module: integrative enterprises provide jobs for disabled persons. Regarding the funding integrative enterprises just get compensation of those costs that arise through the employment of disabled persons in comparison to enterprises which do not employ disabled persons (financial compensation of underperformance). Therefore, integrative enterprises are classed with other enterprises and have to maintain their ground on the free market.
- vocational preparation module: integrative enterprises qualify disabled persons aiming at integration into the general labour market (through vocational training, breaking in, training and social counselling).
- services module: integrative enterprises use their know-how concerning the integration of disabled persons to support other enterprises through counselling.

In addition, integrative enterprises have to provide accompanying services such as medical, psychological, pedagogical and social services. They also have to guarantee a constant supervision of their target group by a statutory health insurance physician and a social worker.

Integrative enterprises are usually mid-sized to large enterprises. Regarding the eight existing integrative enterprises in Austria, the two smaller enterprises each employ (nearly) 150 persons

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<sup>60</sup> BMASK (Bundesministerium für Arbeit, Soziales und Konsumentenschutz): Richtlinien Integrative Betriebe (RIB), 1 July 2004 (Vienna).

These directives (which is in practice just one document) are administered by the Federal Social Welfare Office (BSB), that is (including its 9 regional offices) a subordinate office of the Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK) and a central office for disabled persons. Their integration into the labour market is the main topic of the BSB.

The Federal Social Welfare Office sees itself as a competence centre on the subject of disability and work:

BMASK: Bundesweites arbeitsmarktpolitisches Behindertenprogramm BABE 2010 und 2011. 23 July 2009 (Vienna), p. 12.

and the two largest about 500 to 550 persons. The percentage of disabled persons within the enterprise is up to 85%.<sup>61</sup>

They are thereby notably above their given minimum after which they have to offer 30 jobs for disabled persons.

#### Legal form, organisational structure

Integrative enterprises must be operated in the legal form of a limited liability company following mercantile principles.

#### Target groups

Within an integrative enterprise only disabled persons are employed:

- who cannot yet work in the general labour market due to the kind or severity of their disability but are capable of rehabilitation.
- whose capability will reach half of the capability of a person without disability within the same job position upon receiving appropriate training and education.  
Integrative enterprises shall address those who reach at least 50% residual capability.<sup>62</sup>
- whose ability to join a community is known and who are independent of care.

In general funding is only foreseen:

- for disabled persons as of 25 years of age, if their disability is at a minimum 50% and confirmed by medical report ("benefited disabled person"<sup>63</sup>),
- for adolescents up to 25 who have learning difficulties or are socially or emotionally affected.<sup>64</sup>

Jobs within the integrative enterprises may be permanent posts but also the integrative enterprises attempt placement within the first labour market.

Within the employment module, permanent posts are common. The integrative enterprise also has to allow "its disabled persons to develop, increase or regain their capability to find a job in the first labour market"<sup>65</sup>.

Within the vocational preparation module, various measures are provided, both purely educational measures and transit jobs. The offer depends on the regional needs, topic focuses of the concerned regional offices of the Federal Office for Social Affairs, and the agreements with other subsidy donors, which are primarily the Public Employment Services and the regional governments.<sup>66</sup>

The stay at a transit job may last up to 3 years, whereby in practice it is usually one year.<sup>67</sup> In case integration into an enterprise of the first labour market is not possible, the affected parties remain at

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<sup>61</sup> According to the information of the Integrative Enterprises on their websites, May 2010.

<sup>62</sup> Persons whose remaining capacity is less than 50% over the long term (which is documented by a doctor) are not assumed to be able for integration into the labour market. They are offered occupational therapy.

<sup>63</sup> Behinderteneinstellungsgesetz, § 2 Absatz 1 (Bundesgesetzblatt [BGBl.] für die Republik Österreich Nr. 22/1970, zuletzt geändert durch BGBl. I Nr. 58/2010).

<sup>64</sup> BMASK, department IV/10, Personal communication, 6/24/2010.

<sup>65</sup> Behinderteneinstellungsgesetz, § 11 Absatz 2.

<sup>66</sup> BMASK, department IV/10, Personal communication, 6/24/2010.

<sup>67</sup> Bundessozialamt Wien, Personal communication, 5/25/2010.

the integrative enterprise.<sup>68</sup> Nevertheless, the number of funded jobs within an integrative enterprise available for disabled persons had been limited as of 1 July 2004 as the Directive for Integrative Enterprises became law. For Austria as a whole, 1448 jobs in total are currently funded.

The payment of employees is based on a wage agreement.<sup>69</sup>

Integrative enterprises may also employ non-disabled persons. Nevertheless, the number of people with disabilities has to be over 60%. In practice, the percentage is approximately 80% or more.<sup>70</sup>

#### Financing and funding

Funding may be granted for foundation, expansion and equipment of an integrative enterprise. The further operational (re-) investments must be done by the integrative enterprise itself.

For running an integrative enterprise, preservation of jobs and maintenance of the competitiveness, funding is possible as a compensation payment resulting from the employment of disabled persons in comparison with enterprises not employing disabled persons. Otherwise no further funds are granted. The funds that integrative enterprises receive within the employment module are only compensation payments resulting from the lower productivity and capabilities of their employees. Therefore they have to act as typical enterprises.

As regards the vocational preparation module, different funds are available which are individually adjusted to the measurements. Therefore a detailed description would go beyond the scope of this report.

The activities are financed by the Federal Ministry of Labour, Social Affairs and Consumer Protection, by the Public Employment Service and the regional governments.

#### Funding duration

Integrative enterprises have no annual limit but also no legal claim for funding.

#### Tasks and evaluation of achievements

The objective of integrative enterprises is integration into the first labour market; remaining within the integrative enterprises is possible as long as the national limits are observed. The most important criterion of success is the integration of transit workers into the first labour market. A second goal is the placing in job training. After the termination of employment at an integrative enterprise, the achievement of the objectives are observed within a period of six months.

When discrepancies occur, their reasons are analysed and measurements of improvements are undertaken. If necessary, a change in CEO is also possible.

#### Geographical area covered

Throughout Austria, eight integrative enterprises exist.<sup>71</sup> Only Vorarlberg and Burgenland have no integrative enterprises. Otherwise every province has one IB; in Lower Austria there exist 2 IBs.

<sup>68</sup> [www.arbeiterkammer.at/online/integrative-betriebe-22942.html](http://www.arbeiterkammer.at/online/integrative-betriebe-22942.html)

<sup>69</sup> Bundessozialamt Wien, Personal communication, 5/25/2010.

<sup>70</sup> Own research based on data from the single websites of the Integrative Enterprises.

<sup>71</sup> [www.bmsk.gv.at/cms/site/dokument.html?channel=CH0108&doc=CMS1218636400243](http://www.bmsk.gv.at/cms/site/dokument.html?channel=CH0108&doc=CMS1218636400243)  
and: [http://www.bundessozialamt.gv.at/basb/UnternehmerInnen/Integrative\\_Betriebe?fontsize=75](http://www.bundessozialamt.gv.at/basb/UnternehmerInnen/Integrative_Betriebe?fontsize=75)

## 5. Employment projects for disabled persons

In addition to integrative enterprises, there exists another instrument to integrate disabled persons based on the “directive on the funding of other organisations who are qualified for a vocational preparation of disabled persons using means of the equitation tax funds” (in short: directive on the vocational preparation of disabled persons).<sup>72</sup>

Unless otherwise noted the following explanations are based on this directive.

### Characteristic; tasks and objectives

As stated by its name, this directive regulates the funding of organisations that seek to integrate disabled persons into the (first) labour market. It is therefore project funding and not individual funding.

The main difference compared to the projects of an integrative enterprise is that integrative enterprises have to offer activities in all three modules<sup>73</sup>, while these projects are simple employment projects and therefore similar to SÖBs and GBPs.

“Employment projects for disabled persons are an important part within the integration of disabled persons even if they only have a small number of participants. They offer limited employment and serve the stability for a preparation for the work situation in the free labour market.”<sup>74</sup>

Under the framework of transit employment, qualifications should be attained and deepened under skilled guidance and accompanied by a social worker. Aspects of job training and increasing self-confidence are important parts of the training. In this manner, ability to work and employability should be restored. The objective is the integration into the first labour market.

### Legal form, organisational structure

A particular legal form for the organisations is not assumed.

Many organisations offer transit jobs for the target groups of the Public Employment Service (which also includes persons with a disability of up to 50%) as well as for the disabled persons who are the target group of the Federal Office of Social Affairs. The named employment projects are often run as SÖBs or GBPs who also mentor disabled persons and offer transit jobs to them.<sup>75</sup>

In these cases the services have to be accounted for separately from the subsidy donors.

The mentoring factor (ratio of key personnel versus transit employees with disabilities) usually lies at 1:6 but due to costs it goes to 1:10.<sup>76</sup>

<sup>72</sup> BMASK (Bundesministerium für Arbeit, Soziales und Konsumentenschutz): Richtlinien für die Förderung von sonstigen zur Vorbereitung von Behinderten auf eine berufliche Eingliederung geeigneten Einrichtungen aus Mitteln des Ausgleichstaxfonds (§ 10a Abs 1 lit i BEinstG), 1 January 1999 (Vienna).

<sup>73</sup> Bundessozialamt NÖ, Personal communication, 6/23/2010.

<sup>74</sup> BMASK, BABE 2010 und 2011. 23 July 2009, p. 19.

<sup>75</sup> See the project database of the Federal Social Welfare Office  
[http://www.bundessozialamt.gv.at/cms/basb/pdb\\_search.html;jsessionid=aCdaXSE31-M9](http://www.bundessozialamt.gv.at/cms/basb/pdb_search.html;jsessionid=aCdaXSE31-M9)

<sup>76</sup> Bundessozialamt Wien, Personal communication, 5/25/ 2010.

Target groups

Concerning the target groups the same regulations are valid as for the integrative enterprises.

The length of stay at a transit job may be up to 3 years in accordance with the directive. But in practice the length is usually one year, depending on the severity of the disability.<sup>77</sup>

Financing and funding

Except for some costs, these projects are fully financed. Depending on the business area one's own share may be provided (in case products are launched or services are offered on the market)<sup>78</sup>.

While the existence of integrative enterprises has a legal basis,<sup>79</sup> those employment projects do not. In case of saving policies the means for those will be reduced.<sup>80</sup>

The projects are financed by the regional offices of the Federal Office for Social Affairs mainly under participation of the Public Employment Service of the respective province.

Funding duration

The subsidies are usually granted for three years (exceptions are possible). Further funding has to be applied for.

Tasks and evaluation of target achievements

As mentioned above, the objective is the integration of the employees into the first labour market. The minimum quota is 30% but depending on the severity of the disability it may rise to 50% or more.<sup>81</sup>

The evaluation is similar to the evaluation performed at integrative enterprises.

Geographical area covered

In the project database of the Federal Office for Social Affairs numerically projects in the larger provinces relating to the inhabitants dominate. These provinces are Vienna, Styria, Lower Austria and Upper Austria.

Note on the numbers of these employment projects:

Unfortunately no separate figures are available on this kind of projects because the existing data summarize several different measures. Therefore data concerning these employment projects may only be ascertained via individual research.<sup>82</sup> According to a rough estimate, there should be about 60 to 70 such projects around in Austria.

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<sup>77</sup> Bundessozialamt Wien, Personal communication, 5/25/2010.

<sup>78</sup> Bundessozialamt NÖ, Personal communication, 6/23/2010.

<sup>79</sup> Behinderteneinstellungsgesetz, § 11.

<sup>80</sup> Bundessozialamt Wien, Personal communication, 5/25/2010.

<sup>81</sup> Bundessozialamt NÖ, Personal communication, 6/23/2010.

<sup>82</sup> See data of the project database of the Federal Social Welfare Office:

[http://www.bundessozialamt.gv.at/cms/basb/pdb\\_search.html;jsessionid=aCdaXSE31-M9](http://www.bundessozialamt.gv.at/cms/basb/pdb_search.html;jsessionid=aCdaXSE31-M9)

## 6. Other forms of WISEs; the instruments “Integration benefit—Eingliederungsbeihilfe” and “Occupational integration of disabled persons”

Finally, diverse forms of social integrative enterprises will be described. From a quantitative point of view, they don't have the importance like the instruments described above but they complete the existing offer numerically. They partially address other target groups.

More often, these are activities in the form of projects performed from organisations that have the objectives to integrate disadvantaged or hard-to-place people into the labour market and therefore fulfil a task as a social integration enterprise.

An example of that is Caritas. Caritas performs projects that belong to the category of SÖB and GBP but also projects with an objective of the integration into the labour market that are financed by the Public Employment Service or the respective province in which the Caritas regional office is situated.

A further example is the Repair- and Service Centre (RUSZ) in Vienna that was former a SÖB but is not funded by the Public Employment Service as such since 2008. The RUSZ is now an association and employs long-term unemployed person, for which the RUSZ receives funding, namely an integration benefit that is also available for other enterprises.

The integration benefit is designed to support the (re-)integration of disadvantaged people into the labour market and foster the employment of long-term unemployed persons and those who are at a risk of long-term unemployment (elderly people, people having psychological, physical or mental disabilities such as alcohol dependency or others).<sup>83</sup>

The funding is an employment subsidy for the employer. Up to 66.7% of the monthly gross salary of the affected person (up to a maximum of € 4110 for the year 2010), and an additional 50% of the payroll-related costs are funded.

This benefit is granted for up to two years (for disabled persons up to three years). Usually the period is much shorter. For 2008 the average length for the subsidy granted was 109 days.<sup>84</sup>

The benefit is administrated by the Public Employment Service and is often used for returners (after a family-related occupational interruption) and long-term unemployed young persons (those under the age of 25).<sup>85</sup>

This integration benefit is the one that is applied for the most often by enterprises.<sup>86</sup> Whether social integrative enterprises are able to fulfil their integrative tasks by means of this instrument and will exist on the market over the long term remains to be seen. Yet WISEs of this kind are rare in Austria. Other models dominate by far.

Similar funding exists for disabled persons: the “occupational integration of disabled persons”.<sup>87</sup> This funding is also individual funding focusing also on an employment subsidy.

<sup>83</sup> Arbeitsmarktservice Österreich: Bundesrichtlinie Eingliederungsbeihilfe (EB), 7/1/2008 (Vienna).

<sup>84</sup> BMASK, 2009, p. 10.

<sup>85</sup> Ibid., p. 5.

<sup>86</sup> Ibid., p. 9.

<sup>87</sup> Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz (BMSK): Richtlinien Berufliche Integration von Menschen mit Behinderung (RBI), 1 July 2008 (Vienna).

We could not find a work integration social enterprise in the field of the employment of disabled persons that will act only on basis of that directive. They all work on the basis of a funding of projects, either as integrative enterprises or (and mentioned in Point 5, above) as employment projects for disabled persons.

### **Overview of these models: similarities and differences**

The models described can be viewed comprehensively in several respects. In our point of view the following points are important:

- the target groups
- the financiers / subsidy donors
- the type of funding.

#### Target groups:

All of these models focus on the integration of hard-to-place persons into the labour market (for the definition of hard-to-place people in detail, see the above-mentioned descriptions within the models).

There are different graduations:

- People who do not need a vocational preparation for integration into the first labour market and are therefore fit for integration. They are the target group for “nonprofit secondment (model 3)” as well as for an “integration benefit or occupational integration of disabled persons (model 6)”,
- the models “integrative enterprise (model 4)” and “employment projects for disabled persons (model 5)” aim at unemployed persons with a disability severity beyond 50%. Requirement: the person concerned is classified as able to rehabilitate and afterwards or directly fit for an employment in the first labour market (diagnosis and classification is done by a doctor).
- For all other groups, including people with a disability severity under 50% (after possible rehabilitation and appropriate preparatory measures), the models of SÖBs or GBPs are available.

#### Financiers and/or subsidy donors of the models:

It must be stated in advance that no subsidy applicant has a claim on a subsidy. The grant lies in the discretion of the subsidy donor.

Correspondent to the basic directives a mixed financing is aimed at for all models (except for the integration benefit described in model 6). This means that several organisations or institutions shall contribute to the financing. This already happens in practice.

The primary financier is the Public Employment Service. Except for individual funding for disabled persons (see model 6), it contributes financing to all instruments.

Other important subsidy donors for the first five models are the local or regional authorities, especially the regional governments and the communities. Depending on the model the local authorities should cover at least 30% of the funding needs, which cannot always be realized. Then the rest is borne by another subsidy donor (or the project cannot be financed at all). Very few projects are financed only by local or regional authorities without any contribution of the Public Employment Service.

The integration measurements for disabled persons are mostly financed by the compensation tax fund (requirement: degree of disability of at least 50%; capability of rehabilitation).<sup>88</sup>

A definitive financial contribution of the ESF is only foreseen within an individual funding of disabled persons (see model 6). For “integrative enterprises” (model 4) and within an “integration benefit” (model 6) no ESF means are granted. For the other four instruments ESF co-financing is possible. This is administered differently and decided on a case by case basis.

All contributions until now are public means. Another important financing for the models 1 to 5 is the own share of the project organisation. The own share may lie up to 50% of the financing needs. Partially it lies far beyond that.

#### Financing/funding:

For the aforementioned instruments, two kinds of financing are used:

- Project funding: Except for the two instruments of model 6, all instruments are financed with project funding. Within project funding the beneficiary is the respective organisation that offers and performs the labour market political measure.
- Individual funding: Individual funding means that the funding is granted for a specific person (“funding of persons”) and not for an employing organisation. Even if the organisation profits by that because it does not have to bear partially or totally the personnel costs for a defined period, the individual funding shall nevertheless incentivize the employing organisation to transfer the funded person into a regular permanent employment.

A further classification of the funding could be the classification according to the provision of means: Are these means

- a subsidy or
- cost compensation?

This question seems to be answered, since in the meantime subsidy donors themselves consider their contribution to integration enterprises as cost compensation for services ordered and rendered.<sup>89</sup>

Only in the agreements that are concluded by the Public Employment Service and the integration enterprises the term “subsidy agreement” is still used.

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<sup>88</sup> This tax fund is financed by the equitation taxes. Enterprises that employ 25 or more employees have to employ one disabled person per 25 employees. If they do not do so they must pay a tax. In 2009 the amount of tax was € 220 per disabled person that should be employed. The directive is adapted every year by the ministry.

The estate is used for measures to integrate disabled persons. “The revenues from equitable taxes are now about 80 million euros per year. Due to the current economic situation and the resulting staff cuts the revenues may sink in the following years.”

BMASK, BABE 2010 und 2011. 23. Juli 2009, p. 6.

<sup>89</sup> BMASK, 2009, p. 28;

AMS Niederösterreich, Personal communication, 5/5/2010;

AMS Wien, Personal communication, 5/17/2010;

AMS Steiermark, Personal communication, 5/20/2010.

## Quality management of WISEs

A WISE has to include in the application for a subsidy an operational concept as well as a description of the quality management.<sup>90</sup> The quality management should guarantee the implementation of the operational concept especially concerning the mentoring services for the target groups and their satisfaction of the participation.

The costs arising through the quality management are eligible, especially those costs that arise to achieve the “seal of quality for social integration enterprises”. This seal of quality is an award for social integration enterprises to guarantee accurately defined social, operational and economic quality standards.<sup>91</sup>

With this seal of quality organisations whose purpose is the social and occupational integration of people commit themselves to fulfil certain standards. Their observance of those standards is periodically monitored.

Within the application for this seal of quality selected auditors analyse the integration enterprise and investigate for example how effectively and efficiently subsidy means are used. At the same time they look at the strengths and the development possibilities of the organisation. The conclusions may then start improvements for guaranteeing and improving the quality.

Requirements for the seal of quality for social integration enterprises:

- The organisation must be a social integration enterprise.
- Orientation on the four basic values of non-discrimination, social integration, gender mainstreaming and nonprofit status (!).  
Therefore a SÖB, if it has no nonprofit status, cannot get this seal.
- Observation of legal (especially labour-related) conditions.
- Existence of a concept for personnel development.
- Gender mainstreaming objectives.

Procedure:

A first step is that the WISE registers its interest at the federal umbrella organisation for social enterprises which is the owner of the “seal of quality for social integration enterprises”. Then the organisation gets the guide on how to attain the seal. All following processes are forwarded to the Quality Austria that is an accredited certification authority and responsible for the assessments.

Official start of this seal of quality was in January 2009. In April 2010, the first 17 enterprises have been certified according to the requirements of that seal.

## Number and distribution of WISEs in Austria

In 2007 81 SÖBs and 170 GBPs were funded by the Public Employment Service throughout Austria (including the nonprofit temporary employment agencies (AKÜs) that, as mentioned above, are

<sup>90</sup> Cf. f.i.: Arbeitsmarktservice Österreich: Bundesrichtlinie für die Förderung Sozialökonomischer Betriebe (SÖB), 1 Mai=y 2008. Pkt. 6.8.2.

<sup>91</sup> These explanations are based on the information on the website of the federal umbrella association for social enterprises in Austria – bdv Austria:  
<http://www.bdv.at/quetesiegel-fuer-soziale-integrationsunternehmen/allgemeines>

primarily based on one of these two models)<sup>92</sup>. According to the AMS, these WISEs are allocated to the provinces as described below.

Including the eight integrative enterprises<sup>93</sup> this results in a sum of 259 WISEs (in this number the pure employment projects for disabled persons are not included here; for the reason see “Types of WISEs”, Pt. 5).

	<b>SÖB</b>	<b>GBP</b>	<b>total</b>	<b>IBs</b>
Burgenland	7	3	10	-
Carinthia	4	25	29	1
Lower Austria	7	35	42	2
Upper Austria	16	19	35	1
Salzburg	5	2	7	1
Styria	8	53	61	1
Tyrol	9	9	18	1
Vorarlberg	1	13	14	-
Vienna	24	11	35	1
<b>Austria in total</b>	<b>81</b>	<b>170</b>	<b>251</b>	<b>8</b>

#### Development of sponsored cases (number of transit workers) and the financing

The following table shows the development of sponsored cases (transit workers, TAKs) in SÖBs and GBPs throughout Austria between 2007 and 2009 (including nonprofit temporary employment agencies). Subsequently, there was an increase in sponsored cases in the SÖBs as well as the GBPs (as is the case with the financial means expended).<sup>94</sup>

However, this increase is caused almost exclusively by the increase of sponsored cases (transit workers, TAKs) in the nonprofit temporary employment agencies—the number of TAKs in the other SÖBs and GBPs largely remained constant.

	<b>Approved funding cases</b>			<b>Payment in million €</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
SÖB	18,050	14,620	12,469	79.9	70.3	67.3
GBP	7,079	5,753	5,539	56.4	47.2	48.2
Total	25,129	20,373	18,008	136.3	117.5	115.5

<sup>92</sup> [http://www.bdv.at/files/module\\_article/WISE\\_comparative\\_table\\_v\\_5\\_deutsch\\_final\\_korr.pdf](http://www.bdv.at/files/module_article/WISE_comparative_table_v_5_deutsch_final_korr.pdf)

<sup>93</sup> [http://www.bundessozialamt.gv.at/basb/UnternehmerInnen/Integrative\\_Betriebe](http://www.bundessozialamt.gv.at/basb/UnternehmerInnen/Integrative_Betriebe)

<sup>94</sup> <http://www.dnet.at/elis/Tabellen/leistbilams/Leistungsbilanz%20des%20AMS.pdf> (Quelle: BMASK)

## Target groups of WISEs

According to a survey done by the Bundesdachverband für Soziale Unternehmen in Österreich – bdv Austria (Federal Umbrella Association for Social Enterprises – bdv Austria) the target groups of WISEs consist of<sup>95</sup>:

- 48% long-term unemployed (?? see the following paragraph),
- 17% disabled persons,
- 12% returners (especially after the maternity leave),
- 7% migrants,
- 2% recipients of social welfare,
- 14% others.

Following our own information (based on the diverse Federal Guidelines quoted above and on the interviews) these data can't be correct. Long-term unemployment is a general precondition for all the transit workforce in WISEs, therefore the true share of these people is 100%. Other characteristics like disablement may apply to them additionally, but not as single ones, that is without long-term unemployment.

## Business areas of WISEs

Basically, WISEs act predominantly in the service sector and, respectively, in a less capital-intensive branch.

The service of WISEs is orientated to close the gap that is left by the state or the market. Following Atzmüller<sup>96</sup> WISEs are often the only provider of certain services that are of no interest for other enterprises or seem not to be economic.

Due to the fact that WISEs always look after production or service niches for their activities they often take over pioneering tasks in certain areas<sup>97</sup>.

To stay competitive on the market innovative ability, management abilities and the development of new business areas are necessary. Additionally, an increasing orientation on the clients as well as a precise profile of the organisation is very important to differ oneself from other service providers.<sup>98</sup>

GBPs, SÖBs and IBs act within the following business areas<sup>99</sup> (ordered according to the frequency of the business areas operated):

<sup>95</sup> Bundesdachverband für Soziale Unternehmen in Österreich – bdv Austria (Federal Umbrella Association for Social Enterprises – bdv Austria) (Hg.): WISEs and their Role in European Policies. National Report - Austria. Vienna, August 2008. p. 35.

<sup>96</sup> ATZMÜLLER Roland, KÖCHL Sylvia, RIESENECKER-CABA Thomas: Wirtschaftliche und gesellschaftliche Bedeutung der Wiener Sozialintegrativen Unternehmen. FORBA Forschungsbericht. Vienna (2006), p. 139.

<sup>97</sup> LECHNER Ferdinand, LOIDL Rainer, MITTERAUER Lukas, REITER Walter, RIESENFELDER Andreas (2000): Aktive Arbeitsmarktpolitik im Brennpunkt I: Evaluierung Sozialökonomischer Betriebe. Hgg. vom Arbeitsmarktservice Österreich, AMS report 18. Vienna, p. 44.

<sup>98</sup> ANASTASIADIS Maria, MAYR Andrea (2010): ECO-WISE. Ecological Work Integration Social Enterprises. Graz, p. 52.

- Carpentry, painting, locksmithery
- park cultivation
- relocation, repair, maintenance
- services in/around the house
- transport, renovation
- second hand shops
- office services, administration
- tailoring, textile cleaning, laundry
- recycling
- gastronomy, catering
- dispatch
- nonprofit secondment & others.

### **Business areas of ECO-WISEs**

ECO-WISEs are a special group within the WISEs – namely WISEs focusing on ecology<sup>100</sup>. Their portfolio is allocated to an ecological business area and/or services/products are produced in an ecological and sustainable way. The definition covers therefore two different levels: not only the WHAT but also the HOW is of great importance.

According to a survey by Anastasiadis and Mayr a fifth of these enterprises / projects think that they “offer services, that are not covered by the state or market”.<sup>101</sup>

According to this survey ECO-WISEs operate in the following fields<sup>102</sup>:

- waste management and waste disposal
- construction work and subconstruction work
- counselling in the environmental field
- recycling
- design respectively fabrication of products from recycling material
- renovating
- repairs
- clearing out
- landscape gardening and cultivation
- grassland cultivation
- landscape maintenance and environmental protection
- gastronomy
- food production (bio-products)
- handcraft (locksmithery, carpentry, painting, tailoring, etc.)
- cleaning
- relocation, transport
- others like social shops, second hand shops, renting service.

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<sup>99</sup> BDV Austria (2008), WISEs and their role in European policies, National Report – Austria, p. 42

<sup>100</sup> ANASTASIADIS Maria, MAYR Andrea (2010), p. 14.

<sup>101</sup> Ibid, p. 36.

<sup>102</sup> Ibid, p. 14.

ECO-WISEs perform an important contribution to the improvement of the environment. They refer to the principles “triple bottom line” that are based within the concept of sustainable development (consideration of ecologic, economic and social dimensions).

## Business areas of IBs

The eight integrative enterprises are highly professionally active companies, frequently belonging to the production segment. The areas of activity range from metal machining and processing, wood-working, assembly (industrial assembly, universal assembly and electrical assembly), the manufacturing of electronic and mechatronic products, all the way to print shops, textile production, plastics processing and others. “In some business segments, IBs are direct competitors of other local companies.”<sup>103</sup>

## Clients of WISEs

Amongst the clients of WISEs are the following groups:

- **Private persons and households** (e.g. household services, second hand, textile field), as well as
- **public authorities** (e.g., regarding landscape gardening, landscape maintenance) respectively;
- **private businesses** (fabrication, repair).

According to a study of the BDV Austria<sup>104</sup> the majority of the clients of WISEs are end users / consumers. Further groups of clients are private businesses, and especially for GBPs municipal businesses, municipal authorities, regional authorities and public companies.

SÖBs partially operate as subcontractors for bigger private businesses and render services, e.g., the repair of goods or the assembly of components.<sup>105</sup> SÖBs also cooperate with businesses from the same business area and of similar dimension, which can be seen especially in the field of handicraft.

That their performance is able to meet the requirements of the market can be seen from the fact, that meanwhile some of these enterprises have become satisfied regular customers.<sup>106</sup>

The clients of the eight IBs in Austria are mainly well-known businesses operating in different branches at home and abroad (e.g. Siemens, BMW). There are also public contractors which can be seen on the example of the protected workshop Wr. Neustadt (producing of bus shelters on bus stops, municipal goods such as snow signs, poster stands, shaft coverings etc.)<sup>107</sup>.

<sup>103</sup> Bundesministerium für soziale Sicherheit und Generationen (BMSG) (Hg.): Neuordnung der Integrativen Betriebe. Endbericht. (Vienna) 2002, p. 83.

<sup>104</sup> BDV Austria (2008), WISEs and their role in European policies, National Report – Austria, 2008, p. 43.

<sup>105</sup> LECHNER Ferdinand, LOIDL Rainer, et.al. (2000): Aktive Arbeitsmarktpolitik im Brennpunkt I: Evaluierung Sozialökonomischer Betriebe. p. 43 ff.

<sup>106</sup> Ibid., p. 43.

<sup>107</sup> <http://www.gwwn.at/> Geschützte Werkstätte Wr. Neustadt GmbH.

## Part III

### **Important Drivers for the Development of WISEs in Austria**

Important impulses for the formation and further existence of WISEs in Austria are the following:

- budgetary means by the public authority
- performance elements in the agreements and professionalism of the services of WISEs: their contribution to achieve labour market policies and objectives
- no duty for a bidding for services of WISEs
- lobbying.

#### Budget

The main factor for the development of WISEs in the 1980s was that for the first time public money was provided for such measurements within labour market policies.

The special relevance of those budgetary means still exists till now. Otherwise the intended objectives (qualification of hard-to-place people and their integration into the first labour market) could not be achieved as the administrative authorities say.

Against this background the point of view that the budgetary means are only subsidies instead of their classification as compensation payment seems a bit strange. No one would assume paid costs for a service (e.g. IT consultancy) as a funding. The reason for doing so regarding labour market political services might lay in still existing residuals of an attitude in a feudal state.

#### Professionalism of services of WISEs

By changing their own point of view of being a service consumer rather than a subsidy donor, the awarding authorities also raised their level of expectations.

In the first decade and a half, the budget for the WISEs had the character of a funding for what the WISEs had only to prove an agreed use. This has changed in the last decade. Now the agreements with the WISEs are also based on a kind of a service level agreement.

Service level agreements express the requirements of cost awareness, efficiency and quality management. A service level agreement includes agreements between the public authority and the nonprofit organisation about the service, the quality and quantity of the service, the period and the payment.<sup>108</sup> These agreements are according to that “treaties with ex ante calculated costs and defined duties and tasks”<sup>109</sup>.

“The most important difference is the wording of contracts. In a subsidy agreement a subsidy is agreed on between the donor and the organisation or project. In a service contract the public order-

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<sup>108</sup> ZAUNER Alfred, MEYER Michael, PRASCHAK Susanne, MAYRHOFER Wolfgang, HEIMERL-WAGNER Peter. Von der Subvention zum Leistungsvertrag. Neue Koordinations- und Steuerungsformen zwischen NPOs und dem öffentlichen Sektor und ihre Konsequenzen für NPOs. (Wien) Manuscript, (no date), p. 2

<sup>109</sup> Ibid.

ing customer pays for the provision of a service through an NPO.”<sup>110</sup> In contrast to a subsidy agreement, the service contract is characterized by the fact that the public authority and the NPO act as two equal contracting parties (de facto the monopoly of being the ordering customer creates an unequal influence).

“In this case, the NPO provides services that are precisely defined by their kind, subject, dimension and quality... to a third party.”<sup>111</sup>

As for the service, the employer “has the duty to agree on an individual agreement with the transit worker about the goals and the services regarding the socio-pedagogical mentoring and qualification. This individual agreement has to be handed out to the transit worker.”<sup>112</sup>

Concerning quality, the respective organisation has to include in the application an operational concept and a description of the quality management system<sup>113</sup> that ensures the implementation of the operational concept.

Those requirements lead to a strong professionalism within the last decade not only regarding the quality of services (outplacement, socio-pedagogical mentoring, etc.) as well as the achievement of the objectives. Their accounting system was improved and their cost accounting implemented if it did not exist at the time.

On the other hand, those requirements lead to a structural clearing up as WISEs that could not fulfil the requirements could not obtain subsidies anymore. It had also an influence on WISEs that were regionally numerically overrepresented. Compensation took place in form of new foundings of WISEs in regions that had less WISEs.

In the meantime, the WISEs are considered “well-placed and do a competent job” as their ordering customers admit<sup>114</sup>.

A contribution to this professionalism came from the public ordering customers themselves because they encouraged the WISEs to this professionalism as well as financed the costs that arose through it (costs for counselling and development).

### No open bidding for the services of WISEs

In practise, most agreements between Public Employment Service, the Federal Office for Social Affairs and other public authorities (e.g. regional governments) and the social integration enter-

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<sup>110</sup> Ibid., p. 3.

<sup>111</sup> Ibid., p. 2.

As mentioned in part II social economic enterprises need not to have a nonprofit status in comparison to nonprofit employment projects. Nor need the integrative enterprises to have nonprofit status. For employment projects therefore both possibilities exist, they may be run as SÖBs or GBPs.

<sup>112</sup> Arbeitsmarktservice Österreich: Bundesrichtlinie für die Förderung Sozialökonomischer Betriebe (SÖB), vom 01. Mai 2008. (Wien), Pkt. 6.8.2.

Arbeitsmarktservice Österreich: Bundesrichtlinie Gemeinnützige Beschäftigungsprojekte (GBP), vom 01. Jänner 2009. (Wien), Pkt. 6.8.2.

<sup>113</sup> Ibid.

<sup>114</sup> z.B. AMS Niederösterreich, Personal communication, 5/5/2010.

AMS Wien, Personal communication, 5/17/2010.

AMS Steiermark, Personal communication, 5/20/2010.

prises are mixed forms between subsidy agreements and service contracts. What Zauner and other authors say concerning the NPO sector is also valid for WISEs: “Hardly an NPO speaks of being a subsidy recipient. A close look at the financial agreements shows indeed that the services and services in return that are agreed on in the service contract are very generally described and often conform to the whole NPO purpose. They are seldom precisely operationalised.”<sup>115</sup>

But this also brings advantages to the WISEs. The treaties that are concluded are “subsidy agreements for projects that define the dimensions and height of the subsidy. Within the agreement the implementation of a measure is funded within a predefined time (mostly for one year), whether partially or totally. The subsidy recipient has to use the subsidy means according to the subsidy agreement but has no duty to render performance delivery. This meets primarily projects in the social economy (and healthcare) sector where the quotation of integration of participants is indeed agreed on by contract but cannot be guaranteed at all. These kinds of subsidy need no bidding....”<sup>116</sup>

This means that developments that escalate in other segments of the social economy are not valid for WISEs<sup>117</sup>. In case of bidding duty it could be another possibility in this context to assess the nonprofit status of a bidder as a criterion of advantage.

## Lobbying

On the regional level WISEs are organized into umbrella associations. The following regional associations exist at present:

- Wiener Dachverband für Sozial-Ökonomische Einrichtungen (DSE-Wien) – Viennese umbrella association for socio-economic organisations (members: 28 Viennese nonprofit organisations with about 50 labour market political measures)
- Netzwerk NÖ Beschäftigungsprojekte (NÖB) – Network of employment projects in Lower Austria (members: 41 organisations / projects)
- Sozialplattform Oberösterreich – Platform of social enterprises in Upper Austria (30 associations and nonprofit limited companies)

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<sup>115</sup> ZAUNER Alfred et.al., (n.d.), p. 3.

<sup>116</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria (Federal Umbrella Association for Social Enterprises – BDV Austria) (ed.): WISEs and their Role in European Policies. National Report - Austria. Vienna, August 2008, p. 56.

<sup>117</sup> Sozialwirtschaft ist ... Diskussion mit Nikolaus Dimmel, Andreas Riesenfelder und Ruth Simsa, moderiert von Veronika Litschel und Petra Wetzels; in: Sozialwirtschaft in Österreich – Alternative oder Lückenbüßerin. Kurswechsel, Heft 4/2004, p. 13.

The tendency of placing service contracts by the public authority (often there exists the duty for bidding due to EU regulations) that are often the only ordering customer for such services (and therefore have a monopoly and create dependencies for the offerers) causes increasingly private and profit-oriented enterprises to get the order to perform social services. They then do not depend on nonprofit institutions.

This tendency leads on the one hand to greater professionalism within nonprofit organisations and on the other hand it creates a high cost pressure. As a result, atypical part-time working treaties increase within the social economy that are often precarious and carry with them a risk for poverty.

- Plattform Salzburger Sozialökonomischer Betriebe, Kurseinrichtungen und Beratungsstellen - platform of social economic enterprises, training centres and counselling centres (members: 11 organisations)
- Verband der Sozialökonomischen Betriebe in Tirol (TISÖB) – association of social economic enterprises in Tyrol (consortium of 9 Tyrolian associations)
- Verband der steirischen Beschäftigungsbetriebe – association of Styrian working integration enterprises (represented are about 30 GBPs and SÖBs)
- Social Cluster Carinthia
- Burgenländisches Arbeitsforum (BAF) – working forum Burgenland, and
- Verband der Vorarlberger Arbeitsprojekte - association of employment projects in Vorarlberg (currently 7 social enterprises).

The regional associations or networks are members at the federal association of social enterprises (BDV). This federal association represents the supra-regional and nationwide interest of their members, links and coordinates members and is an interface to all relevant labour market political actors (e.g. Public Employment Service, BSB, regional governments) as well as on a European level.

For the member organisations and their clients, the continued existence of the labour market instruments is aimed at. Targets of the BDV are the co-determination concerning labour market political conditions and participation in the definition of subsidy directives. Further aspects are more networking and greater information exchange of the regional networks as well as public relations concerning labour market political and technical position of labour market political organisations in the public, against media and decision makers in labour market policy.<sup>118</sup>

In practise, the umbrella associations have little influence on the shortening of subsidy means, especially in economically difficult times. This is a reason for organisations not being members of the umbrella association. WISEs try to use informal networks and cooperations such as personal acquaintances or accordance in terms of content. Especially economically strong WISEs do not cooperate with interest cooperatives because they want to use their own advantages when contracting with the Public Employment Service.<sup>119</sup>

## Main Barriers for the Development of WISEs in Austria

Relevant factors that detain are:

- Budget of the public authorities for those measures are limited (an increase in the offer of transit jobs may be possible when implementing a minimum income)
- Duration of subsidy agreements of WISEs
- Missing of a long-term financed second labour market in Austria.

<sup>118</sup> <http://www.bdv.at/bdv/organisation/1/>

<sup>119</sup> LECHNER Ferdinand, LOIDL Rainer, MITTERAUER Lukas, REITER Walter, RIESENFELDER Andreas (2000): Aktive Arbeitsmarktpolitik im Brennpunkt I: Evaluierung Sozialökonomischer Betriebe. Ed. by Arbeitsmarktservice Österreich, AMS report 18. Vienna, p. 46.

## Budget

What might be a positive factor might become a preventing factor when missing. This is especially true for the financing respectively the provision of budgetary means.

Responsible financing authorities<sup>120</sup> argue that the current existing offer of transit jobs is enough for the market and that the regional first labour markets can no longer integrate former transit workers. This can be seen in the regionally achieved or achievable integration quotas.

A further quantitative need on transit jobs could be possible within “the demand-orientated minimum income”. The cabinet decided the demand-orientated minimum income on 29<sup>th</sup> of June 2010. It should become law on 1 September 2010.

The minimum income shall fight against poverty in Austria by offering persons who are hard to integrate into the labour market a minimum of money. Until now, those people get social welfare, which differs regionally and is less than the minimum income of 744 € per month<sup>121</sup>. The counselling of people who receive social welfare in order to reintegrate them into the labour market shall be performed by the Public Employment Service. The need of further transit jobs cannot be assumed by now.

A potential quantitative increase in transit jobs is indeed limited by the means provided. The means are already exhausted with the current offer. Further, there is fear that due to the current saving policies a further reduction in means is possible.

A further reason is that the instruments and models described are the most expensive within the labour market policy. They also cannot be established extensively (what they do not need because of the small target group).

In addition, it must be stated that the invested costs for a transit worker pay off within 3 to 5 years.<sup>122</sup>

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<sup>120</sup> AMS Niederösterreich, Personal communication, 5/5/2010;  
AMS Wien, Personal communication, 5/17/2010;  
AMS Steiermark, Personal communication, 5/20/2010.

<sup>121</sup> € 744.00 net for single persons and € 1116.00 net for married couples, for each minor € 133.90. The amount is adapted yearly (slightly) and is due 12 times per year. (source: BMASK website, <http://www.bmask.gv.at/cms/site/dokument.html?channel=CH0052&doc=CMS1218620091441>).

<sup>122</sup> AIGINGER Karl, TICHY Gunther, WALTERSKIRCHEN Ewald: WIFO-Weißbuch: Mehr Beschäftigung durch Wachstum auf Basis von Innovation und Qualifikation. Summary. Vienna, 2006. Quoted in : MITTER Gernot (2007): Der Zweite Arbeitsmarkt – eine Bestandsaufnahme mit Blick auf Kärnten, IST-Stand und Bedeutung. in: Kammer für Arbeiter und Angestellte für Kärnten: Der Zweite Arbeitsmarkt: Chance für Beschäftigung? Dokumentation zur Fachtagung vom 19. Jänner 2007. Schriftenreihe Arbeit und Bildung 05/2007, pp. 7 ff.

### Duration of subsidy agreements for WISEs

Besides the budget a further barrier is the funding duration. As mentioned subsidy agreements have a duration of one year. Under these conditions it is difficult to develop new forms of business activities and hedge its strategic position.

This is also true of the cooperation with enterprises of the first labour market.

### Absence of a long-term financed second labour market in Austria

A further barrier to the greater success of WISEs is the absence of a long-term financed second labour market in Austria.

Even at high integration quotas of 40 – 50%, there arises the question of what transit workers who cannot be integrated ought to do. (They are further counselled by the Public Employment Service.) This is very severe because achieving the integration quotas depends on external factors and those that cannot be influenced, such as the general or regional employment cycle and the dynamics of the regional labour market.

In considering these circumstances, the public authorities also consider other factors as relevant to the success (e.g. satisfaction of the participants, a continuous participation in the measure, a transfer to other qualification measures, solving housing problems for homeless people, debt relief and others) but the main objective is the integration into the labour market and the resulting exit from the social periphery.

The integration enterprises also plead—not only for themselves but also for their clients—for more stable employment. Having a length of stay of about 7 to 8 months, a higher integration quota is hard to achieve and furthermore depends on an ongoing employment cycle.

## **Perspectives on the Future of WISEs in Austria**

### WISEs have a USP

The USP (Unique Selling Point) and strategic position of WISEs is the result of the circumstance that for their target group of hard-to-place persons, other measures of the active labour market policy such as trainings and counselling are not very successful. According to experience of the Public Employment Service, for affected persons, almost no other integration measures as the limited employment, in which they learn the basic values of the labour world, are successful. (That these employments have to be limited per se is another question.)

Without the special offer of WISEs the integration of those persons into the labour market would be unrealistic because “regular” enterprises do not employ them despite the possibility of a partial funding of their personnel costs by an integration benefit (see model 6).

Thus far, their existence seems basically guaranteed, at least as long as the socially fundamental agreement will not change regarding the necessity of such integration offers. WISEs are the only project leaders that offer a measure that is fitted to that target group.

However, they are very expensive measures and therefore their number and the number of available transit jobs is limited.

### Intensified cooperation of WISEs with the private sector?

In this situation an existing potential that WISEs did not use until now could show positive effects. While the cooperation between WISEs and the municipalities is strongly demanded by public authorities, the cooperation with the for-profit sector is not really marked.

An area-wide cooperation between social enterprises and the private sector is far away. Social enterprises are not a part of our everyday economy—in many cases no know-how about the work of social integration enterprises exists.

“An interaction and mutual cooperation between social enterprises, national subsidy donors and the economy is far away.... The business area of working integration is complex, the markets and branches are often not very different. The future lies in forms of cooperation that will be useful for both parties.”<sup>123</sup>

Such a strategy seems to be worth considering as the relationship between WISEs and the private sector was for a long time not unclouded, because the private sector felt competition with social integration enterprises. The representatives of the private sector say that the social integration enterprises would underprice the market price due to their subsidies.

The Public Employment Service states that this criticism has hardly been encountered in recent years, and that the private sector is silenced by the offer to employ people of this target group for themselves and therefore receive an integration benefit.<sup>124</sup>

However: “Currently the activities of SÖBs and GBPs are limited by a competition clause in some regions. This competition clause is seen as a barrier to enter the market and as a protection for established enterprises in the respective branch. Therefore, social integration enterprises may start their activities if the Economic Chamber assumes the enterprise not as market-distorting or competition-distorting. The competition clause therefore assumes that social integration enterprises have an advantage in comparison to regular enterprises due to the subsidy.”<sup>125</sup>

But the solution could be different. The doubts of the federation of employers are directed against the expansion and improvement of the second labour market and the competition through the so-

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<sup>123</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria (Federal Umbrella Association for Social Enterprises – BDV Austria), 2008. p. 58.

<sup>124</sup> AMS Niederösterreich, Personal communication, 5/5/2010;  
AMS Wien, Personal communication, 5/17/2010;  
AMS Steiermark, Personal communication, 5/20/2010.

<sup>125</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria (Federal Umbrella Association for Social Enterprises – BDV Austria), 2008. p. 48.

cial integrative enterprises because these latter can offer their products and services with the aid of public funding.

“These doubts are very serious because it is not good if regular jobs are replaced by funded jobs. But there are possible solutions. A concrete example is from the Vienna region. It concerns a conflict between the professional association for radio engineers and video engineers and a social economic enterprise that specialized in the repair of video devices, televisions and radios and mentioned in a television interview that private enterprises no longer offer such repairs.

The work on this conflict led to results that have been constructive for both sides. The professional association and their related members agreed to cooperate with the social economic enterprises in three fields: The private enterprises accepted orders from their clients that they would usually not accept due to economic reasons and then ordered the repair by the enterprise. The repaired devices were handed back to the clients. Secondly, they built a pool for the disposal of scrap together with the social economic enterprise. Third is the idea of using the social economic enterprise as a personnel pool for the branch, which also includes apprenticeships.”<sup>126</sup>

The question is how these ideas meet with the current existing conditions (short stay of transit workers within the enterprise, one-year financing of WISEs). Furthermore, the management capacity of the WISEs within such changing processes is very important.

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<sup>126</sup> MITTER Gernot, 2007. Schriftenreihe Arbeit und Bildung 05/2007, pp. 12 ff.

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