

recommendation

Austrian Council for Research and Technology Development

30 July 2015



The Austrian Council for Research and Technology Development's Recommendation on Social Business in Austria

Background

On the basis of international developments in the areas of social innovations, social entrepreneurship and social business, the Austrian Council for Research and Technology Development, together with the Federal Ministry of Labour, Social Affairs and Consumer Protection and the AWS (Austrian Federal Promotional Bank), has commissioned the Vienna University of Economics with a survey of the potential for social businesses in Austria.

Social businesses are organisations whose principal goal is a positive social effect and which generate at least 50 percent of their income via the market through the sale of goods and services and not through donations or subsidies. Furthermore, social businesses also feature key stakeholders, e.g. employees who participate in positive effects, and a predominantly limited profit payout, as profits are primarily used for the social goal. The last two factors must be recognised as target criteria. Based on estimates there are approx. 1,200 to 2,000 social businesses in Austria. An increase to 1,300 to 8,000 companies is expected by 2025.

Social business is a very young sector, which can massively expand and support Austrian society with the solution of a range of pressing problems. There is a great deal of latent potential here, but the sector is already making relevant contributions to value creation and employment. The ecosystem for social businesses is only now being set up. At the same time, the demand for social and sustainably produced goods and services is also increasing.

There is currently no purpose-dedicated support for social business in the Austrian public sector on a financial, intellectual (know-how) or legal level. At the moment, the possibilities for hybrid organisations between classic NPOs and profit-oriented companies appear limited and are linked with high organisational expense. Appropriate framework conditions must be set up here.



Recommendations

Against this background, the Austrian Council for Research and Technology Development recommends:

1. Adjusting Legal Framework Conditions for Social Businesses

For social business companies in Austria the Austrian Council recommends establishing an own legal form with the goal of creating legal certainty for social entrepreneurs, potential investors, clients and customers.

Furthermore, the Austrian Council also recommends amending public benefit legislation so that foundations can invest directly in social business companies. Public benefit foundations are currently severely restricted when they want to provide financing for social businesses. Investments by foundations in social business should therefore be given appropriate tax incentives. This also applies for private investors. This would then sustainably mobilise private capital for meeting social challenges.

The creation of an own legal form, the amendment of public benefit legislation and the introduction of tax incentives for private investments should be implemented as quickly as possible, but by 2017 at the latest.

2. Providing Public Sector Funding for Social Businesses

Social business start-ups and incubators also require monetary support to fund new businesses in this area.

The Austrian Council therefore recommends the introduction of measures to support innovative social business start-ups. Specifically in a first phase in 2016 and 2017, 15 social business start-ups should be funded with up to EUR 150,000 each. This funding should be implemented as part of incubation programmes.

3. Improving the Effect Measurement of Social Businesses

Private backers, public benefit organisations, social entrepreneurs and social businesses in Austria are lacking a standardised reporting framework, which would enable a comprehensible reporting method for successes and social effects.

The Austrian Council therefore recommends uniform report provision standards for measuring the effects of social business activities. The subsequently improved public perception and media presence of the sector would in turn support private investments, e.g. through sponsoring. The Social Reporting Standard in Germany (www.social-reporting-standard.de) serves as a good example here. Specifically the Austrian Council recommends the establishment of a lean monitoring mechanism that is adequate for all company phases.