

Business Start-up Programme, Austria

This case study is an example of an integrated programme that supports the unemployed in business creation. Support includes training, counselling and financial support. This case study describes the programme's objectives and rationale, and provides an overview of the key activities. It also presents the impact and challenges faced, and includes a discussion of the conditions for transferring this practice to another context.

Objectives

The objective of the Business Start-up Programme (*Unternehmensgründungsprogramm*) (UGP) is to support unemployed people in starting up their own business. The programme is operated by the Austrian Public Employment Service (AMS) and it helps unemployed people create jobs for themselves through the creation of sustainable new enterprises. Participants must be registered with the AMS as unemployed or looking for work and must also be interested in starting a business, hold a specific business idea and have the relevant professional experience and skills.

Rationale

The Business Start-up Programme was developed in response to challenge faced by the AMS in supporting unemployed people in self-employment projects. In order to qualify for unemployment benefits, an individual must declare that they are available to work. However, unemployed people who were interested in self-employment risked losing their unemployment benefits while working on their start-up (i.e. pre start-up) because this likely meant that they were unavailable to work. Thus, the unemployment benefit system discouraged unemployed people from considering self-employment as a method of returning to work.

To address this issue, the AMS looked to international experiences for a solution that would put the preparation of clients for self-employment on par with the preparation for employment. The goal was to develop a small pilot project to test an approach before implementing it on a larger scale.

Activities

The UGP is an integrated support package that provides training modules, workshops, business advice and counselling from professional management consultants and financial support to cover general living expenses during the early stages of business development.

The Programme was launched in 1995 as a pilot project in the states of Styria and Carinthia and is still ongoing. The Programme is now implemented in all 9 Federal States and is managed by the Federal offices of the AMS in each state. Activities include advice and consulting, entrepreneurship training and financial support for general living expenses.

Support is delivered in co-operation between the AMS and external management consultants who deliver training and business advisory services. Since 2000, the AMS selects external consultancy services to offer business start-up advice in an open award procedure in the European Union according to the national law for awarding of contracts.

The Federal offices of the AMS decide upon the extent and the type of the consultancy services (i.e. individual consultancy, workshops in groups or a combination of both) in each Federal State individually. In each Federal state a specific external consultancy service is responsible for implementing the business start-up programme. The clients cannot select between different providers, they have to make use of the authorised consultancy service in the Federal state where they are living.

To participate in the UGP programme, individuals must be registered as unemployed with the AMS, or be an employee who has received notice their employment will end in the near future. In addition, the individual must also have a willingness to start up a business, hold a specific business idea, and have the relevant professional abilities. Some unemployed people who do not receive unemployment benefits are also eligible to participate in the UGP, such as women after parental leave.

Businesses launched within the framework of the UGP have to be new enterprises or new franchises of existing businesses. Professional services businesses such as lawyers, doctors or pharmacists are not included. The self-employment has to be the main occupation of the participant (AMS, 2014a).

The support provided by the UGP is structured into four phases.

1. Clarification phase

The goal of this phase is to check the feasibility of the business idea, identify the training needs of clients and select those who will receive support from the programme.

AMS clients who are interested in participating in the programme must go through a two-step screening process before receiving any support. First, they must inform their AMS consultant about their intention to enter the programme and their business idea. After this initial pre-screening of the business idea by the regional AMS offices, clients are sent to a consultation with an external business professional who assesses the feasibility of the business idea, the personal eligibility of the candidate and the individual qualification needs. To qualify for participation in the business start-up programme, the applicants must meet the following requirements:

- be unemployed;
- have the intention of entering self-employment;
- have a concrete business idea and have the necessary skills and qualifications for starting a business;
- participate in start-up counselling offered by the Public Employment Service in association with an external start-up counselling firm;
- agree to enter into a formal commitment (i.e. agreement) with the counsellor of the Public Employment Service;
- provide evidence of participation in a social insurance scheme (for the self-employed or for farmers).

This external assessment forms the basis of the decision about whether a client can participate in the Business Start-up Programme or not. Only those who are deemed very likely to start a new enterprise are able to enter into the programme (AMS, 2014a).

The clarification phase typically lasts 8 to 10 weeks. During the clarification phase, clients continue to receive their unemployment benefit payments but no additional financial support is provided.

2. Preparation phase

This phase represents the introduction to the programme and provides advisory support to elaborate the business concept and the financial plan and to develop a skills needs assessment for the client. This is done largely through individual meetings but optional workshops are also offered on various business start-up issues.

The individual consultancy concentrates on different themes related to business creation. While the support concentrates on developing the business idea, it also covers market analysis, assessing business competitors, enterprise location, organisational structure and legal requirements (e.g. trade law, labour legislation, social insurance).

The agencies delivering this support also assess client qualifications and provide training and workshops on business accounting, investment and financial services. They work together with potential financiers and inform clients about their financial support instruments, notably microcredit. Microcredit is heavily used by UGP clients because they have difficulty accessing bank loans due to their unemployment status.

Optional workshops are also offered on marketing, cost accounting, business administration and the legal requirements for starting a business. Soft skills are also covered by the workshops, addressing issues such as leveraging individual strengths and time management. Workshops are offered to small groups of 10 to 12 people. Each client can participate in up to 9 workshops.

Furthermore, the candidates can participate in short individual training courses. The programme provides up to EUR 2 600 per client for courses that align with their needs assessment. Most often, courses are in marketing, cost accounting or preparation courses for a master craftsman's diploma. In practice, few clients make use of this option; it is more common that clients participate in the UGP workshops.

The allowance that was received during the initial support phase ends after 2 months.

3. Realisation phase

In this phase the participants launch their business. Additional business consultancy is offered and clients begin to receive a start-up allowance for 2 months. The allowance is provided retroactively from the first day of the month in which the client enters self-employment. The start-up allowance helps the client cover their living expenses. It is not intended to be used to finance business activities or the acquisition of working capital. The start-up allowance is equivalent to the amount of the unemployment benefits that the client received plus the amount of the social security contribution.

The preparation and realisation phases last 6 months (combined) for individuals. This can, however, be extended to 9 months.

4. Follow-up phase

This phase focuses on monitoring the business activities of the participants by the business consultants to ensure that they are not encountering difficulties. Clients are offered 4 consultancy sessions within 2 years of start-up at no charge.

Participant profile

Approximately 40% of participants in UGP are women, up from 30% in the 1998 to 2005 period. This proportion now corresponds to the share of women among the registered unemployed. The share of older people (45 years old or older) increased from 20% in 2006 to 27.5% in 2012, and the share of immigrants increased from 13.8% in 2006 to 16.8% in 2012. Immigrants are still under-represented in this programme.

More than 40% of participants have achieved at least an apprenticeship training programme or vocational training level (42.3%). Youth participants (25 years old or younger) tend to have attained a high level of education – 56.8% in 2012 had at least vocational training (Bergmann et al., 2013).

Project development

Three principal adjustments have been made to the programme since it was launched. First, the programme initially contained only the first three phases of support. The final follow-up phase was added to the programme after the first several cohorts were found to need additional support after the business was created. *Second*, targeted offers have been developed to reach three specific target groups: women returning to work, older people and persons with an immigrant background. *Third*, the nature of business consultancy has been adapted to the changing needs of clients. Early editions of the programme relied more heavily on face-to-face meetings and workshops but this has given way to on-demand advice via email or telephone. There is also a strong focus on delivering online support to reduce programme costs.

In addition, there are on-going discussions about tailoring the programme to the needs of older people (i.e. those over 50 years old) due to the challenges that they face in the labour market. One of the considerations for adapting the programme for this target group is that the group tends to be more risk-averse and therefore may need more time to make the decision to become self-employed. Thus, the length of the support offering may be insufficient.

Project financing

The Business Start-up Programme is financed by the Public Employment Service. In 2013, 8 683 people took part in the programme. The expenses for the consulting services amounted to EUR 5 million. Additionally, 5 074 new founders received start-up allowances to the amount of EUR 12 million in 2013 (AMS, 2014b).

The UGP received funding from the European Social Fund until 2006. Since then, it has been funded from national sources.

Challenges encountered

The main challenge for the UGP is to identify and select clients who will enter the clarification phase. The clarification is the most important phase because it determines the success of the programme. The business professionals who select candidates need to balance the need to develop sustainable business start-ups against the objective of

supporting a broad base of unemployed people. Through experience, the selection method has been refined but it is constantly reviewed.

Further challenges can be attributed to increasing the cost-efficiency of the programme. The consultancy services had to find the best methods to deliver entrepreneurship skills to the candidates. After experimenting with individual consultancy, programme managers switched to an approach that combines personal advice and workshops. An improvement in the skills levels of participants was noticed.

Impact

Between 2006 and 2014, approximately 65 000 unemployed people started a business within this programme. In 2013 and 2014, 5 074 and 5 167 clients, respectively, created a business.

Evaluations show that the programme has been successful at helping unemployed people start businesses and develop them into sustainable and growing businesses. In 2006, the start-up rate was 75% (i.e. the proportion of participants who started a business) and this increased to 83 in 2011 (Bergmann et al., 2013).

Survival rates of these businesses are presented in Table 3.1. Business survival rates for 1-year and 3-years have increased over the last decade, while the 5-year survival rate has been relatively constant. The survival rates of businesses supported by this programme have surpassed the survival rates of the overall business population.

Table 3.1. **Start-up survival rates in the Business Start-up Programme**

	2000 cohort (%)	2009 cohort (%)
1 year	80	89
3 years	70	75
5 years/still active	67	64

Source: Bergmann et al., 2013.

The evaluations also demonstrate that business start-ups supported by UGP create employment for others. A 2006 evaluation found that after 5 years, supported start-ups created on average 1.26 net new full-time jobs. This excludes the client entrepreneur but includes the jobs shed by those businesses that ceased operating (Dornmayr and Lenger, 2006). The 2013 evaluation also found that some of the businesses were successful in creating other employment but that the majority of business start-ups were sole-trader businesses. It showed that 22% of the youth entrepreneurs who participated in the UGP were employers and that women were less likely than men to be employers (15% vs. 28%), which was explained by business activity and work intensity (Bergmann et al., 2013). Nevertheless, the labour market policy objectives of the UGP (i.e. a reduction in unemployment both through the creation of stable self-employment and through the creation of additional new jobs in the new businesses) are therefore largely achieved.

The evaluations also identified some areas where the programme could be strengthened. Although the 2013 evaluation shows that 31% and 55% of the participants are rather or highly satisfied with the consultancy in the programme, the evaluation recommends placing more emphasis on sector-specific advice during the consultancy services provided (Bergmann et al., 2013). In addition, it was suggested that the programme

increase the opportunities for networking activities for the participants and provide more information to clients about the post start-up support available.

Conditions for transfer

The Business Start-up Programme or UGP has the potential to be transferred to other countries and regions and can be successful if it is tailored to the local context. The keys to success are:

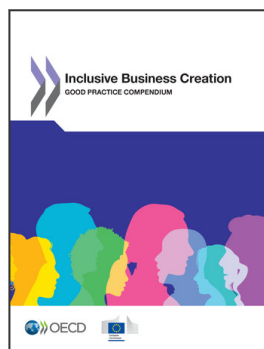
1. *Provide financial support.* One of the key success factors for this programme is the financial support that covers individual expenses during the start-up process. It is especially relevant for this client group (i.e. the unemployed), who likely have little savings to draw on during the early stages of business development. It is important to provide an allowance that can cover basic living expenses and basic social security contributions. The financial support should be for a fixed time period to avoid creating a dependence on it.
2. *Do not push participants into the programme.* The consultants in the regional offices of the AMS do not suggest self-employment to their clients. Clients are informed about the opportunity but it is up to them to develop their own business idea.
3. *Select participants with potential.* The 2013 evaluation recommends having an even stronger focus on selecting business start-ups with the potential to make profits since many participants are not satisfied with the income situation of their new businesses. Only 36% of the male founders and 26% of the female founders indicated that their self-employment income was sufficient.

Box 3.1. Transferring the Austrian Business Start-up Programme experience to Romania

One of the commissioned external consultancy services, the ÖSB Consulting GmbH, has gained experience in the transfer of the programme to rural areas in Romania in the framework of the project “Create your own job” that was implemented with funding from the European Social Fund in 2010. During the 3-year project, they adapted the Business Start-up Programme to the local needs, institutions and economic conditions. One of the greatest challenges was identifying qualified consultants in the rural regions to deliver the support. One of the key differences in the version of the programme that was implemented in Romania relative to the version in Austria is that a course was used in Romania to deliver entrepreneurship skills in a more structured way since clients are more dispersed than in Austria.

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