

AUSTRIA

1. Introduction




Austria is among the strongest exporters in Europe, with internationalisation playing a key role in its economy. Despite challenges related to the underdevelopment of equity funding, the regulatory burden and the stigma of insolvency still seen as a 'failure', the country leads the way in terms of public support for resource efficiency measures and excels in providing e-government processes and services.

In 2020, Austrian small and medium-sized enterprises (SMEs) were severely affected by the COVID-19 pandemic, with the government taking numerous policy measures to support the economy. In 2020, SME value added declined by 7.3% and SME employment fell by 2.3%¹. The *accommodation and food services* sector was particularly affected, with value added dropping by 35.5% and employment declining by 14.0%. The *administrative and support services* sector also experienced a sharp contraction, declining by 15.5% and 4.7% in value added and employment respectively.

For 2021, a recovery is expected, with growth rates of 6.8% in SME value added and 1.9% in SME employment. Overall, SME value added and employment are expected to remain 1.0% and 0.4% below their respective 2019 levels in 2021.

SMEs are important for the Austrian 'non-financial business economy'. In 2020, they generated 57% of total value added and 64.6% of total employment, similar to the respective EU averages of 53.0% and 65.2%. They employed 6 people on average, significantly more than the EU average of 3.7. SME productivity, measured as value added per person employed, was 58 000, 45.0% higher than the EU average.

Figure 1: Number of enterprises, persons employed and value added in 2020

	 Number of enterprises			 Number of persons employed			 Value added		
	Austria		EU-27	Austria		EU-27	Austria		EU-27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	272 065	86.9%	93.3%	681 159	23.5%	29.6%	31.2	16.4%	18.7%
Small	34 782	11.1%	5.7%	663 516	22.9%	19.7%	38.8	20.4%	17%
Medium-sized	5 202	1.7%	0.9%	523 773	18.1%	15.8%	38.3	20.2%	17.3%
SMEs	312 049	99.6%	99.8%	1 868 448	64.6%	65.2%	108.3	57.0%	53%
Large	1 160	0.4%	0.2%	1 024 768	35.4%	34.8%	81.6	43.0%	47%
Total	313 209	100%	100%	2 893 216	100%	100%	189.9	100%	100%

Source: These are estimates for 2020 produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

2. Key strengths

Austrian SMEs are strong exporters

Austria ranks seventh in the KOF 2020 Globalisation Index², with an export quota of 55.6% of GDP (2019). 15% of Austrian SMEs export to non-EU countries (against only 10% in the EU), selling their products and services in more than 200 countries, with start-ups being internationally-minded in particular. Internationalisation is key in the Austrian economy – almost every second job is directly or indirectly dependent on internationalisation, while every EUR 1 billion in exports creates/protects over 10 000 jobs³.

The Austrian government therefore actively helps SMEs internationalise through various programmes like go-international, a joint initiative of the Federal Ministry for Digital and Economic Affairs (*Bundesministerium für Digitalisierung und Wirtschaftsstandort*) and the Austrian Federal Economic Chamber (*Wirtschaftskammer Österreich*). Launched in 2003, it provides direct financial support to Austrian exporters and focuses on supporting structures for the internationalisation activities of start-ups and SMEs as well as promoting Austria as an attractive business location. Since 2003, go-international has already supported 34 300 SMEs. Since 2019, another EUR 25.6 million has been invested in further targeted support for SMEs in an international environment.

In addition, the Austrian foreign trade strategy adopted in late 2018 aims to strengthen Austria's foreign trade and focuses not only on flagship companies, but also on SMEs and start-ups.

Austria is one of the top EU countries to provide public support for resource efficiency measures and integration of sustainability aspects into business models

Ranking fifth in the Eco-Innovation Scoreboard⁴, Austria has been a pioneer in implementing measures in the fields of environment and energy policy and in promoting the transition to climate neutrality by 2040 as an essential part of the current government's work.

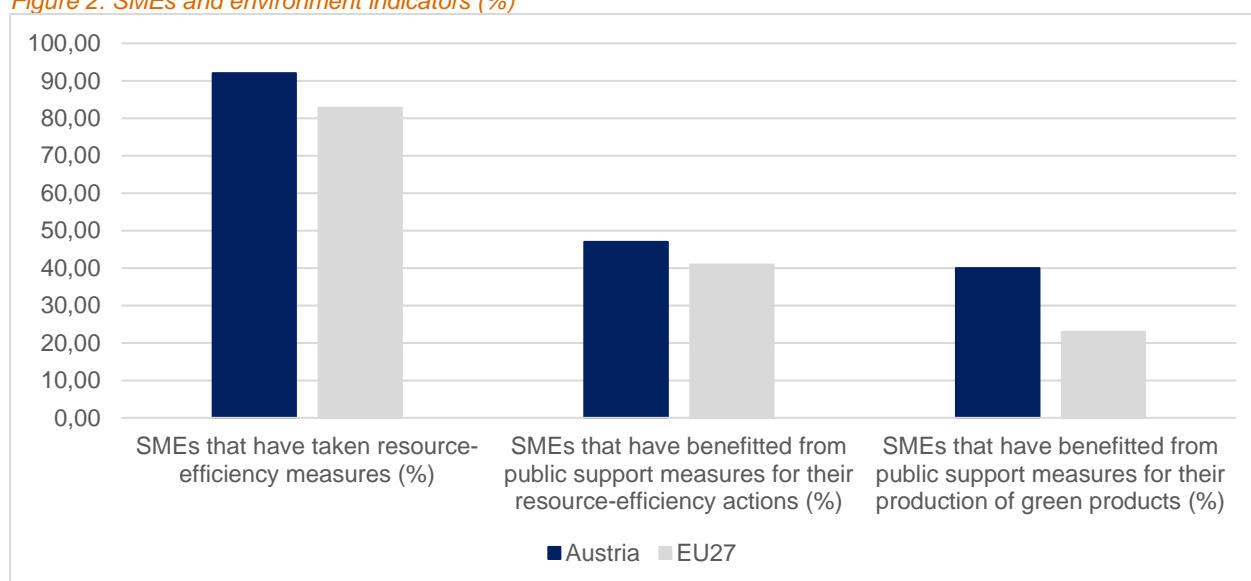
Austria has also been successfully implementing numerous measures to meet the Sustainable Development Goals (SDGs), as presented on 15 July 2020 in its first report on the implementation of SDG measures at the United Nations High Level Political Forum for Sustainable Development:

- 34% of Austrian SMEs develop environmentally friendly products or services, against 30% in the EU;
- 62% of Austrian SMEs have implemented energy saving measures or switched to sustainable energy sources;
- 45% of Austrian SMEs have a strategy or action plan to become a sustainable company, against 34% in the EU;
- 58% of Austrian SMEs have implemented measures to reduce consumption or impact on natural resources, against 52% of SMEs in the EU;
- According to a study in Lower Austria – one of the strongest economic regions – 90% of SMEs in that region regard sustainability as a factor for future success;
- Austrian SMEs are also more likely to receive public support for implementing resource efficiency measures (47% vs 38%) or for producing green products (40% vs 25%)⁵.

The Federal Ministry for Digital and Economic Affairs also launched the initiative 'SDG Business Forum – Austrian Business and the Global Goals for Sustainable Development'. It aims to attract Austrian companies to new markets in emerging and developing countries by identifying the connecting factors between the core business of Austrian companies and the Agenda 2030 for Sustainable Development. This creates a framework for strengthening international business engagement and thereby contributing to the achievement of the SDGs⁶.

In terms of financial support, SMEs can benefit from funding of up to EUR 12 000 in the form of eco-vouchers for measures that contribute to reducing CO₂, ensure energy security with renewable energies or adaptation to climate change. External consultancy services can be charged as third-party costs (up to 50%)⁷. In addition, an investment grant supports green and digital investment thanks to subsidies of 14%⁸.

Figure 2: SMEs and environment indicators (%)



Source: Eurobarometer survey of SMEs and the environment, 2017⁹

Austria performs very well in providing e-government processes and services

The eGovernment Monitor 2020 confirms Austria's leading position in the DACH region (Germany, Austria, Switzerland)¹⁰, with the country excelling in e-government processes, use of e-government procedures and satisfaction with the e-tax return.

Austria is a frontrunner in the EU on e-government (87%), ranking third behind Malta (97%) and Estonia (92%) (against the EU-27 average of 68%). It scores well in particular on the availability and user-friendliness (e.g. through mobile use) of e-government services, with a maturity level of over 95%¹¹.

Austria is a pioneer in key technologies like eID (electronic proof of identity), e-documents (electronic transmission of documents from country A to country B) and in the use of registers. It has made significant progress in the area of 'Business cross-border mobility', with the online availability of administrative services for companies and the cross-border use of national eID solutions worthy of mention. In the sub-category 'e-Delivery', Austria scores the maximum number of points with its 'right to electronic communication with public authorities' and ranks first among EU countries¹².

The Austrian Business Service Portal (www.usp.gv.at) aims to serve as a single-entry point to administrative services. By offering information and transaction services, it helps businesses fulfil their information obligations and reduce their administrative burden. Information and advice is provided on administrative activities, including starting a business, tax and legal requirements. Following expansion, this one-stop e-government platform for businesses offers more than 70 public service procedures via single sign-on. Information about key life events for businesses are available in German and English. There are new redesigned e-government services integrated into the Business Service Portal, such as starting up a business online, electronic relocation and e-Delivery to boost economic growth in Austria. Moreover, the 'call for tenders search' allows businesses to search for and view all calls for tenders published in accordance with the Austrian Federal Procurement Act in one place without further registration. The Austrian government puts a great deal of emphasis on delivering public services using the 'once-only' principle for domestic as well as cross-border transactions to reduce the administrative burden for businesses. This accelerated implementation of digital tools helps SMEs develop by enabling user-centred, seamless and transparent service delivery and facilitating the use of key technologies¹³. With more than

350 000 registered businesses, the Austrian Business Service Portal is the e-government portal most used by businesses in Austria.

3. Key challenges

Equity funding remains underdeveloped in Austria, especially for young companies

The underfinancing of young innovative companies remains a major weakness of the Austrian innovation system. Although the financing of start-ups in Austria increased from 2017-2019 and has rallied to around EUR 204 million in recent years, Austria still languishes in the middle of the European rankings¹⁴.

Limitations on access to risk finance (e.g. venture capital) have always been considered as a weakness of the Austrian innovation system. Private equity investments represent only 0.08% of GDP, which is well below the EU average of 0.533%. In 2018, the Austrian Venture Capital Association reported that Austrian private equity and venture capital funds raised EUR 160 million, against EUR 216 million in 2017 and EUR 10 million in 2016¹⁵.

The new Austrian government, which took office in January 2020 (following the general elections held in 2019), has announced that it plans to implement a programme to provide incentives for private equity investment in start-ups and SMEs. This will include potential tax incentives as well as a new corporate form for alternative investment funds.

Moreover, the Start-Up Package 2019 announced in January 2019 was partially implemented in the country. The framework legislation on regulatory sandboxes will be adopted in the first half of 2021, and a number of regulations on special administrative laws were already implemented by autumn 2020. The COVID Start-Up Package 2020 in part implemented the risk capital pillar of the package. However, there was a backlog regarding tax incentives.

Regulatory burden decreasing, but still remains relatively high

While Austria ranks 27th in the World Bank's Ease of Doing Business rankings¹⁶, 59% of SMEs consider regulatory hurdles or administrative burden among the key problems faced by businesses (against 55% of SMEs in the EU-27)¹⁷.

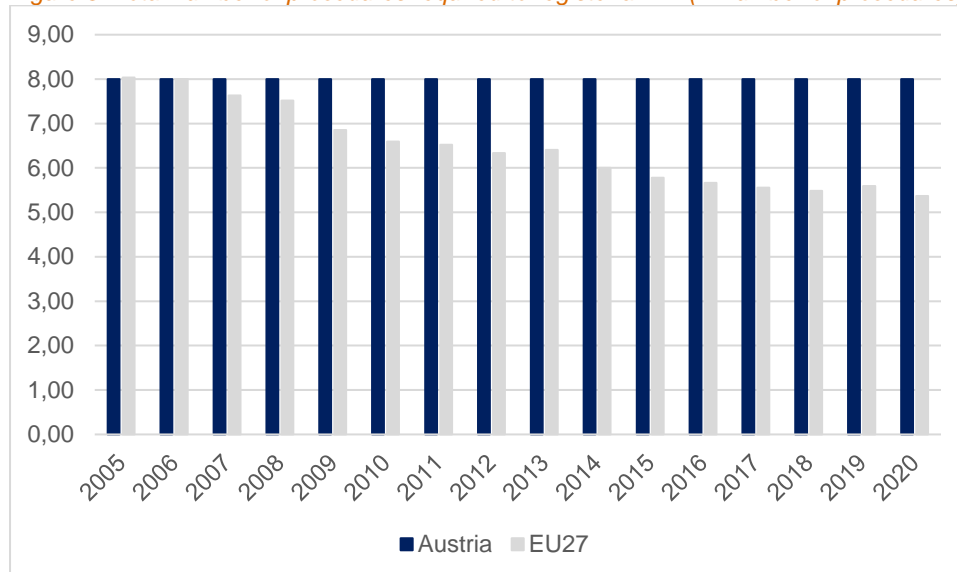
With the main goal to be part of the top 15 countries and to address this challenge, the following measures have been implemented in recent years and have proved to be successful in reducing the administrative burden:

- environmental impact assessment procedures are more balanced and fairer, with the Chamber of Commerce providing a lawyer on-site;
- the second Federal Law Reform Act has revoked around 600 laws and 1 800 byelaws;
- reduction of excessive regulation when transposing EU law into national regulations (reduction of 'gold plating');
- the Location Development Act (*Standort-Entwicklungsgesetz*) was introduced to speed up approval procedures for infrastructure development in order to improve the framework conditions for companies, reduce bureaucracy and save costs.

Since January 2019, the principle of 'counselling instead of punishment' has been enshrined in general terms in the Administrative Criminal Code, which represents a first step towards its implementation¹⁸. This principle advocates that for minor administrative offences, authorities should advise SMEs rather than punish them, which encourages them to conform with the law.

In addition, the Anti-Gold Plating Law, announced in 2018 to reduce the regulatory burden for SMEs, was implemented in April 2019.

Figure 3: Total number of procedures required to register a firm (in number of procedures)



Source: World Bank's Ease of Doing Business rankings, 2020¹⁹

Insolvency still carries with it the stigma of 'failure'

Insolvency still suffers the stigma of 'failure' in Austria. It affects more than a quarter (26.2%) of companies less than 3 years old, with 44.8% of Austrians afraid of business failure according to the 2019 Global Entrepreneurship Monitor Report²⁰. This figure has increased in recent years (only 37% in 2016) and is now slightly higher than the EU average of 43.3%²¹. In addition, the entrepreneurial intention rate in Austria (11.8%) is significantly lower than the global average of 23.7%²².

Due to the COVID-19 crisis, experts expect a 20% increase in corporate insolvencies by 2021 compared to 2019.

To address this challenge, the government has developed an online guide called 'Perspectives for the future', providing SMEs affected by the crisis with tailor-made tools. The Federal Ministry of Justice has been working on reforming the Insolvency Law and implementing 'Second Chance' for companies.

4. Other key SME-related brief insights



IMPACT OF COVID-19 CRISIS ON SMES

To prevent mass unemployment and corporate insolvency and to revive the economy, the Austrian government has introduced a comprehensive package of measures worth EUR 50 billion, many of them aimed at supporting SMEs. The measures aim to not only provide rapid support to companies in difficulty and to cushion the impact of the crisis, but also to launch a green and digital transformation of the economy. Among other things, the hardship fund will provide up to EUR 2.0 billion in grants to cover personal living expenses of one-person companies, new self-employed, independent workers and micro-entrepreneurs (up to a

maximum of 10 employees)²³. To avoid liquidity and financing bottlenecks of start-ups, a Covid start-up fund (EUR 100 million) that doubles private equity investments in start-ups and a venture capital fund (EUR 50 million) have been set up, together with a bridging guarantee offered by the promotional bank of the Austrian government²⁴.



SCALE-UP ENVIRONMENT

Scale-ups in Austria managed to avoid general trends and successfully attracted international funding²⁵. The number of investment deals of EUR 500 000 or more fell by 8.7%. The overall number of deals of EUR 250 000 or more dropped from 101 in 2018 to 78 in 2019²⁶.



START-UP ENVIRONMENT

In total, more than 2 200 start-ups have been founded since 2008. Annual growth in the number of start-ups in 2019 (+15%) was significantly higher than that of traditional companies (+3 %) ²⁷. The Austrian start-up scene saw less money invested in 2019 compared to 2018. While EUR 237.6 million was invested in 2018, this number was down by 8.2% to EUR 218 million in 2019²⁸. In 2019, Austria had around 1 000 female and 4 500 male start-ups founders. The number of female founders has increased since 2018, from 12% to 18%²⁹. In 2019, more than half of all start-ups (52%) had already acquired external capital, and 63% intend to raise external capital within the next 12 months³⁰.



DIGITALISATION OF SMES

Austria ranks 17th among EU countries on the integration of digital technology into the activity of businesses³¹. 8.5% of SMEs reported electronic sales to countries outside the EU, against the EU average of 5.1% in 2019³². Cross-border online sales of Austrian SMEs were relatively high in 2019 (15%), almost twice the EU average (8%). The proportion of SMEs selling online grew by six percentage points to 19%, which is now similar to the EU average. However, the share of e-commerce in SME turnover only increased from 7% to 9%, which implies that the average turnover per SME has declined. The number of enterprises using cloud computing in Austria has significantly increased in recent years, from 23% in 2018 to 38% in 2020, now higher than the EU average of 36% in 2020³³. However, Austria has one of the lowest EU values for big data usage. Only 6% of enterprises use it, while the EU share is twice as high³⁴. As a result of the COVID-19 pandemic, digital transformation has gained in importance and has clearly shown that digitalisation opens up further economic potential for SMEs, especially in crisis situations.

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- ¹ The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat).
- ² ETH Zurich (2020), *KOF Globalisation Index*, available at: <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>
- ³ Aussenwirtschaft (2020), *Österreichische Exportwirtschaft 2019/2020/2021. Österreichischer Aussenhandel Und Direktinvestitionen Perspektiven Der Heimischen Wirtschaft Zukunftstrends Und Innovation*, available at: <https://www.wko.at/service/aussenwirtschaft/exportwirtschaft.pdf>
- ⁴ European Commission (2019), *Eco-innovation at the heart of European policies*, available at: https://ec.europa.eu/environment/ecoap/indicators/index_en
- ⁵ BMDW (2020), *SDG Business Forum – Österreichs Wirtschaft und die globalen Ziele für nachhaltige Entwicklung*, available at: <https://www.bmdw.gv.at/Themen/International/Agenda-2030-SDG-Nachhaltigkeit/SDG-Business-Forum---Oesterreichs-Wirtschaft-und-die-globalen-Ziele-für-nachhaltige-Entwicklung.html>; also cf. European Commission (2020), *Flash Eurobarometer 486 – SMEs, start-ups, scale-ups and entrepreneurship*, available at: https://data.europa.eu/euodp/en/data/dataset/S2244_486_ENG
- ⁶ Ibid.
- ⁷ FFG, *Öko-Scheck*, available at: <https://www.ffg.at/Instrumente/Oeko-Scheck>
- ⁸ Cf. www.aws.at/corona-hilfen-des-bundes/aws-investitionspraemie/
- ⁹ Eurobarometer survey of SMEs and the environment, (2017). Available at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm
- ¹⁰ EGovernment Monitor 2020, <https://initiated21.de/egovernment-monitor/>
- ¹¹ European Commission (2020), *eGovernment Benchmark 2020 : eGovernment that works for the people*, available at: <https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2020-egovernment-works-people>
- ¹² See Note 10.
- ¹³ European Commission, (2020). Digital Administration factsheet 2020. Available at: https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital_Public_Administration_Factsheets_Austria_vFINAL_0.pdf
- ¹⁴ H1 2020 activity data report (2020), available at: <https://www.investeurope.eu/research/activity-data/>
- ¹⁵ Ibid.
- ¹⁶ World Bank (2020), *Doing Business 2020*, available at: <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>
- ¹⁷ European Commission (2020), *Flash Eurobarometer 486 – SMEs, start-ups, scale-ups and entrepreneurship*, available at: https://data.europa.eu/euodp/en/data/dataset/S2244_486_ENG
- ¹⁸ Oesterreich.gv.at (2020), *Grundsatz: „Beraten statt strafen“*, available at: https://www.oesterreich.gv.at/themen/dokumente_und_recht/verwaltungsstrafrecht/Seite.1020500.htm
- ¹⁹ See Note 16.
- ²⁰ Global Entrepreneurship Monitor, available at: <http://www.gemconsortium.org/data/key-aps>
- ²¹ Ibid.
- ²² GEM (2019), *GEM 2018 / 2019 Global Report*, available at: <https://www.gemconsortium.org/report/gem-2018-2019-global-report>
- ²³ Bundesministerium Finanzen (2020), *FAQ: Das Corona-Hilfspaket der Österreichischen Bundesregierung*. Available at: <https://www.bmf.gv.at/public/top-themen/corona-hilfspaket-faq.html#Haertefallfonds>
- ²⁴ Austria Wirtschaftsservice (2020), *COVID-Paket für Start-ups*, available at: <https://www.aws.at/covid-paket-fuer-start-ups/>
- ²⁵ Startup Report (2019), *Startup Report. Austria 2019*, available at: <https://avco.at/wp-content/uploads/2020/04/StartupReportAustria2019-FlorianKandler.pdf>
- ²⁶ Ibid.
- ²⁷ Austrian Startup Monitor (2019), *Austrian Start up Monitor 2019*, available at: <https://austrianstartupmonitor.at/wp-content/uploads/2020/04/Austrian-Startup-Monitor-2019-compressed.pdf>
- ²⁸ See Note 25.
- ²⁹ See Note 27.
- ³⁰ See Note 27.
- ³¹ European Commission (2020), *The Digital Economy and Society Index (DESI) 2020*, available at: <https://ec.europa.eu/digital-single-market/en/digital-economy-and-society-index-desi>
- ³² Eurostat (2019), *Community survey on ICT usage and eCommerce in enterprises*. Available at: http://ec.europa.eu/eurostat/web/products-datasets/-/isoc_ec_eseln2
- ³³ Eurostat (2021), *Cloud computing - statistics on the use by enterprises*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Cloud_computing_-_statistics_on_the_use_by_enterprises
- ³⁴ See Note 31.