Key points

Past & future SME performance

SMEs play a major role in the Austrian ‘non-financial business economy’, generating 62% of overall value added, 5.6 percentage points above the EU average. SMEs in the Austrian ‘non-financial business economy’ have generated healthy value-added growth in recent years. Austrian SME growth is expected to continue in 2019 and 2020.

Implementing the Small Business Act for Europe (SBA)

Austria’s SBA profile remains strong. It performs above the EU average in four SBA principles: skills & innovation, internationalisation, single market, and environment. On the single market, the country performs third best and on environment, Austria scored the highest in the EU. On entrepreneurship, ‘second chance’, ‘responsive administration’ and ‘access to finance’, Austria performs in line with the EU average. In the current reference period, meaning 2018 and the first quarter of 2019, Austria performed below the EU average on the SBA principle on State aid & public procurement.

SME policy priorities

To achieve lasting results, Austria needs to step up its action to improve the digitisation of SMEs, including by continuing its successful support programme ‘SME.Digital’ (KMU.DIGITAL). In terms of both entrepreneurship and access to finance, Austria could give its SMEs a further boost by creating the conditions for the uptake of digital assets by, for example, investing in education and in establishing a regulatory sandbox. Austria has taken action to reduce the administrative burdens for SMEs through a process of validation and an anti-gold plating project, the second phase of which should cut red tape further still. Additional action would also be helpful to increase the share of award-winning SMEs in public procurement.

About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.
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1. SMEs — basic figures

<table>
<thead>
<tr>
<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
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<tbody>
<tr>
<td></td>
<td>Austria</td>
<td>EU-28</td>
<td>Austria</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Share</td>
<td>Number</td>
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<tr>
<td>Micro</td>
<td>296,386</td>
<td>87.1%</td>
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<tr>
<td>Small</td>
<td>37,120</td>
<td>10.9%</td>
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<tr>
<td>Medium-sized</td>
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<td>1.6%</td>
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<tr>
<td>SMEs</td>
<td>339,107</td>
<td>99.7%</td>
<td>1,992,937</td>
</tr>
<tr>
<td>Large</td>
<td>1,173</td>
<td>0.3%</td>
<td>920,529</td>
</tr>
<tr>
<td>Total</td>
<td>340,280</td>
<td>100.0%</td>
<td>2,913,466</td>
</tr>
</tbody>
</table>

These are estimates for 2018 produced by DIW Econ, based on 2008-2016 figures from the Structural 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 (Eurostat). The data cover the major figures from the Structura.

SMEs play a major role in the Austrian ‘non-financial business economy’, generating 62% of overall value added, 5.6 percentage points above the EU average. Austrian SMEs create 68.4% of total employment, slightly above the EU average of 66.6%. They employ an average of 5.9 people, roughly two more than the EU average. Annual SME productivity in Austria, measured as value added per employee, amounts to €62,700. This is considerably higher than the EU average of €44,600.

SMEs in the Austrian ‘non-financial business economy’ have generated healthy value-added growth in recent years. Between 2014-2018, SME value added increased by 17.9%. SME employment grew by 6.5% over the same period. Most recently, in 2017-2018, SME value added and SME employment rose by 3.5% and 2.2% respectively.

SMEs in the Austrian construction sector have achieved robust growth in recent years. SME value added rose considerably between 2014-2018, by 18.4% and SME employment increased by 9.3% over the same period. Sector growth was mainly driven
by the economic upswing in the overall economy and by significant investment in rail infrastructure in particular. Annual investment by the Austrian Federal Railway (ÖBB) has increased considerably since 2014, amounting to €2.335 billion in 2018. In addition, Austria has four TENT-T (Trans-European Transport Network) corridors passing through the country. Consequently, cross-border transport is a major investment focus for the Austrian government. Austria secured €698 million for transport projects in 2014-2020 from the EU fund, 'Connecting Europe Facility', with the lion’s share of €590 million allocated to the construction of the Brenner Base Tunnel.

The accommodation and food services sector was one of the fastest-growing sectors for Austrian SMEs between 2014-2018, with value added increasing by 24% and SME employment growing by 8.6%. This is the highest share of new SME jobs created in the wider ‘non-financial business economy’ between 2014-2018. This labour-intensive sector is part of Austria’s well-developed tourism industry, which has benefited from an increase in overnight stays in Austria. A total of 149.8 million overnight stays was reported in 2018, up 3.7% against 2017. The number of overnight stays by foreign tourists rose by 4.5 million to a record high of 110.4 million in 2018, up 4.2% compared to the previous year. The high number of international tourists has generated more spending in the wider Austrian economy. This reached a record level of €19.5 billion in 2018, up 7.5% against the previous year.

The number of new company registrations in Austria dropped by 2%, totalling 39,322 new registrations in 2018. According to the most recent data on company deregistration, 37,171 companies came off the register in 2017, equating to 6.8% of all companies (2016: 6.9%). However, in the same year, new registrations rose by 7.7%, resulting in a net increase in the number of active companies.

As per the data collected by the European Startup Monitor 2019 project, 65% of the Austrian start-ups that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 11% were set up by one female founder or an all-female team of founders. The remaining 24% were set up by at least one man and one woman. In terms of their stage of development, 14% are in the pre-seed or seed stage, 47% in the start-up stage, 1% in the steady stage and 38% in the growth stage. Regarding financial aspects, 61% are operating at a loss, 15% currently break-even and 23% are profitable. Of those start-ups that are operating at a loss, 74% expect to break-even in less than 2 years, while 26% expect that it will take them over 2 years to break-even. 62% have a turnover between €1 and €500,000; 22% report having no turnover yet and the remaining 16% have a turnover of over €500,000. They have 7.5 employees on average, of which around 29% work on a part-time basis. On average they plan to hire 3.3 people within a year.

In 2017, 3,207 firms in Austria were reported to be high-growth firms. This corresponds to a share of 6.9% of all firms in the ‘business economy’ with at least 10 employees, substantially below the EU average of 10.7%.

In 2018, Austrian SMEs in the specialised knowledge-intensive services and high-tech manufacturing sectors, both of which are usually R&D-intensive, accounted for 29.1% of SME value added in the manufacturing and services sectors. This is below the EU average of 33%.

The growth of Austrian SMEs is set to continue in 2018-2020, with an expected overall increase in this period in SME value added of 8.9%. SME employment is expected to rise moderately by 3%, resulting in the creation of around 58,800 new SME jobs by 2020.
2. SBA profile

This year’s fact sheet shows a strong performance by Austria. It was the top performer in the EU on the SBA principle of environment, and third best on the single market indicators. On skills & innovation and internationalisation, the country scored above the EU average. On entrepreneurship, ‘second chance’, ‘responsive administration’ and access to finance, Austria performs in line with the EU average. It ranks below the EU average on State aid & public procurement indicators.

Since 2008, Austria has taken concerted action to implement policies that progress the SBA principles, with a particular focus on entrepreneurship and access to finance to support SME growth and new jobs. Austria also took major steps to boost performance in the areas of ‘responsive administration’, skills & innovation and internationalisation.

Initiatives setting up a start-up friendly environment, such as the Land of Founders strategy (Gründerlandstrategie), are having an effect. According to the Austrian Start-up Monitor 2018, the 1,500 Austrian start-ups on average nearly doubled their revenue in 2018 compared with 2017 and employ 8.2 people. Measures that facilitate access to equity capital, such as the venture capital fund set up by the Austrian Federal Promotional Bank (Austria Wirtschaftsservice / aws) will further increase this effect.

In terms of ‘responsive administration’, Austria has significantly improved e-government and one-stop shop structures since 2008. Over 98% of the most-used public services are available online, notably via the Austrian Business Service Portal (USP). Private limited liability, single-person companies can now be created completely online.

The internationalisation initiative ‘go-international’, a collaboration between the Ministry for Digital and Economic Affairs and the Federal Economic Chamber, gave Austrian SMEs a real boost to enter new markets. This comprehensive internationalisation support scheme helped more than 16,000 SMEs to trade internationally. It supported 1,800 promotional events and awarded 1,800 market entry grants for SMEs. This resulted in 10,500 new exporters, raising the total to 61,300 exporters.

Over the current reference period, Austria implemented 24 policy measures addressing 9 of the 10 SBA policy areas. SME stakeholders acknowledge that Austria has made significant progress in adopting the SBA across the national priority sectors.

Austria’s main achievements in SBA implementation focused on the ‘responsive administration’ and ‘think small first’ principles. The Deregulation Landmark Act (Deregulierungsgröndziegesetz 2017) in particular is an important mechanism for revising, evaluating and streamlining existing legislation, based on three principles (one in-one out, sunset legislation, and avoiding gold plating).

The horizontal digitisation initiative run by Austria’s Federal Government administration brings in new approaches to a number of SME-relevant areas. The main outputs of this strategy will be measures that increase the capacity of SMEs to use e-commerce, promote e-commerce in general, put blockchain technologies on the agenda and encourage the deployment of 5G broadband nationwide.

Regarding access to finance, an amended aid scheme for tax incentives to medium-sized financing companies (Mittelstandsfinanzierungsgesellschaften neu), approved by the European Commission at the end of July 2019, will be implemented in autumn 2019. This will contribute to improving SME access to venture capital in early stages and growth phases, though it does not negate the strong need for both an improved public and a private equity ecosystem to support the scale-up and internationalisation activities of fast-growing SMEs.

The Federal Ministry for Digital and Economic Affairs started a creative innovation process called ‘Reality Check’, involving stakeholders and experts from other fields working together to implement measures on entrepreneurship and on skills and training under the SME-action programme. This initiative aims to develop innovative approaches for further development, as well as to analyse European vocational education and training (VET) systems for improvements.
SBA performance of Austria: state of play and development from 2008 to 2019

Legend:
1. Entrepreneurship
2. 'Second chance'
3. "Responsive administration"
4. State aid & public procurement
5. Access to finance
6. Single market
7. Skills & innovation
8. Environment
9. Internationalisation

Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in cases of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review:
3. SBA principles

3.0 ‘Think Small First’

The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Since 2008, Austria has implemented a number of ‘think small first’ initiatives, though Austrian SMEs remain burdened with financial and administrative issues not directly correlated to their core business. The Austrian Federal Government (in the 2017-2022 government programme) announced that it would not bring in new taxes or administrative burdens and would put deregulation at the top of its economic policy agenda, very much in line with the ‘think small first’ principle. Regarding deregulation, it implemented the first operative measures, such as the reform of the business licence permits regulations. The government brought in a new mechanism for revising and evaluating existing legislation based on three principles. The first is ‘one in - one out’, i.e. removing one existing provision for every new provision that puts an additional bureaucratic or financial burden. The second is ‘sunset legislation’, meaning that all new provisions will be time limited and evaluated. The third is to ‘avoid gold plating’, which aims to ensure that there are no excessive regulatory additions to European law.

Over the reference period, Austria announced and/or implemented the following measures to simplify procedures for businesses in general, including SMEs.

- The Federal Ministry for Digital and Economic Affairs adopted the Location Development Law (Standortentwicklungsge setz) in December 2018. It will ensure that projects relevant to choosing Austria as a business location will have access to a fast-track environmental impact assessment procedure.
- The Austrian Federal Government implemented an amendment to the administrative criminal regulation (Verwaltungsstrafgesetz) to include the ‘Advice instead of punishments’ principle in January 2019. The aim of implementing this guiding principle for the SME policy formation processes is to state the preference of giving a warning instead of imposing fines for minor infringements.
- In January 2019, the Federal Ministry of Constitutional Affairs, Reforms, Deregulation and Justice implemented the 2nd Federal Legal Validation Act (2. Bundesrechtsbereinigungsgesetz). It ensures that all federal acts announced before 1 January 2000 are automatically suspended by 31 December 2018, with the exception of those listed and described in a taxable way. In total, around 2,500 laws and regulations have been suspended (amounting to an approximate reduction of 50%).
- The Federal Government of Austria formally announced the Anti-Gold Plating Law in April 2019. The aim of the law is to avoid excessive regulatory additions to EU law. In the first round of evaluation of national legislation, 11 laws focusing on obligations for reporting, notification or authorisations were modified and adjusted. The government also plans a second, broader round of evaluations.
- The reduction of value-added tax for overnight stays from 13% to 10% entered into force on 1 November 2018. It mainly benefits SMEs in the tourism sector.
3.1 Entrepreneurship

Austria’s performance is in line with the EU average on these indicators. It has the lowest score in the EU for the share of high-growth companies. The established business ownership rate fell from 8.8% in 2016 to 6.5% in 2018 and opportunity-driven entrepreneurial activity scored well below the EU average. Nevertheless, the share of people having entrepreneurial intentions for the upcoming 3 years and viewing entrepreneurship as a desirable career choice rose from 46.4% (in 2016) to 50.2% in 2018. The country scored an above-EU-average performance in the status and media attention given to entrepreneurship and achieved an increase in entrepreneurship education at post-secondary level (2.9 in 2016 to 3.16 in 2018).

Since 2008, Austria has taken a number of strategic measures to encourage entrepreneurship, such as the Land of Founders Strategy (Gründerlandstrategie) or most recently the announcement of a start-up strategy providing funding and awareness-raising campaigns for setting up a start-up friendly environment. According to the Austrian Start-up Monitor 2018, the 1,500 Austrian start-ups have, on average, doubled their revenue from last year to this year and employ 8.2 people. 62% are aged between 25 and 39, 12% of the members of founders’ teams are female, 75% have a university degree and 14% come from abroad.

Although the sharing economy is still at an early phase in Austria, 13 Austrian sharing economy platforms are on the market, mostly in the sectors of car-sharing, crowdfunding and second-hand marketplaces. As 47% of the Austrian population already uses sharing platforms, this growing market has considerable business potential.

In 2017, the ‘Female Entrepreneurs Go to School’ (Unternehmerin macht Schule) initiative encouraged female pupils to pursue entrepreneurial careers. As part of this initiative, female entrepreneurs have visited schools, raised awareness of entrepreneurship and have acted as role models for young people. These activities target young people at secondary school level. Given the need to foster an entrepreneurship spirit even in early education, at nursery and primary school, it is important to strengthen initiatives there as well. A special task force to support implementation of measures on entrepreneurship education (Platform Entrepreneurship) has begun to step up its work in this area.

Over the reference period, the following initiative was taken to stimulate young people’s interest in innovation and entrepreneurship.

- At strategic level, the Federal Ministry for Digital and Economic Affairs designed a comprehensive Start-up Package, presented in May 2019. It includes risk capital financing for start-ups, education and training schemes for start-up employees as well as regulatory sandboxes for start-ups.
3.2 ‘Second chance’

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Austria remains in line with the EU average in this area as in previous years, and the country’s overall progress in this area has been positive. While the strength of the insolvency framework and the cost of resolving insolvency score within the EU average, Austria is amongst the highest performing countries with regard to the time needed to resolve insolvency. However, fear of failure amongst entrepreneurs significantly increased from 37.1% in 2016 to 44.8% in 2018.

From a policy perspective, Austria has taken numerous initiatives since 2008, although the ‘second chance’ indicators still reveal a stigma in Austria compared with some other societies, where failing is perceived as valuable know-how. This being said, specific measures and awareness-building activities have started to show some positive effects. Failed entrepreneurs can no longer be disqualified from public funding and do not lose their business licences. A major step in this area was the 2017 ‘insolvency amending law’ (Insolvenzrechtsänderungsgesetz), which provides further debt relief following insolvency and liquidation proceedings for honest entrepreneurs.

Austria implemented the following measure during the reference period.

- In January 2019, the Federal Ministry of Constitutional Affairs, Reforms, Deregulations and Justice adopted a regulation stating that creditors can access the electronic insolvency register at very low cost. They can also check whether it is economically viable to file for legal action. This will protect creditors from unsuccessful legal steps and help to better assess the liquidity of business partners.
Responsive administration’ refers to public administration being responsive to the needs of SMEs. Austria performs in line with the EU average in this SBA principle. The country has improved its scores slightly since 2008. However, it remains amongst the lowest-performing three EU Member States regarding the number of procedures required to start a business (8) and well below average regarding the time required to set up a business (7.5). The rating of the competency and effectiveness of government staff in supporting new and growing firms has dropped from last year’s best performance, from 3.7 in 2017 to 3.13 in 2018, though it remains relatively high.

Since 2008 and especially in recent years, Austria has made major progress on a number of measures towards building an effective administration responding to the needs of SMEs. More than 98% of the most-used public services are available online. The take-up of e-government services increased appreciably thanks to the Austrian Business Service Portal (Unternehmensserviceportal, www.usp.gv.at). In 2017, Austria enabled citizens and businesses to contact the public administration digitally (Recht auf elektronischen Verkehr mit Behörden) and upgraded the existing e-ID (card-based or by using the mobile phone) to a fully-fledged electronic proof of identity (elektronischer Identitätsnachweis).

Austria’s Business Service Portal (USP) is the one-stop-shop platform to reduce the administrative burden for businesses. It is a central hub providing access to all electronic services. The Business Service Portal, together with the new citizen platform oesterreich.gv.at, standardised electronic delivery and other existing services, reduce the need for people and businesses to actively interact with public authorities and simplify the use of public services. For instance, the portal automatically handles certain tax claims for users. Austria plans to further develop the ‘e-ID’ to include additional functionalities (e.g. electronic driving license).

The electronic business establishment service provided by the Austrian Business Service Portal allows SMEs to be established entirely online. However, the time required to start a business as a limited liability company remains higher, due to legal obligations.

Over the reference period, Austria implemented the following key measures.

- The Federal Ministry for Digital and Economic Affairs implemented the Austrian Business License Information System (Gewerbeinformationssystem) GISA. It bundles data from 14 decentralised business information systems into one platform. Since May 2018, queries in GISA are free of charge.

- Since January 2019, notaries can establish a limited liability company digitally and shareholders can join the process via virtual chat rooms and electronic signatures. Not all associates now have to take part in the notary deed personally. The duration and process of setting up a business remains the same though.
3.4 State aid & public procurement

Important methodological changes have been introduced for this principle in this year’s fact sheet. Three new indicators from the TED (Tenders Electronic Daily) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids coming from SMEs;
- percentage of calls for tenders which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year’s.

Austria performs below the EU average on State aid & procurement. However, the country’s overall performance has improved since 2008. The three new indicators have had an impact on Austria’s overall performance: (i) Austria ranks second weakest regarding the share of calls for tenders split into lots; (ii) the country ranks well below the EU average in the share of award-winning SMEs; and on (iii) the share of bids coming from SMEs. However, it has improved by almost four percentage points since 2013 its share of SMEs awarded out of the total value of public contracts. Nonetheless, this indicator remains below the EU average.

Since 2008, Austria has developed a number of measures to address this principle. For example, the Austrian Action Plan on Public Procurement Promoting Innovation and the SME Strategy of the Federal Procurement Agency (Bundesbeschaffung GmbH) were implemented to meet the specific needs of SMEs. In 2017, it brought in the USP as a single entry point for all tendering information. The creation of a central and fully integrated e-portal for all public tenders fosters an increase in the proportion of SMEs submitting proposals in a public tender system, which has increased steadily since 2011.

Over the reference period, Austria made significant progress to address the specific needs of SMEs in terms of digitisation of public procurement and State aid.

- The Federal Ministry for Digital and Economic Affairs implemented an online service (Ausschreibungsservice im Unternehmensserviceportal) in March 2019. It provides SMEs centrally with free and unlimited access to all tenders in Austria.

- In March 2019, the Federal Ministry for Digital and Economic Affairs implemented the Digital tools of the Austrian Federal Promotional Bank (aws). It offers businesses a fast lane to innovation and competitiveness. Austria has digitised the entire funding procedure, from consulting to final reporting. This creates a digital value chain for adequate funding. Additionally, Austria introduced a so-called ‘Pitch your Idea service’, which allows SMEs to pitch their business ideas to funding and finance experts.
3.5 Access to finance

Austria’s performance in this area is in line with the EU average, but progress has stagnated since 2008. Nevertheless, the country’s banks rank highly overall in the EU in terms of providing SMEs with loans: Austria scores second lowest in the share of rejected SME loan applications and highest in the willingness of banks to provide loans to applicant SMEs that do not take recourse to other forms of financing.

Although business angels and equity funding for new and growing firms have continued to improve, up from 3.18 and 2.5 in 2017 to 3.32 and 2.84 in 2018 respectively, investment from venture capital firms remain slightly below the EU average. In addition, 15.6% of respondents indicated that access to public financial support has become harder, an increase of almost 6 percentage points since 2017. Lastly, the strength of the legal rights index has remained below the EU average (4).

Since 2008, Austria has taken a number of measures to broaden the spectrum of available sources of financing for SMEs, and loan financing has fallen since 2017. About 60% of companies cover their credit requirements via banks, while traditionally Austrian SMEs prefer to finance their business operations through cash flow. Financing patterns differ by sector and age of the company, though, and the preceding figures refer to mature SMEs in traditional sectors.

The main sources of finance for start-ups and scale-ups were the founder’s own savings (81%) followed by public subsidies and allowances (55%) and business angels (33%). A significant increase was reported in business angel funding, up from 21% in 2016 to 33% in 2018. 19% of the start-ups participated in incubators and finally 14% brought in venture capital.

Access to equity capital improved through several private and public-sector initiatives, such as a venture capital fund set up by the Austrian Federal Promotional Bank (aws) or defining the legal requirements for establishing financing company for SMEs (MiFiG — Mittelstandsfinanzierungsgesellschaft). In January 2019, the Vienna Stock Exchange started two new market segments to attract SMEs by providing easier, low-cost access to equity capital.

In addition, crowdfunding has become an interesting alternative. In recent years, the crowdfunding framework has improved thanks to the revised crowdfunding law (Alternativfinanzierungsgesetz / AltFG), which provides security for private investors and encourages investment within a clear legal framework. This has produced results, as the percentage of crowdfunding and crowd-investing of start-ups doubled has (from 5% in 2016 to 10% in 2018).

The use of Initial Coin Offerings (ICOs) — and crypto assets (tokens) in general — is at an early stage in Austria. Only 1% of Austrian start-ups have used ICOs, but they are becoming increasingly popular. 24% of all start-ups are considering ICOs as an alternative financial source for the future.

Blockchain technology is considered to have high potential for innovation in a number of fields. Some companies and public institutions are working on pilots. For the time being, virtual currencies are perceived as too volatile for sustainable
entrepreneurial applications and are expected to be subject to more regulation in future, but their potential is increasingly visible.

According to the Austrian Start-up Monitor, two out of three start-ups will launch an investment round within the next year.

3.6 Single market

Austria’s performance on the single market indicators is the third best in the EU, with strong growth since 2008. Although the number of single market directives that have not yet been transposed is the same as it was in 2017, the EU average has fallen from 9.2 in 2017 to 7.4 in 2018, meaning that Austria now ranks amongst the lowest EU performers on this front. Nevertheless, Austria improved its performance on the average transposition time and the number of pending infringement proceedings, down from 10.8 and 28 in 2017 to 9.4 and 27 in 2018, respectively.

Austria ranks amongst the top performers in the EU on two thirds of the indicators and continues to steadily improve in all. It ranks highest in the number of public contracts secured abroad by SMEs (20.3%) and market access for new and growing firms without being unfairly blocked by established firms (1.5%).

Since 2008, there has been slight policy progress in Austria. The implementation of the 2016 Standards Law (Normengesetz 2016) was a significant development in Austria’s policy progress and ensured that the Austrian standardisation strategy is evaluated on a regular basis and in line with national and international standards. In addition, the government programme (2017-2022) calls for the Austrian standardisation strategy to be developed to involve all stakeholders and to collectively define future needs.

The government programme (2017-2022) identified digitisation as one of the key priorities, and it refers to it as a vector of transformation in every policy field. The Austrian Federal Ministry for Digital and Economic Affairs represents Austria in several international standardisation groups to ensure that national interests are reflected in international standards such as technical standards for artificial intelligence and blockchain. Standards ensure interoperability within the Digital Single Market and broaden market opportunities for Austrian companies.

The government programme (2017-2022) sets out new objectives, such as the provision of Gigabit connections nationwide by 2025, establishing Austria as a 5G pilot country by 2021 and providing mobile 5G coverage across the country by 2025.
Austria continues to rank above the EU average on skills and innovation, recording modest increases since 2008. Austria has the third highest innovation rate in the EU. This new indicator tracking the innovation rate shows that the share of SMEs providing ICT training and that employ ICT specialists has fallen by almost six and three percentage points respectively since 2017. Nevertheless, the share of companies that provide training to their employees was well above the EU average. Therefore, there is room for improvement in the provision of ICT skills.

Since 2008, Austria has focused on measures and initiatives to foster research and innovation capacity of its SMEs as well as on skilled workforce, resulting in its frontrunner position on this SBA principle. Digital skills are one of Austria’s competitive advantages but continuous development of these skills will be required over the coming years to maintain this position and develop Austria as a digital frontrunner. Recent developments are quite favourable regarding ICT specialists (an increase of 0.2% in just 1 year is rather high) but less so concerning science, technology, engineering and maths (STEM) graduates. In particular, the government programme (2017-2022) shows a strong awareness of the need for further digital upskilling. Initiatives and measures to increase the number of places to study digitalisation and STEM at tertiary level, to equip all school sites with suitable digital infrastructure and to launch a digitisation campaign for education (Digitalisierungsoffensive Bildung) were implemented. In the reference period, the Federal Government intensified its work to develop new vocational
profiles and types for the dual VET-System, particularly with a view to meeting the requirements of the digital economy.

Austria has taken steps to promote the innovative and digital capabilities of its SMEs with a wide range of measures with the explicit ambition of becoming an ‘innovation leader’. Since 2008, it has implemented a set of funding and supporting measures on skills and innovation, such as the creative industries strategy, the open innovation strategy and the intellectual property strategy. In 2017, it brought in a countrywide programme called ‘SME.DIGITAL’ (KMU.DIGITAL) to support the digitisation of SMEs and plans to continue the programme.

Austria implemented and/or formally announced the following key measures over the reference period.

- The Ministry for Digital and Economic Affairs implemented the Digital Innovation Hubs in November 2018. It plans to establish competence centres for digitisation across the country. Research and academic partners, which support businesses in their digital transformation processes, will operate the hubs.

- The Digital Pro Bootcamp programme, implemented in November 2018 by the Federal Ministry for Digital and Economic Affairs, aims to help SMEs develop digital skills. It is tailored to their specific requirements by funding consortia of at least one university and three SMEs to set up specific, short-term training programmes to develop IT capacities in SMEs.

- The project SCHOOL@MUL comprises the development and implementation of a wide range of educational opportunities for pupils of the Leoben region, drawing on the core competences of the University of Mining Leoben (Montanuniversität Leoben). The goal is to get students from all social and geographic backgrounds and genders interested in a career in technical or applied research.

- In January 2019, the Federal Ministry for Digital and Economic Affairs implemented the Vocational Training for the future scheme. Six new VET strands were implemented, including coding, e-commerce and application development. The Ministry adapted nine VET profiles to the needs of the digital economy.

- In February 2019, the Federal Ministry for Digital and Economic Affairs created #Digital Austria. This virtual platform is the umbrella platform for all digitalisation activities in Austria. In May 2018, the Digitalisation Agency was set up with the aim to be the Austrian Digital Hub for creating a community with good practices and to support key SMEs with digital transformation. It gives visibility to success stories by raising awareness and gives guidance to SMEs in carrying out digital processes.
3.8 Environment

There have been no updates on this front since publishing the previous fact sheet. Austria ranks highest in the EU regarding environmental indicators. It has the highest share of SMEs selling green products and services and has an above-EU-average share of SMEs generating at least half of their turnover from green products and services. Since 2016, the share of SMEs receiving governmental support for resource-efficiency measures and green products increased from 40% and 28% to 47% and 40% in 2017, respectively.

Since 2008, Austria has implemented a number of measures to encourage sustainability and energy projects in SMEs through funding and tax schemes. In terms of building environmental knowledge capacities, the ‘Resources.Efficiency.Technology’ initiative (RESET2020) was an important initiative providing a point of contact for stakeholders and subject-matter experts to cooperate, network and exchange knowledge. Austria also set up 95 ‘Energy and climate change’ model regions, playgrounds for intelligent, safe and affordable energy and mobility solutions.

All these measures are having an effect. 10% of Austrian GDP has been produced by the environmental economy, every 20th job is a ‘green job’, and employment growth was twice as high in this sector as in the overall economy.

Over the reference period, Austria implemented the following measure.

- The Austrian climate and energy strategy aims to reduce greenhouse gas emissions by 36% compared to 2005 by 2030. The Federal Ministry for Sustainability and Tourism established this policy in May 2018 to implement the EU requirement on renewable energy and energy efficiency. To build on this, the Federal Ministry for Sustainability and Tourism implemented an energy management support scheme for SMEs in June 2018. It funds up to 50% of consulting and implementation costs incurred from putting in place energy management systems in businesses.
3.9 Internationalisation

Austria performs above the EU average on internationalisation. Its trade community involvement and border agency cooperation are amongst the highest in the EU. However, the indicators reveal a need for simplification and improvement of custom procedures, as it ranks as the second lowest EU Member State on this front. Extra-EU imports and exports of Austrian SMEs are high compared with other EU countries, ranking third highest in exporting and well above the EU average in importing activities. In addition, the share of SMEs exporting online to extra-EU destinations rose from 5.2% in 2015 to 7.2% in 2017, well above the EU average.

Since 2008, the policy effort in this SBA area has significantly increased. One spearheading initiative was the internationalisation initiative, ‘go-international’. Cooperation between the Ministry for Digital and Economic Affairs and the Federal Economic Chamber provides branding for all Austrian businesses as reliable and trustworthy partners abroad and supplies individual companies with tools, direct financial support instruments and opportunities to market their products and services internationally. This initiative is a comprehensive support scheme to help SMEs trade internationally. In 2018 alone, the programme supported 440 promotional events and awarded 320 market entry grants for SMEs. During the preceding funding period (1.4.2015 - 31.3.2019), the number of exporters rose by 10,500 to total 61,300.

Over the reference period, Austria implemented the following two measures.

- The Ministry for Digital and Economic Affairs developed an internationalisation strategy (‘Außenwirtschaftsstrategie’) presented in December 2018. In total, it comprises 63 measures as part of a roadmap to implement the EU’s trade and investment agreement. The strategy also focuses on recruiting a skilled foreign workforce, on promoting Austria as a business location, and on support structures for start-ups and SMEs in their internationalisation efforts.

- The second initiative that Austria expanded in 2018 is the Global Incubator Network (GIN). The GIN is a joint initiative by the Forschungsförderungsgesellschaft (FFG), and the Austrian Federal Promotional Bank (awo). It is Austria’s one-stop-shop for start-ups, investors and incubators, which connects the Austrian start-up ecosystem with international partners interested in Austrian and European markets. It is based on international cooperation agreements and has a special focus on hotspots in Asia (Hong Kong, Israel, Japan, Singapore, South Korea and Mainland China). As a single point of contact, the GIN offers customised services for international partners and a range of programmes for Austrian and international start-ups aiming to expand globally. The GIN connects investors, incubators and accelerators, providing access to selected targets and an international network of key players in innovation and finance.
4. Interesting initiative

Below is an example of an initiative from Austria to show what governments can do to support SMEs.

‘Vocational Training’ of the Future

Digitisation, new technologies and other new trends have led to a complete overhaul of job specifications and job market requirements. The number of people in apprenticeship courses correlates mainly to demographic, economic and social trends: 10,000 apprentices between 2008-2015 and 30% of Austrian SMEs are facing challenges in finding an adequately skilled workforce. Since 2015, the number of apprentices in Austria has increased further still. These socio-demographic conditions were the trigger for Austria to foster the dual system of Vocational Education and Training (VET), particularly with regard to bringing in new skills and competence guidance.

Austria devised a step-by-step plan to restructure VET by adapting existing curricula and introducing new curricula for VET to meet the needs of the digital economy and new business trends. As a first step in 2018, it implemented 15 new strands of teaching, including coding, e-commerce and application development. In early 2019, it adapted 20 more VET profiles to the needs of the digital economy, e.g. for the construction sector and for tourism.

For instance, the curriculum for dental technicians changed to Dental Technician 4.0, focusing on adapting the content to include new technologies such as 3D-printing, 3D-scanning, network engineering and data security.

The initiative is having the first effects, with the number of apprentices having increased by 3.1% since 2016. Austria currently plans to adapt a total of 50 additional VET curricula to the new requirements by 2020.

References:


Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:


grow-spr@ec.europa.eu

Small Business Act:


Entrepreneurship and SMEs:

https://ec.europa.eu/growth/smes

Endnotes

1 The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. 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). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/


3 At the time of drafting this document, Austria was governed by an interim government. All statements regarding the Austrian government, its achievements and intentions relate to the Kurz government that held office in the period referred to in this document, i.e. 2018 and the first quarter of 2019.


6 Ibid.

In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10% per annum, over a 3-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_spm_r2, last accessed 15.4.2019).

Due to data availability, the data on high-growth firms refers to the ‘business economy’ only, which covers sections B-N including section K (financial activities, except activities of holding companies). The ‘non-financial business economy’ excludes section K.

The 2019 SBA fact sheets benefited substantially from input from the European Commission’s Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the ‘think small first’ principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW’s lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year’s fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.