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Evaluation of the business start-up programme (UGP) of the AMS (Austrian Labour Market Service)

The Evaluation of the Unternehmensgründungsprogramm (UGP) - the business start-up programme of the Austrian Labour Market Service (AMS - Arbeitsmarktservice Österreich) – shows predominantly highly positive results of the programme, which can be demonstrated for example by high “survival rates” and secondary employment effects. The achieved sustained success of the majority of the involved business start-ups justifies not only continuation but also extension and further development of this programme.

The Unternehmensgründungsprogramm (UGP), the business start-up programme of the Austrian Labour Market Service (AMS - Arbeitsmarktservice Österreich), provides support for unemployed people who are aiming to become self-employed. In addition to providing financial sponsorship for general living expenses during the period of setting up the business, the programme also comprises business advice from external management consultants and training programmes with a wide range of courses which can be selected as appropriate.

The large increase in the number of UGP participants demonstrates the need for this labour market programme. In the last 5 years (1999-2004), the number of business start-ups supported by the UGP more than doubled: with just under 2000 start-ups in the year 1999, rising to more than 4000 in the year 2004. 2004 about 15% of all business start-ups in Austria took place via the UGP business start-up programme. This means that the UGP has become a key element in the Austrian labour market and economic policy.

The results of this evaluation prove the impressive success of the programme. The evaluation includes: an analysis of international examples of “unemployment to self-employment” assistance programmes; an analysis of a range of secondary statistical data; individual case studies; and interviews with more than 1000 individuals who established businesses with the assistance of the UGP (“UGP Business Founders”) during the period 1999-

2005, reporting on the progress and success of their business start-ups, and their satisfaction with AMS and the participating management consultants. The results of the study demonstrate not only that the UGP has fulfilled the goals of the labour market policy which led to its establishment, but that the programme has often exceeded expectations in various ways. Most notable is the stability and growth of the businesses established under the programme. Obviously it is essential, as in all new businesses, to overcome the high-risk, labour-intensive, and often personally demanding set-up stage. In fact, this last factor – the psychological strains experienced in the course of a start-up (such as the fear of failure) - were ranked as the third biggest difficulty, after the tax burden and the challenges of customer acquisition.

In spite of the difficulties associated with forming a new business the success of the UGP speaks for itself. Five years after start-up (for businesses established in the year 2000) 73% of all UGP Business Founders are still running their own business (see following diagram). A small percentage (6%) of them are both running their businesses and also in other employment. This “survival rate” of the UGP start-ups (from unemployment) is at least as high as that of “normal” (non-UGP) business start-ups. According to data of AMS Data Warehouse just about 6% of UGP Business Founders are unemployed again 5 years after participation in UGP. The (not self-employed) remainder of the Business Founders either

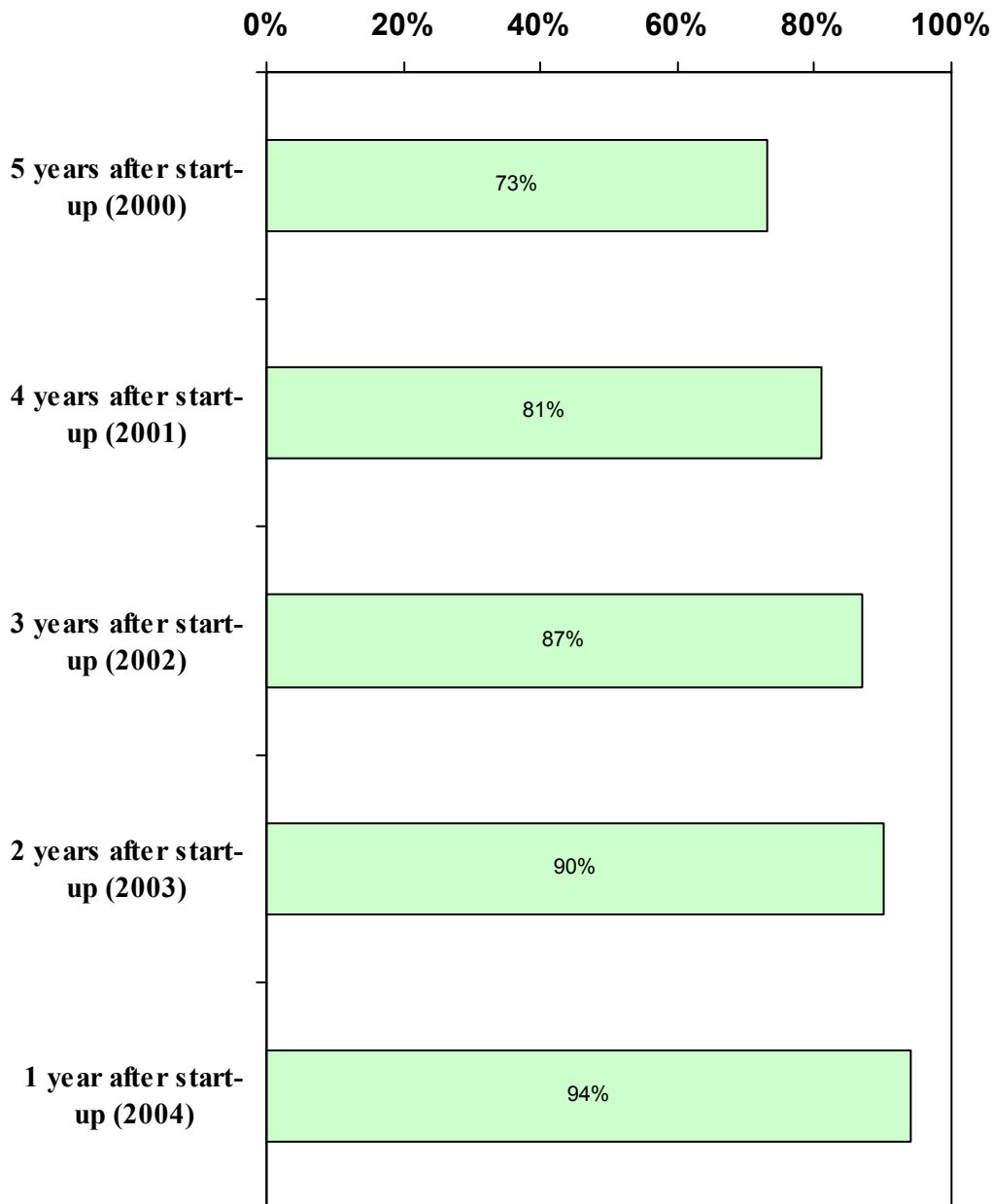
found a different job (partly through their self-employment) or are retired or in maternity leave, etc.

Three years after start-up (for UGP Business Founders in the year 2002) 87% are still running their own businesses. This percentage of successful start-ups is, again, at least as high as that of comparable surveys of “nor-

mal” (non-UGP) business start-ups in Austria. In this context it is significant that business start-ups in Austria already have a “survival rate” above the international average. Undoubtedly, the UGP achieves sustained success and long-term quality.

DIAGRAM I:

Proportion of UGP Business Founders who are still running their own businesses according to the year of start-up (“survival rate”)



Source: ibw-Participant Inquiry UGP (n=1.013 persons)

Comments: “Survival rate”: The proportion of UGP Business Founders still running their own businesses at time of survey in each particular start-up year. Statistics include those UGP Business Founders who are part-time self-employees (i.e. self-employed and employed at the same time).

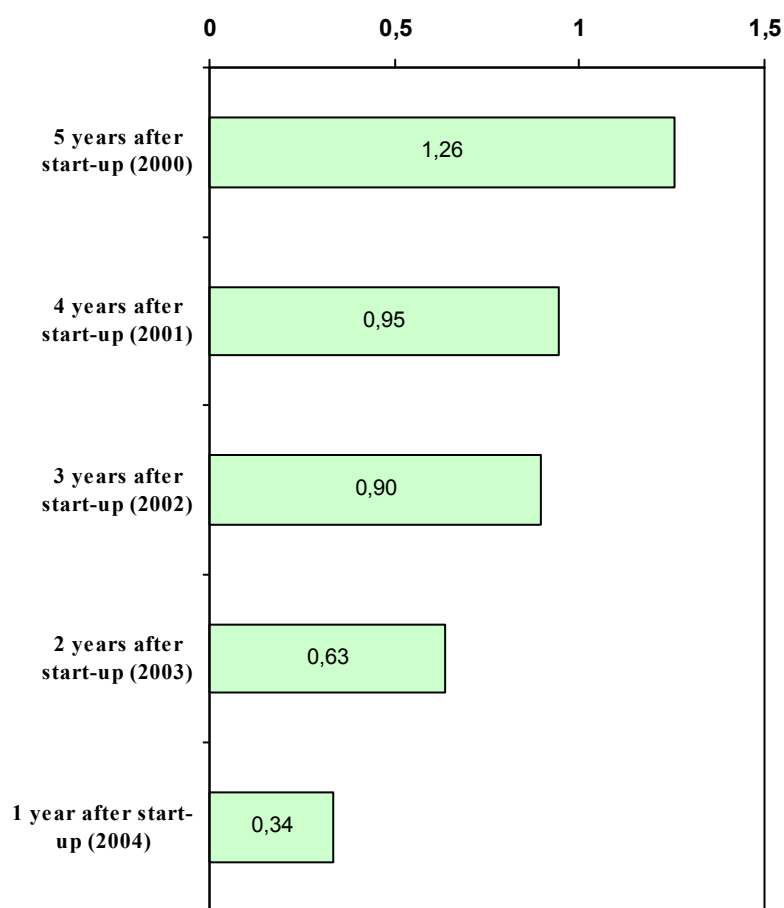
An analysis of the extent to which these new businesses create further employment (the “secondary employment effect”) shows that businesses whose start-up was assisted by the UGP tend to expand. The secondary employment effect is only minor during the difficult set-up phase, but then increases continually thereafter. A year past formation (for businesses established in year 2004), the average secondary employment rate is 0.34 full jobs per business start-up.

After five years, every UGP Business Founder (including shut down businesses) **created** an average of **1.26 other full jobs**. This means that, after five years, the number of new jobs created by the UGP had effectively doubled by virtue of the new (secondary) jobs created by

the new businesses. So, extrapolating for all UGP business start-ups since 1995, in addition to more than 20,000 Business Founders supported by the UGP in making their way out of unemployment, there is an even higher number of new jobs created by these Business Founders. Therefore the UGP has contributed significantly to job security and job creation in Austria. Unquestionably, the **labour market policy objectives of the UGP** (reduction in unemployment both through the creation of stable self-employment which meets one’s living requirements and through the creation of additional new jobs in the new businesses) are therefore **largely achieved**.

DIAGRAM 2:

Secondary effect on employment (“full jobs“) per UGP Business Founder according to year of start-up



Mode of calculation: All UGP Business Founders, including those not self-employed anymore at time of survey

Source: ibw-Participant Inquiry UGP (n=1.013 persons)

Comments: The results are not weighted by provinces. The statistics include those UGP Business Founders who are no longer self-employed.

“Full jobs“ = ((number of fulltime jobs x 1) + (number of part-time jobs x 0.5) + (number of trainees x 0.5) + (number of marginal jobs (ie income level under the tax threshold) x 0.1) + (number of freelancers x 0.1)) ≠ fulltime jobs

The UGP Business Founders' own perception of their business' economic situation shows a highly positive image: 75% experience their current economic situation as "very good" or "good". Nearly two-thirds (62%) expect further (significant) growth in turnover within the next three years.

Nevertheless, starting a successful new business has its price, especially during the difficult initial phases. As a rule this period is associated with many hours of work and a comparatively low income, especially at the beginning. However, despite the high personal cost, the survey shows the predominant satisfactions of "being one's own boss" (90%) and "flexible time" (78%).

Nearly four fifths (79%) of the interviewed Business Founders are "highly" or "rather" satisfied with the AMS's business start-up programme's impact on their current professional career. A comparably high proportion was also "highly" or "rather" satisfied with the AMS's support (80%) as well as with the participating management consultancies (82%).

There are **no major differences in gender in satisfaction rating of the UGP.** In fact, women are slightly more satisfied with the UGP's impact on their professional career, which is remarkable given that, as all "hard" indicators of success (like survival rate, secondary employment effect, turn-over, etc.) show considerably lower values for businesses founded by women. Apparently, women have a different agenda than men in starting a business. Whereas flexible time, self-realisation, etc. are the aspects of importance for women, men strive for higher income and success. Of course these different goals are linked to the reality of differences in the circumstances of women's lives (generally with primary responsibility for child care) and men's lives (generally with primary responsibility for the household income). Furthermore the present results indicate that women have access to less money than men, which is another reason why **women tend to plan their business start-up more carefully and on a smaller scale than men.**

Within the scope of this evaluation, **weaknesses and areas for enhancement of the UGP were discovered** too, principally concerning the following aspects: extension of the period of financial backing; follow-up supervision; networking; increased focus by the management consultants on practical experience and on

the specific businesses sector of each start-up; more involvement of other institutions; and, to tap the full potential of the programme, more targeting of specific groups of potential new Business Founders such as through measures to increase the (currently very low) proportion of foreigners.

The predominantly **highly positive results** of this evaluation justify not only the continuation of this undoubtedly successful programme, but also support **extension and further development** of the programme as described above.

The entire study is available for download from the [AMS-Forschungsnetzwerk](#).

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