



**Research Article**

**COVID-19 AND DEFICIT SPENDING: IS IT WORTH? A QUANTITATIVE RESEARCH OF ENTREPRENEURS' HAPPINESS WITH THE WORK OF THE ADMINISTRATION IN AUSTRIA**

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**ABSTRACT**

This quantitative study of 217 Austrian entrepreneurs examined entrepreneurs' satisfaction with the Austrian government's actions during the Covid 19 pandemic. We surveyed entrepreneurs using a 5-point scale and found that while entrepreneurs were very satisfied with the measures, they were not satisfied with the government's communication. Our results showed that deficit spending reaches entrepreneurs in times of crisis, but that government communication should have the same priority as government aid.

**Key words:**

Happiness, Communication, Covid-19, Austria

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**INTRODUCTION**

There can be little doubt that the shock caused by the Covid 19 pandemic will lead to the worst economic slump since the Global economic crisis 1929: The Austrian government is bracing itself against the economic consequences of the Corona crisis with a massive aid package. Chancellor Sebastian Kurz (ÖVP) and Vice Chancellor Werner Kogler (Greens) announced on Wednesday 18<sup>th</sup> of March 2020 right after the Council of Ministers to increase the aid money from four to 38 billion euros. Kurz cited saving as many jobs as possible as the goal: "Cost what it may." (Die Presse, 2020). In Austria, the outlook for the domestic economy has deteriorated further. The EU Commission has lowered its forecast for the previous year and this year. For 2020, the Brussels-based authority now expects gross domestic product to slump by 7.4 percent, which is 0.3 percentage points worse than assumed in November and significantly worse than the EU average. For 2021, it has halved growth expectations compared with the fall forecast, from 4.1 to 2 percent (Wiener Zeitung, 2021). So, on one hand, the government is spending lots of money to save the economic, on the other hand, the forecast for the Economic growth is not really bright. The question therefore arises as to whether these aid measures are justified in view of the tight financial situation and whether they are appreciated accordingly by the business community. This quantitative study therefore addresses the question of whether Austrian entrepreneurs are happy with the government's work.

***Happiness and economics - What is utility and how is its benefit measured?***

The object of research in happiness research is happiness in the sense of in the sense of being happy: subjective well-being, and not "being lucky," (=random happiness) (Diener, Kahneman, & Helliwell, 2010). There are two forms of subjective well-being: "Emotional" well-being ("happiness") - being "happy" in the moment (ratio between positive and negative feelings on a daily average), "Cognitive" well-being ("Satisfaction" or "Contentment") - "Happiness" as a lasting feeling, as a degree of "satisfaction" with life. Here, a balancing between what one wants (the expectations), and what one has (Gilbert, 2012). Both aspects of subjective well-being are positively correlated. Happiness has a temporal dimension: In economic terms, it is a question of how the scarce commodity of time (input) is used to achieve a high degree of happiness/satisfaction over a lifetime (output) (Sacks, Stevenson, & Wolfers, 2010; Stevenson & Wolfers, 2013). For this output, the word "benefit" is used in economic terminology the word "utility" is used (Csikszentmihalyi & Csikszentmihalyi, 2006). Utility is therefore subjective well-being. Subjective well-being (utility) is measured directly by simply asking people about their well-being. Or, in the words of Nobel Prize winner for literature Bernard Shaw: "Economics is about how to get the best how to make the most of one's life." Happiness research is central to economics (Ruckriegel, 2012). Interdisciplinary happiness research has intensively dealt with the question of which factors are important for subjective well-being. In detail, the following factors have been identified: Successful/loving social relationships (partnership, family, friends, colleagues, neighbors, ...), physical and mental health, Commitment and satisfying gainful and/or non-gainful employment, personal

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freedom, Inner attitude (in terms of gratitude, optimism, avoidance of social comparisons, emotion management, ...) and philosophy of life, Satisfaction of material (basic) needs (Ruckriegel & Nürnberg, 2010).

### **Deficit Spending**

The COVID-19 pandemic in Austria and the containment measures led to an abrupt decline in economic activity and employment, as well as an unprecedented rise in the unemployment rate. At the same time, the federal government responded by implementing extensive fiscal policy measures to cushion the recession. This (ex-ante) analysis examines the cyclical, fiscal and distributional effects of selected measures on three levels: First on the micro level, second on the macro level and third on the sectoral-regional level. The entire analysis is based on the data and information on the regulations of the Measures as of October 15, 2020 (Baumgartner *et al.*, 2020).

This chapter provides a brief description of the measures considered, with a focus on the aspects relevant to the analysis that follows. As already mentioned, the measures are as mentioned, the measures are sometimes adapted depending on the development of the infection situation. The following description reflects the regulations as well as the utilization of the economic policy measures at the time of writing, i.e., as of mid-October 2020.

### **Hardship-Fund - Der Härtefall-Fond**

The Hardship-Fund is intended to provide support for personal living expenses to self-employed individuals who are significantly threatened economically by the COVID-19 crisis (Pülzl, 2020). In the context of the present project, those subsidies are considered which are intended for affected one-person enterprises (OPE), freelancers and micro-enterprises and which are processed via the Austrian Federal Economic Chamber (WKO) (Czypionka, Kocher, & Schnabl, 2020). The subsidy consists of a non-repayable grant and can be applied for retrospectively by affected self-employed persons for monthly review periods starting in the middle of each month. The hardship fund has two phases. Phase 1 related to the first observation period (March 16 to April 15, 2020) and was designed as an emergency grant of €500 to €1,000 for a relatively narrowly defined target group (Prammer, 2020). Access requirements included, for example, compulsory insurance in the social insurance of the self-employed (SVS), no multiple insurance in health insurance, and annual income from self-employment within certain income limits<sup>7</sup>). With the introduction of Phase 2 in April 2020 (Kocher & Weyerstraß, 2020), the group of eligible persons was expanded, the maximum monthly subsidy amount was raised to €2,000, and the number of eligible months was increased to 12 months in the meantime (March 16, 2020 to March 16, 2021). The main changes include the elimination of compulsory insurance in the SVS, the possibility of voluntary insurance, the admissibility of multiple insurances in health and/or pension insurance, and the elimination of income limits. In addition, monthly supplementary income (e.g. from employment and from assets as well as in the form of benefits from pension insurance) of up to €2,000 is possible. However, these are taken into account when determining the amount of the subsidy. The subsidy amounts to 80% of the difference between the average monthly net income of the reference period (year with the last valid income tax assessment or alternatively the last 3 years)

and the net income of the reference period in 2020 (Hofer, Titelbach, & Fink, 2020). For low-income earners (corresponding net income not exceeding € 966.65), the subsidy amounts to 90%. A minimum subsidy amount of 500 € per month applies to all eligible persons. These can also include start-up companies (founded after 1.1.2018) can apply without an income tax assessment (Koltai, Geambasu, Bakacsi-Saffer, Barna-Petróczi, & Zsár, 2020). In addition, all eligible persons also receive a so-called "comeback bonus" of €500 per consideration period retroactively for all applications that have already been completed<sup>8</sup>). The minimum subsidy amount per observation period and person is thus €1,000. Overall, the maximum individual funding amount from the Hardship Fund for affected persons in the year 2020 (for a total of nine observation periods) is €22,500 (€18,000 subsidy plus 4,500 € comeback bonus).

### **Theoretical Background**

A detailed analysis of definitions through review of literature has been conducted to understand stakeholder perspective.

Saraiva *et al.* (2021) and Xiong *et al.* (2020) have defined that the factors affecting the happiness of entrepreneurs - in addition to age and income - is the quality of the communication of the government. Kuckertz *et al.* (2020) have learned that, especially in pandemic times, younger entrepreneurs have to take more loans, then older entrepreneurs. Ravina-Ripoll (2020) have found out that there is a positive correlation between education and happiness among entrepreneurs. Short *et al.* (2010) have figured out, that there is a positive correlation between the duration of self-employment and the outlook for the future. Based on these four theories, we are able to define this hypothesis:

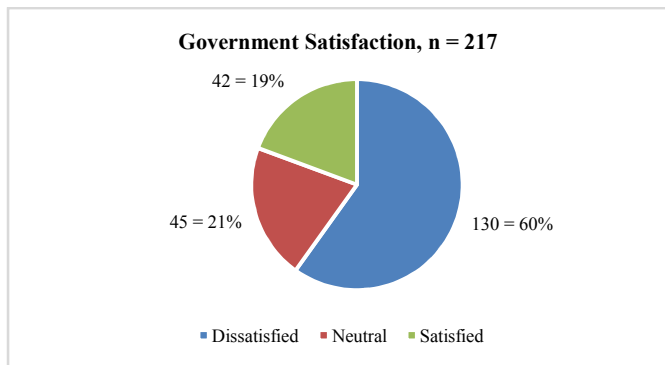
- The higher the education in Austria, the more the entrepreneurs are happy with the communication of the government and believe into a positive future
- Entrepreneurs in Austria who are shorter in business then 2017 are more afraid that they have to shut down their business, then entrepreneurs who are longer in business then 2017

### **METHOD**

To test the hypotheses, an online survey study was conducted. The survey period was in the autumn of 2020, just under 6 months after the pandemic outbreak in March 2020. To take part in the study, participants had to meet two criteria: First, they had to be self-employed and second, they had to have at least one employee (i.e., they could not be a so-called OPC – One Person Company). According to Frese *et al.* (2000) there is a difference between self-employed people who work alone and those who are also responsible for an employee. The survey was deliberately short, so that the drop-out rate could be kept low. In total, the survey was correctly completed by 217 participants: Of these, 105 were female and 112 were male. 35.21% were under 40 years old, 64.79% were over 40 years old. 34.79% of the participants were already self-employed before 2000. 137 participants have a school degree, 80 have a university degree

**Measures**

During the survey, demographic data such as age, gender, age, time of independence, and happiness with the Covid-19 situation, were queried. Pavots (2009) 5-item life satisfaction scale was used to assess happiness. An example item was "I am satisfied with the work of the government." The scale ranged from 1 (dissatisfied), to 5 (very satisfied), with 3 marking the neutral value.



**Table 1** Example Item: "I am satisfied with the work of the government"

Cronbach's alpha was 0.86

**Control variables**

We included gender, age, years since starting the business as control variables:

We considered gender because previous research (Runyan, Huddleston, & Swinney, 2006) has shown that there is a significant difference between male and female entrepreneurs in your entrepreneurial orientation, which may influence their happiness with the Covid-19 situation. Second, we reviewed age, as older age may be associated with more embeddedness in a local region, which could influence an entrepreneur's happiness (Avolio, Waldman, & McDaniel, 1990; Kanfer & Ackerman, 2004). Third, happiness may be influenced by experience - with greater work experience comes greater knowledge of the areas in which initiative is useful and necessary. Therefore, we included the number of years in the current industry as an indicator of relevant experience.

**RESULTS**

**Table 2** Happiness - Survey Recoded - own Graphic

	Government Satisfaction		Financial Aid		Support General		Support Company		Communication		Bureaucracy Reducing		Positive Future	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
☹	130	60%	42	19%	43	20%	45	21%	82	38%	48	22%	44	20%
☺	45	21%	87	40%	89	41%	85	39%	81	37%	87	40%	84	39%
😊	42	19%	88	41%	85	39%	87	40%	54	25%	82	38%	89	41%
not valid	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
	217	100%	217	100%	217	100%	217	100%	217	100%	217	100%	217	100%

**Table 3** Happiness - Survey - Yes/No Answers – own Graphic

	Loans		End Pandemic		Terminate Business	
	#	%	#	%	#	%
No	98	45%	87	40%	121	56%
Yes	119	55%	130	60%	96	44%
not valid	0	0%	0	0%	0	0%
	217	100%	217	100%	217	100%

**H1:** "The higher the education in Austria the more the entrepreneurs are happy with the communication of the government and believe into a positive future"

The calculated significance value is higher than the table value for 95% of the significance level. So that we can conclude the education played a major role in the positive perception about the future (Gerald, 2018). There is a significant difference between the entrepreneurs who have a higher education and the entrepreneurs who do not have a higher education.

**H2:** "Entrepreneurs in Austria who are shorter in business then 2017 are more afraid that they have to shut down their business, then entrepreneurs who are longer in business then 2017"

From the findings of the conducted analysis that is clear that the calculated value is greater than the table value of 0.05 at a 95% significance level. So we reject the null hypothesis and accept the hypothesis (Colubi & Denooux, 2014). For that, we can conclude that the entrepreneurs who started the business after 2017 have more fear than the entrepreneurs who have started a business before 2017.

**DISCUSSION**

Although scholars have acknowledged that entrepreneurs are exposed to extreme emotional experiences in their daily work and therefore their well-being may be affected, few studies have examined the relationship between government communication and entrepreneurs' happiness. With this study, we filled this gap and investigated whether the Covid-19 measures of the Austrian federal government have an impact on entrepreneurs' happiness, or whether the aid measures reach where they are needed.

Our survey showed that Austrian entrepreneurs are not particularly happy with the government: 60% answered "Not happy" to the question "How happy are you with the government's work" - only 19% answered "Very happy". On the other hand, entrepreneurs are very happy with the government's financial assistance, as only 19% answered "Not happy" to this question. This shows the assumptions of Millner *et al.*(2020) who did his survey at the beginning of the Covid-19 pandemic, so it shows that even six months after the beginning of the pandemic, entrepreneurs are very happy with the government's financial assistance.

The majority of entrepreneurs are also very happy with the overall support provided by the government, as only 20% answered "not happy" to this question.

Support for businesses was also rated quite positively by entrepreneurs, with 21% answering "not happy" to the question about support for businesses. Although 40% answered this question positively, 39% answered "neutral". The question about satisfaction with government communication was answered "very happy" by only 25%. In their April 2020 paper "COVID-19 Pandemic in Austria-

Citizen Satisfaction with Measures and Communication," Willems *et al.*(2020) found that retirees had the highest satisfaction scores with government communication. The self-employed are the least satisfied with the government, both in terms of handling the crisis and communicating the measures, and students are the most satisfied.

The reduction of bureaucracy was rated as "very happy" by a total of 38% of respondents (82 participants). Thus, it seems that the Cofag (Althuber & Skiadopoulos, 2021), which is in charge of handling the financial aid, is helping to reduce the conservative bureaucratic hurdles(Fickl & Rehbogen, 2011).

If we look at the question about the participants' assessment of the future, we see that only 20% see the future negatively, and 80% of the participants see the future at least neutrally: 41% are very happy with the future.

Apart from the 5 - item scale according to Pavot *et al.*(2009) and the demographic data, questions were also asked that could be answered by the participants with "Yes" or "No":

It was interesting to see that - although participants were basically satisfied with the financial assistance - 55% had to take out a loan in the pandemic. Brunhart *et al.* (2020)attribute this to the fact that the government provided loan guarantees at the beginning of the pandemic with the statement "whatever the cost"(Schränk & Stücklberger, 2021), which entrepreneurs took advantage of "as a precaution."

An end to the pandemic in 2021 is realistic for 60% of participants, but for 44%, the Covid-19 pandemic could spell the end of self-employment.

## CONCLUSION

Our study contributes to both measures and happiness research by examining the impact, of the measures set by the Austrian government, on entrepreneurs during the Covid-19 pandemic:

Thus, we demonstrated that participants' satisfaction with government actions was very high, but that satisfaction with government communication was very low. Although participants were very happy with the government's financial assistance, 55% took out a loan to make current payments.

We hypothesized that there was a relationship between the length of time self-employed and the fear of having to close the business: This hypothesis could be verified, as self-employed people who have only been self-employed since 2017 are significantly more anxious about the future than those who were self-employed before 2017.

Although satisfaction with government communication was generally not particularly high, with only 25% agreement, there was a surprise when hypothesis 2 was tested, as this hypothesis could also be verified: According to our reasoning, there was a correlation between the level of education and satisfaction with government communication and the outlook for a positive future. Again, the survey follows the assumptions of Kühne *et. al* (2020) who had the same perception in his research.

Let us now answer the question posed at the outset, "Deficit spending - does it pay off?": From the government's point of view, this question can definitely be answered with "yes", because the participants in the survey were quite happy with the measures set by the government. From the government's

perspective, the question could possibly be answered with a cautious "no," because satisfaction with the government's work or communication was not particularly high. This is where we locate potential for improvement, because our research has shown that, especially in times of crisis, government communications should have the same status as government aid.

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