

CURRENT STATE IN THE CZECH SOCIAL ECONOMY

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ABSTRACT

The social economy in the Czech Republic provides economic opportunities for people with specific problems. The issue of the social economy is governed by the Act on Integrative Social Enterprise. The historical roots of the Czech social economy date back to the middle of the 19th century. The Czech social economy registers several legal forms of enterprises that can be classified as integrative social enterprises, the most important being the public benefit company and the association. The situation on the Czech labor market in the recent period is described in more detail. The overview table shows the numbers of integration social enterprises by registered legal form. Legal regulations related to the Czech social economy and integration social enterprises are also presented.

Keywords: integrative social enterprise, person with specific needs, social economy, social entrepreneurship

Introduction

The social economy is a collection of activities carried out by social enterprises and supporting institutions, the aim of which is to increase employment in local conditions or to satisfy other needs and goals of the local community in the field of sustainable economic, social, cultural and environmental development. Social enterprises are enterprises that at the same time fulfill socially beneficial and economic goals, and the purpose of their business is to try to solve social and environmental problems by the fact that the social enterprise is active on the market. The socially beneficial goal is therefore superior to the economic goal, even though in practice both goals must be in balance. Social enterprises are businesses with primarily social goals, whose surpluses are typically reinvested in businesses or in the community, rather than being distributed as profits to owners and stakeholders (Ministerstvo práce a sociálních věcí, 2024).

The historical roots of social enterprises in the Czech Republic go back to the period of the creation of worker cooperatives, mutual organizations and associations in the middle of the 19th century (Feierabend 1952, Dohnalová 2009, Hunčová 2010, Bednářiková and Francová 2011, Kotýnková 2013, Švihlíková and Hunčová 2018). Among others, these organizations originally focused on financial, consumer and production mutual aid and self-help. Within the

multilingual and multinational Habsburg Empire, they helped shape the Czech cultural and economic identity and gradually developed an ethos of basic economic solidarity (Feierabend 1952). Their activity intensified towards the end of the century and reached its peak after the First World War. In the 20s and 30s of the 20th century, the number of associations and cooperatives increased in all spheres: from credit, agricultural, housing, energy, consumer, production cooperatives to student organizations, sports clubs, associations of national minorities, etc. (Feierabend 1952, Dohnalová 2009). In 1937, about 16,670 active cooperatives were registered in Czechoslovakia (Feierabend 1952, Fraňková, 2019).

1. Legal entities in the Czech social economy

According to several studies (Dohnalová et al. 2015, OECD 2016, TESSEA 2018), social enterprises in the Czech Republic have the following forms: they have adopted the following legal forms in the Czech Republic:

- Social cooperative
- Association (including a branch of the association with institutional autonomy)
- Public benefit company
- Institute
- Foundation
- Ecclesiastical legal entity
- Cooperative (without social cooperatives)
- Limited liability company

Social enterprises in the Czech Republic have the nature of legal entities and the following forms: foundation funds, joint stock companies and public companies. Their number is low, so they were not the subject of the analysis carried out in the Czech Republic. According to the Czech theory of social enterprises, the legal form of the related gainful entity is not considered a social enterprise, but according to the Czech legal order, they have the right to financing. In the Slovak Republic, the legal form is a legally regulated natural person.

Interest in the definition of social economy and social enterprise in the Czech Republic has been growing since the beginning of the 21st century; TESSEA (Thematic Network of the Social Economy) laid the foundations for the development of these definitions.

TESSEA brings together more than 70 social enterprises and supporters of the social economy from all over Slovakia. It supports its members and is also a partner for the state, regions and other institutions. Entrepreneurship contributes to the strengthening of the social sector as a

socially, economically and environmentally beneficial area of the Czech economy. For this, it uses its expertise, which is based on many years of practical experience of its members.

Founded in 2009, this network provided a broad platform that brought together various stakeholders in the social economy. By 2010, it developed a definition of a social enterprise accepted by a wide range of interested parties in the Czech Republic, including the Ministry of the Interior, the Agency for Social Inclusion, the Association of Czech and Moravian Cooperatives and others. TESSEA published the first version of the definition in 2010, including a detailed table of general principles and specific characteristics. From the beginning, two types of social enterprises were distinguished, the "general" social enterprise and the WISE. Although these principles and characteristics have since evolved, the main ideas and content have remained (TESSEA 2018).

A social enterprise of the WISE type (Work Integration Social Enterprise) is actually a designation for an integration social enterprise that integrates disadvantaged people through employment and creates jobs for them. By doing so, it contributes to the integration of these people into society, providing them with hope and social inclusion. In theory, WISE focuses on the employment and social inclusion of people disadvantaged in the labor market, general social enterprises are dedicated to any publicly beneficial objective, including environmental, cultural and local community benefits.

TESSEA has developed a set of indicators that provide measurable characteristics to identify social enterprises. These include: Both the social enterprise and WISE must derive at least 30% of their income from their own economic activities, the social enterprise and WISE must reinvest at least 51% of the profits in the development of the social enterprise and/or in the realization of public benefit goals, at least 10% of all people involved in the operation and activities of the social enterprise must be paid, at least 30% of employees in WISE must be from disadvantaged groups on the labor market.

All entities that deal with the issue of social enterprises state that support from the state is very important. This is not only about support from the Ministry of Labor and Social Affairs, but also other departments that are responsible for the regulation of public procurement and local development, environmental development, social entrepreneurship for rural development, the operation of local cultural activities and the provision of health services for the population.

The issue of the social economy is cross-cutting, the recommended change will focus the attention of the management sphere of the state on helping the company itself. The Act on

Integrative Social Enterprise not only integrates interdepartmental issues at the Ministry of Labor and Social Affairs, which supports the employment of disadvantaged persons, but also enables the interference of other departments in the Czech Republic.

2. The situation on the labor market in the Czech social economy

In the Czech professional environment, it has been evaluated that the profiling of the client and adjustments regarding the individual action plan will be necessary for the effective employment of unemployed persons on the labor market (Ministerstvo práce a sociálních věcí, 2024).

The document points to the fact that the adoption of changes in the Czech legal system is necessary not only at a time of higher or high unemployment, when the number of people with specific needs increases among the unemployed, but also in a period of economic growth with a low unemployment rate. The Act on Integrative Social Enterprise, with its focus on social services for employers, leads to the employment of selected groups of the population, which until now have not even been considered at the state level. It goes, for example to employed women and mothers at the same time, e.g. adjustment of working hours for mothers with several children and state support for the employer in this case. In this way, it will be possible to remain in a suitable employment relationship for persons who would otherwise not be able to work, taking into account their specific needs.

Regarding the situation on the labor market, according to the Summary of the Final Report of the RIA, the increase in newly registered job seekers as of September 30, 2022 amounted to a total of 256,380 job seekers. The share of unemployed persons on this date was 3.5%. In the course of September 2022, almost 49,000 new people entered the records of the labor office. of job seekers, that means a month-on-month increase of approx. 7 thousand people, and year-on-year increase, specifically by 6,405 people. Even though the offer of vacant jobs is still relatively high (as of 30/09/2022, the labor office registered 306,098 vacancies), a total of 44,713 applicants left the register of job seekers in July 2022, which means 13,436 more persons month-on-month, and 3,969 less year-on-year. The further development of unemployment can be difficult to estimate at the moment, the second half of 2024. According to current developments, it can be expected that for the whole year 2022 the share of unemployed persons could reach 3.3-3.5%, in the following two years 2025-2026 it could range between 3.4-3.8%. We assume that based on developments in the coming months, the expectation may be reassessed.

The proposed new legal regulation by the Act on Integrative Social Enterprise and the amendment to the Employment Act will therefore enable the integration of various groups of persons in unfavorable health or situation, or unemployed persons or persons from socially weak families, and to solve their situation through a common procedure and comprehensively with regard to their specific needs. This procedure leads to a better consideration of the specific needs of these persons, to their higher employment, which is of particular importance not only for these persons with specific needs, but also for their families, the community, also from a societal point of view, taking into account the overall employment in society.

Since before the approval of the Act on Integrative Social Enterprise no binding criteria were adopted for assessing enterprises, whether they belong to social enterprises by nature, the analysis Social enterprises and their ecosystem in Europe (available at: <https://europa.eu/!Qq64ny>) carried out is used through the European Commission. The number and breakdown of social enterprises in the Czech Republic is given by the National Report for the Czech Republic, which was prepared by Eva Fraňková, which was based on the methodology from the document Initiative for Social Entrepreneurship, an action plan at the level of the European Union.

In 2011, the European Commission presented the Social Business Initiative (SBI), which created an action plan at the level of the European Union with concrete measures to create a favorable environment for social enterprises. This study analyzes the impact of SBI on the development of the social economy and social enterprises and the business environment at the national and European Union level.

According to the Initiative for Social Business, a business is a social business if:

- the primary goal is achieving social impact rather than creating profit for owners and shareholders,
- uses its surplus mainly to achieve these social goals;
- is managed mainly in a responsible, transparent and innovative way by involving workers, customers and interested parties affected by its business activity.

This definition classifies the key features of a social enterprise into three dimensions:

- business dimension,
- social dimension,
- dimension related to the management structure.

Provided that the pursuit of explicit social goals is prioritized through economic activities, these three dimensions can be combined in various ways; their balanced combination matters most when identifying the boundaries of a social enterprise (European Commission, 2021).

Based on the methodology of the European Commission, the following economic entities were included in the social economy in the Czech Republic.

Legal form/year	2014	2015	2016	2017	2018
Social cooperative	14	16	24	26	30
Association (incl	574	580	596	600	625
branches of the association with	1526	1447	1396	1387	1424
institutional autonomy)	12	39	69	75	100
Public benefit company	27	25	26	26	28
Institute	416	417	418	417	415
Foundation	757	741	721	704	691
Ecclesiastical legal entity	385	406	427	450	460
Cooperative (without social cooperatives)	3710	3670	3676	3685	3773

Source: Fraňková (2019).

Currently, the Directory of Social Enterprises portal is established, which is managed by the Department of Social Enterprises of the Ministry of Labor and Social Affairs. It is currently the only portal in which operations are registered in the portal of registered companies. The portal provides details of each registered business, including contact details, and also lists current opportunities through operating programs, loans in the S-business program, unemployment support, regional programs, grants, prizes and startups. The portal's employees provide advice and arrange internships and excursions in social enterprises (Adresář sociálních podniků, 2024).

3. Legal regulations related to the Act on Integrative Social Enterprise.

In the previous years 2017-2018, the number of enterprises that can be characterized as entities belonging to the social economy, as their economic activity participates in local and local development by providing beneficial services, including employment services for disabled persons or persons previously unemployed for a long time, was constantly increasing. In the European Union, this issue has been gaining ground for the past 15 years, and it is in the interest of the Czech Republic to focus on supporting the social economy and social entrepreneurship. Before the approval of the Act on Integrative Social Enterprise, the Czech legal system did not

regulate the concept of social entrepreneurship or other concepts related to the issue of the social economy.

The issue of legal regulation of the social economy and social entrepreneurship was dealt with in the document Evaluation of support for social and inclusive entrepreneurship in the Operational Program Human Resources and Employment, prepared for the Ministry of Labor and Social Affairs in February 2014 by the Institute for Structural Policy (IREAS). This was established in 2001 with the aim of analyzing and developing conditions for adapting to changes in international development in the Czech Republic. Currently, it focuses mainly on regional, economic, agricultural, social and educational policy and environmental policy as the basic directions of structural policy.

Social entrepreneurship as a suitable tool for sustainability was already included in the Strategic Framework for Sustainable Development of the Czech Republic by 2030, which was approved by the government of the Czech Republic on January 11, 2010. Support for social entrepreneurship and sustainable development is part of the program document Strategic Framework Czech Republic 2030 from 2017. Support for social entrepreneurship through the active integration of people with disabilities into society and the labor market and revisions of the current system of supporting their employment, was also declared in the Program Statement of the Government, approved on January 6 2022 (Úřad vlády, 2022).

In addition to the Act on Integrated Social Enterprise, Act No. 435/2004 Coll. on employment as amended, the following two areas were amended in this law, namely: employment mediation by the Employment Office of the Czech Republic and employment of persons with disabilities. These changes require legal regulation by the Ministry of Labor and Social Affairs enabling more effective work of the labor office with its clients, especially with long-term unemployed persons and persons with specific needs who are the most vulnerable on the labor market.

In 2019, negotiations were held with representatives of interested departments, employers and trade unions within the framework of round tables, while those present agreed to the change, which changes the orientation of the employment offices, which will be focused on the client - the job seeker, and on the individual action plan and cooperation on the labor market with employers. Among the main necessary changes were identified: an emphasis on an individual approach to the client and the necessity of legal regulation of the institution of the client in a social enterprise or integrated social enterprise, cooperation with employers and schools, creation of partner networks and prevention of unemployment. The result of these meetings is

the extension of knowledge to a wide professional environment represented by public administration, the business sector, initiatives and research, which sparked further discussions about the need for changes in legislation and the legal regulation of social entrepreneurship and the social economy. The result is a legislative process that ended during the year with the approval of the Act on Integrative Social Enterprise.

According to the mentioned methodologies, social enterprises have different legal forms. This fact leads to the fact that issues related to the integration social enterprise are regulated by several laws. Some were amended simultaneously with the approval of the Act on Integrative Social Enterprise in the Czech Parliament, some will need to be amended later according to the needs of the implemented agenda. In the business environment of the Czech Republic, there are no initiatives to legalize the special legal form of an integrative social enterprise. A similar practice of various legal forms for an integrative social enterprise is also in other countries of the European Union, e.g. in the Slovak Republic. The expectations of the business environment were oriented towards defining the status of an integrative social enterprise through the fulfillment of criteria related to the employment of persons with special needs.

Limitation to one legal form would not meet the diverse needs of entrepreneurs in practice. In the case of some enterprises, it is desirable for disadvantaged persons to be their members, but there are enterprises that employ such persons with special needs, for which such a procedure is not considered. Limit social entrepreneurship, e.g. only to a business entity or only to non-governmental non-profit organizations would not take into account that social entrepreneurship is, to put it simply, between business corporations and non-governmental non-profit organizations.

Solving the issue comprehensively and systematically was only possible with one law, and that is the law approved by the parliament, namely the law on integrative social enterprise. Such a recommendation was also published in the European Commission document entitled Social enterprises and their ecosystem in Europe (European Commission, 2020).

Before the approval of the Act on Integrative Social Enterprise, the definitions of the Thematic Network for the Social Economy TESSEA were used to define a social enterprise. The definitions and principles stated there were used in a modified form by the Ministry of Labor and Social Affairs in calls for establishing a social enterprise no. 30 Human Resources and Employment Operational Program and no. 1, or no. 8 of the Integrated Operational Program. Since their inception, they have also been used for the purposes of bank appeals – Česká

sporitel'na used them in the pilot loan program, as did the Czech Republic. commercial bank in its grant program (Ministerstvo práce a sociálních věcí, 2024).

Conclusion

The economic model of the state with the traditional private capitalist sector and the state public sector of the second half of the 20th century proved to be insufficiently effective in solving the social problems of society. The mixed economy model is the basis of a welfare state that focuses on recognized market failures and the application of economic measures that are effective against market failures, namely income and expenditure redistribution and countercyclical measures. At the beginning of the 21st century, however, it became clear that there are still a large number of marginalized groups of the population in society that require special social and economic measures to improve their status, which are collectively called the social economy. This situation persists for a long time.

The twenties of the 21st century are marked by a period characterized by the disease COVID-19. We are witnessing the collapse of the world economy, the frustrations of the population due to concerns about their health, and unclear state policies across continents, which have significantly worsened the economic situation of nation states and especially the lower and middle classes of society. Unfortunately, in this period, we register billions of public expenditures by states and associations of states such as the European Union, which provided them mainly to multinational companies for armaments, the green world, and health measures. And all this accompanied by their inefficient spending and false state or EU propaganda. These expenses, in the current form of debts, are ultimately passed on to taxpayers, especially citizens.

Currently, it is necessary to use the possibilities of the social economy through public investments by transforming small and medium-sized business entities into the wider space of the social economy. The growth in employment reduces the risk of deepening the national debt, which is growing during this period despite the consolidation measures adopted in most states in the European area and also in the Czech Republic.

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