The Role of Social Enterprise in Regional Development: The Case of the Czech Republic

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ABSTRACT
The article deals with development of social enterprise in the Czech Republic after 1993 and it describes the current main attitudes, including the examples of “best practices”. By means of the correlation and causal analyses, it assesses its situation. It emphasises the importance of social enterprise as a factor of safe regional development.

KEYWORDS: Social enterprise, Disadvantaged persons, Safe regional development, Unemployment, Job vacancies.

JEL CLASSIFICATION: L26, R38

1. INTRODUCTION
The philosophical basis of social enterprise (both from the point of view of liberalistic and dirigistic approach) can be seen in teleology the key notion of which is purpose. A teleological system is always a system of means and purposes which are arranged according to the relation of need and usefulness. When a mean suits the purpose, it is a positive teleological quality, i.e. usefulness (Englis, 1930, p. 50). Why would a specific type of enterprise with an attribute “social” be established and developed, if there was no need of looking for means fulfilling the sought after purpose in a useful way? The concept of social enterprise combines a non-trivial relation between effectiveness and justice, a relation between an individual and the society, a relation between safety and development, it is influenced by the national culture and social system and it is conditioned by the overall economic performance of the country and region. Certainly the saying “a region is as rich as its poorest member” is stronger than its modification “a region is as rich as its richest member”.

Studies assessing the current trends refer e.g. about a transfer “from building physical infrastructure to the formation of relational infrastructure for common activities to achieve mutual benefit” (Morgan & Nauvelaers, 1999), other connect performance and competitiveness of the economy with separation of a quaternary sector, with a process of “quaternisation” (De-Bandt, 1999). If the quaternary sector is defined as the part of the tertiary sector which ensures development and restoration of human capital as a decision production factor on the one hand (Kenessey, 1987) and includes universal care for humans in the interest of their safe, long and quality lives, then social enterprise is very close to the quaternary sector even if it was qualified according to the modus operandi of its specialisation according to the statistic branch qualifications. Besides that, however, it is not possible to neglect visionary points of view (Reich, 1991), (Bell, 1973) that also shows unexpected new attitude to organisation of various types of enterprises, including the one which is currently marked as social, on the basis of assessment of previous trends. K. Rychtar, a representative of the Czech Union of
Production Cooperatives of the Disabled, states: “Social economy is not a recipe, a universal way or cure-all of the globalisation troubles. It is a way of behaviour and thinking connected with ranking of life values focused mainly on support of an even attitude of the weak or permanently or temporarily disadvantaged people to respectable life.” (Rychtar, 2014)

In March 2010 Europe 2020 Strategy (EC, 2010) for the period of 2014-2020 was published in Brussels with subtitled “smart, sustainable and inclusive growth” which asks for proposals and implementation of programmes of social innovations focused on the most endangered groups (the disabled, immigrants, single-parent families, older women, minorities, Romani people and the homeless) and asks the member states to support the collective as well as individual responsibility in combating poverty and social exclusion. The same year (2010) was announced as the European Year for Combating Poverty and Social Exclusion. Its aim was to present the issue of poverty and social exclusion to the general public, contribute to destruction of stereotypes in viewing of socially excluded persons but also to emphasis the idea of acceptance of an individual responsibility and support thus a more coherent society developing the quality of life, social welfare and equal opportunities for everybody (EP, 2008). According to the principle of so-called triple-bottom line (economic, social and environmental) (GLE, 2008), social enterprise, which is focused on solving of the issues of employment, social inclusion and regional development, is an important element of the system of the safe regional development. Despite the fact that the economic aspect of social enterprise is significant¹, its contribution to social coherence, employment and reduction of unevenness is emphasised more; it is used more for community interests in the sense of achievement of social, socio-ethical and environmental goals rather than maximising of the profit.

As there were no relevant research on the field of social enterprises in the post-communist reality of the Central Europe, the team of University of Pardubice has decided to present conclusions of its out of common research. The aim of this contribution is to present the development stages and current situation in the area of social enterprise in the Czech Republic and its regions as well as assess the importance of social enterprise for the concept of safe regional development.

2. BASIS OF SOCIAL ENTERPRISE AND ITS CURRENT NOTION IN THE CZECH REPUBLIC

2.1 Basis of Social Enterprise

The notion of social enterprise, as it is used currently in the pan-European context, was not known in the Czech environment in the past. Before the Velvet Revolution in 1989, after which the economy controlled in a directive way started to be transformed into the market economy, there was a principle of full employment. All the people in productive age who were able to work had to be employed. The obligation applied to both the employees and the employers. The question of effectiveness and productivity was suppressed. Only disabled people were allowed to be unemployed and they were usually segregated into specialised care facilities, i.e. they were socially excluded. Persons with a lower degree of disability were employed in production cooperatives for the disabled², which correspond to the current notion of social enterprise to a significant degree. (In some cases, these disadvantaged persons were included in standard operations where they had positions which they could handle with regard to their handicap.) Persons who were disadvantaged otherwise, i.e. the adolescents, older women, the homeless, released prisoners, single-parent families etc., were not solved officially then, as it is the case nowadays.

¹ According to a report of the Social Business Initiative (SBI), social enterprise represents up to 10 % of GDP of the European economy and there are more than 11 million employees active in it, which is approx. 4.5 % of the active EU population. The regional intensity varies. The most numerous share of social enterprise in the national economy is in Finland, followed for example by Great Britain or Slovenia. (Holmen & Mizzi, 2014)

² They still exist in the Czech Republic, in particular there are 40 of them in the Association of Czech and Moravian Production Cooperatives.
With a change of the social system, the attention focused on social enterprise is starting to break through cautiously, which is also proved by the development of the number of social enterprises in the Czech Republic shown in Figure 1. It clearly shows that the initial activities in the area of social enterprise can be found in the Czech Republic short after the beginning of the process of economic transformation from the centrally planned economy to the standard market system of a western type, even though only in a very small extent. This fact can be probably considered to be a result of the fundamental social and political changes which resulted from collapse of the former system which ensured activities of social enterprise in the current interpretation to a certain degree, but strictly banned private activities in this area.

**Figure 1**: Count of social enterprises development in the Czech Republic

[Graph showing count of social enterprises development in the Czech Republic]

Notes: * Before 3rd October 2014
Source: Authors' own calculations; based on [P3-directory, 2014].

At the same time, it is clear from Figure 1 that in the segment of social enterprise there was a slow gradual saturation which accelerated significantly at the end of the first decade of the 21st century. This sudden interest in operation of companies with tendency towards social welfare can probably be attributed to extensive support initiatives by means of which it is possible to draw financial funds for support of activities of socially focused companies, within the scope of fulfilment of the goals of the European Union, especially its programme period of 2007-2013. The development of social enterprise in the modern Czech Republic can be divided into several stages:

- Stage of slow increase in establishment of social enterprise (1993-2007) when their number did not reach five dozens;
- Stage of increased interest in social enterprise with a slow start of their identification (2008-2010) when using the funds of the European Social Fund and co-financing from the state budget of the Czech Republic, companies with connections to the EQUAL programme (an operational programme of “Human Resources and Employment”) are established thanks to the corresponding public education and promotion in dozens and their number then approached the number of 100 entities;
- Stage of acknowledgement and support of social enterprises (2010-2013), which can be marked as a turning point; the topic of social enterprise starts to appear in political strategies, national and regional development programmes, thematic networks are started, experiences are exchanged at the international level, the number of social enterprises is roughly doubled; there are the first proposals of the systematic solution of this issue as well as priorities for the following programme period;

3 Established after the split of Czechoslovakia on 1st January 1993
• Stage of perceiving social enterprise as a potential element of the safe regional development (2014+), i.e. not only an element affecting the traditional area of employment but also the area of regional development and support for enterprise. The National document to the territorial dimension itself (MMR, 2014), which is focused on coordination of interventions with the aim to provide support for balanced territory development defines two types of regions for strengthening of the infrastructure for social enterprise, i.e. the capital city of Prague seen as the pole of growth and on the other hand the pole of regional structures with the lowest performance, i.e. the rural regions.

2.2 Current Attitudes

By means of its professional institutions, the Czech Republic is incorporated in the EMES research network 4 as well as ENSIE network 5 . Both these networks represent various socio-economic environments and traditions but they still show certain common features of regulation of social companies, such as acknowledgement of the social enterprise status, registration and keeping of their transparent list, registration obligation of social enterprises, and a supervisory body which is often the support provider. The biggest attention paid to the issue of social enterprise in the Czech Republic, which resulted in submitting a proposal for settlement of this area by means of a separate special act (even if such a proposal was not generally positively accepted) can be seen in 2007. Specialist studies, research examination and analyses were processed, e.g. (GLE, 2008), (AC, 2012), (TESSEA, 2013), (P3, 2013), (P3, 2014), whose conclusions were often included in national strategic documents the most significant of which is National Programme of the European Year for Combating Poverty and Social Exclusion from 2009 (hereinafter referred to as the “National Programme”) and Social Inclusion Strategy 2014-2020 which was approved by the government resolution on 8th January 2014. Currently there are other relevant activities on progress, mainly determination of the indicators – identification features of a social enterprise. The fact is that this intention is not trouble-free and simple is illustrated by the statement of A. Kay: “The “mapping” of social enterprise is very difficult as definitions are often very wide and…it is difficult to know what is a social enterprise and what is not.” (Kay, 2011)

One of the five priorities of the National Programme concerns the concept of active inclusion in the labour market and it is focused on the unemployed (especially the long-term ones); the disabled, prisoners or persons released from prison, unemployed women looking after children or women who are sole wage earners, persons who finished their education prematurely, persons with low qualification, and persons older than 50 and foreigners. Within the measures connected to it, there is also social enterprise. The national programme warns: “If the long-term unemployment becomes a life strategy, transfer of these patterns in family is especially threatening when socialising children – a risk of occurrence of so-called poverty culture, transfer of the loss of motivation for finding a job in the labour market between the generations…. It is connected with the phenomena of material and social deprivation.”(MPSV, 2010, p. 8) The main institutional factors influencing employment of these disadvantaged persons, mainly the disabled, are considered to be: employment offices, social security system, and self-administration of towns and villages and employers. The performed study (AC, 2012) showed the following:

• Employers do not have general information about influence of the individual handicaps on capability of performance of particular professions;
• Disadvantaged persons do not have good access to quality information sources, they often cannot work with computer, which results in insufficient use of the Internet as an information source;

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4 EMES has existed since 1996, when an international group of scholars formed a research network that had been sponsored by the European Union. Formally established as a non-profit association in 2002 and named after its first research programme, on “the emergence of social enterprises in Europe”. See: http://www.socialeconomy.eu.org/

5 European Network for Social Integration Enterprises. See: http://www.ensie.org
If no job is found within approx. 12 months, the metal state of the disadvantaged persons deteriorates significantly as a result of deprivation from being refused and financial dependence on the state; Employment offices provide services to disadvantaged persons non-systematically and non-uniformly in the whole Czech Republic; Schools intended primarily for disadvantaged persons create an artificial social environment and their graduates then find it difficult to adapt in the standard environment; There is a lack of activities which would lead to finding a concrete job vacancy in connection with assessment of the health condition.

From the point of view of assessment of the motives of disadvantaged people to find a job (with an emphasis on the disabled), the strongest motive is money, i.e. work as a way to make a living. This motive escalates in the Czech Republic in the regions with the highest degree of unemployment (Moravian-Silesian Region and Usti Region). Other motives for finding a job (arranged in descending order according to significance) include “possibility not to stay at home all the time”, “possibility to meet other people”, “possibility to be needed”, only at the last place there was “possibility to gain new knowledge and experience”.

A specific connected problem is homelessness. According to the estimates of experts from Nadeje association (English: the Hope), there are about 30 thousand homeless people in the Czech Republic who correspond to the ETHOS typology6, or modified Czech typology which defines four basic conception categories (I. without a roof, II. without a flat, III. uncertain housing, IV. unsatisfactory housing) and within the scope of its 35 subcategories (Hradecky, 2007). Like the ETHOS typology, it describes the physical, legal and social dimension of the specified categories. However important this typology is for solution of a problem where the dynamic part is emphasises (emphasis is laid on the its procedural basis, not the state), it can be considered a certain imperfection that it does not have relation to the issue of employment of the homeless which undoubtedly is one of the most important issue for solution of their problem and which affects all the described dimensions, but most significantly the social one.

The specified list shows that a social enterprise can have various forms or types. In the Czech Republic, we differentiate between a general social enterprise and an integration social enterprise. Both types have a goal beneficial to the public which is specified in the establishment documents. As regards the general social enterprise, specification of the goal beneficial to the public is within its competences, in the integration social enterprise its definition is connected with employment and social inclusion of persons disadvantaged in the labour market. However, identically they require transparency and publicity of both the actual target and establishment documents. In connection with the goal, other features of a social enterprise are indicated, as you can see in Figure 2.

A very significant benefit (above the scope of the generally accepted principle of three benefits) seems to be the newly declared local benefit which strengthens the external relations of a social enterprise and local communities, establishes or develops and therefore cultivates the social capital. Cooperation and coordination in the area of inclusive social innovations is considered to be critically needed by e.g. the British consultant Lu (Lu, 2013). If a principle of three benefits means elimination of threats of social and economic exclusion or disruption of the environmental stability and aims towards maintenance of safety, the fourth one – the local benefit – emphasises the local or regional dimension of this safety as a premise of further development. Social enterprise then acts as one of the endogenous factors of the safe development of the region/locality.

Figure 2: Proposed indicators of social enterprises – general and integration ones

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6 European Typology of Homelessness and Housing Exclusion. See: http://www.feantsa.org
A crucial issue of functioning of a social enterprise is its capital and financial backup. In the Czech Republic, we can differentiate between the direct and indirect support for social enterprises. The direct support includes

- System solution using the means connected with the measures of active employment policy implemented by employment offices in connection with the act on employment (act, 2004); these means are understood as part of the economic indicator of the required share of sales – a kind of quasi sales – see Figure 2;
- Subsidies implemented at the local, regional or national level when it is usually a combination of the funds from the public budgets and from EU funds allocated to the approved operation programmes or programme of development of rural areas;
- An additional support can be seen in (advantageous) credit service of the state institution – Czech-Moravian Guarantee and Development Bank, but it is not aimed specially on social enterprises but on support of small and medium-sized enterprises in general (e.g. START programme).

The indirect support is then represented by direct and indirect tax allowances (income tax, value added tax) and relief from social security insurance. According to the representative of social enterprise, a significant thing is stipulation of the act on public contracts (act, 2006). They would appreciate if social enterprise could be qualified as preferred suppliers in order to increase their chances due to these preferences, as their specific features do not enable them to do well in the competition which is often based on the criterion of the lowest price offer. However, it is more acceptable for them to compete for a job than to wait and hope for having a subsidy allocated. Therefore, in the interest of implementation of such an intention, it is necessary to have transparently assessable indicators of recognition of social enterprises.

Notes: (G) means general indicator; (I) means integration indicator
Source: Authors’ own work on the basis of unpublished material of the Czech Ministry of Labour and Social Affairs of the Czech Republic (MPSV) “Set of indicators (features) for a social enterprise and integration social enterprise”, prepared by P3-People, Planet, profit, o.p.s. (obecně prospěšná společnost, or a public service company.)
The question discussed currently in the Czech Republic is the fact whether the existing legislative possibilities are sufficient for effective functioning of social enterprises or not and whether Lex specialis is therefore required for this area. In 2014, the act on business corporations came into force (act, 2014) which in its part three defines stipulates the legal form of a social cooperative. Besides the parameters specified de facto in Figure 2, it focuses the activities of a social cooperative mainly (mainly, not solely) in the area of social services and health care, education and housing – all this for the purpose of social coherence and work and social integration of disadvantaged people. It is necessary to emphasise the fact that the mentioned act also stipulates the dimension of local benefit. It means that also in the legislation (even though only implicitly), the safety and development parameter is interconnected, in the context with local self-sufficiency.

2.3 Spatial Breakdown of Social Enterprises

From the point of view of the territorial distribution, it is possible to say that distribution of social enterprises in the regions of the Czech Republic is highly differentiated. In this sense, the clearly dominant position belongs to the capital city of Prague in the territory of which there are 41 social enterprises, or represents 20.1 % of all the social enterprises. This dominance can be attributed to the factual position of Prague as the undoubtedly determining national centre as regards the demographic and economic characteristic and also from the point of view of allocation of the top state administration bodies and majority of the activities subordinate to it. When considering the sequence of the following three regions of South Moravia, Central Bohemia and Usti where there are 21 or 10.3 % of social enterprises operating in each of them (see Figure 3), it is clear that half of Czech social enterprises operate only in 4 out of 14 Czech regions. However, as regards the number of inhabitants, these four regions represent approx. 43.2 % of all inhabitants and the high degree of regional disparity, which was clear at first sight, is thus somewhat lower when considering the population factor. On the other side of the spectrum, among the regions with the lowest number of social enterprises, there are regions with the lowest number of inhabitants – the Karlovy Vary Region and Liberec Region.

**Figure 3:** Social enterprises of the Czech Republic in territorial break-down

![Map of Czech Republic with social enterprises distribution](image)

Legend

<table>
<thead>
<tr>
<th>% share of social enterprises within the region</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% or less</td>
</tr>
<tr>
<td>6 - 9%</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>20%</td>
</tr>
</tbody>
</table>

Notes:

CZ010 – Prague; CZ020 – Central Bohemian Region; CZ031 – South Bohemia Region; CZ032 – Plzen Region; CZ041 – Karlovy Vary Region; CZ042 – Usti Region; CZ051 – Liberec Region; CZ052 – Hradec Kralove Region; CZ053 – Pardubice Region; CZ063 – Vysochina Region; CZ064 – South Moravian Region; CZ071 – Olomouc Region; CZ072 – Zlin Region; CZ080 – Moravian-Silesian Region

Source: Authors’ own calculations; based on [P3-directory, 2014]

When considering the relative representation, or in comparison of the values of the converted indicator of the number of social enterprises per inhabitant, we can state that the most advantageous position, or the highest values as regards the given indicator, is in this aspect also taken by the Prague, which is...
followed by (with a distance of several percentage points) by the regions of Olomouc, Usti, Hradec Kralove and Zlin. Here it is suitable to point out the fact that while in the region with the highest representation of social enterprises (except the specific Prague), when considering the population factor, there was a significant change of their order; in the regions with the lowest values of number of social enterprises there was almost no change at all. A comprehensive comparison of the given perspective is presented in Figure 4.

Figure 4: Inhabitants per social enterprises of the Czech Republic in territorial break-down

![Map of the Czech Republic showing the distribution of social enterprises per inhabitant](image)

Notes: See below Figure 3.

Source: Authors' own calculations; based on [P3-directory, 2014].

2.4 Spheres of Social Enterprises’s Business

One of the relevant aspects on the basis of which it is suitable to assess social enterprises is obviously the sphere of their business. As it is clear from Table 1, as regards this point of view, the share of single-aimed and multi-aimed enterprises is virtually levelled. In single-aimed enterprises, it is possible to emphasise a relatively higher degree of orientation on the sphere of restaurants and accommodation, gardening and maintenance work but also food production and sale. In the perspective of social enterprises with a wider sphere of activity, a relatively higher share is reached by the spheres of sale, as well as decorative work, glass work and pottery. When considering all the enterprises, the spheres of business with the highest representation include restaurants and accommodation, followed by sale. The actual fragmentation of social enterprises as regards the sphere of their business can also be illustrated very well via a high share of focus on many various spheres of business which were aggregated in the item called others (areas which overall reach less than 5% share).
Table 1: Social enterprises of the Czech Republic in sphere of business

<table>
<thead>
<tr>
<th>Sphere of business</th>
<th>Single-aimed (%)</th>
<th>% of all</th>
<th>Multi-aimed (%) (primary)</th>
<th>% share of total</th>
<th>All (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decorative work, glass work and pottery</td>
<td>0 (0.0)</td>
<td>0.0</td>
<td>14 (14.0)</td>
<td>6.9</td>
<td>14 (6.9)</td>
</tr>
<tr>
<td>Wood-working, papermaking</td>
<td>4 (3.8)</td>
<td>2.0</td>
<td>7 (7.0)</td>
<td>3.4</td>
<td>11 (5.4)</td>
</tr>
<tr>
<td>Restaurant, food and accommodation</td>
<td>16 (15.4)</td>
<td>7.8</td>
<td>9 (9.0)</td>
<td>4.4</td>
<td>25 (12.3)</td>
</tr>
<tr>
<td>Food production and sale</td>
<td>11 (10.6)</td>
<td>5.4</td>
<td>3 (3.0)</td>
<td>1.5</td>
<td>14 (6.9)</td>
</tr>
<tr>
<td>Sale (in general)</td>
<td>7 (6.7)</td>
<td>3.4</td>
<td>17 (17.0)</td>
<td>8.3</td>
<td>24 (11.8)</td>
</tr>
<tr>
<td>Construction and craftwork</td>
<td>6 (5.8)</td>
<td>2.9</td>
<td>9 (9.0)</td>
<td>4.4</td>
<td>15 (7.4)</td>
</tr>
<tr>
<td>Cleaning, ironing and other textile services</td>
<td>6 (5.8)</td>
<td>2.9</td>
<td>7 (7.0)</td>
<td>3.4</td>
<td>13 (6.4)</td>
</tr>
<tr>
<td>Gardening, plant cultivation, maintenance of real property and cleaning</td>
<td>14 (13.5)</td>
<td>6.9</td>
<td>3 (3.0)</td>
<td>1.5</td>
<td>17 (8.3)</td>
</tr>
<tr>
<td>Others</td>
<td>40 (38.5)</td>
<td>19.7</td>
<td>31 (31.0)</td>
<td>15.2</td>
<td>71 (34.6)</td>
</tr>
<tr>
<td>Total</td>
<td>104 (100)</td>
<td>51.0</td>
<td>100 (100)</td>
<td>49.0</td>
<td>204 (100)</td>
</tr>
</tbody>
</table>

Source: Authors' own calculations; based on [P3-directory, 2014].

2.5 Social Benefit and Target Groups of Social Enterprises

When classifying social enterprises as regards their social benefit (see Table 2) it is clear that only in less than one quarter of cases we can speak about single-aimed social enterprises among which companies focused on the area of equal opportunities are dominant. From the point of view of social enterprises which are not single-aimed, it is clear that these companies are usually focused primarily on the area of the ecology and environment and the area of the local community development within the scope of their activities. By considering all the enterprises at the same time, then 95% of the Czech social enterprises aim own activities to one of the three mentioned areas of the social benefit.

Table 2: Social enterprises of the Czech Republic in social benefit

<table>
<thead>
<tr>
<th>Social benefit</th>
<th>Single-aimed (%)</th>
<th>% of all</th>
<th>Multi-aimed (%) (primary)</th>
<th>% of all</th>
<th>All (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal opportunities</td>
<td>30 (66.7)</td>
<td>14.7</td>
<td>35 (22.0)</td>
<td>17.2</td>
<td>65 (31.9)</td>
</tr>
<tr>
<td>Ecology and environment</td>
<td>3 (6.7)</td>
<td>1.5</td>
<td>66 (41.5)</td>
<td>32.4</td>
<td>69 (33.8)</td>
</tr>
<tr>
<td>Local community development</td>
<td>3 (6.7)</td>
<td>1.5</td>
<td>58 (36.5)</td>
<td>28.4</td>
<td>61 (29.9)</td>
</tr>
<tr>
<td>Social issues (providing of social consultancy and help)</td>
<td>7 (15.6)</td>
<td>3.4</td>
<td>0 (0.0)</td>
<td>0.0</td>
<td>7 (3.4)</td>
</tr>
<tr>
<td>Others</td>
<td>2 (4.4)</td>
<td>1.0</td>
<td>0 (0.0)</td>
<td>0.0</td>
<td>2 (1.0)</td>
</tr>
<tr>
<td>Total</td>
<td>45 (100)</td>
<td>22.1</td>
<td>159 (100)</td>
<td>77.9</td>
<td>204 (100)</td>
</tr>
</tbody>
</table>

Source: Authors' own calculations; based on [P3-directory, 2014].

On the basis of assessment of the composition of social enterprises in the perspective of the target group of the people (see Table 3) to whom the operated activity is supposed to provide potential for increasing of their standard of living, we can say that the shares of the single-aimed and multi-aimed social enterprises are almost levelled. A clearly dominant focus is on disabled people. Almost two thirds of social enterprises are aimed at this group of inhabitants regardless the width of their operation. Other most frequent target groups of inhabitants for social enterprises are the long-term unemployed and children and young people. However, the share of the companies focused on these target groups, as well as all the other target groups, is only in single figures.
Table 3: Social enterprises of the Czech Republic in target group

<table>
<thead>
<tr>
<th>Target group</th>
<th>Single aimed (%)</th>
<th>% of all (primary)</th>
<th>Multi aimed (%)</th>
<th>% of all</th>
<th>All (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term unemployed</td>
<td>9 (8.3)</td>
<td>4.4</td>
<td>7 (7.4)</td>
<td>3.4</td>
<td>16 (7.8)</td>
</tr>
<tr>
<td>Ethnic minorities</td>
<td>4 (3.7)</td>
<td>2.0</td>
<td>4 (4.2)</td>
<td>2.0</td>
<td>8 (3.9)</td>
</tr>
<tr>
<td>Homeless persons and released from prison</td>
<td>4 (3.7)</td>
<td>2.0</td>
<td>6 (6.3)</td>
<td>2.9</td>
<td>10 (4.9)</td>
</tr>
<tr>
<td>People who provide care for a family member</td>
<td>1 (0.9)</td>
<td>0.5</td>
<td>1 (1.1)</td>
<td>0.5</td>
<td>2 (1.0)</td>
</tr>
<tr>
<td>Addicted people</td>
<td>2 (1.8)</td>
<td>1.0</td>
<td>1 (1.1)</td>
<td>0.5</td>
<td>3 (1.5)</td>
</tr>
<tr>
<td>Disabled people</td>
<td>72 (66.1)</td>
<td>35.3</td>
<td>63 (66.3)</td>
<td>30.9</td>
<td>135 (66.2)</td>
</tr>
<tr>
<td>Children and young people in difficult situations in life</td>
<td>3 (2.8)</td>
<td>1.5</td>
<td>13 (13.7)</td>
<td>6.4</td>
<td>16 (7.8)</td>
</tr>
<tr>
<td>Others</td>
<td>14 (12.8)</td>
<td>6.9</td>
<td>0 (0.0)</td>
<td>0.0</td>
<td>14 (6.9)</td>
</tr>
<tr>
<td>Total</td>
<td>109 (100)</td>
<td>53.4</td>
<td>95 (100)</td>
<td>46.6</td>
<td>204 (100)</td>
</tr>
</tbody>
</table>

Source: Authors' own calculations; based on [P3-directory, 2014].

2.6 Examples of “Best Practices”

As we have already mentioned, the highest number of activities in social enterprise is concentrated in the area of restaurants and catering. This area is dominant mainly in the periphery regions, while in the capital city of Prague and two other largest cities, social enterprises offer a wider range of services. In the area of restaurants and catering, we can mention, for example, the Pardubice enterprise of Petriva7 which runs a self-service canteen in the centre of Pardubice where the disable and long-term unemployed prepare healthy dishes mainly from fresh seasonal ingredients. A similar idea is also behind Dobromysl restaurant8 in nearby Hradec Kralove which employs mainly young people in a difficult situation in life and the long-term unemployed. In previous years, both these projects were supported from the European Social Fund.

In 2012 in the capital city of Prague, three university students came up with a project called Pragulic9 (Prague-street) which offers a tour of the city through the eyes of a homeless person. This approximately two-hour tour also includes a stopover for refreshment in the environment of this theme. The offer within this project is gradually extended for example by a possibility to try authentic 24 hours without home. Another new activity is organising of original “homeless” teambuilding events which are based on fulfilment of tasks from the areas of marketing, logistics, sale, finances and human resources. For example, within the activity focused on sale the participants get a task to sell things found in dust bin directly in the street as quickly as possible for the maximum possible amount of money. As regards finances, it is a created team fundraising in the form of street art. In the logistic part, the money raised is used for buying food and other things useful for the homeless that are then brought by the team to a concrete homeless area. Another offered activity is a city game Prague Homeless Challenge which is an interactive half-a-day to one-day programme for groups of young people aimed primarily on students of secondary schools and second half of primary schools the strategic goal of which is support of education in the area of social awareness, sustainability and ecology.

The fact that social enterprise in regions does not have to be engaged only in restaurants or handicraft of accessories in protected workshops is proved by the regional project called Sikulove (English: Dab hands)10. It is a company from Znojmo which was established in June 2011 and which is engaged in development and manufacturing of models of means of transport. They are focused mainly on models

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7 For more, see: http://www.jidelnapohanka.cz
8 For more, see: http://www.restaurace-dobromysl.cz
9 For more, see: http://www.pragulic.cz
10 Nowadays the IGRA Model. For more, see: http://www.modelkrajiny.cz
of Czech and Slovak vehicles which have been missing in the market so far and which are sought after by modellers. The company manufactures detailed models of trains and railway buildings, models of cars, airplanes or ships and other utensils for modellers. From its beginning, the company is built on the principles of social enterprise and it has been functioning successful even without use of subsidies from the European funds. However, currently it is planning to use these funds for its further development. The company employs persons with restricted capability of work, such as people with a slight mental retardation.

Another specific project is activity of the social enterprise Energeia. It implements a project called “Small hydroelectric power plant in Steti” which will continue providing financial funds in the future for implementation of the company’s plans beneficial for the community, for example, operation of a hospice or implementation of educational activities which will thus not depend on random and one-off subsidies. The power plant project is totally unique in both the Czech and global context and it combines social and environmentally friendly goals. With regard to the fact that in the Czech Republic purchase of energy from renewable resources is guaranteed in advance, including the price of the purchased energy, profitability and probability of fulfilment of the expected income is very high. The project of the power plant construction is co-financed from approximately 12 % from the European funds, in particular from the Operational Programme Enterprise and Innovation which supports construction of renewable energy resources.

2.7 Towards the Assessment of Impacts of Social Enterprises on Disabled Persons

With regard to the above mentioned dominance of social enterprises the nature of which is solely or primarily focused on disabled persons (66.2 % of enterprises), this type of companies seems to be suitable for additional intentional analyses, mainly analyses of impacts of existence of social enterprises on the development of potential for increasing of the standard of living of the disabled. The region of the capital city of Prague, where the share of social enterprises focused on the disabled reaches as much as 75.6 % (31 cases), together with the fact that it is the region with the highest number of social enterprises but also one of the largest databases of the long-term monitored statistic indicators, seems to be clearly the most suitable region for the suggested analyses.

On the basis of the research of the available data sources, for assessment of the impact of social enterprises on potential for increasing of the standard of living of the disabled we chose two labour market indicators. Particularly it was an indicator of unsaturated supply of labour, or number of disabled unemployed people (unemployment) and an indicator of unsaturated demand for labour, or number of job vacancies intended for the disabled (vacancies). Of course, both indicators are closely connected but their relationship is not reciprocal, and one’s change is not a necessary condition for the other’s change, even in many cases such “market-clearing relation” certainly exists. The analysis of development of both indicators in the context of the development of the indicator of number of social enterprises for the period of 1997-2013 is shown in Analysis results section below.

3. METHODOLOGY

Fulfilment of the determined goal was achieved by means of the following approved starting points and methods. The information about social enterprise were gained from the Directory of Social Enterprises (P3-directory, 2014) which is created on the basis of a voluntary registration of the individual entities in this register (therefore it does not have to necessarily include information about all the existing social enterprises operating in the territory of the Czech Republic), at the same time it is one of the most extensive national and relatively unified database which was found during research of the available sources. The information about the number and characteristic features of social

11 For more, see: http://www.energeia.cz
enterprises are valid as of the date when the documents for preparation of this contribution were gathered, i.e. 3rd October 2014. The values of another indicator to which social enterprises were related within the scope of the territorial analysis for the needs of subsequent comparison, i.e. the number of inhabitants, was obtained from the public database of the Czech Statistical Office (CSU-VD, 2014).

The information about number of the disabled unemployed (unemployment) and the number of job vacancies intended for disabled people (vacancies) were obtained from the database of Czech Statistical Office - Regional Office Capital City of Prague (CSU-Prague, 2014). An evaluation analysis of development of these two indicators in the context of development of the number of social enterprises was performed for the period from 1997 to 2013. The impacts of social enterprises were first evaluated using the correlation analysis, while the normality of the assessed time series was tested via the Shapiro-Wilk test and via the Kolmogorov-Smirnov test. This dual verification was chosen due to the fact that there are certain limits arising from time series of insufficient length. Due to the established non-normality, the time series were tested for the subsequent analysis also in transformation to the form of its first and subsequently second differences. However, despite this transformation, the test results showed a very weak normality. In connection to these findings which could distort the achieved results fatally to an undesirable degree, a non-parametric variant was chosen for the subsequent analysis, in particular Spearman’s rank-order correlation method. For the relevant degree of significance, for the whole time of the correlation analysis we estimated significance levels of 0.05 and 0.10.

Together with the correlation analysis, we also performed a causal analysis based on the principle of assessment of so-called Granger causality (Granger, 1969). Within the scope of this approach, stationary of the time series was tested using conventional unit root tests, or augmented Dickey-Fuller test (ADF) and Phillips-Peron test (PP), respectively. Again, this dual testing was chosen on purpose with the effort to ensure a higher relevance of the findings which due to a shorter extent of time series can be distorted to a certain degree. Acceptance or rejection of validity of the tested hypotheses concerning existence of the unit root is decided on the basis of MacKinnon one-sided p-values but their calculations are primarily intended for the time series with 20 or more observations. In our case (after transformation to the level of second differences, there are only 15 observations available) the established results do not always may achieve the required accuracy. The most suitable lag lengths were determined using Akaike’s information criterion (AIC), the bandwidths were determined via the Newey-West automatic selection (using Bartlett kernel). On the basis of the specified procedures, it was possible to decide about the orders of integration of each of the assessed time series. Also when developing a vector autoregressive model (VAR), the most suitable lag lengths were determined primarily on the basis of AIC and Schwarz information criterion (SIC). At the same time, we considered a potentially negative influence of serial correlation which was assessed via the Autocorrelation LM test. Again, this additional check was chosen in order to reach the highest possible relevance of the achieved results. As the analysed pairs of time series are burdened with various levels of non-stationary, in this case it is not possible to test Granger causality in the conventional way, therefore in this contribution, Granger causality was tested by means of a modified Toda-Yamamoto approach (Toda & Yamamoto, 1995). If we put it in a simple way, the adjusted Toda-Yamamoto approach enables testing of Granger causality of non-stationary time series when addition of extra lags in VAR solves a failure of Wald test by asymptotic chi-square distribution which occurs during testing of non-stationary data.

4. ANALYSIS RESULTS

4.1 Correlation Analysis

On the basis of normality tests it was found out that according to the results of the Shapiro-Wilk test and Kolmogorov-Smirnov test, normality is only shown by the time series of unemployment and vacancies. On the other hand, the development of the social enterprises indicator shows normality only at the level of its second differences. However, even in this case the established normality can rather be
marked to be weaker, even though statistically proved. At the same time, normality of non-transformed data of the unemployment and vacancies indicators can be marked to be rather weaker. Detailed statistic results confirming the above specified facts are shown in Table 4.

Table 4: Results of normality tests

<table>
<thead>
<tr>
<th>No. of cases</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Shapiro-Wilk test</th>
<th>Probability</th>
<th>Kolmogorov-Smirnov test</th>
<th>Probability*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unemployment</strong></td>
<td>17</td>
<td>2466.5882</td>
<td>537.4705</td>
<td>0.9243</td>
<td>0.1746</td>
<td>0.2000</td>
</tr>
<tr>
<td><strong>Vacancies</strong></td>
<td>17</td>
<td>349.7059</td>
<td>230.9702</td>
<td>0.9223</td>
<td>0.1613</td>
<td>0.2000</td>
</tr>
<tr>
<td><strong>Social enterprises</strong></td>
<td>17</td>
<td>9.1176</td>
<td>9.5517</td>
<td>0.6941</td>
<td>0.0001</td>
<td>0.3338</td>
</tr>
</tbody>
</table>

1st differences

| Social enterprises | 16         | 1.8125            | 2.7379             | 0.7099      | 0.0002                  | 0.3042       |

2nd differences

| Unemployment       | 15         | -26.6667          | 286.7335           | 0.9847      | 0.9919                  | 0.0856       |
| Vacancies          | 15         | 30.4667           | 275.5807           | 0.9486      | 0.5032                  | 0.1807       |
| Social enterprises | 15         | 0.0667            | 2.4631             | 0.9107      | 0.1389                  | 0.2190       |

Notes: Smaller probabilities indicate non-normality. * Lilliefors probability = 0.2 means 0.2 or greater
Source: Authors’ own calculations.

With regard to establishment of a very weak normality in the time series of the social enterprises indicator, for the subsequent correlation analyses we chose a non-parametric method of testing - Spearman’s rank-order correlation. The overall results of the correlation analysis are presented in Table 5.

Table 5: Results of correlation analysis (Spearman’s rank-order method)

<table>
<thead>
<tr>
<th>Correlation coefficient</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>0.1958</td>
</tr>
<tr>
<td>Vacancies</td>
<td>0.4833</td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

As it is clear from Table 5, when using non-parametric correlation analysis, there is a statistically significant correlation relation only between the developments of the social enterprises – vacancies indicators, but not between the developments of the social enterprises – unemployment indicators. As it is well visible from the analysis results, the intensity of the significant relation is not fully determining. However, at the same time, we can say that it is not negligible (social enterprises – vacancies \( \rho = 0.4833 \)). Statistically confirmed positive relation between the two indicators of social enterprises – vacancies can probably be marked as theoretically rational and expectable. Although the correlation analysis confirmed the statistical significance of the social enterprises – vacancies relation, with regard to the nature of the correlation analysis the weak point of which is purely formal determination of the dependant and independent variable when under certain circumstances this classification can totally differ from the real relations, the established relation could also be interpreted totally inversely, i.e. that growth of the vacancies causes growth of the number of social enterprises. In connection with the above specified reasons and the efforts to find the real relations between the examined indicators, the mentioned relations were also examined from the point of view of their mutual causality or tested as regards existence of Granger causality.
4.2 Causality Analysis

The basic condition of testing of variables concerning existence of Granger causality is their stationary. When considering the characteristic features of time series and at the same time the results of previous tests on fulfilment of elementary prerequisites of the correlation analysis, fulfilment of this condition is prospectively excluded. In the interest of the effort for the lowest possible error rate when working with time series with a lower number of observations, the variables were tested for existence of the unit root. The overall results of the unit root tests – ADF and PP – are shown in Table 6, in case of non-zero orders of integration, the time series were transformed into the form of their differences.

Table 6: Results of unit root tests

<table>
<thead>
<tr>
<th>Variable</th>
<th>ADF</th>
<th>PP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T-statistic</td>
<td>Probability</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-2.6710</td>
<td>0.1018</td>
</tr>
<tr>
<td>Vacancies</td>
<td>-3.8822</td>
<td>0.0148</td>
</tr>
<tr>
<td>Social enterprises</td>
<td>-3.9814</td>
<td>0.0104</td>
</tr>
</tbody>
</table>

Notes: ooi means order of integration; * lag lengths are determined by AIC; * bandwidths are determined by Newey-West automatic selection (using Bartlett kernel)
Source: Authors' own calculations.

Table 6 clearly proves the precondition of non-stationary of the variable of social enterprises as well as weak but virtually existent stationary of unemployment (this statement does not have any influence on relevance of other results) or non-stationary of vacancies. Non-uniform level at which the condition of stationary was proved for the time series or their differences and the connected variability of orders of integration of the individual variables excludes use of a conventional method for testing of Granger causality. Due to this reason, existence of Granger causality will be tested using a modified Toda-Yamamoto approach.

On the basis of determination of orders of integration of each of the variables (always the higher of both values), it is now possible to determine and subsequently optimise VAR of each of the assessed pairs of indicators. Although on the basis of AIC and SIC, the most suitable lag length for VAR of the social enterprises - unemployment indicators was determined at the value 2, on the basis of the findings from the Autocorrelation LM test it was necessary to increase the lag length to 3 for elimination of the undesirable influence of the high degree of autocorrelation. A similar modification of the lag length also had to be performed in case of VAR indicators of social enterprises - vacancies, although AIC recommends the lag length 2 and SIC determines the optimum lag length 1 – the established high degree of autocorrelation with the lag length 2 was compensated by decreasing of the lag length to the value of 1. The final results of testing of variables for existence of Granger causality are shown in Table 7.

Table 7: Results of Granger causality tests

<table>
<thead>
<tr>
<th>From variable to social enterprises</th>
<th>Chi-sq</th>
<th>df</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>6.2175</td>
<td>3</td>
<td>0.1015</td>
</tr>
<tr>
<td>Vacancies</td>
<td>0.0300</td>
<td>1</td>
<td>0.8625</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From social enterprises to variable</th>
<th>Chi-sq</th>
<th>df</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>0.6534</td>
<td>3</td>
<td>0.8841</td>
</tr>
<tr>
<td>Vacancies</td>
<td>2.8406</td>
<td>1</td>
<td>0.0919</td>
</tr>
</tbody>
</table>

Notes: df means degree of freedom
Source: Authors' own calculations.

The results presented in Table 7 clearly show existence of causal relations, or Granger causality, at the level of significance of 0.10 in the direction from social enterprises to vacancies and virtually also in the direction from unemployment to social enterprises. However, it is necessary to emphasise that in the opposite direction, the existence Granger causality was not confirmed. These findings bring quite
significant consequences for justification of existence of social enterprises in the Czech Republic or their possible protection within the particular market economy. If:

1. The number of the unemployed influences the number of social enterprises, the number of social enterprises does not influence the number of the unemployed;
2. The number of social enterprises influences the number of job vacancies, the number of job vacancies does not influence the number of social enterprises;

then from the results of the presented causal analysis, with the parallel consideration of the results of the correlation analysis or proof of existence of a positive relation of the social enterprises – vacancies indicators and at the same time no proof of existence of relation between the social enterprises – unemployment indicators, on the basis of the current development of the regions in the Czech Republic in the period from 1997 to 2013 and arising findings, it is possible to infer the following causal chain for the reality in the Czech Republic:

The number of the unemployed provably influences occurrence of new social enterprises but indirectly it also causes a change in the offer of job vacancies or demand for work, in the same trend in which it influences the existence of social enterprises.

Therefore, it is possible to conclude that the escalating need to find a job for an increasing number of job applicants creates a potential for its saturation to a significant degree by means of newly established social enterprises which create a portfolio of additional job vacancies but at the same time, in an approximately equivalent degree, created a potential for saturation by means of extension of capacities of the current employers from the areas of social enterprises – both in the form of their support from an external source or by means of activation of their own reserves and funds which lead the enterprise to achievement of wider socially beneficial goals and basically justify one of the elementary purposes of their existence. However, paradoxically there is no prospectively expected decrease of the number of the unemployed due to the extended offer of job vacancies which could be expected rationally in connection with the theoretical functionality of the markets. In connection with this surprising phenomena, with absence of other relevant arguments, we can currently only speculate about the possible causes, whether it is influx of disabled workers who has worked so far in conventional business units, workers who have not been interested in work before or only an unsuitable structure of new positions which does not reflect the available offer of work for disabled citizens. Logically, in this connection we cannot exclude theoretical increasing of work performance and professional qualities of the current employees which increase competition in the labour market of the disabled. The mentioned possibility can indirectly result in growing requirements for potential employees starting to work, which creates a barrier which prevents the unemployed to find a new job. However, the suggested scenarios exceed the scope of this study at the moment and they were not studied empirically in greater detail, therefore their relevance can be marked as prospectively unsure.

4.3 Research Limitations

The analysis results and the arising conclusions have to be seen with a certain degree of caution and rationality. The results will probably be distorted to a certain degree by two significant exogenous factors a satisfactory abstraction of which is probably absolutely impossible at the moment with regard to the fact that the examined phenomena are too fresh. They are impacts of the global economic crisis at the end of the first decade of the 21st century which resulted in the temporary recession of the economy of the Czech Republic which logically led to a series of radical shocks to which the markets were exposed – including the labour market of the disabled. It also includes the above mentioned protection of social enterprise in compliance with fulfilment of the strategic goals of the EU policy. On the other hand, parallel operation of these phenomena could have eliminated the final effect of both externalities to a significant degree. At the same time, when looking at the empirical results, it is clear that characteristic features proving many conclusions, despite being statistically significant, often occur very close to the selected significance level (0.10). However, with regard to the lower number of observations within the scope of the monitored time series, a possible stricter variant of verification of hypotheses probably would not be totally adequate in this case – as regards attainability of statistically relevant results.
The second main “bundle of limitations” is connected with low number of cases within the tested volumes. All the important limits of this kind of analysis and our steps to correct these issues have been explained in the Methodology section. Even though we tried to decrease this limitation by using more independent test procedures (where alternative exists), we may only presume, but not prove, that these extra measures met our goal to make our findings more robust.

5. CONCLUSION

The presented paper has shown conclusions of out of common research on the relatively new filed of private entrepreneurship in the environment of Central Europe, especially of the Czech Republic – the social enterprises. Despite all the efforts and positive quantitative as well as qualitative changes, the position of social enterprises has not been fully anchored in the reality of the region. Within the scope of the overall assessment of the aspects of territorial distribution, sphere of business, social benefits, and target groups we can consider the structure of social enterprises in the country to be relatively differentiated. As regards the territorial differentiation, social entrepreneurship is logically significantly determined by the structure of settlement system. Fragmentation in the perspective of sphere of business can possibly be attributed in a high degree to purely exogenous factors – mainly the existent market structure and signals of insufficient saturation of the market of the goods and services in particular segments but also in the individual regions. When considering social benefits by means of which social enterprises try to eliminate the social and economic exclusion and enrich the quality of the life of the inhabitants of the Czech Republic regions endangered by it, we could talk about a relatively even distribution of enterprises among the three social goals. (On the other hand, however, in this aspect we have to state a certain restriction of the source database which records the specified aspect at quite a high level of aggregation, which logically results in a lower variability of the reported categories arising from their limited number.)

In the aspect of groups of persons on which the activity of social enterprises is focused on, there is an undisputable prevalence of social enterprises focused on disabled people. This reality can be explained to a certain degree by long-term activities in the area of integration of the disabled in majority of common everyday activities, and also by a high degree of the social solidarity with the specified group, or perceiving health as usually one of the highest items in the ladder of social values. A certain role is surely also played by a higher degree of empathy of the majority in the sense of considering the factor of own fault, or the basic assumption that this particular disadvantage of the disabled does not result from the logical sequence of their personal and personality mistakes.

On the basis of the empirically based findings, we can state that support for social enterprises has rather a social than an economic purpose. The number of the unemployed inhabitants influences the number of social enterprises but a higher number of social enterprises do not provably decrease the number of unemployed. At the same time, when considering the established relation between the variables of social enterprises – vacancies, we can state that an increasing number of social enterprises have a positive impact on the growth of the number of job vacancies. However, the requirement for inclusion of the unemployed in work is clearly not saturated dominantly by making new job vacancies which would show connection with establishment of new social enterprises. On the contrary, surprisingly the number of job vacancies, whether in case of undersized or oversized demand for work, does not have any provable influence on possible establishment or restriction of activities of social enterprises. Naturally, when performing this special form of business activities, logically it is not possible to consider conventional schemes for processes of potential increase of competitiveness of the produced values on the basis of increasing effectiveness of partial processes. With regard to the specific nature of the whole area of social enterprise and being aware of existence of the above mentioned market abnormalities we can assume that fragmentation of the existing structures may decrease the overall effectiveness of social enterprise. The mentioned phenomena will probably be significant mainly in those market segments and territories where social enterprises compete with each other considerably.
Last but not least, also with regard to the above mentioned connections, we can state that development conceptions of the region and its individual localities cannot ignore the potential sources of occurrence of undesirable social phenomena caused by exclusion of both individuals and groups of people. Despite the above specified restrictions, on the basis of our findings, the recommendations aimed mainly at the support of the existing social enterprises and seem to be completely legitimate.

6. REFERENCES


