

Establishment and perspectives of social economy in the V4 countries

Introduction

Currently, in Europe as well as in V4 countries, more and more interest is noted in the social economy. The most important in social economy is the primacy of ethics in management. This means that moral principles are subordinate to moral values. A key principle of this idea is the primacy of human actions on the maximization of profit, and therefore the development of measures to guard society. So it comes to the creation of two contradictory trends: on the one hand, it is the social order, giving preference to the interests of the poor layers, and as a charging economy social benefits, on the other hand the feeling of freedom of economic activity in order to maintain maximum efficiency. The first trend represents the social economy and the other is - economics [Rutkowska 2009, pp. 257-264]. The aim of the social economy is therefore to support people at risk of social exclusion, which means that its function is paramount to prevent social exclusion. Vulnerable groups of social exclusion are mainly people: long-term unemployed, homeless, dependent and isolated. The social economy includes associations, foundations, cooperatives, mutual societies, professional activity, occupational therapy workshops, and other organizational forms that engage in the life of the local community.

The European Research Network (EMES) has come to a statement that a welfare state is gradually changing into a mixed welfare state, where the responsibility is divided between three economic sectors. Beside public institutions, also classic business entities focused on profit and various third sector entities more and more engage in solving social problems of the society.

Also all 3 sectors have an important role in achieving inclusive growth – economy with high employment rate which contributes to economic, social and territorial cohesion. According to the strategic document Europe 2020 an increase of social responsibility of companies within the business community is also expected. Except for the third sector more and more companies realise an importance of socially responsible behaviour as an important condition for sustainable and successful business. Gradually we can also perceive new understanding of a company. According to Ch. Handy, “it shall not be an instrument to enrich the owners employing other people as organisational instruments conducive to the realisation of this objective, but rather something like a community with a clear sense of existence” (Gibson, R., 1998). The aforementioned “new understanding of a company” is approaching the concept of social economics.

Social economy and social economics

The concept of social economy was generally outlined by the EU White Paper - under Growth, Competitiveness and Employment - as one of the roads leading to the 21st century (European Commission, 1994).

In the last decade, appreciation of the importance of social economy as a means that could play an important role in mitigating problems of employment has increased.

Social economy represents enormous social and economic forces in the world and is a key player in the field of employment and social policy in all EU member countries.

There is various research of application of approaches focused on social economy in progress in V4 countries but also in other countries of the European Union, and sufficient attention is not being paid to the scientific research of social economics.

It can be stated that a practice overtakes a theory and theoretical outputs relating to the implementation of its instruments and a feedback as an incentive for further development

are missing. Moreover, the terms of social economics and social economy are often confused, especially in their definition after translation from English literature, which causes inaccuracies and inconsistencies.

International debates about the importance of social economy have been going on for a long time, and its interpretation is still not clear.

CIRIEC International (International Center of Research and Information on the Public, Social and Cooperative Economy, 2007). in the summary section of the report drawn up by the European Economic and Social Committee, proposes the following definition of social economy: „It is a group of companies of a private nature organized into a formal framework, which have the freedom to decide and freedom of voluntary membership, and which are connected through market processes for the fulfillment of their needs, for the sake of production of goods, providing services, or related insurance and financing.

Social economics is a branch of science which studies “formation, development, significance and role of the entities of social economy, their relationship with other economic entities”. It is a new economic discipline and multidisciplinary branch looking for correlations and conditionality with other economic, anthropological, political, psychological and sociological theories (Dohnalová, M., 2006).

Social economics represents a framework of possible functioning of social economy and its dimension in each country is given by relevant cultural-historical and economical-political traditions (Dictionary of social economics, 2006).

Social economics can be described as an interdisciplinary academic discipline, “which focuses on social stratification of society and by means of social economy realises socially accepted rate of social justice, social inclusion and welfare of an individual in order to improve quality of lifestyle” (Korimová, , G., 2007).

We see social economics as a scientific discipline which studies motives and means of decision taking of the society entities on use of scarce resources to produce goods and services and on their division between individuals and social groups while complying with the principles of social solidarity and social justice in relation to equality of opportunities.

We consider social economy as a part of economics, whose primary function is to meet social objectives. It is a real phenomenon and an area which successfully expands despite of the fact that no precise definition of this phenomenon exists so far.

The European Economic and Social Committee by means of its activities supports development of social economy, and for its characteristics it considers emphasis on social objectives, business activity focused on profit maximisation, prioritising core values such as solidarity, social justice, social cohesion, social responsibility, democratic governance, participation of citizens, combination of concern for and regard to public interest.

Social economy by means of social entities responds to various inequalities and negative externalities of private and public sector. It is made of social businesses and organisations independent of public administration, preferring objectives of public interest, work from capital, and social objective from profit. “It is microeconomic sectional scientific discipline with consensual socio-economic forecasting, alternative realisation of public interest with its objective to socially integrate disadvantaged or long-term excluded groups” (Korimová, , G., 2007).

In the broadest sense social economy is economy “with people for people”; people and economy serve also purposes other than profit. In the strict sense we see it as economy where “associated work employs and controls capital.” In the basic understanding we can express social economy as an instrument of modernisation of the welfare state and as its partner (Hunčová, M., 2007).

We can also see social economy as a factor of building and development of social capital, through economic activity of the associated citizens. Social economy also develops

and strengthens social networks in alternation of the activities of the third and public sector and in consensus with them.

In Hungary, we use a very simple definition for pragmatic reasons: we consider such local initiatives appertaining to social economy, and their objective is to integrate people that are difficult to place in the world of work, as well as provide employment for them, develop their expertise, and offer them expert advice. Furthermore, their general characteristic is that:

- They occupy an intermediate position between the country and market.
- They fulfill the economic and social mission to the same extent.
- Their objective is not profit distribution but its recycling.
- Their dominating behavior is entrepreneurial character.
- Their declared priority is creation job positions, especially for the disadvantaged.
- With reference to the diversity of consumers, they will have access to resources that will provide them with sufficient self-sufficiency.
- They have an ownership structure that is able to ensure the participation of all involved and their effective government.
- They focus on human settlements, they work with local companies in order to identify and satisfy all their needs.
- They focus on new services and creating innovative products.(source: Mária Frey)

From the point of view of employment and a simple statement social economy is: self employment. It is one of the strategic elements of economic development, leading to the creation of social economy, it encourages the creation of labor-intensive activities, which creates jobs. It is separated from the view of the traditional labor market, which is centered on problematic groups of people; social economy focuses on activities that create new jobs. Employment capacities based on initiatives of local needs carry on their activity in areas where traditional labor-market mechanisms are unable to provide an adequate supply of jobs.

ENTITIES, LEGAL FORMS AND LEGISLATION OF SOCIAL ECONOMY

Social economy is formed by extremely diverse entities, including social enterprises, legal and natural persons, local self-governments and the state (Korimová, G., 2007):

- 1.Social enterprises – include social cooperatives, cooperative societies, mutual companies, unions, foundations, charitable organisations etc.;
- 2.Legal and natural persons – organisations respecting principles of social economy and incorporating those into their business decisions with the emphasis on preferring social objective from profit gain;
- 3.Local self-governments – with respect to the fact, that the initiative, the idea to set up the social economy entities emerges from the community, also the local self-government can join this process as a founder, a partner or a coordinator;
- 4.State administration – enters the process by creating legislation, financial support as a sponsor and coordinator.

We cannot forget a significant economic power of volunteers and the church – we add the following entities of social economy:

- 5.Volunteers – also join the activities of enterprises of social economy where cooperation of salaried employees and volunteers may take place. Handicapped people are also often employed in these companies with the aim of their social integration. Reduced level of work productivity may be a problem for a social company, which can be compensated also by participation of volunteers on the activities of the company.
- 6.The church – no less important is also presence of the church in solving social problems of the society, in particular by joining provision of charitable and social services. Also its

spiritual mission and education for displaying solidarity, fellowship and ethical values are important.

In general, social enterprises can be characterised as follows: they have social, community and ethical focus; their activities are subject to commercial business model; they do not focus on profit for the individual but for the enterprise; the social objective is prioritised over profit gain; democratic management and decision making applies; they are formed as a reaction to unsatisfied demand arising from the community; they offer solutions of social problems of the community; they create new jobs; they encourage people to active civic attitudes; they build strong and cohesive communities; they contribute to creation of social capital; they assist social integration and, ultimately, also improvement of life quality.

The civil society in V4 countries, characterised by enforcement of its own interests even toward the state interests, commenced its formation since 1990. Some organisations gradually transformed into more modern type of non-profit organisations capable to survive in democratic conditions. However, completely new non-governmental organisations were established, which defended interests of different groups of population, regardless of their political affiliation. Many church organisations stood out from illegality and worked for the benefit of their members and clients in public. This process of development of civil society continues today. The feel of freedom to decide for themselves, the community, lead people in Slovakia not only to formation of many political parties but also to formation of non-governmental organisations.

The activity of the third sector entities is based mostly on humanism, ethics, social justice and social solidarity.

“People in globalising world react to global and local changes through new or stronger association. This “association revolution” is the basis for strengthening of social bonds and establishment of reciprocally shared norms and values.” (Dohnalová, M., 2006)

In the space of civil society in the spirit of ethics, humanism and social solidarity various initiatives are formed to satisfy old and new social needs. Also in V4 countries new scientific discipline is being born – social economics and new instrument of social politics in the form of social economy.

Formation of social companies does not consider replacement of the third sector organizations. It rather tries to clarify the concept of social economy and to vindicate the concepts of the third sector, thus to discover the powers inside social economy and non-profit sector. Entirely new social businesses are born, as well as some third sector entities will gradually transfer into this new innovative model of business. However, it should be noted that many already existing organizations operating in the third sector can be considered as part of social economy as they fully respect its principles.

With respect to common historical roots of the third sector and social economy, competence of their entities in some cases is very difficult to determine. Conception of the third sector entities and conception of social economy have many common characteristics; however, we see significant differences especially in the following criteria (CIRIEC, 2007):

- Criterion of non-profit;
- Criterion of democratic organization;
- Criterion of providing services to people.

We supplement the comparison stated by additional criterion which will help us distinguish between the conception of the non-profit sector and the conception of social economy. It is the criterion of active participation of citizen which we also regard as the basic principle of new social politics. While the non-profit sector provides services to citizens as an expression of one-way solidarity, social economy activates human, i.e. it turns a passive recipient into an active participant of the process.

Based on the way of meeting the social objective or social mission of social business we distinguish:

- Social companies which provide services with the aim to solve social problems of society (they can be found especially in the area of the third sector); and
- Social companies of work integration which employ disadvantaged persons in the labour market (instruments of active politics of the labour market).

Slovakia

The third sector in the Slovak Republic is formed by the organisations with different legal forms and their establishment and activity is regulated by various laws. The following are the most represented and represent the largest economic power in Slovakia:

- Civic associations;
- Foundations;
- Non-investment funds;
- Non profit organisations providing generally beneficial services.

Civic associations are legal entities that gather citizens or legal entities with common interest. Based on the Act No. 83/1990 Coll. on association of citizens, various unions, clubs and associations can be formed, which provide community services or satisfy needs of their members. They are registered with the Ministry of Interior of the Slovak Republic. They can conduct business activity.

Foundation is a special purpose association of property, funds and shares to support publicly beneficial purpose, activities, mainly in the following areas:

- Development and protection of spiritual values;
- Protection of human rights;
- Protection of environment;
- Preservation of natural and cultural assets;
- Support of health, education and science.

Conditions for the establishment of foundations are laid down in the Act No. 34/2002 Coll. on foundations. At the establishment of foundations the minimal deposit is required by relevant founders. Simultaneously, condition of the basic value of the foundation equity has to be met. The Act on foundations also allows the foundation to carry out business activity in strictly defined areas.

Non-investment funds are another way of pooling funds to fulfil the generally beneficial purpose or for the purpose of humanitarian assistance for persons who found themselves in a life-threatening situation or need assistance after they were affected by a natural disaster. Establishment, formation, abolition and economic operation of non-investment funds are regulated by the Act No. 147/1997 Coll. on non-investment funds.

Establishment and activity of non-profit organisations providing generally beneficial services are regulated by the Act No. 35/2002 Coll. on non-profit organisations providing generally beneficial services, whereby for such services we consider the following:

- Provision of health care, social assistance and humanitarian care;
- Development and protection of spiritual and cultural values;
- Protection of human rights;
- Education and upbringing;
- Creation and protection of environment;
- Services to support regional development and employment;
- Provision of accommodation, administration, maintenance and renewal of housing facilities.

Possible profit of the non-profit organisation may not be used for benefit of the

founders, employees and members of its bodies, but it must be used in its entirety for public service purposes. The founder can be an individual, legal entity or the state, the register is maintained by the respective regional office. Non-profit organisation can carry out business activity if in such activity it uses its property more efficiently and, simultaneously, quality, range and availability of the services provided shall not be compromised.

Some third sector entities function in compliance with principles of social economy, they react to the community problems through innovative solutions, cover wide range of services which they provide mainly to disadvantaged persons, marginalised groups or citizens associated for purposes of common social objective. This includes various activities with no formalised and institutionalised form. On the other hand, it has to be stated, that in the space of the third sector there are also elements present, for which non-governmental civil society framework is not characteristic, they are characterised by political orientation and promote the interests of selected privileged group.

Work integration social enterprises (WISE)

By approval of the amendment to the Employment Services Act effective from 1st September 2008 social business activity gained legal legitimacy and ranked among the active instruments of labour market politics as “social enterprise” of work integration. Under this Act the social enterprise has to fulfil four basic criteria (Act No. 5/2004):

- In the amount of at least 30% of total number of its employees it employs such citizens, who were, prior to taking up employment, disadvantaged job seekers;
- It helps these employees find employment in the so-called open labour market;
- It uses at least 30% of its profit, after deduction of all expenditure on the line of business, on creation of new jobs or improvement of working conditions;
- It is registered in the Register of Social Enterprises.

Compliance with the criteria mentioned has to be documented in regular intervals, once a year by providing a Report on the results of one’s own activity to the Central Office of Labour, Social Affairs and Family of the Slovak Republic. Based on the application of legal entity or a natural person and upon fulfilling the criteria the Central Office of Labour, Social Affairs and Family of the Slovak Republic may grant the status of social enterprise. These entities are then kept in the Register of Social Enterprises.

With respect to the fact, that sheltered workshops and sheltered workplaces (a workplace where 50% of disabled citizens work) fully accept legally defined criteria for social business, they can be granted the status of social enterprise.

Czech Republic

Neither the social economy nor social enterprises have been formally defined in the Czech Republic thus far. They lack a legislative basis. An authority on a governmental and other level, the purpose of which would be the social economy, has not developed yet. Only the legal form of a social cooperative has been incorporated into Act. 89/2012, on business corporations, since 1.1.2014.

In the Czech Republic, the number of social enterprises is increasing, which are primarily focused on creating jobs for disadvantaged people. They are called social integration enterprises, and their legal status is varied. These specific enterprises, which help the state with the employment of disadvantaged people, have increased costs during their employment and are increasingly calling for the creation of legislative amendments that would at least partially compensate for these increased costs.

However, an outline of a bill on social entrepreneurship is already in the legislative plan of the government. It is assumed that it will be discussed in Parliament in 2015. The bill

contains criteria of a social enterprise, which is not too different from a social cooperative. They differ only in their degree of rigidity. For example, the registration of a social enterprise should rather be a continuous process allowing gradual transformation, while a social cooperative is registered by the Ministry once and for all (rigid). It should be the same in the event of violations - they should be discussed with the social enterprise, a crisis plan should be created, and only if it was not met, the statute could be taken from it.

In the Czech Republic, social enterprises could be considered as part of the civil sector: civic associations, foundations and endowment funds, religious legal entities established by churches and religious organizations (registered legal entities), public benefit corporations.

Of these, those that fulfil a social objective include: civic associations, church institutions, public benefit corporations, foundations and endowment funds, which employ disadvantaged people or perform an ancillary economic activity. They also include those that do not employ disadvantaged people or perform an ancillary economic activity, but their products or services are intended for the public (social purpose, "public service").

Cooperatives stand outside the civil sector in the Czech Republic, which represent a significant part of the social economy in the world. Here, cooperatives are established in accordance with Act No. 90/2012 Coll., on business corporations, and are viewed as business entities. In particular, we can include production cooperatives that employ the disadvantaged and social cooperatives in the social economy. Because social enterprises stand outside the public sector, the legal form of a business company is possible (eg. Ltd.), the activities of which have a non-profit purpose listed in the articles of association or statutes of the company (primarily a social purpose).

Social economy entities and their legal form

Legal forms of business entities are defined as a sole proprietorship, business corporations and cooperatives (a cooperative and the European Cooperative Society). It legislatively regulates business corporations from 1. 1. 2014 Act. No. 90/2012 Coll., on companies and cooperatives (Business Corporations Act) (hereinafter BCA).

Business corporations are private companies (public business companies and limited partnership business entities), capital companies (limited liability companies and joint-stock companies) as well the European Company and European Economic Interest Grouping.

In the Czech Republic, the legal form of the European Cooperative Society, European Company and European Economic Interest Grouping is not used for social enterprises.

A sole proprietorship is owned by one person, who generally manages it and conducts activities associated with the core business alone. This person is called a natural person or a self-employed person. If a natural person compulsorily or voluntarily enters in the commercial register, he/she is obliged to keep accounts. Self-employed persons operate under their own name and are liable with all their assets for obligations associated their business.

Currently, the most appropriate legal form for a business corporation is a social cooperative, which has been newly introduced into the law from 1. 1. 2014. As stated in the Business Corporations Act, a social cooperative is a cooperative that consistently develops public-benefit activities aimed at promoting social cohesion for the purpose of the employment and social integration of disadvantaged people in society while primarily meeting local needs and exploiting local resources according to the place of residence and scope of the social cooperative, namely in the areas of job creation, social services and health care, education, housing and sustainable development“(Act No. 90/2012, on business corporations, as amended, § 758).

A company which operates as a social cooperative has this label as part of its name. If a social cooperative develops public-benefit activities for disadvantaged persons on the basis

of satisfying their housing needs, such a cooperative must have these persons as its members at the same time.

The statutes of a social cooperative must also contain the objectives and operating conditions of the social cooperative in accordance with its socially encapsulating function, including support for local development and detailed terms of how profit can be dealt with in accordance with the purpose of the activity of the social cooperative.

On 1.1.2014, when the New Civil Code came into force, great changes occurred in the area of the legal forms of entities, which are comparable with the year 1990. The new legislation is responding to the need for long-term changes in private law. The civil code that was in force until the end of 2013 was adopted in 1964, and it has been amended many times since then.

Since 1. 1. 2014, the following non-governmental organizations exist in the Czech Republic: associations, public-benefit organizations, institutions, foundations, endowment funds and registered legal entities (religious).

Legal entity subtypes are listed in the New Civil Code, legal entities among others, which include corporations, foundations and institutes. Corporations are legal entities that are based on membership. A corporation can have only one member if permitted by law. However, this member can only terminate his membership of his own accord when he is replaced by a new member. In terms of non-governmental organizations, corporations are associations.

Foundations, according to their title, contain a factual element when they are entities based on assets, which is earmarked for a specific purpose. Foundations allocate assets to other persons, which they manage within the statutory definition of certain regulatory conditions. Foundations include foundations and endowment funds.

Institutions are a combination of both. They are established in order to operate a socially or economically useful activity using their personal, proprietary component. It is not precisely stated how to deal with such property. It does not have membership, only employees.

Institutions are legal entities, which are made up of both a personal and proprietary component while having the features of both corporations and foundations. Institutions differ from corporations in that a membership is not necessarily required. A different form of decision-making is therefore defined which, unlike corporations, is not based on the democratic principle, but on the principle of hierarchy. The statutory authority is often the director, who is appointed by the managing board to whom he is also accountable. The law does not set a minimum property limit for institutions, unlike foundations. The objective of establishing institutions is to provide permanent or long-term services for a beneficial purpose. This category primarily includes schools, museums, hospitals, science and research institutes, galleries, medical institutes etc. Institutions have a similar structure and character as public benefit corporations.

Social enterprises choose their area of activity according to their headquarters and by the disadvantaged people with whom they want to work.

Among disadvantaged persons, we include people who are in some way disadvantaged in comparison with others; they have a worse starting position than other citizens, whether it be in the labour market or in society itself.

Poland

In Poland, among social economy entities, we can distinguish nineteenth-century savings and loan institutions, known as *Kasa Stefczyka* and cooperatives, which were the most dynamic in Europe in the interwar period. These forms are now considered classic

mechanisms of social economy [www.ngo.pl/x/83813, [Access: 18.07.2009]. After 1989, the reconstructed conditions in Poland for the reactivation of activities in the field of social economy. For almost 20 years the social economy sector have significantly increased, but is still not consolidated. Institutions of social economy can be grouped into three categories:

- The old institutions of social economy,
- Institutions „third sector”,
- New institution`s social economy.

Among the institutions of the old social economy stands out:

Cooperatives - is a voluntary association of an unlimited number of people, with variable composition and variable share fund that, in the interests of its members conduct a common activity. The cooperative may also lead social activities and educational and cultural to its members and their environment. According to the criterion of its objects, including cooperatives, cooperatives distinguished commercial, residential, retail etc., and according to the classification of cooperatives due to the function which they meet to the members are distinguished: consumer cooperatives (often called cooperatives users) if the link this is the nature of the employment relationship, the question will be about worker cooperatives.

The most important from the point of view of the social economy have the following types of cooperatives:

- Work Cooperatives; their object is to carry out economic activities of the joint venture type, based on the personal work of its members. Personal work cooperative members is essential to achieving economic each worker cooperatives, cooperative and therefore all its members are required to establish an employment relationship and remain in it. A special type of cooperative work is a cooperative of disabled and blind cooperative whose business is professional and social rehabilitation of the disabled and the blind by working together to run the company. Cooperative activity regulated by the Act of 16 September 1982. Cooperative Law, as amended.

- Cooperatives and cooperatives of blind and disabled - have a long tradition dating post-war period. They are characterized by a high rate of employment of people with disabilities. Over the years, the employment rate of disabled people has decreased and now stands at approx. 60%. Cooperatives employ disabled people with disabilities to the extent severe and moderate, strong emphasis on vocational rehabilitation. The cooperatives of people with disabilities find employment so-called. special medical conditions (blind, deaf, epileptics, mentally ill and the mentally ill). Disabled cooperatives are characterized by a high level of social security and a rich array of forms of assistance from the capital fund rehabilitation. the most common of this fund is financed medical care, outpatient rehabilitation, rehabilitation equipment, medicines and other.

- Social cooperatives were introduced by the Act of 20 April 2004. On employment promotion and labor market institutions. It is a specific form of social enterprise. Cooperatives formed in most people at risk of social exclusion (exclusion), who have difficulties in finding a job. Working in social cooperatives gives them a chance to activation of social and professional integration, improving their skills.

In addition to the institutions of the old social economy includes Mutual Insurance Company (MIC). It insures its members on the basis of reciprocity, whereby MIC is not set to profit, and its members offer cheap insurance protection in exchange for a premium paid to cover only the benefits and costs of operations. Established as part of a group of policyholders TUW is connected to a community of interests of its members. TUW activity regulated by the Act of 22 May 2003. On insurance activity.

The institutions of the "third sector" include:

The Association is a voluntary, self-governing and durable non-profit association that their business is based on the work of its members. The Association may conduct business

according to the general principles set out in separate regulations provided that the income from this activity will be used for statutory purposes, will not be distributed among its members. Issues of associations governed by the Act of 7 April 1989. Law on Associations. At the time of registration of both foundations and associations engaged in business activities become entrepreneurs in the area of the business. They may also assume single capital companies, i.e. Limited liability companies and joint stock companies.

The Foundation is an organization established to achieve the objectives of socially or economically useful (although economic objectives can not be targets for economic reasons). It is founded by the so-called. founder, who may be an individual, as well as a legal person. The Foundation may conduct business, which pursues its goals, and the value of its assets allocated to the business can not be less than PLN 1,000. The funds from the business should be spent on statutory activities. The Foundation's activities regulated by the Act of 6 April 1984. On Foundations.

In contrast, the new institutions' social economy are:

- Social Integration Centre (SIC) is an organizational unit established by the local government or non-governmental organization that performs professional and social reintegration by putting people at risk of social exclusion, educational programs, including i.a.: acquisition of professional skills, retraining and up-skilling professional and acquiring other skills necessary for everyday life. SIC is an independent legal entity but a legal form addressed to the institutions and non-governmental organizations working with people at risk of social exclusion. Among the beneficiaries of the SIC are the same groups of people who can establish a social cooperative. SIC activity regulated by the Act of 13 June 2003. On social employment.

- Social Integration Club (SICl) is an entity whose purpose is to help individuals and their families in rebuilding and sustaining the skills to participate in the life of the local community, to return to the social roles and increasing professional qualifications, as the value of the labor market. SICl contributes to the improvement of social cohesion and do so in these areas of marginalization, which can not cope public administration. SICl works to integrate people with similar difficulties and problems in life. This is the same unit that helps organize people into groups, undertake joint initiatives and projects in the field of professional activation, including efforts to create their own jobs. SICl is appointed by the local government or non-governmental organization. SICl activity regulated by the Act of 13 June 2003. On social employment.

- Division of Labor Force Participation (DLFP) is a legal solution introduced by the law of 27 August 1997 on vocational and social rehabilitation and employment of people with disabilities. DLFP is not an independent legal form - is organizationally and financially separate unit that obtains the status of a professional activity. The creation of a DLFP can apply for individuals and organizations listed in the Act, where a statutory responsibility to social and professional rehabilitation of persons with disabilities. DLFP created in order to employ people with disabilities with the judgment with severe disabilities and specified in the ruling groups of people with a moderate degree of disability, as well as to prepare them for life in an open environment. DLFP may conduct business.

As indicated in the table, the largest group are the non-governmental organizations and cooperatives. Other entities are not as many, which can be attributed to the fact that, as a separate legal entities were in the last few years. This does not mean, however, that all the organizations in the formula of the association or cooperative work should automatically be classified as social economy entities. It depends primarily on their profile and other attributes, such as whether employees or customers of such organizations are people from groups at risk of social exclusion.

HUNGARY

Regulation According to Socioeconomic Legality

Hungary does not yet have a unified approach and comprehensive overall strategy specifically for the development of social economy, although some specific elements of the pillars of the Hungarian Work Plan will appear in professional sections, such as social economy.

Act No. IV of 1991 on the Promotion of Employment and Provisions for the Unemployed allows county employment centers of government departments to immediately support the operation of non-profit organizations providing services for the labor market, thereby promoting full employment.

Act No. **CLXXV. of 2011** on Right of Association, Non-profit Status, and the Operation and Funding of Civil Society Organizations, regulates aggregate rules for the functioning of civil society organizations. It regulates the management and termination of the operation of civil society organizations, and it also regulates certain unusual rules associated with registration, valid for community organizations.

Other signs of positive government attitude were reflected in the acceptance of Act No. **X. of 2006 on Cooperatives, which has created the framework of this new organizational form for 9 years.**

In applicable Hungarian legislation this right of existence of cooperatives is recognized and enshrined in law by the Constitution - The Constitution of the Republic of Hungary provides that "the State shall support cooperatives established of a voluntary association of citizens, and recognizes the autonomy of these cooperatives".

In the first half of 2011, the Hungarian government decided that in order to achieve the target of high employment, it must organize, coordinate and manage public employment in the new system. An emphasized element was that for people who will no longer be publicly employed and have work experience, the social cooperatives will become the next step in employment in the direction of the primary labor market, or publicly employed persons could become self-employed as members of the cooperatives or employees of the cooperatives.

Important legislation for the establishment of social cooperatives, organized on the basis of public employment:

- Act No. CVI. of 2011 on Public Employment and Amendments to Other Related Laws,
- Act No. V. of 2013 - Civil Code
 - Civil Code Book III § no.3:1 – 3:48 General Rules for the Legal Person;
 - Civil Code Book III § no.3:325 – 3:367 Cooperative;
- Act No. X. of 2006 on cooperatives (hereinafter: Act on Cooperatives).

With no claim to completeness, social economy organizations began to work in the following fields:

- In the field of personal services,
- Audiovisual services in conjunction with the introduction of new information and communication services,
- The organization of leisure and cultural programs,
- Caring for the environment,
- Product production.

The development of these local initiatives is promising for the following reasons:

- They will participate in economic development, satisfy social needs, they are real market participants, they open new markets.
- They will increase the number of new jobs and their economic activity.

- They will create opportunities in the labor market for the integration of workers who have been excluded from it.

Given these findings, new possibilities have opened up in the nonprofit/civil sector since 1990 with the transition from the profitable sector of the market to the less profitable areas. In order to manage the needs of growing unemployment, it was necessary to provide new entrants in the labor market, which increased the number of nonprofit organizations within a short period of time. At first this process was promoted by domestic organizations from domestic sources, and later, during the release of unionist means, these organizations shared them. In the case of small civil society organizations the specified selection conditions did not allow for participation in the tender, the need for professionalization emerged from larger organizations.

In the last decade, the role of employer, community involvement, the ability of advocacy and nonprofit/civil society organizations' ability to function have fundamentally changed, and the efforts for expanding employment with the involvement of civilians stopped.

Like the other EU member countries, Hungary also selected an explicitly market-oriented model of social economy whose basic principle and objectives do not differ from the concept of social economy, but do not over dimension this social character.

This is primarily a business enterprise that has the features of small and medium business.

- It has goals, business plans, financial resources, infrastructures and human resources, marketing activities and publicity.
- The basic principle is the optimization of economic, social and environmental aspects.
- It combines innovation, entrepreneurship and a social objective, and because of its generated income it is financially sustainable.
- A mission and a social goal is a priority in comparison to the profits; the resulting surplus will be used in the interest of other social goals.

In Hungary it is already accepted that the social economy includes a cooperative sector, which also adheres to social goals, as well as local initiatives in the field of economy and employment.

Social cooperatives as Social Economy Organizations and their Legal Status

The dominant players in social economy are social cooperatives, which can play an important role in local development and strengthening social cohesion as a new form of entrepreneurship, thereby also contributing to the stability of the economy.

Social economy - including social cooperatives - has a special nature due to the fact that it seamlessly combines economic efficiency and its social and community role.

Even in Europe social cooperatives are considered repair mechanisms in the globalized Europe. Social cooperatives constitute an exceptional growing area of social economy; they are able to meet local demands and needs that the business and public sector cannot, or are not suitable for them.

It is an organizational formation which has already reached a high level of development in several countries of Europe, and is able to prove its superiority among emerging organizations belonging to social economy. The existence of cooperatives, the increase of social cooperatives, human cooperation under new values different from previous ones, as well as priority state support for this process are considered by familiar world organizations (OSN, ILO, SNS) as well as the European Union itself to be particularly important, and they draw the attention of all the member states to them with resolutions and decisions.

In Hungary, social cooperatives were established as part of social economy based on this priority.

A social cooperative is specially employed organization that

- Combines the advantages of economic companies and social organizations by providing job opportunities for disadvantaged people and trying to meet requirements that the market economy cannot accept.
- Its primary duty is to ensure a profit and create job opportunities as well as to fulfill the social and cultural needs of its members and in some cases of its relatives from the social fund.
- Its members, who have an equal right based on the principle of one member - one voice - participate in decision making, determining the function of the cooperative, performance examinations and cooperative management elections.
- It can be established by a minimum of 7 founding members with an assigned equity payment.
- In addition to natural persons, a local or national government may become a member, respectively their organization in the form of a legal person - as well as nonprofit organizations conducting charitable activities under the law.
- The number of members that are not natural persons must not exceed 25% of the membership, the financial contribution of individual members must not exceed 15% of the capital value, the value of the sum of financial contributions by members that are not natural persons must not exceed 1/3 of the capital value.

In Hungarian practice, local initiatives for economic development in the field of social economy are accentuated in the form of social cooperatives.

The government aims to effectively ensure a real social function of social cooperatives, cooperative thinking, the fulfillment of its content, and promotion of employment of disadvantaged social groups.

Since the promulgation of Act X. of 2006 on Cooperatives, a total of 2,100 social cooperatives were established, of which 105 were established since 2013, implementing the program of public employment and established in areas with a disadvantaged location - based on public employment - these are social cooperatives whose work is characterized by agricultural production, food processing, production of local products.

Social Cooperatives Organized Under Public Employment

The principle of the model, functioning in a social cooperative system - organized on the grounds of public employment - is that it creates jobs that are based on local conditions and are linked to a small area, resulting in products, services, and market-ready products.

The Hungarian government supports public employment since 2011 by launching sample programs and with proprietary features that provide the foundation for active employment conditions for the start of production leading to the creation of a self-sustaining system - a social cooperative.

Given that functioning cooperatives were always created by a "from the bottom up" initiative, it is necessary to help the initialization of this form of economy with a legislative instrument.

- After the amendment of Act X. of 2006, the regulation of implementing the participation of social cooperatives with local authority or national authority was performed, respectively their association in the form of legal entities and their functioning.

- In social cooperatives the possibilities of personal involvement extended to legal relationships with personal involvement of a member in work, who has better ensured income and is better suited to tasks than before based on the legal relationship of the membership.
- Act No. CVI. of 2011 - on the Amendment of the Act on Public Employment and Amendments to Other Related Laws, or changes to other laws related to public employment - was amended by a description of the regulation of conditions under which implemented social cooperatives could, under contracts on commercial loans, use materials, acreage and livestock for free.
- The fate of assets submitted by public employment – its prescribed use – until the expiration of commercial loan contracts it is monitored by an appointed prosecutor. This prosecutor examines the business plan of the social cooperatives at set intervals, is in contact with a representative of the social cooperative, and gets monthly information on the activities of the social cooperative.

This allows the local governments participating in the public employment to use the machines and equipment in their possession that they bought through the support of public employment in accordance with the law. Public employees become a self-employed person, a member of the cooperative, or an employee of the cooperative, and may thus appear on the primary labor market.

A necessary condition of the implementation of social cooperatives designated as one of the exit points of public employment programs is that public employment produces economically identifiable products.

FUNDING

Slovakia

The social enterprises previously could apply for for financial contribution whose maximum amount is 50% of total labour costs calculated from average wage in the national economy of the Slovak Republic (for the first to third quarter of the calendar year preceding the calendar year in which the contribution was provided). The primary aim of the social enterprise is to provide the former unemployed individual appropriate support for gaining job skills and experience, social contacts and help him employ in the open labour market within 12 months. If this fails, the social enterprise can apply for extension of provision of contribution for additional 12 months but only in reduced amount, in the maximum amount of 40% of the total labour costs. These financial contributions are now not provided.

A sheltered workshop and protected workplace is workplace set up by a legal entity or natural person, in which at least 50% of the employees have disabilities. He/she may apply for the following allowances:

- an allowance for the establishment of a sheltered workshop and sheltered workplace

The amount of an allowance for creating one job in a sheltered workshop or at a sheltered workplace is maximum four times the total cost of labour in the Bratislava region. In other regions, it is 4.8 to 5.2 times the total cost of labour, depending on the average unemployment rate recorded.

- an allowance for citizens with disabilities for self-employment

The office may provide an allowance for self-employment to partially cover the costs associated with being self-employed to a jobseeker who is a person with disabilities who has been kept in the register of job seekers for at least three months. The allowance is maximum 3.2 times the total cost of labour in the Bratislava region, and in other regions, it is 4 to 4.8 times the total cost of labour, depending on the average unemployment rate recorded.

- an allowance for work assistant activities

A work assistant is an employee who provides assistance to an employee or employees who are persons with disabilities while performing work and personal needs during working hours or a natural person who provides assistance to a self-employed disabled person while exercising self-employment.

- an allowance for covering the operational costs of a sheltered workshop or a sheltered workplace and for covering the costs of transporting workers

The annual allowance amounts to 2.5 - 5 times the total cost of labour, depending on the degree of decline in the ability of the employees to perform gainful activity.

Until the period of acceptance of the said legislation of the Employment Services Act, the activities of social economy had been supported through projects, especially by the European Union funds. During the programming period 2004 - 2006 these initiatives gained funds through IS EQUAL in order to solve discrimination in the labour market, introduction of innovative approaches in the labour market and support information and experience exchange between partners from different countries. The basic priorities of IS EQUAL also included mainly, among others, support of integration and re-integration of unemployed into the labour market, strengthening the social economy focusing on improving quality of jobs, etc.

Social economy is also being supported in the current programming period (2007-2013), in particular, through the European Social Fund in relation to the European Strategy of Employment, whose role is to contribute to higher employment and improvement of working opportunities. The objective of the support of the European Social Fund in the Slovak Republic is solving high rate of structural unemployment, mitigation of regional disparities in unemployment, reorganisation of education system, improvement of qualification of the labour force, expansion of opportunities of disadvantaged job seekers (Rievajová, E., 2009). These activities are realised through operational programs: Operational program: Employment and social inclusion, Operational program: Education. In different years, the Slovak Republic under the operational program Employment and social inclusion has the option to draw funds focusing on support of employment growth, support of social inclusion, support of employment, social inclusion and capacity building in Bratislava region, capacity building and improvement of quality of public administration.

In the programming period 2014 - 2020, Slovakia draws from European structural and investment funds through the operational programs within the "Investment for Growth and Jobs Goal" and the "European Territorial Cooperation Objective". The social economy can primarily be supported within the "Human Resources" operational program. The specific objective is to increase the rate of employment in the social economy entities. The total allocation of resources of the operational program "Human Resources" amounts to 2,204,983,517 EUR.

POLAND

The State`s support for the social economy

Financing activities of social economy entities can be done in several ways, i.e. they may be state and local government, that is Labour Fund grants for the establishment of a social cooperative, open competitions, etc. There is also external financing, for example aid

programs of the European Union - Rural Development Programme, Programme Human Capital.

One of the objectives of the Human Capital Operational Programme (HCOP) 2007-2013 was to strengthen and broaden the scope of the social economy sector. The program, under Priority VII Promotion of social integration provided for Objective 2, Strengthening and broadening the scope of the social economy sector. In the detailed description of the priorities of the Operational Programme Human Capital Priority Action VII, adopted on 13 March 2008., there appeared an Action numbered 7.2 which said: Tackling exclusion and strengthening the social economy sector. There was a sub-action numbered 7.2.2 which applied directly to the social economy. Its aim was to select institutions of social economy sector, offering services to the social economy entities; by means of competitions. The amount of 163 055 136 euros was allocated for this. In addition, as part of the Human Capital Priority I projects, system projects were implemented; supporting the development of social economy. Social economy is also included in the Operational Programme Civic Initiatives Fund (OP CIF) 2009-2013. Under Priority IV Development of social entrepreneurship could receive funding for projects falling into two areas: Social entrepreneurship and promoting the idea of tri-sectoral partnership and employees` charity work.. In Priority IV OP CIF also provides a regional component for 2011-2012 [National Programme for the Development of Social Economy 2012, pp. 18-20, <http://www.pozytek.gov.pl/files/KPRES.pdf>, Access: 6/12/2014].

Social Economy Support Centres (SESC) is a basic institution supporting social enterprises in Poland. SESC provide advisory services for existing social economy entities and train people interested in setting up a social economy business enterprise or in economization of their NGOs.

Information about facilities and centers providing support both to existing social economy organizations and those interested in social enterprise idea was collected in the “mapyowes.ekonomiaspoleczna.pl”, database. These facilities and centers are run in the framework of these projects: PHC Measure 7.2.2 OP and OP Civic Initiatives Fund. Last database update was authorized 12.2013. From 2014 on the database is updated by users and Foundation for Socio-Economic Initiatives (FSEI) is not responsible for the validity of data. This database was created based on data from the Ministry of Regional Development, prepared by the Foundation for Socio-Economic Initiatives .

The Role of Domestic and Unionist Support in Strengthening Social Economy in Hungary

Support of capacity and financial demands to help expand social economy to access the European Union was carried out using domestic support within project financing.

The State Foundation for Employment has supported nonprofit employment projects in an independent program since 1996; it provides domestic sources outside the normal labor market annually for building a socialist economy, for implementing initiatives of local employment, and also for creating new jobs. Since the adoption of the cooperative law, it has repeatedly tried to encourage domestic expansion of social cooperatives.

Social economy programs are financed from resources of the National Employment Fund.

For the function of nonprofit organizations registered since 2012, the National Cooperation Fund provides financial resources to support their professional activities.

Hungary's accession to the European Union in 2004 opened a new chapter in the development of domestic social economy. Social economy programs implemented with co-financing by ESZA - among others- contributed to

- The development of the capacity of social economy and nonprofit organizations providing services in the labor market.

- Innovative initiatives in the field of employment and increase in the effectiveness of programs for the establishment and development of social cooperatives.
- Projects for professional support organizations implementing social economy to develop their networks.
- Spreading of successful models through sharing experience.
- The introduction of the theory of social economy into practice in a practical model of employment, with the result of a scientific processing of social economy for the Guide to the Social Economy (Frey 2007).

Because social economy contributes to such key objectives of unionist politics as employment, social policy and regional development, social economy is experiencing its renaissance in Europe and it is a priority. Our country has also recognized its importance, therefore the expected resources for 2014-2020 are critical on the way of unionist development.

Czech Republik

As a rule, non-governmental organizations use a combination of equity and debt capital. They use so-called multi-source financing. The essential principle of multi-source financing lies in the acquisition and use of multiple sources of funding with the aim of securing independence from one source and avoiding the potential negative consequences when an unexpected failure occurs.

The equity of non-profit organizations is represented by member fees (associations), deposits and donations from members, income from their core activity, and income from ancillary and entrepreneurial activities.

NGOs own a variety of assets, which can be used to obtain additional resources (renting office space, real estate, cars, appliances etc.). Within additional services, income from services rendered (advertising for businessman, rental of costumes and tools, consulting and advisory services etc.) may also be secured.

NGOs also acquire equity from their own activities such as the sale of their own products and services (honoraria for speeches), from the sale of tangible and intangible assets (patents, licenses, know-how) or from financial investments. Non-profit organizations may establish social enterprises, or already existing NGOs can transform into social enterprises. To conduct business, NGOs must respect all relevant legislation, namely obtain a trade license and proceed according to the Trade Act.

Internal financial resources, which are created in both business entities and non-profit organizations, include profit, business funds, basic capital, share premium, depreciations, reserves etc.

Despite the fact that non-profit organizations are defined as companies which are not established for the purpose of generating profit for redistribution among their owners, managers or founders, it does not mean they cannot generate profit. The difference lies in the fact that all profits must be put back into the organization for the development of the organization and the achievement of its objectives. Non-profit organizations can very significantly strengthen their own resources of funding their activity with potential profit from business.

The business possibilities of an association

Associations are established for purposes other than business. Business can, therefore, not be the purpose for which an association is founded. The legal order of the Czech Republic, on the business of associations, does not speak specifically, and no law explicitly prohibits their

business. However its core activity, for the purpose of which the association was established, and its secondary activity (ancillary) must be strictly separated. If an association decides for business activity, it must fulfil the conceptual features of a business under the Trade Act.

Apart from its core activity, a public benefit corporation can also perform an ancillary or economic activity:

- core activity - public benefit activity,
- ancillary activity - eg. income from advertising or from leasing its own assets,
- economic or business activity - under the Trade Act or other law with the prior consent of the Board of Directors.

Business possibilities of an institute

An institute may engage in another ancillary activity or operate a business establishment. However, its business activity must not cause detriment to the quality, scope and availability of the services provided by the institute as part of its core activity. Any profits generated from business may only be used by the institute to support its core activity and cover the costs of its own management.

Business possibilities for foundations and endowment funds

Foundations and endowment funds 1. can now do business from January 1, 2014 according to § 307 NOZ (New Civil Code). Their business activity, however, must merely represent a secondary activity, and its yields must be used to support their purpose. The exception is when the founder excludes business in the foundation charter. Under the same conditions, a foundation can take over the management of a business company, but must not be a liable partner of this company indefinitely.

Financing the activity of a company from potential sources

For their activity, non-profit organizations also obtain other external resources such as voluntary work, subsidies and operating grants from public budget funds, which are intended for the initial start-up of a non-profit organization and possibly for its further activities. Funds obtained from the state administration consist mainly of financial subsidies and support.

Subsidies from the European Union are resources from structural funds, which NGOs can get through regional operational programmes. They are usually announced by regional councils. They are large investment projects, which are intended for large organizations. Smaller NGOs could participate in integrated programs for the development of cities in which they are based, and in the new planning period, they can also participate in integrated area development programs or cross-border cooperation. Alternatively, it is possible to raise funds from community programs, which include Erasmus, Leonardo da Vinci, Galileo or the program Europe for Citizens.

The state subsidy policy is a policy centrally coordinated by the government and aimed at support in predetermined areas under predetermined conditions. The supported areas primarily include culture, sport, social services, the environment and sustainable development, education and family policy. Government subsidies are provided either as direct or indirect. Direct subsidies consist of funds obtained directly from the state budget. Designated ministries provide these subsidies directly from their budgets through grant programs. In some areas, there are state funds that also contribute to the state subsidy policy. They are, for example, the State Environmental Fund or the State Fund for Culture.

The advantage of subsidizing local autonomies (municipalities and regions) is their local character, when the subsidies can be better spent within the regions. Its disadvantage is its very different level in individual areas. Regions and large cities are announcing various grant schemes, from which NGOs can apply for support. In small municipalities, grants were often

provided based on personal knowledge of the need to finance the representative of the municipal council. However, this situation has changed very fundamentally due to the case law of the Supreme Administrative Court of the Czech Republic, which ruled that each grant is judicially reviewable. During 2013 and 2014, the majority of regions and municipalities therefore proceeded to revise their grant and subsidy titles and establish exact criteria for allocating funds from their budgets. These criteria provide protection for providers for potential lawsuits.

Through its grant schemes, its established organizations, and the use of European funds, the state can create an environment from which social enterprises are created.

Several documents were adopted in the Czech Republic, which should help improve the conditions for socially excluded people. In relation to the integration of disadvantaged people, they are, for example, the Roma Integration Concept, Strategies to Combat Social Exclusion, Recommendations for Municipalities for the Prevention of Socially Excluded Localities, The National Plan for the Support and Integration of Citizens with Disabilities, the Sustainable Development Strategy, the Regional Development Strategy and the National Reform Plan.

Social Inclusion Strategy 2014 - 2020

This strategy describes the priority themes of the Czech Republic in the area of social inclusion of persons in the period up to 2020 and for disbursements from the public budgets of the Czech Republic as well as the use of the structural and investment funds of the European Union in the programming period 2014 - 2020. It also contains an overview of measures that have an affect on social inclusion and the fight against poverty and an overview of relevant materials and resources. The strategy is based on the "Long-term vision of the Ministry of Labour and Social Affairs for social inclusion".

CONCLUSION

Big problem and barrier to the development of social economy in Slovakia is incomplete and fragmented statistics and legislative of the third sector, volunteering and social business. It is desirable to develop complex law on social economy and within its framework to define its entities, rules of functioning and opportunities for cooperation with other sectors of economy with emphasis on strengthening the motivation of business entities in engaging in partnerships.

In relation to the above it is necessary to establish system of financial assistance to support the activity of social economy also focused on solving various social problems of the community (not only on creating jobs), with possible connection to the active politics of the labour market and system of social assistance.

Prerequisite for precise reporting statistics relating to subjects of social economy is its harmonisation (also with the aim to quantify the economic power through which it contributes to the GDP (Gross Domestic Product) formation.

Furthermore, we suggest highlighting the support of local initiatives in the community development, which are formed as a reaction to the unmet demand emerging from the community. For the purpose of effective implementation of the initiatives of social economy it is necessary to reinforce personal responsibility of representatives of the local self-government, namely in the process of providing potential financial instruments and control of compliance with the conditions.

It is necessary to raise awareness of social economy and its instruments, support research and exchange of good practice. With respect to the fact that social business follows the principles applied in public but also in the third sector, new model of business is created, importance of which continues to grow, due to growing social problems. For the above reason it would be appropriate to include teaching of this subject into curricula at the universities of economic focus.

It is very important to raise awareness of social economy and draw attention to related terms that are often incorrectly confused. The point is the definition of the content of social economics, social economy, social enterprise, business entity providing services in social area, company social politics and socially responsible business.

Europe is not only common economic unit but also community seeking balance between solidarity and competitiveness, capital and work, market and the state, performance and social tactfulness. Based on the assessment of existing experience, different approaches to social business and concept of social economy in the individual member states of the European Union, the question arises, which direction of further development of this area will be more acceptable for Slovakia.

Social economy is an "alternative pillar" of the economy, and without its comprehensive development, without identifying strategic directions, there is no chance of connecting breakaway layers in backward areas.

In the Hungarian field of social economy it seems that activities and organizations have emerged that are similar to examples from Western Europe, but they are likely for delayed detection of benefits of the socialist past and socialist economy, characterized by different dynamics and functionality.

It is not disputed that in Hungary there is a need for such initiatives and organizations like the social economy that combine unsatisfied demands of the people and companies with unutilized capacities of workforce at a local level. The government aims to support the creation and/or development of social economy along with its maintainable business using the method of business development and mobilization of resources, and contribute to the creation of new jobs as well as retaining existing jobs. Functioning companies in the area of social economy want to respond to specific social problems primarily through their business activities.

In Hungarian practice, local initiatives for economic development in the field of social economy are accentuated in the form of social cooperatives. Among objectives of social cooperatives engaged in production activities it is important to create new jobs, usually with the intent to employ disadvantaged people. As part of the social economy, social cooperatives combine innovation, entrepreneurship and a social objective, and because of its generated income it is financially sustainable.

As a result of government measures, social economy - including the social cooperative - is a new and important source of strength for employment and economic policy, but it will be necessary to put forth additional effort in order to further develop the corresponding potential of social economy.

Based on literature, the following most important benefits that result from the action of the social economy can be distinguished. They are both economic and social:

- Social economy is an instrument of regional development. Its supreme aim is to equalize the opportunities of residents of the areas which are in a difficult situation. It is important to find targeted support for the development of social enterprises.
- Stimulating local development through establishing a strong position of the social enterprise in the local market. Such action gives an impetus for economic development to the local community. The cooperation with the local government is of great importance here. In addition, social enterprises are able to take better advantage of local resources, provide for the needs of the local community, as well as build social cohesion at the local level.
- Creating new jobs for the excluded (long-term unemployed, low-skilled, and handicapped) in the context of social entrepreneurship. Creating jobs in areas with low socio-economic development.
- Social and professional integration - Social Economy creates real possibilities for permanent activation, empowerment, as well as social and professional integration.
- The development of social capital. The development of social economy can help to strengthen it through, among other things, strengthening social solidarity and tolerance.

The most significant barriers in the development of social economy are:

- acquired helplessness and demanding attitudes,
- dependence on grant-givers and their priorities,
- ethical resistance to running a business,
- fear of losing public support,
- lack of realism and effective resource management,
- relative lack of long-term thinking due to acting "from project to project".

The barriers to the development of social entrepreneurship in the Czech Republic are well known. Despite the fact that all sorts of other entities that could eliminate these barriers have gradually been successfully involved, their existence persists. The main barriers include a number of reasons. For example, there is no broader unified representative platform of social economy actors. Although it was founded under the name TESSEA, only a small number of social enterprises entered it. The results of social entrepreneurship are not visible. They lack nationwide publicity in the mass media, when this issue is discussed quite sporadically. Public administration on a local and regional level is not aware of the development potential that social entrepreneurship has for regional development. It is, therefore, not even a part of their concepts, strategies and policies.

The social economy and its actors are not sufficiently mapped out, even though social enterprises have been mapped in the context of already completed projects that dealt with social entrepreneurship. A directory of social enterprises was created for them, where they can sign up.

Another thing that slows down the development of social entrepreneurship in the Czech Republic is a simplified understanding of the self-financing ability of social enterprises. There are not enough grant calls supporting the development of social entrepreneurship, which would respond to the large variety of activities of social entrepreneurship. The public and state administrations do not exploit the possibility of purchasing services and goods from existing social enterprises within the framework of the Public Procurement Act, often not even for small orders. Labour offices only provide systematic support for persons with disabilities.