



# **Analysis of Barriers to Employing Persons Released from Imprisonment in the Labour Market and Possibilities to Employ Them; Influence and Support of Social Dialogue**

*With respect to the social enterprises' role in work integration of  
disadvantaged groups and especially persons with a criminal record*

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## Introduction

This report contains knowledge gained in a research project entitled “Analysis of Barriers to Employing Persons Released from Imprisonment in the Labour Market and Possibilities to Employ Them; Influence and Support of Social Dialogue”, which was included in a wider research project entitled “Future of Work and New Strategy of Collective Negotiation in the Upcoming Period of Digitalization and Revolution of Skills” realized by the Association of Independent Trade Unions (AITU) and Confederation of Employers and Entrepreneurs’ Unions (CEEU).

In a number of respects the research has been linked to two previous research projects realized by the authors of this report, which were also addressed within broader research projects of (AITU) and (CEEU).<sup>1</sup> Unlike them, this research has focused mainly on the question of what is the role fulfilled by so called social conditions at (re)integration and relapse prevention of people released from imprisonment. In a view of persisting series of uncertainties related to this concept and a related concept of social economics, which have emerged also during this research, which has been focused, to a large extent, on defining and describing the theme of social economics, or characteristics of the entities representing this sphere.

Although the analysis of these concepts was not *in itself* (in the sense of *having no connection with the issue of (re)integration and relapse prevention of people released from imprisonment*) the main goal of the research, this report has focused on, given that the open labour market still contains many barriers impeding employment of people released from imprisonment or with a criminal record (see e.g., Bareš, Mertl 2016; Mertl, Bareš 2018). It is very desirable to focus on identifying the integration potential of enterprises for the (re)integration of disadvantaged groups of people to such economical entities which do not operate in an open labour market, or which pursue also other than economic goals in the open labour market. These are the key characteristics of enterprises that can be perceived as subjects of social economics, i.e. social enterprises.

In order to understand the role of these entities in the reintegration of groups of disadvantaged people in the labour market, it was necessary first – to clarify some concepts and provide closer characteristics of this economic sphere and describe

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<sup>1</sup> It included projects as “Preliminary Analysis to Identify Barriers and Conditions for Employing Persons During or After Imprisonment” (Bareš, Mertl 2016) a “Research of Employing Persons During and After Imprisonment and Employers’ Approach to These Persons” (Mertl, Bareš 2018).

some of its important specifics. All the more so, despite the ongoing years long debate over the social economy and social enterprising, this issue remains very unclear as the debate contains different contradicting conceptual streams and many uncertainties surrounding these concepts still persist in it. Although this report does not see its main aim in analyzing the topic of social economics in general and its goal is to evaluate specific connections of social economics and possibilities of (re)integration and relapse prevention of people released from imprisonment, this research could not, however, avoid a more general analysis of social enterprising and it even proved that the analysis and understanding of these concepts and their context are a necessary prerequisite for realizing this research. Thus they are a very important central part of this report, because their clarification was an important starting point for analysing knowledge directly related to the integration potential of social economic entities.

Further text of this report is divided into three chapters, first of which deals with the theoretical context, second one explains the methodology of the research and the third one provides the knowledge gained in the research. The text of the report is closed by the final chapter.

## 1. Theoretic background

### 1.1 Integration of disadvantaged groups in the labour market

#### Disadvantaged persons in the labour market

Naturally, the very collocation “labour market” already includes a certain uncertainty, competitiveness and indefiniteness (or conditionality by other circumstances) of the fact, whether the “demand for labour” meets the “labour supply”. The collocation itself thus implies that the “success” of a person in the labour market (in the sense of finding an employment), definitely is not a matter of fact. It does not include only semantic connotations that would be ascribed to the concept by various actors (and some could be actually conditioned by a specific social and economic context), but it is the key semantic characteristic of the concept of the labour market, which is even explicitly and intentionally embedded in this collocation: the primary and original meaning of the word “market” is a “place of exchange” for exchanged (demanded and offered) goods. Thus, in the case of the labour market, it can be described as “a place where the labour force is demanded and offered.”

These basic semantic accents of the collocation “labour market” are reminded here because of their connection to the question: How can we distinguish the “disadvantaged persons in the labour market.” In the light of the above mentioned characteristics, it is already clear, that not finding an employment does not automatically imply any disadvantage in the labour market and that the definition of disadvantaged persons requires a considerably more complex approach. Such a comprehensive approach striving for identifying disadvantaged persons in the labour market then necessarily reflects specific social and economic contexts and the relevant definition always necessarily reflects the specific local and time contexts. However, the intention of this chapter is not to describe the specific definition of this category of persons in the Czech Republic, but rather to outline more general starting points and contexts of this concept. That is why, in the next text of this chapter, an attention is paid only to the more general context of this concept.

In general, two important basic levels can be reflected in the definition of the group of people disadvantaged in the labour market. When talking about the “circle of persons”, “disadvantaged groups” etc., logically, the first level of such a group is offered by a **certain group membership** defined on the basis of a typical (economic, social or other) character of the relevant group. Such definition naturally encounters a fundamental problem in the sense, that most of the characters that may be relevant

(e.g. age, health status, or affiliation to a particular marginalized<sup>2</sup> group) are very often very general and for identifying the relevant group as disadvantaged in the labour market they are usually inherently insufficient. It is obvious that virtually each this way defined group would always include a number of people, which – although they could be assigned to a certain group on the basis of certain characteristics - cannot be really described as disadvantaged in the labour market.

And for that reason, the second, **individual disadvantaged level in the labour market** is of great importance, where the disadvantaged person in the labour market can be considered a person, whose participation in the labour market is being hindered by various unfavourable (individual and/or systemic, symbolic and/or material) obstacles and those obstacles hinder his/her participation in the labour market systematically – that is, it is not a “one-off” failure resulting from such labour market characteristics as the current discrepancy between demanded jobs and the specific qualification of the applicant, etc. (as was noted in the first two paragraphs). Even when looking at the individual disadvantage level in the labour market, it is naturally a controversial question as to how many different “repeated” or “systematically repeated” failures of the job seeker in the labour market (or any other similar characteristic connected to a person’s disadvantage in a labour market) were rather caused by a certain current constellation in the labour market as they can be perceived rather as a manifestation of the momentary discrepancy between demand and offer etc. (i.e., regardless of the repetition or a certain degree of “systematic nature” they are still essentially conditioned in a rather “situational way”) and when it can be perceived already as a sign or manifestation of a certain “objective”, or “objectively caused” disadvantage of the person in the labour market.

As can be expected, it is useful, precisely because of the ambiguities surrounding the effort for including the individual situation when defining disadvantaged persons, to

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<sup>2</sup> When speaking of marginalization, we mean more general tendency where the person loses (or does not have established or does not have a chance to establish) certain important relations to his/her surrounding and thus finds his/herself or is thus perceived by the surrounding as a person placed in a certain way “on a margin”. The fact, that the surrounding, but in certain cases also the person itself reflects this stage, which is very often further deepen and the status of marginalized persons is being further confirmed. The process of marginalization can be perceived as an equivalent concept to the concept of social exclusion. At this very moment we can speak of “generally social” relations of marginalization. Closer narrowing of this concept enables to make reference to social rather than economical “layers” of marginalization process (i.e., to the areas which do not or did not have any direct connection to the marginalization, especially in respect to possibilities of finding a job), which, however, strengthens the position of perceiving the person as marginalized and therefore also disadvantaged in the labour market.

consider also the first from the two mentioned levels, i.e. to process also assigning the person simultaneously to a certain group on basis of well-defined characteristics. Certain patterns or forms of individual failure in the labour market or their combinations are very often closely connected to a certain specified group of people, for whom such situations are more common or pose greater risk for various objective of symbolic reasons.

In order to identify the persons which can be identified as disadvantaged in the labour market, as a rule, it is usually necessary to **combine both** mentioned **levels**, especially since the differentiation of certain groups of persons can be incorporated into legislation or different specialized programs. This possibility is actually eliminated in the case of individual level (on the other hand, without a reflection of a certain individual situation, no exclusively “group oriented” programs could be really effective, because, purely on the basis of group identification, it is not possible to distinguish which of the persons assigned the adequate group identification could be really considered disadvantaged in the labour market).

The necessity of linking the two levels while identifying the disadvantaged persons obviously does not only concern the question of how to identify the persons themselves, which should be, or, within the adequate programs or policies, which were defined as groups of disadvantaged persons in the labour market, but it is also crucial for other actors taking part in the labour market (employers, workers of labour market institutions – i.e., in the related context of labour office workers or labour agencies workers, etc., donors or administrators of supporting public programs). This interconnection of both levels is thus necessary in designing and implementing programs as well as in dealing with people who may be considered disadvantaged in the labour market, because the legislative definitions or general parameters of the program concerned “only” distinguish the range of relevant target groups, while the implementation of these programs is or should be based on individual work with persons which find themselves in the concerned category, i.e. work, which focuses mainly on the individual situation and personal characteristics of the person concerned, not on the designation to certain social or economic group.

## **Promoting the integration of persons disadvantaged in the labour market**

The previous chapter clearly shows that the very definition of the group of people disadvantaged in the labour market is closely connected to the particular social and economic context and that the definition is not sufficiently outlined by an identification and distinguishing more general, by a certain characteristic of defined groups of people, but that their delineation reflects, up to a certain point, certain number of concrete individual characteristics, which are the basis of evaluating whether a certain person was not included in a certain group “in a purely formalistic way” to a group of people disadvantaged in the labour market. It is just the specific setting of these “individual” parameters related to the specific persons belonging to the defined target groups which shows how broadly is the category of disadvantaged people in the labour market understood in the relevant local and regional context.

At the same time, it is obvious that a concrete approach to defining the people disadvantaged in the labour market need not differ only among different social and economic systems (i.e., in various countries or various periods), but even within a single country, more various programs may exist, which approach the issue differently, or various actors in the relevant labour market may approach this delineation in various ways.

A wide variety of approaches to this issue may be a source of many ambiguities and problems, on the other hand, this possibility is generally justified to a certain point, because it can enable a better targeting of certain programs or policies and better customizing to the specific conditions. This may result in a wider range of programs aimed at helping persons disadvantaged in the labour market, which may differ only in legislative anchoring of used sources or way of proposed help, but also by the degree of focus on persons disadvantaged in the labour market (or to the actors which may employ these persons, etc.), but also by the very definition of the targeted groups.

## The integration potential of entities operating in the open labour market

If we talk about the integration of disadvantaged people into the labour market, the discussion cannot be restricted to programs specifically targeted at these groups of people. On the contrary, it is essential that their integration is substantially provided by institutions in the labour market and programs realized in the employment policy which are not specifically focused on these people, or that, at the same time, entities operating in the **open (common) labour market**<sup>3</sup> make and could make a contribution to their integration as well. It is important that both mentioned segments of labour market are mutually permeable and that the effects of the two groups of entities in the labour market, or programs (i.e., those that are designed as universal as well as those that specifically target those people disadvantaged in the labour market) would complement each other.

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<sup>3</sup> The concept “labour market” is primarily an abstract construct as in this understanding the very concept of market (characterised above as a “place of exchange”) is a clearly abstract idea and it does not surely refer to any existing physical “place”. The concept of market is therefore rather a comprehensive indication for different entities (actors and institutions), processes, relations or causal connections which may be connected to searching for a labour on one side (employers) and searching for a job (job applicants) on the other side, or to a mutual relationship and the resulting outcome of these two “powers”.

Using the expression “open labour market” in this text does not mean that the market is “free” in the context of not being regulated by any means, but that it represents a market segment which is regulated by generally set up rules and operating in this market is subjected to the appropriate general regulation. While the “open market” is not in this respect used as a conceptual opposite to all other market segments, which are subjected to certain extraordinary or specific regulation (in the context of, for example, certain incentives or limitations, specific regime for performance of certain occupations, for example, due to special, safety of other specific demands), but as an opposite “only” to one concrete market segment which is subjected to specific regulation, i.e. to the “sheltered labour market” (i.e. all market segments subjected to other extraordinary rules can be always included either into the open or sheltered labour market in the context of this discernment).

This characteristic makes it clear that the concept “open labour market” can be generally defined (the exact definition for the Czech environment can be found in the relevant law – see further text) only by a “negative definition”, i.e. as a disjunctive concept to the concept “sheltered labour market”, whose definition is not limited by similar obstacles. The key characteristic of “sheltered labour market” is actually, in comparison with the open labour market, the higher level of protection and support of the employee, which is provided to the employed persons in this market segment, where these persons should be the persons disadvantaged in the labour market (that is due to their limited possibilities of finding a job in the open labour market).

Similarly to the case of the concept “person disadvantaged in the labour market” and also the instruments striving for their support, also the understanding of the concepts “open” and “sheltered labour market” depends on the specific social and economic conditions. In the Czech environment, it includes above all the Act No. 435/2004 Coll., On employment (as came into force on January 1, 2018 and established the definition of these two market segments). For the needs of discussing general relations in the theoretical part of this text, the above described discernment of the two market segments can be perceived as sufficient (according to the fact, up to which level they enable providing support to people disadvantaged in the labour market).

The discussion of the integration possibilities of people disadvantaged in the labour market cannot therefore be limited only on specific programs for these people and to the sheltered labour market<sup>4</sup>, but it is also necessary to pay attention to the integration potential of subjects operating in the open labour market. It alone has undoubtedly a significant integration potential. At the same time, it is also possible to expect an employment in the open, not in the sheltered labour market to be rather an achievable goal for a large number of people disadvantaged in the labour market. Obviously, these two issues are very different and they need to be addressed gradually.

**The capacity to integrate persons disadvantaged in the labour market** has a natural support in the whole range of various circumstances even among entities operating in the open labour market, some of which have a purely economic base, and some may be considered a result of the fact that the labour market is a subject to regulations, or that it is the employers who usually shape the nature of labour-law relations in a main, but not complete way – just on the basis of existing regulation, controlling activities or collective negotiation and social dialogue.

First of all, it is important to say that also in the **economic viewpoint**, it is very often in the interest of employers (especially when it is often difficult for them to get a new workforce) to retain employees they have already invested in or which do not need any reinvested time or money, as is the case of newly recruited workers, at least because of the need for their training. For a large number of jobs, an investment in personal development is not limited only to the initial job training, and also in the cases, when the specialization of the employee is not developed by any trainings, e.g. in a form of various training, it is common in many occupations, that the professional competencies and expertise of employees improve with the extending time of employment at the same working place or for the same employer.

Economic motivation for increasing qualification and competence of employees is not only an issue for employers, but, for example, also other institutions in the labour market, public (i.e. mainly the Labour Office) as well as commercial – even for the labour agencies, it is important to offer their clients (employers) good quality applicants,

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<sup>4</sup> See the previous note.

and they strive for establishing a long-term relationship with their clients, which can bring them economic benefits over a longer time horizon.<sup>5</sup>

Employers, in addition to developing the skills of their employees, are also very focused on achieving their satisfaction. First of all, this is a benefit primarily for the employees themselves, but it has also undisputable beneficial effects on employers – as it contributes to greater loyalty (and therefore less turnover) of employees, it strengthens internal motivation of employees and, in many cases, it is also directly reflected in economic results.

It is obvious that instruments supporting the development of labour force or good relationships at the workplace (i.e. primarily the personnel policy of an organization) can be very important for employers, even with a purely pragmatic economic “subordinate goal”, which enables the employer a better achievement of the main goal, i.e. profit.<sup>6</sup> This context is also pointed out by some authors when they doubt distinguishing between social and “classical” enterprise (see the text from p. 22 and further). A decent approach of the employer to employees and “caring for the employees” needs undoubtedly to be perceived as an effective setting of the company’s personnel policy and as an effort to realize socially beneficial goals. However, this statement is naturally very general and its validity will thus vary greatly between the various companies. For example, it will probably not be relevant to an enterprise employing a great number of people disadvantaged in the labour market and at the same time offering this group of people various support activities designed specifically for those people, while it will be unquestionably relevant in the case of an employer operating in the market segment which is characterized by a higher rate of fluctuation motivated by competitive struggle of various companies, where such an employer will *de facto* be “forced” to invest in his/her employees if he/she wants to

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<sup>5</sup> This approach of job agencies was confirmed also by the interview of the authors with a representative of one organization associating job agencies, in the framework of which it was ascertained if and how often the job agencies meet applicants with a criminal record and whether and in what respect is the work with these applicants specific, or how does the cooperation between the agency and its clients work in the case that the persons which were mediated a job were people with a criminal record.

<sup>6</sup> This was, for example, emphasized also by one specialist in the focus group. He perceived a decent approach to the employees as a complete matter of fact for any enterprising and he understands the fact that this is not a common practice and a completely different and more general issue of the Czech entrepreneurial culture. However, this issue cannot be solved by implementing a separate conceptual category and that among social enterprises would be included only those enterprises fulfilling this, actually obvious, principle. This view was shared also by other participants of the focus group, where from their formulations it was clear that they identify themselves with it as no one from the participants of the focus group had opposed it.

keep them. It can be said, therefore, that the same “manifestation”, i.e. serious attitude towards employees, working with them or directly caring for them can be a kind of positive externality of the company’s management for many enterprises focusing on profit, whereas many other enterprises may use it for achieving social welfare.

It can be also pointed out that the described striving for economic management of an enterprise also includes creating a pleasant or healthy working environment or that the striving for various specific goals in the area of personal policy of the company are naturally applied by various entities in the labour market in various scope (i.e., not only their motivation differs, but naturally also their scope and form of performance varies). This is naturally the very base of some occupations that these questions become important already in the context of economic motivation, while other occupations do not focus on personal issues (if those appear) with primary economic motivation.

In the context of specific relation to the employment of disadvantaged people, we should mention another important option of economic motivation, namely a situation, where an enterprise otherwise operating in the open labour market, employs disadvantaged persons, for example, in the framework of publicly subsidized programs. In this case, employers usually create new work positions which would not have been established without public support. The major factor in creating this work position can be primarily expected in the economic development plan of the company (and thus also its economic goals), but, with an addition that the company’s budget will fund this expansion only partially. In other words, in this case, the internal economic motivation of the enterprise was supported by the external economic motivation (where the employment of disadvantaged people in the adequate occupation is possible only because of a certain external incentive).

**The non-economic motivation** leading employers operating in the open labour market to support their employees can be divided into internal and external motivation. The internal motivation can contain all circumstances related to the company’s corporate culture, including but not limited to an effort enabling the employees to identify themselves with their employers, to be consistent with them, to be loyal to them and to perceive their approach at least as fair, if not directly helpful or supportive. This issue is also quite close to the theme of social responsibility (also the corporate social responsibility) which means, in practice, that the company identifies itself with certain principles accepted as socially desirable and within its main or complementary activity

it develops activities aimed at achieving goals in this field. In this case, it is clear that we are touching a concept that is also very close to the issue of social enterprising.

Last but not least, it is necessary to mention the external non-economic factors that support the employers goodwill to build relationships with their employees, to promote good labour legislative relations on the worksite or to support and protect employees. In this respect, besides the statutory regulations or activities of state institutions performing checking activities, the important points consist also collective negotiations and conducting social dialogue with the employees or all the platforms that are used for this purpose (especially the work of trade unions, or possibility of employees to establish and be active in the trade union movement).

Another important issue that needs to be addressed is whether it is possible and desirable to seek to **integrate persons disadvantaged in the open labour market**. It is obvious that the answer to this question will be diametrically different not only with respect to the disadvantaged level of a particular individual, but it will also depend on the actual characteristics of the open labour market. Even within an open labour market, the situation would undoubtedly differ in various segments of economy (e.g. in services or production, etc.). No less important question is, of course, the characteristics of the adequate employment opportunities in the sheltered labour market and possibilities of support that these enterprises can provide to disadvantaged people. Last but not least, of course, it is also important to know what kind of support a disadvantaged person can use in the moment, when he/she manages to find employment in the open labour market.

In order to answer the above mentioned question, more various key views are important, while some of them “go directly against each other”: Sheltered labour market thus should not prevent a disadvantaged person from further “transition” to the open labour market. At the same time, however, it is clear that some disadvantaged people may not be able to find an employment in the open labour market. It is important for a large number of disadvantaged people employed in the sheltered labour market to be provided with another form of support that would help them to manage their work demands and keep their existing job. In the open labour market, however, as a rule, it is not possible to rely on providing similar support, but, for instance, on helpful approach of the employer in some issues (e.g. changed working hours, help in understanding or solving certain situations related to the employment rather indirectly, etc.).



Such a perspective makes it understandable that the approaches to the integration of disadvantaged people into the open labour market are very diverse, not only at the level of various employment policy programs, but also among the different organizations employing these persons.

## 1.2 Social enterprising

### The basic definition of social enterprising

Social enterprising and social economy in general are phenomena that can be viewed from many perspectives and levels. Territorially, we can distinguish two **basic concepts of social enterprising**, namely European and American (meaning, of course, the concept promoted in the United States). Within these two concepts, new views to the principles of social enterprising and to the social enterprises as such have been and are further arising. While in Europe, the concept of social enterprising includes collective (or community) activity carried out by certain entities in which people cooperate – ideally in a participative way (see below), while in the United States a strong individualistic approach prevails that is embodied in a visionary and progressive entrepreneur who wants to develop economic activity while pursuing social goals. In this respect, the individual concepts of social enterprising vary greatly. We find strong influence of a research university network called EMES in the Europe and of two very influential theories in the United States: *social innovation* and *earned income*.

In addition to these delimitations, the **characteristics of the social dimension** is a major issue that social enterprises should fulfil, when this dimension is usually conceived in terms of activity and goals/outputs. Within the activity, the integration dimension of social enterprises which they provide to various socially marginalized populations is accented the most. In this respect, even a special type of social enterprise was established, so called *work integration social enterprise* – WISE. Goals and outputs are evaluated usually from the mentioned viewpoint of integration, environmental and ecologic activity and cultural benefits, and there may be also social enterprises which do not work with any marginalized group, but contribute to fulfilling certain ecological or cultural activities which would not be fulfilled otherwise. The questionable point is the very definition of benefits and target groups and of working with them.

The second major issue of social enterprising and enterprises is the **interdependence and sustainability of the economic and social dimension**, which refers to the fact it is often very difficult to keep an enterprise economically viable while pursuing socially beneficial goals at the same time, or to maintain a certain balance between them.

In both themes, the **genesis of social enterprise** plays a large role. Some social enterprises focus on economic activity to which they add some socially beneficial

activities (such entities were either “classical” enterprises that gradually included socially beneficial activities or they were already established with a certain socially beneficial goals). These companies usually tend to a less diverse types of income and depend economically on market activities, which means less emphasis on socially beneficial activities.

On the other hand, some social enterprises were originally, for example, a non-profit organizations providing social work and assistance. These enterprises keep this character and rather include some elements of “classical” companies in order to diversify their income. These enterprises typically try to combine funding from market activities and public funding, in order to keep the social activity as high as possible. This change may also mean other partial changes in the parent non-profit organization which can create additional management structures to manage social enterprises better. At the same time, it is usually also a symbolic change for the non-profit organisation, where it starts, “indirectly” through “its” social enterprise, at least a partially active operation in the market sector after being active only in the non-profit sector, which can also be accompanied by certain problems (e.g. no experience with marketing).

Before introducing individual perspectives and themes, lets first have a look at **basic factors defining social enterprising**, which can, in the general sense, help to understand the whole issue and, at the same time, serve as the initial insight enabling us to construct the following chapters. Although, according to Kickul and Lyons (2012:16), it is very problematic to find more generally applicable factors of social enterprising, but not entirely impossible. According to Defourny and Nyssens (2010a: 45), all the concepts of social enterprising share a common identification with a certain social goal which enriches the given society, instead of seeking primarily profits. Kerlin (2006: 247, 2013: 102) and Ghosh (2017: 560) point out that social enterprises and activities in the sense of social enterprising often arise as a result of a certain social need that is not fulfilled and its fulfilment is being maintained for various reasons by market or business strategies. Mair and Martí (2006: 37) perceive the social enterprising as a process in which the outcome is generated by the innovative combination of available resources, where this combination should fulfil social needs or encourage a social change. Mongelli and Rullani (2017: 9) describe this process as finding, grasping and creative utilizing of market opportunities to increase social welfare.

Engelke, Mauksch, Darkow and von der Gracht (2016: 3) perceive **new reinvestment of profit into social activities** as a meeting point for social enterprising, instead of its redistribution among owners or shareholders. Dohnalová, Legnerová and colleagues (2014: 13–14) develop this view further when they emphasise the principle of triple benefit (social, economic and environmental) as a generally accepted factor in connection to social enterprising and enterprises. They define the social benefit mainly on basis of **generally beneficial goal** that should be fulfilled by the enterprise and **participative and democratic principles** should be ideally established within the enterprise at the same time, so that the management of the enterprise would involve as many people as possible. The profit or at least a portion of it is usually re-invested in the enterprise or the locality where the enterprise operates. This is also related to the environmental benefit, which is based on a good influence on the local environment, in which the company operates. It is also connected to the environmental benefit, which is based on a good impact on the local environment, where the enterprise operates, especially with respect to meeting local needs and communication. According to a survey by Praszkiec and Nowak (2012: 16), social enterprising usually focuses on these goals:

- Homelessness,
- Building sewage systems in rural areas,
- Children with special needs,
- Children living on the street,
- Discrimination of minorities,
- Poverty,
- Unemployment,
- Trafficking with humans, especially women and children,
- Limited access to information and communication technologies,
- Production and distribution of various types of energies,
- Equal rights for women.
- Solving conflicts,
- Aging population,
- Sustainable energy sources,
- Education,
- Dependence on petrochemical industry,

- Health,
- People with disabilities and
- Environment.

As Defourny and Nyssens (2008) point out, it is not always possible to perceive the terms “social enterprising” and “social enterprise” as interchangeable or interconnected, as in the present time the social enterprising is not always an activity or process performed by social entrepreneurs who are creating social enterprises while performing it. Social enterprise nowadays takes on a **wide variety of forms** from volunteering to activities collectively referred to as corporate social responsibility and is performed by both, individuals as well as legal entities, individually as well as collectively. The very social enterprises are located on the very edge of the market, civil society and public policies, and it brings along many complications while trying to understand them more clearly. As it is mentioned by Engelke, Mauksch, Darkow and von der Gracht (2016: 3), Kerlin (2006: 247–248, 2013: 87), the possibilities of grasping them is also made difficult due to various cultural aspects, historical development, legislative and social-political context in individual countries, where thus also develop very different forms of social enterprises. Kerlin (2013) attempted to analyze individual contexts and developed a large typology of different models of social enterprise and enterprising and their functionality. However, in this text we will not deal with this typology, since it is too detailed for our purposes and would not bring us any better understanding of the issue, perhaps rather the opposite. As Mair and Martí (2006: 39) point out, it is important to realize the fact that social enterprising can be implemented by both “classical” profit oriented enterprises as well as, for example, non-profit entities which reinvest all their profit back into their activities.

**Funding of social enterprising** and enterprises is often very diverse and involves the use of market resources (sales of products and services) as well as public (especially grants and project calls), but also volunteers (Gardin 2006: 111). In this regard, Borzaga a Loss (2006b: 173) mention an interesting fact that social enterprises can contribute to more efficient redistribution of funds, or direct market allocation of resources, which is often very problematic because it does not take into account a number of needy groups and necessary projects.

At the synthesis of the mentioned basic knowledge, we can state, along with Teasdale (2012: 3) in a somewhat minimalistic way that social enterprising and enterprises can be defined in general only by two factors – the focus on social benefits

and the use of market activities – where the rest of the factors remains very individual and changes with the context. In the next parts of the text, we will address the closer contextualization and conceptualization of social enterprising. Nicholls (2010: 620–621) points out two basic discourses of social enterprising – (1) social enterprising as an expression of community life and active civil life (this discourse is particularly relevant for Europe) and (2) social enterprising as an initiative of a pioneering entrepreneur (this discourse is still very active in the United States). We will check both discourses and territorial contexts in the following two chapters.

### **Social enterprising in Europe**

Social enterprising and enterprises started to develop in Europe in the second half of the 1980s and during the 1990s as a result of the gradual neo-liberalization of social systems. It found its expression in transferring the social risks to individuals, promoting the ethos of personal responsibility, stigmatizing the “unsuccessful” (i.e. people who were not able to prosper in society) and ultimately in a large reduction of finances spent on social programs and transferring these finances to repressive measures and apparatuses (for more details see, for example, Mertl 2017).<sup>7</sup> As a result of the weakening role of social policies and financing of social measures, social enterprises started to emerge as a certain mitigation and correction of these changes, while their appearance was supported by an adequate legislation in many countries, which enabled their legal and factual establishment (Defourny, Nyssens 2012: 75; Engelke et al. 2016: 4; Kerlin 2010: 167).

For these reasons, the European concept of social enterprising puts a typical emphasis on **autonomy**, which is based on the fact of social enterprises often arising in order to promote particular social goal or need, while they, at the same time, receive public as well as private funds for this activity, although their own operation and decision making are independent of other institutions. At the same time, this concept includes far more often, in contrary to the American concept, an association of several

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<sup>7</sup> It is worth noticing that the states of former eastern block went the same way, which was influenced by the social, political and economical transformation, which was held in the spirit of “return to the normal stage.” The normal stage was then understood to be represented by the states of the western block, therefore the countries of central Europe started to copy the neoliberal politics, which was a dominant trend in the “model countries” in that period. However, the Czechoslovakia and later the Czech Republic started the neoliberalization later, which was related to the strong tradition of a social state and attempts to reduce negative impacts of the large-scale privatization and economic transformation (Mertl 2017: 128).

people, who start the social enterprising together and create, for example, cooperatives. They have a long-standing tradition in Europe, although, the form of social enterprises is much more diverse as in the case of social enterprises also other organizational forms and type of organizations than cooperative or a similar type of collective ownership are taken into account. The **principle of participation** is promoted within the framework of the operation of social enterprises – anyone who contributes to the operation of an enterprise in any way has a right to participate in the operation of the enterprise after fulfilling certain conditions (Defourny, Nyssens 2010a: 46–47, 2012: 75).

More emphasis on the enterprise participative management is also related to an increased **emphasis on the integration role of enterprises** in the context of socially marginalized populations. As stated by Nicholls (2010: 623–624), the integration is also stimulated by a strong sense of social justice, which is often promoted in European social enterprises as a driving force in their activities and operations. Throughout Europe, a large percentage of social enterprises can be found that are targeted at working with certain disadvantaged populations. One of the reasons is the specific inclusive culture formed within these enterprises, it is perceived as a very favourable and easily controllable environment for various types of interventions (such as relief from debts and restraints or family problems) and for social work activities (especially providing psychic support to increase their self-confidence). At the same time, ideally, the enterprises also provide decent wages and possibility of economic stabilization of the social situation (Defourny, Nyssens 2008: 206). In this regard, Kerlin (2006: 250) states that social enterprises in Europe often take form of cooperatives or otherwise collectively owned and operated entities that aim to provide employment or social services to disadvantaged populations in a participatory environment. Examples of the states where such businesses operate are, for example, France, Spain, Portugal, Greece, Finland, Poland, Sweden. In some countries, legislation is even aimed at creating and supporting integrative social enterprises, which is the case of Finland or Poland (Defourny, Nyssens 2008: 210). For this reason, WISE has become the dominant form of social enterprise (WISE) in Europe, which will be further discussed in a separate chapter (Defourny, Nyssens 2012: 76). However, it must be emphasised that the integration element used in social enterprises is so strong that, for example, Ohana, Meyer and Swaton (2013: 1094) identify it as one of the cornerstones of European social enterprising.

Another specific of social enterprises in this concept is the effort to **systemic funding of social** enterprises through commissioning public tenders. This does not mean that social enterprises are automatically favoured in public tenders (this would violate the principles of equal opportunities and conditions), but a decline from competitions with emphasising the least cost and overall economic considerations, while adhering to the same rules for all. Therefore the social and environmental impacts are taken into account to a much greater extend, which means that a bidder can also win a contract if his offer, despite the higher price of the contract, receives a higher score because its activity protects the environment and employs disadvantaged people. A pioneer in this sense is Italy, which has been using this mechanism since 1991, when the relevant legislation was adopted (Defourny, Nyssens 2008: 210–211).

To summarize the view of social business in Europe, we can use **social enterprise criteria** formulated through EMES research network, which brings together universities and research institutions throughout Europe that are dedicated to social business research within Europe. Based on research of various fields (sociology, politics, economics, management, etc.), EMES has developed a list of criteria that needs to be understood, as many researchers (Defourny, Nyssens 2008; Kerlin 2006) emphasise, as an ideal and rather conceptualizing diverse form of social enterprising in different countries. The EMES itself states on its website<sup>8</sup> that trying to conceptualize European social enterprising has not provided any elegant and easy-to-use definition, but the creation of indicators which enable to view different manifestations and forms of social enterprising in Europe. Initially, the indicators were divided into five social and four economic ones (see a list of them, for example in Defourny, Nyssens 2010a: 43). However, for better comparison, they were eventually divided into social, participative and economic indicators, where each category includes three further indicators. The social indicators include:

- Social benefit as an explicit goal of activity,
- Enterprising activity is developed by a group of citizens or a civil society entity and
- Limited redistribution of profit.

The participatory indicators include:

- High degree of autonomy,

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<sup>8</sup> <https://emes.net/focus-areas/>

- Decision making is not conditioned by ownership of the company and
- Participative internal operation of enterprises, where various groups are involved in decision making process.

Economic criteria include:

- Systematic activity developed to sell the products and/or services - this indicator aims to distinguish the social enterprises from non-profit enterprises,
- A significant impact of entrepreneurial risk and
- The operation of an enterprise must be at least to a minimum degree provided by people in paid work positions.

As Defourny and Nyssens (2012: 78) point out, indicators not only serve to conceptualize the outlook for European social enterprising, identify new social enterprises, but also to identify the social elements in existing “classical” enterprises, which can, under an influence of internal social dynamic, thus become social enterprises, without explicitly declaring themselves to be part of this category.

### **Social enterprising in the United States**

Unlike in Europe, the social enterprising in the United States is more often considered to be a **personal initiative of an individual entrepreneur**, who behaves in an entrepreneurial way, but also pursues social goals. Nicholls (2010: 620–621) portrays this perspective in a very subtle metaphor of a *social entrepreneur as a hero*, which, as various attributes ascribed to social enterprising by many researches imply (Alvord et al. 2004: 262; Kickul, Lyons 2012: 16–17; Praszkie, Nowak 2012: 9–10; Roundy, Bonnal 2017: 6), has actually almost superior talents and abilities: he can orient himself in the world of business, generate profit, has clearly set goals and priorities, manages to determine and fulfil socially beneficial goal or goals, is able to accurately determine the share between economic and social activities, is a visionary, innovative, creative, empathic person who learns continuously and has many other abilities.

However, some researchers, for example, Praszkie and Nowak (2012: 11) admit that all the attributes ascribed to social entrepreneurs rarely meet in one person and such persons are very rare (regardless of what the researchers do not mention, that actually even fewer people get the opportunity to fulfil their ideas and goals because they are hampered by various structural barriers). In addition, some features are contradictory – it is very difficult to imagine that, for example, empathic persons

would establish themselves in today's market-oriented culture focused on profit and prosperity.

Therefore, Mair and Martí (2006: 38–39) point out that a similar approach is not analytically too beneficial, as it is not entirely clear what are the different characteristics and abilities distinguishing the social entrepreneurs from the other actors, except of somewhat trivial findings/assumptions that they are more altruistic and that, as claimed by Roundy and Bonnal (2017: 9–10), they are far more likely to have positive social externalities. In addition to such oriented theoretical approach towards conceptualizing social enterprising, some absolutely crucial issues (such as the definition of what is the actual social benefit, if it exists at all, or under what circumstances can become economic and social activities well balanced) remain completely without any answer. In the described approaches to defining social enterprising, answers to these questions remain exclusively in the expression of the social entrepreneur and therefore depend on the personal qualities of that person. The structural and systemic factors affecting social enterprising are therefore somewhat irrelevant to this delimitation because the social entrepreneur is able to assert oneself under all conditions. However, the separation of the individual and social dimensions of social enterprising so symptomatic for this approach is very difficult in practice because both dimensions are always interconnected, and more over, as Mair and Martí (2006: 41) point out, such an accentuating of individual perspective is, in fact, against the main principles of social enterprising, because social enterprising is often based on very dense networks of relationships and interactions between different actors that take place and are subject to different structures.

According to Defourny and Nyssens (2010a: 39–40) and Kerlin (2010: 167), the development of social enterprising in the United States was greatly influenced by **non-profit entities** that suggested possible shifting away from generating profits as an exclusive goal and, at the same time, functioning also in practical sense as social enterprises since 1980s, as they had to, after the cuts of public funding, use commercial activities to earn money for their operations and projects. However, this dependence on money from entrepreneurial and commercial activities often has an impact on determining the relevant socially beneficial goals that are chosen with view of the greatest possible later profit, which, according to Kerlin (2006: 248), receives within the framework of social enterprising in the United States far greater emphasis than in other countries. In practice, this means that social welfare is rather “adjoined”

to commercial activities (as opposed to Europe, where the social welfare and commercial activities are one of the funding sources). This circumstance not only influences the conditions for the social enterprising in the USA, but also determines the overall direction of the local social and political debate on the possibilities of solving structural and social problems: according to the dominant discourse these problems can be solved through market activities. This is the prevalent approach in the US, although in practice it can actually weaken the marginalized groups and deepen their exclusion, for example, by requiring them to pay for received social services (if they are provided at all), because providing them is not very profitable for the providers (Defourny, Nyssens 2010a: 40; Kerlin 2006: 258).

Based on the approach from the perspective of an individual entrepreneur and specific genesis of social enterprising in the United States, Defourny and Nyssens (2010a, 2010b, 2012) have formulated two general conceptualizations, through which the social enterprising can be grasped in the given context. The first approach is the **perspective of social innovation**, where the social enterprising is perceived as a driving force of society that moves it all or its partial aspects forward. This approach is directly based on the personality of the social entrepreneur who is perceived as the initiator and the carrier of changes in society, through the introduction of new processes, technologies, views and perspectives. The second approach is the **earned income perspective**, which to some extent leaves the individual viewpoint behind and rather underlines the transformation of sources of income, which was made by non-profit entities towards using commercial activities to secure the financing of their socially beneficial goals and activities. This transformation of activities from non-profit to commercial is within the framework of this theory the main attribute of social enterprises.

### **What is the very social aspect in social enterprising?**

The previous chapter on social enterprising in the United States makes it clear that in the attempt to capture the social dimension of social enterprising, significant discrepancies still prevail and some approaches to conceptualizing social enterprising actually considerably diminish its social dimension. Mair and Martí (2006: 38) consider the outlining of a socially beneficial enterprising goals to be the most problematic point of all efforts to conceptualize social enterprising. According to them, it is not quite clear,

where the line distinguishing the activities which can be considered socially beneficial and which cannot actually lies.

The authors offer an effective, but albeit somewhat “shallow” solution based on complete **abandoning of striving for definition of the dividing line** established on distinction between social enterprise as an entity pursuing socially beneficial goal and “classical” profit seeking enterprise. They rely on the traditional arguments of classical economy of Adam Smith, which, according to their thoughts, can be connected to both concepts also with respect to distinction between social and “classical” enterprising without much difficulty. According to them, classical enterprising also has a social dimension, as entrepreneurs create new opportunities, investments, jobs and so forth in the pursuit of their profit. If we ignore the fact that this reasoning has been refuted many times (for example, Bauman 2005; Klein 2010; Sennett 2006; Standing 2014) and that such investments often do not lead to positive outcomes (not even externally) without introducing other qualitative factors into the process, nor does the argument make sense in terms of social enterprising, as social benefits thus become a by-product and not the main goal.

As has been pointed out by many researchers (Chan et al. 2017; Mongelli et al. 2017; Mongelli, Rullani 2017; Morrow et al. 2009), one of the possible clear social benefits is the already mentioned **integration of marginalized groups**, where people often cannot even get jobs because of their stigmatized position.<sup>9</sup> In this respect, the checked working environment is considered as an ideal work position, where it is possible to work with the people in a specific way – they are in a group of other people, not in an artificially created environment, while doing a meaningful and dignified activities, for which they also receive decent wages. For example, in a research conducted in Canada by Chan, Ryan, Quarter (2017), people who underwent an integration social enterprise, have stressed in the interviews that such experience has brought them increased self-confidence, it increased their social capital and created social networks they could use to move forward with their lives.

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<sup>9</sup> Stigmatization means negative classification or perception of the perceived person in the society on the basis of certain characteristic, which is perceived primarily in a negative way (it is stigmatizing) and is in principle perceived as a defining characteristic which the person “carries with him/her” as his/her “distinguishing feature” or a “characteristic”, which is an “inseparable feature” (and thus represents a certain “stamp”, i.e. “stigma”). A stigmatized position is such a position which is connected to the negatively marked person in the process of stigmatization (connecting the stigmatizing characteristics “firmly” to the person). Persons with this stamp or stigma are considered socially as unclean, dirty and unworthy of social life. For the other members of the society the stigma is a signal that they should avoid these persons and start no interaction with them (see, for example, Goffman 2003).

Morrow, Wasik, Cohen, Perry (2009) evaluated integration benefits of social enterprises (also in Canada) with regard to a specific group of people with mental health problems. The social enterprise has not only provided the material background to these people, but with the recovery approach (see for example Anthony 1993; Carpenter 2002; Deegan 2003) applied directly within the work interactions and flexible workplace adjustment to the employees' abilities, their psychic status stabilized and the persons were able to function much better in the society according to their imagination. Just the mentioned flexibility and capacity to modify working conditions are considered by Borzaga and Loss (2006b: 172) to be one of the main commodities of social enterprises, which enables to create interpersonal relationships, improves material psychic state and, at the same time, it enables creating jobs, which are at least partially profitable. In this respect, social enterprises can be a certain starting point for the recovery of self-confidence and participation in social processes. This effect can be further multiplied by participatory culture within the social enterprise, as outlined by Ohana, Meyer and Swanton (2013: 1093), which can help the integration in a "non-violent" way simply by setting up internal processes.

However, even the integrative social dimension is not without problems, of course, as Garrow and Hasenfeld (2014: 1475–1476) point out to a certain fundamental problem. According to them, the persons belonging to the selected marginalized population working in so called **integration social enterprise**, often play two difficult-to-integrate roles – they are both social service users and employees at the same time. This dichotomy can be difficult to apply to a number of "common" social enterprises (i.e. other social enterprises, except for integration social enterprises) actually difficult to apply in practice, while it is necessary to set the boundary between social and economic activities very thoughtfully, so that neither one would be significantly impeded. Chan, Ryan, Quarter (2017: 13) state that it is unclear what was the main factor that helped their informants to improve their lives. Thus, it is a question of whether the key (social) work with the people is the workplace or the job itself, which provides a dignified workplace for decent wages, and can be in itself an important factor. Alternatively, the fact that the person in question has got a chance he/she was not given before, or if another factor plays in a significant role, for example, the participatory culture. A participatory culture can be a major problem for some enterprises, as recognized by Ohana, Meyer and Swanton (2013: 1101), especially with regard to the motivation of marginalized groups to encourage them to participate

in the operation of the enterprise, while in some cases, the key role may be played by the primary material and life stabilization which are followed later by the interest in participating.

Sometimes, however, there is no need to introduce large-scale integration measures or processes within the enterprises, as it is sufficient only to change slightly some processes and insights in the form of social enterprises to significantly increase the integration potential of the particular enterprise. This is clearly demonstrated by Praszkie and Nowak (2012: 4–6), who give an example of a large percentage of absences and solution consisting in a mere change of communication and dealing with the people which consisted in abandoning the zero tolerance principle to absent employees and other possible problems and in abandoning the perception of these situations only by the optic of personal responsibility of the employee for these situations, where the influence of structural factors was also considered (i.e. for example, that the cause of absenteeism could be an event that could not had been affected - problems in the family, child illness, etc.). In practice this change in employer's attitude was reflected, for example, in an active calling people who did not come to work, by finding out where is the problem and by offering solutions to the problem (such as providing transport options, etc). In the case when an employee called to excuse him/herself, the employer again tried to find out why he/she cannot come and actively looked for a possible solution. This very interest and helpful attitude of the employer brought along mutual improvement in relationships and a rapid reduction of absenteeism.

Second type of social benefits is represented by socially beneficial goals, the social enterprise seeks to achieve. These goals are often defined, for example, by environmental, cultural, sporting and artistic views (Defourny, Nyssens 2008: 210). In this case, we can talk **about social enterprises which set up for themselves and pursue and implement** differently defined **socially beneficial goals and activities**. Such socially beneficial activities are usually not problematic in terms of the realization of social enterprising and producing its outcomes and it is not probable that any problems affecting the internal functioning of the organization may appear (of course assuming that all responsible persons accept the set goals and do not expect anything else from the social enterprise).

## Is it possible to reconcile economic interests with social goals?

According to Galaskiewicz and Barringerová (2012: 52), social enterprises are a special type of institutions (sometimes referred to as a “hybrid”, see, for example, Mongelli et al. 2017: 12–13; Roundy, Bonnal 2017: 16), because two (to a large extent) **contradictory institutional logics** – economic interest and socially beneficial goals – are being implemented within their internal functioning. This problem interferes not only with the possibility of the enterprise going bankrupt, if it seeks too much the social benefits and does not “guard” the economic side, or the social enterprise may transform itself into a “classical” enterprise if it emphasizes the economic aspect of its activity, but it is also a matter of internal institutional tension that may lead to paralyzing the enterprise (Garrow, Hasenfeld 2014: 1476; Mongelli et al. 2017: 4).

A major problem in seeking to reconcile economic and social goals may be also whether and to what extent an enterprise is able to except full **entrepreneurial risk** (as well as “classical” enterprises), while at the same time still performing socially beneficial activities (for example, contributing to integration of marginalized groups) (Defourny, Nyssens 2010a: 45–46, 2010b: 235). Bode, Evers, Schulz (2006b: 253) point out that this situation has proven to be very topical in Denmark in recent years, where social enterprises are “trapped” between the fulfilment of common economic demands on production and marketing and, at the same time, they are pressed to strive for socially beneficial goals with respect to integration.

In this respect, Garrow and Hasenfeld (2012: 124–125, 2014: 1485, 1487–1488) have identified a deeper problem in the **conflicting internal culture** that oscillates between management and non-profit and it is not clear, whether employed people are “real” employees or users of social services. According to them, the **potential “commodification” of employees** is a serious problem, which is based on their selection not due to their need for help through employment, but due to their economic perspective (there is a risk that the least problematic applicants will be selected, who need the least work and the least internal resources).

Alternatively, a **gradual transformation** can appear from the social enterprise to a “classical” enterprise, which will be economically sustainable and free from internal tension. This change in enterprise orientation greatly transforms its current and future activities, but problems may be caused by the fact that the enterprise usually does not cut itself off from its past and its current operating regime may collide with the new one in a certain way. The “past legacy” in the enterprise continues to exist on two levels. On

a symbolic level, it may take the form of a purely formal commitment to values and goals, or use of “credit” associated with the existing enterprising concept combining social and economic goals. On the practical level, it is important that the employees of the company have so far acted in an environment which was probably typical for various reliefs or supports unlike it is in the open labour market. However, after the transformation of the enterprise, it would essentially adapt to a regime that is quite comparable to that of an open market.

For employees, this situation can actually mean that they are in a worse position than if they were employed in an organization operating in the open labour market, because the environment will continue to perceive them as benefiting from various aids, regardless of the fact that no specific support is already available to them from the enterprise’s side. At the same time, such a person cannot defend him/herself too well because, due to the marginalization, he/she does not have a very strong position. As a matter of fact, a person cannot usually resolve this situation by leaving such an enterprise (this is particularly the case for released persons), as such a move would be seen as the “anticipated” failure by these people and as another “proof” that they do not deserve any help as they are irreparable delinquents, etc.

Another problem mentioned by Roundy and Bonnal (2017: 16), is that if a social enterprise is too much inclined to the economic dimension, it brings along a risk that some social problems may not even be tried to be solved, as they do not offer sufficient economic profitability. These problems usually affect a very particular population, which is, for example, in addition also stigmatized (i.e., for example, the persons released from imprisonment).

In view of the **straddle of social enterprises between social and economic goals**, it is typical for these enterprises that the support they offer relates specifically to persons who are, or may be, participants in market processes and can therefore be gainfully employed. Their activities thus affect only certain people disadvantaged in the labour market, not the disadvantaged people in general. Thus they cannot support other disadvantaged groups (e.g. children) directly through their enterprising activities.

This misbalance of the social enterprise towards the social or economic logic is to some extent caused by a genesis of the founding of social enterprise. As Chan, Ryan and Quarter (2017: 14) point out, if the social enterprise was originally founded as “classical” enterprise and has transformed itself into social enterprise after a certain period, it is more likely that it would incline towards supporting the economic side. While

a social enterprise that was founded from an entity or is affiliated to an entity providing social services is more likely to accentuate social benefits.

According to Garrow and Hasenfeld (2014: 1488), it is important for optimal functioning of integration social enterprises that they are protected in some way from market influence and from the need to tend more strongly towards market/economic logic. Too much emphasis on this logic can be a threat to integrating efforts. In this respect, they point out that these social enterprises do not (often uncritically) accept the view that market competition improves the services they provide, because integration social enterprises exposed to market conditions, on the contrary, either restrict or abandon the services to marginalized persons.

The optimal balance of economic and social logic is closely related to the **need to diversify funding of social enterprises**. It promotes their sustainability and independence, especially in the sense that some form of public funding (at least for integration) social enterprises is a necessary condition for their proper functioning. In this respect, a considerable potential lies in the already mentioned socially responsible procurement of tenders, where the state institutions take into account also other than economic viewpoints, which supports operation of social enterprises at least partially (Bode et al. 2006b: 255; Legnerová, Dohnalová 2017: 15).

To solve this problem, Mongelli, Rullani and Versari (2017) propose introducing a comprehensive organizational arrangement of a social enterprise which, on the contrary, will accentuate the diversity of views and opinions on the optimal way of reconciling social and economic goals. The authors assume that the diversity of these views is not only a source of different tensions or inconsistencies, but it can also lead to innovative and creative solutions to emerging situations. It can be said that, according to this concept, the incessant effort to **reconcile the tensions between the two aspects** is a characteristic feature of the social enterprise as an organization that is neither a "classical enterprise", nor a non-profit organization. According to the authors, a proper grasping and appropriate integration of social and economic consideration into a social enterprise, each of these aspects is clearly given its role in the company, and then it is appropriate to talk about a social enterprise. This, of course, anticipates that the enterprise will support the participation of protagonists in different decision-making perspectives and that it would be rather a collective entity than an individual entrepreneur.

In this respect, Santos, Pache, Birkholz (2015) have explored the possibilities of the mentioned global organizational arrangements. According to them, it is important that the competent persons in the relevant social enterprise know, where they want to direct the enterprise and thus set up the internal processes accordingly. But according to them, there is no right specifically functioning model which would be especially suited to social enterprises.

The problems arising from the internal tension between economic and social goals just described are reconciled especially by work integration social enterprises (WISE). These are potentially the most interesting entities for our research and, therefore, a separate chapter will focus on them.

### **Work Integration Social Enterprises (WISE)**

We will discuss this type of social enterprise as a the only one in more detail because it is potentially closest to the issue we are dealing with in our research. However, as Cooney, Nyssens, O'Shaughnessy and Defourny (2016: 416) claim, work integration social enterprises are significant also by a fact, that they are essentially the flagship of social enterprising, as they operate in a certain form globally around the world and to a large extent thus affect the direction of social enterprising.<sup>10</sup> In this respect, Cooney and Williams Shanks (2010: 42–43) and Defourny and Nyssens (2008: 208, 2010a: 37) point out that many European states (for example Belgium, Britain, Finland, Poland or Spain) have accepted new legislation to support founding of WISE during last decades. In other countries (Sweden, Denmark and Portugal) the WISEs are a subject of lively debates and are supported through governmental policies. However, as Defourny and Nyssens (2006: 14), point out, the WISEs are not distributed evenly in Europe, for example, several thousands of these social enterprises operate in Italy, but they operate in different countries in a very diverse manner, which is, of course, given by different legislation, cultural environment and institutional settings. The main mission is the (re)integration of marginalized or disadvantaged groups primarily through a work activity. Often, however, more socially beneficial goals can appear as outputs created by employees continue to serve mostly locally to meet the demand for

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<sup>10</sup> In the framework of this chapter, we will use English acronym "WISE", instead of establishing Czech acronym. The English acronym is also characteristic by its symbolic meaning (i.e., the meaning of the word "wise") which points to a certain careful planning or practicality in the interconnecting of the main values or kinds of effects which are aimed towards by these entities.

certain products or services. Ideally, marginalized people are employed in the production of products or services and the outcome of their work creates further benefit for the community or society.

Originally, the WISE was developed in connection to providing a work therapy to people who had a health handicap which was actually hindering their participation in the labour market. Over time, enterprises have begun to focus on other groups (long-term unemployed, migrants, drug users, released persons, homeless people and others), who needed help, and in some countries (for example in France) they were in this sense even integrated into the social systems as one of the measures which may improve situation of the marginalized people, and which play a role of a sort of “transfer belt” between social system institutions and employers operating in the labour market. These social enterprises were often founded by non-profit entities, activists and activist societies or also by trade unions (Cooney 2016: 448; Cooney et al. 2016: 416, 418; Cooney, Williams Shanks 2010: 40; Defourny, Nyssens 2010b: 236).

The rate of integration of WISE into the social system often implies the way of recruiting employees and the level of public funding. For example, in Italy, only a minimum people enter social enterprises through labour offices, while in Britain and Germany the situation is the opposite and social enterprises benefit from cooperation with labour offices (Borzaga, Loss 2006b: 181). In Portugal, 80 % of the wages of WISE employees is covered from public funding for a certain time period (Perista, Nogueira 2006: 196). Significantly dependent on public funding are WISEs in Ireland, where their income is mostly made up of public funding, but they must prove that they are financially self-sufficient within three years of their existence, as public support ceases after that time period (O’Shaughnessy 2006: 141).

The extent and way of WISE integration into social systems varies, of course, in different countries depending on the local legislation in which they operate. However, the individual position of individual WISE operating in the same socio-economic context also differ, depending on the specific setting of their goals and internal functioning. However, it is possible to identify some of the generally used ways of integration.

In their work, some WISEs especially emphasize efforts to **provide dignified employment for a decent wage for longer period**, which would take into account the needs of the employees and would not always focus on productivity or compliance with production standards. Sometimes, this type of social enterprise is associated with

the “**sheltered employment**”<sup>11</sup> in an already abandoned concept, as has been practiced in the past, i.e. in order to provide a disadvantaged person with a job virtually no matter whether it has an economic benefit for the enterprise’s economy and regardless whether it is sustainable as long as it is financed exclusively or almost exclusively from public sources, a kind of “job for an employment” (notwithstanding the fact that this essentially outdated concept did not, in some cases, provide anything close to dignified working conditions and that this concept of employing disadvantaged people was more focused on creating an impression that these people are receiving the most possible support and that their situation was solved instead of integrating them, at least in the sheltered labour market). While sheltered jobs/workshops still exist and are being used, they are currently focused primarily on providing conditions and opportunities to their employees to organize their own work and other life by themselves, and have not already create any further form of marginalization for them as a consequence of them being systematically (albeit with a well-meaning reference to striving for a desirable work integration) separated from other members of society and find themselves in some sort of “artificial”, unnatural environment.

WISE activities that emphasize the desire to provide a dignified work for decent wages for a longer time period are often focused on persons, which are unlikely to “move further” (whether due to the health status, age or other factors), but still they want to live dignified lives (Cooney et al. 2016: 419; Defourny, Nyssens 2006: 15).

Another alternative is the so called **transit employment**, which consists of providing an occupation for a (beforehand) agreed time period, during which the person considered stabilizes one’s own life situation (that is to say, material, personal and, for example, psychological aspects), gaining professional and social skills and experience and then, after the expiration of given time, he/she seeks an employment in the ordinary labour market (in a “classical“ enterprise). It is similar to social enterprises which provide longer-term employment, this type of WISE forms a part of

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<sup>11</sup> In the Czech environment, we use more often the term “sheltered workshops”. In this respect, it is necessary to point out to a very similar concept with which the sheltered workshops cannot be confused, which is the concept of “socially-therapeutic workshop”. The socially-therapeutic workshops actually fulfil many similar goals like the sheltered workshops in many respects, but according to the definition, it is a “social service” and therefore it works in a very different regime (according to the Act No. 108/2006, On social services). Therefore this institute, unlike the protected workshop, is not an instrument applicable in the field of social enterprising. It is typically a service provided by non-profit organizations or public entities, which is reflected also in the different approach to the economic management (it cannot be considered as enterprising, but “only” an economic administration or economic management related to provision of this service; its funding is exclusively or from a considerable part based on public sources and various public subsidy programs).

social systems in some countries (for example, in Austria or Switzerland), where the enterprises often receive incentives and employees from labour offices or other institutions responsible for employment mediation in the country (Cooney et al. 2016: 420; Defourny, Nyssens 2006: 15–16).

In general, as Borzaga and Loss (2006b: 181–183) point out, the length of employment at individual social enterprise varies greatly from country to country. In Sweden, Belgium, Italy and Finland, the employees are hired for indefinite-term contracts. On the other hand, for example in Germany or Portugal, fixed-term contracts are common and people remain in the employment only for a period of time determined by the relevant program under which they are employed.

A part from using work as a main integration instrument, some WISEs, as Borzaga and Loss (2006b: 172–173) emphasize, seek to support employees also by other means, for example providing social work or psychological assistance, or by using different interactive techniques at the workplace, which help the marginalized people in their personal stabilization. A good example of this practice are WISEs in Sweden, where they combine work, individual and collective methods in (re)integration of marginalized groups into society (Stryjan 2006: 216–217), in Italy, a certain type of WISE is directly embedded in legislation, which is not only focused on work, but also personal development (Borzaga, Loss 2006a: 75), or in France, where the marginalized people are also provided with services helping them to find housing, develop skills, find legal aid and doctor (Bucolo 2006: 62). However, WISEs can also receive not really desirable forms, which do not really help the marginalized people in stabilizing their lives and (re)integrating into the society. A clear example of this situation can be WISEs in Germany, which were formed by so called Hartz's reforms, which should create up to half a million jobs that were meant to be only for training and were paid symbolically (ranging from one to two Euros per hour). These positions should had been set up by state institutions and non-profit entities and people were placed there in cooperation with labour offices (Bode et al. 2006a: 297). As suggested by Bode, Evers and Schulz (2006a: 303), these practices tended to be closer to so-called *workfare* and activation measures rather than to social enterprising. We will focus on these topics in the next chapter.

### **Social enterprises as an instrument for deepening neoliberalization**

Some researches (Cooney 2016; Cooney et al. 2016; Garrow, Hasenfeld 2012, 2014; Hjorth 2013; Teasdale 2012) point out that social enterprising in the form of WISE is a certain expression of neoliberalization of social policy, or that it represents *neoliberalism with a human face* (for more to this metaphor, see Arestis, Sawyer 2005; Milios 2005), i.e. the introduction of various neo-liberal measures under a more human mask, and it embodies a *workfare*, working for one's social services, just in another form. Neoliberalization of social policy is typical by limiting support for social policy and, on the contrary, by promoting repressive policy, reducing the concept of security from a comprehensive understanding of both material and symbolic security to security involving only physical security, through introducing *workfare*, the necessity to work for any provided social assistance, with emphasis put on personal responsibility and rejection of societal and structural risks and other manifestations (for more see Merti 2017). WISEs respond to these trends in social policy in a number of different ways.

As Cooney (2016: 445–446) and Cooney, Nyssens, O'Shaughnessy and Defourny (Cooney et al. 2016: 421–422) point out, WISEs were founded as entities which should have closed the gaps created by neo-liberalization of social policies. This role is fulfilled in many cases, but it also shows that WISEs accept the neo-liberal understanding of the market, or social issues and adapt their own operations to this philosophy. By endeavouring to integrate social services and market-marketing mechanisms, they actually put into practice the neo-liberal principles, and thus confirm and strengthen this ideological direction by their activities.

These trends result in some social enterprises offering only transit jobs with little security and a small perspective. This concept precisely reflects the neoliberal trends in employment policy, where the social enterprise in its activity also emphasizes such aspects as a large flexibility of employer-employee relationships (in terms of easy recruitment and dismissal of employees), providing fixed-term contracts, low wages and unsatisfactory working conditions. Social enterprises that keep such an approach can thus hardly improve the situation of marginalized people. In some cases, they may actually worsen it, as their employees go through a social enterprise program, but they do not subsequently succeed in finding a job. This may strengthen their stigmatization and worsen their social situation because the information that they have completed a specialized program run by a social enterprise sends signals to others that they have received service in a form of social services and training of various skills even in the case, where they have been de facto treated as in the "classical" enterprise.

Garrow and Hasenfeld (2014) go further with the criticism of WISE, as, according to them, it embodies application of market logic and personal responsibility on (re)integration of marginalized groups, which means weakening the role of social policies and social work, which can be provided just by the social enterprises. The WISEs can provide meaningful, fulfilling and enriching employment, however, they must prefer rather social goals to economic interest and the very enterprises must function as entities providing especially social services. Only in this case they can be a suitable subject for (re)integration of marginalized people. A certain deterrent example can be a project founded in Hamburg, Germany, at the instigation of the local labour office. An imitation of a shopping mall was built within the project, in which the long-term unemployed should role-play individual jobs and rotate these roles. The imitated shopping mall included imitations of products, money and equipment and some proceedings usually performed in the shopping mall were also imitated. This “School of real life“, as the project was called, was compulsory for all long-term unemployed recipients (not attending was fined), who had to participate in the project 40 hours a week for six to nine months. The project gave to the participants nothing, because the activities they performed were useless, they did not provide them any development and could not thus improve their situation in any way. In addition, this “job” did not really help them even on the material level either.

On the contrary, good examples of the potential for (re)integration of released persons through WISEs are social enterprises Made in Carcere in southern Italy, where people collect residual fabrics from the clothing industry, which is delivered to women’s prisons, where the imprisoned women, after passing a training course, design and make new fashionable clothes, which are further sold (Mongelli, Rullani 2017: 10). As Mongelli, Rullani and Versari (2017: 15–16) point out, the benefit of this social enterprise in this case also consists (apart from providing and teaching people new skills and knowledge) of the fact, that women involved in this program are sentenced and serve a sentence, which symbolically and practically helps them during the imprisonment and after it, because they are better prepared to some situations after their release.

## **2. Research methodology**

In order to implement our research project, we have chosen a **qualitative exploratory study** format that is characterized by identifying a particular research problem that is not sufficiently accentuated and analyzed in the given context and is explored in this context using qualitative methodology. In our case, the research topic consists of possibilities and limits of using employment of released persons in social enterprises, which offer a specific environment enabling to work psychologically and socially with these people and to (re)integrate them in the context of the Czech Republic. According to Stebbins (2008: 327) and Davies (2006: 110–111) exploration research does not mean an exploration in the sense of discovering an unexplored, but rather a research with certain goal, certain intention and clearly formulated question. At the same time, the researchers should keep their minds open in connection to possible direction of the research and should maintain flexibility in data generation, which means using all the available resources and options. As a result of all efforts, a specific knowledge should be induced, which can then be inductively combined in a certain theory (in the sense of grounded theory - see Charmaz 2006). It is clear that such output rather provides explanations and helps to better understanding of the issue, suggesting other available directions of research or topics that need to be explored further rather than any definitive explanation.

In the framework of our research, we have chosen the method of the **focussed group and semi-structured interviews** as the best way to create rich and relevant data in a relatively short time period.

The focus group was intended to provide more general knowledge of social enterprising and describe the wider context of social enterprising in the Czech conditions. In-depth interviews focused primarily on mapping and describing the organization, activities and practical functioning of the social enterprise that the respondent represented. Due to the method used (and also the circle of respondents – see below), a number of practical experiences was discussed already in the focus group as well as during the in-depth interviews where a number of more general conditions for social enterprising was discussed in the Czech Republic. However, the range of issues discussed in interviews and focus group overlapped only from a certain part, and for this reason, the circle of persons who were invited to discussion in the focus group also naturally differed from the group of in-depth interviews. In the first case, experts were contacted which are active in institutions, organizations or initiatives they pursue, and from their position they can have a certain impact on

conditions for social enterprising in the Czech Republic (but at the same time they have a contact with practice and they often continue to work there - they were not representatives of the academic sphere, although some contacted people were related to the social enterprising in the Czech Republic during their activity, and were in a close and very intense contact with the representatives of the academic sphere). In the latter case, representatives of companies representing various forms of social enterprising in the Czech Republic were approached and asked for an interview (while, in the case of in-depth interviews, some respondents developed past or present activities aimed at supporting social enterprising in the framework of similarly focused organizations or initiatives).

We used a sample of social enterprises in *purposive sampling*, within which we have contacted and asked representatives of companies representing various forms of social enterprising in the Czech Republic for an interview. We have conducted six interviews in total (one was conducted via electronic means due to the time availability of the informant), while two represented enterprises were created *per se*, i.e. as separate entities, and four were connected to (sheltered by) a non-profit entity. From the target groups' viewpoint, the enterprises focused directly to the released persons, persons with a homeless experience, drug users, long-term unemployed and people with health handicap. Regarding the size, we have rather small enterprises in our sample, although in one case, we interviewed a representative of an entity which operated as a division within a non-profit organization and which interconnected all the operating enterprises, so some questions regarding functioning of individual enterprises were solved globally and in the context of one big enterprise. In two cases the enterprises were incorporated into non-profit companies covering them as their departments (they did not have their legal personality), one enterprise was a type of cooperative, one was a public benefit company and two were limited liability companies. We created data and coded them through a specialized computer MAXQDA software. We have used qualitative content analysis in the coding process to focus on the topics contained in our data, their interconnection in a meaningful whole and their subsequent representation.

It has been shown in compliance with the openness and flexibility during the research that the possibilities and limits of the released persons' employment in the social enterprises cannot be explored, because the very **context of social enterprising in the Czech Republic** is not very stable and a large number of

limitations related to the employment of released persons is connected directly to the system limits of the very social enterprising in the Czech Republic. At the same time, we could not anchor our imagination, research, analysis and findings within the existing research of social enterprising in the Czech Republic, because very little of scientific outputs have been published on this topic and those are usually general studies conceptualizing some elements of social enterprising discussed in foreign literature in the Czech conditions. In this respect, our study is perhaps (unfortunately) the first comprehensive reflection on the role of social enterprises in the integration of persons disadvantaged in the labour market (with emphasis on persons released from imprisonment and persons with criminal record). In the study, we also focused (or rather we were forced to focus, for the above mentioned reasons) on the persisting theoretical (conceptual or legislative) confusion and more general conditions (social, economical, legislative, etc.), which stimulate or on contrary hamper possibilities of social enterprises in the striving for completing their goals, and not only those in the area of integration of people disadvantaged in the labour market.

This report thus connects three important areas which in themselves represent a field for a number of researches, namely the theme of social economy and social enterprises, the theme of people disadvantaged in the labour market (or, in this case, primarily persons released from imprisonment or with a criminal record) and the themes of employment, employing or work integration.

### 3. Situation in the Czech Republic

#### Basic concepts of the defining, anchoring and task of social enterprises

Social enterprising in the Czech Republic is still a not very discussed topic, which is also reflected in rather narrow Czech literature (actually only Dohnalová et al. 2014 and previous research reports; Legnerová, Dohnalová 2017) dealing directly with this phenomenon. This fact was also evident in our research, when several informants pointed out that there **has not yet been a relevant discussion in the Czech Republic about what should the social enterprising look like, what do we expect from it and how shall we support it.** One informant, who was an expert in the field of social enterprising, mentioned that the very term “social enterprising” is a bad translation pointing to activity interconnecting enterprising with social services. According to this informant, however, social enterprising has a much wider portfolio of activities that consists essentially of any social overlap, which in any case does not have to be based on the (re)integration of marginalized or disadvantaged groups. A more appropriate term would be “socially responsible enterprising“, which reflects the wider proposed definition.

**The definition of social enterprising** should be aided by the **forthcoming legislation** of the Social Enterprising Act, which will be, according to one informant, a significant milestone, since it will define **two types of social enterprises** (“social enterprise“ and „integration social enterprise“, which should provide its employees a psychosocial support), define the target groups and benefits, which can be used by the social enterprises. **According to this informant, the definition of target groups in the Czech environment is particularly valuable in the legal sense of the word, since this prevents speculations, which groups should be helped by social enterprising and which should not.** However, the inclusion of social enterprises in the Czech Republic was a controversial point in the focus group and the subsequent discussions. Within the theoretical chapter, we have pointed out two main views to the role of social enterprises in Europe. According to the first one, social enterprises should be primarily entrepreneurial entities operating as **“classical” companies with social elements**, which means they should not have a specific institutional framework. However, this arrangement does not exclude the possibility of cooperating with public institutions within the framework of stated incentives to accentuate social goals. Second view has described the social enterprises as a **part of institutional establishment of the given state**; it was often a social system where social

enterprises were either one of the measures/instruments for the integration of disadvantaged or marginalized groups, or very closely cooperated with state institutions and could not function without that cooperation. **In the research, we have encountered both views:**

The social enterprise is not a part of the social policy of the state. It is a product of the synergy of values and abilities of people who have some enthusiasm within themselves, but to the enthusiasm they still need to gain the know-how, managerial skills and funding [...] and the funding can be passed to them by the state and it helps them just a little bit in the know-how [] the people have to fight for it themselves, but they cannot stay completely without help and cannot be left completely without money, subsidies, grants to start with, grants for further development [...] [but] kind of betting on the fact that the support will be permanent, it would not really work out [...] we overestimate the role of those grants, those projects [...], but I think the problem is that to make it really a social enterprise, it has to be more of an enterprise than a social service (social enterprising specialist).

Even though there are different debates about whether social enterprising is an instrument [of social system] or not, just as in this respect, who and how will support social enterprising, so I think it will be some kind of integration support and tool for employment (social enterprising specialist).

In addition, the first view considers social enterprising from the viewpoint of the mentioned American approach based on the metaphorization of social entrepreneur as a *hero*, who is able to reconcile the economic and social components in his personality, who is a successful entrepreneur and at the same time follows social overlap. The question is, to what extent this *modus operandi* works. In our sample, we had an informant who was almost an ideal entrepreneurial hero (he used public subsidies just to start the enterprise, he was enthusiastic and, at the same time, had an entrepreneurial spirit and he did all activities himself), however, without a (financial, personal and psychic) support he had “burned out” after a certain time, which completely damped the activity of the enterprise. Second view on the contrary, conceives the social enterprises as entities which perform primarily integrative role in the society and are incorporated into the social system as a tool to support disadvantaged persons.

Implementing social enterprises into the Czech environment is connected to a specific topic on which, during an interview on the **describing of social enterprises' integration activities**, many informants were focused on and which consisted of the issue whether or not the enterprises should be seen as transit or as providing a long-term dignified employment with decent wages. In regards of the **transit** option, the need of employees - to learn basic social skills - was emphasized and subsequently, within a medium length time period, be placed to a primary labour market, where they should find themselves a job provided by a "classical" employer:

Get a client, orient him, educate him during an employment, because he needs the income, prepare him to a common labour market, get him out and keep him there. And all this altogether is still cheaper [...] than just give a subsidy, so to say, for employing him at a common employer and then just hope that it may turn out well (social enterprising specialist).

However, as one of the informants has summed up, this principle goes against the entrepreneurial dimension of social enterprising, where it is hard to imagine that any entrepreneur would voluntarily "get rid of" an employee, into which he/she had invested the effort and resources to train him/her for the given work position:

Well, when they have trained him, then I cannot imagine, that they would tell him: "So, we are glad that you are so cool now and that you fit in well, so now you can choose and go to a normal company." This is also strange (member of local action group).

The second option subsequently counts on longer and deeper work with the employees from target groups and on **providing them with dignified job and decent wage**, so that these people would have a certain life security and that they can stabilize their personal and material situation, which is clearly explained by one informant:

We do not want to be a so called social lift, we're more... of course, if that person wants us to, if he/she wants to go elsewhere, we would do everything to help him/her to find a good job somewhere else, but primarily we just want people to stay with us and to find a somewhat safe harbour with us, where they like to work and where they want to get involved in developing out enterprise, rather than going elsewhere. Of course, we understand that as... we can improve life situation to a fewer people, but we have decided to bet rather on quality than quantity (social enterprise representative).

However, in a certain way, even this approach can go against the principle of a social enterprise, this time against its social component:

It is actually also a question [...], how long shall we consider this person, who gets a job in a social enterprise, to be a disadvantaged person. If I take an example of [name of a social enterprise], they hired six long-term unemployed six years ago, who are still there, they have been employed six years... they would no longer belong to any target group. This enterprise is still called social... [...] Although the enterprise has actually just hired X disadvantaged people, which they keep there then, which are, after a while, actually fully integrated after some time, so is it a social enterprise or is it not (social enterprising specialist)?

In a situation similar to what the informant has described, social enterprises may be forced to become transitory, which in turn carries an economic risk, or it does not allow development and expansion of the enterprise, as employee fluctuation causes both economic and capacitive stagnation, because the company in its own way keeps starting from the very beginning. However, the question of when a social enterprise ceases to be a social enterprise is very closely related to the expectations associated with these entities. As we have stated in the theoretical part, social enterprises that are oriented towards (re)integration do not realize this activity only in the sense of employing disadvantaged or marginalized populations or prepare them for a move into a “common” employment, but it also includes **specific conditions they provide to their employees**. Social enterprises that are not transit and keep their employees, are still social enterprises, because they create special working conditions which are not maintained in a common enterprise, which are one of the reasons why the people disadvantaged in the labour market stay employed there, as one informant states clearly:

There is [...] not only our mutual trust, but also the confidence of the person, that in this environment he/she will be somewhat hidden and thus can slowly bloom here, if he/she has the energy for it, which he/she would not experience in a common working process. It is kind of like an extra superstructure. [...] here it is as if... it is a certain bubble, which, of course, must be kept on mind... it is not a completely common workplace, of course. It will never be. So the fulfilment of the integration can be maximally completed in the moment, when the person really deals directly with

someone out of his/her position, outside of the work team (social enterprise representative).

It is therefore clear that both approaches have their advantages and disadvantages, while, at the same time, people **are targeted in different life situations**, and they prefer different approach. Which means that **in the framework of social enterprising it is desirable that both types of integration social enterprises exist and are supported.**

However, at his point it is necessary to emphasise that uncertainties about the implementation of social enterprises in contact with further uncertainties whether to support rather the transiting or more permanent work positions, point out to deep, unclear contradictions. **It is not possible to have self-sufficient social enterprises which, moreover, provide also transit jobs, as this is against their economic interests and development.** This model will certainly not work out for small and medium social enterprises. However, it could work in bigger and large enterprises, as they can afford to separate part of their work positions for social purposes and they could consider the invested energy and other resources spent on transit jobs as investment in society or as a community service. However, these enterprises can be expected to be dominated by the entrepreneurial aspect and their primary goal would be maximizing profits and gaining the best possible market position. From this viewpoint, however, the transit work position does not make much sense because it can hardly be imagined that the company would train and prepare the employees to let them freely go to their competitors. **To support transit positions, it is therefore necessary for social enterprises which set up these work positions to be more integrated in the social system and to get support of public funding, so that the economic losses stemming from employees fluctuations are set off**, as one informant suggests:

It is also clear, which entrepreneur would like to do that, when at certain moment the employee is trained and he/she starts to perform the job well, and one should just let him/her go. Well... economically it just does not make much sense. So if we want this, then, we should fund the social enterprise in a certain way, kind of... we should provide some funding, because it is actually a service for our state, (social enterprising specialist).

On the other hand, the self-sufficiency of social enterprises is conditioned by encouraging more long-term work positions which imply greater economic stability.

The problem of the missing legislative definition of social enterprises consists also of the fact, that **for the representatives of institutions (officials and clerks) the social enterprises are actually virtually impossible to be understood and qualified by them** and therefore these actors are missing information on how to perceive and handle these specific subjects. This creates two problematic points in particular. The first is the complex **explanation of the conditions to the subsidy applicants** who want to start a social enterprise and an unclear **project evaluation**:

In those four and half years, I would not say that the development has improved anyhow, it is still the same, kind of [...]. it is a shame that it hovers in vacuum in regards of legislation [...]. as far as the experience is concerned, we have launched a social enterprising, but [...] the evaluators assess according to their instincts and feelings [...], as the clear definitions are missing [...]. The rules for social enterprising are hard to explain especially to the potential applicants, who find it very difficult to understand them [...] (member of local action group).

This ultimately results in a very **high percentage of unsuccessful projects**. The second problem is related to socially responsible procurement of contracts, when in each call for tender should be next to the economic criteria also taken into account the environmental and social criteria (and during the evaluation, the enterprises taking them into account should receive more points), it **is always necessary to define the term “social enterprise” separately**, because there is no unified definition of this concept. This may be an obstacle for some procuring public authorities as it may discourage them from using this instrument supporting social enterprises.

However, the criticism of the currently prepared legislation has also emerged in the interviews. According to one informant, the **current draft law** is inappropriate, as it does not clearly define the benefits the social enterprising can draw, or they are presented there in a very general and vague manner. Another participant pointed out to the planned principle of reinvesting part of the profit back into the activity of social enterprise or providing this amount for charitable purposes. It is not clear who and how shall check and enforce this condition, while another question is, what is the charitable purpose and what is not. One representative of a social enterprise also declared that the current form of legislation is totally inadequate, as it needs to define the so called third sector (besides the state and the market), which would include the social economy and where all the entities applying it would belong to (social enterprises, non profit

organizations, foundations, etc.). This would solve the generally unclear position of social enterprises which are basically in a vacuum, and would simply be a subject to application of specific rules and advantages, because this way they would be separated from the classical enterprising.

Also the overall **evaluation of integrating activities of social enterprises** in the Czech Republic makes it clear that **no consensus is available in regards of what should they provide, how should they operate and what is their place in the system**. The statements of informants in the focus group provide a clear discernible imagination that “classical” enterprises with social elements could fulfil the transit role. Nevertheless, the Czech reality is quite different from this concept, when most social enterprises are rather smaller, making it very difficult to provide the transit role because it is against the sense of enterprising and it weakens them economically. This no longer corresponds to the expectation that social enterprises would be self-sufficient and will not receive any public support (at least not for their operation). **At the same time, it is clear that without consent at least regarding the fundamental ideas and expectations** (currently they are actually contradictory), **the current rather unmethodical situation will most likely prevail**, where it is possible to provide support to a certain number of disadvantaged or marginalized persons, but this support is provided in a very unsystematic way.

### **Integration activities of the social enterprises we have addressed**

**Integration activity** and its form was a very lively topic in the research, also thanks to the forthcoming legislation that currently defines an integrative social enterprise which should provide its employees psychosocial service. However, this concept is not defined any further, which means that it needs to be somehow fulfilled through a specific operation of the social enterprise. In this respect, it is very interesting to compare the individual imaginations of what should the psychosocial assistance include according to the specialists discussing within the focus group, according to other addressed specialists and according to the representatives of the addressed social enterprises, who have described the specific focus and operation of their enterprises in their responses.

**The discourse at the focus group** clearly went in this sense - **social enterprises should be a transit place, where only little or no social work should**

**take place**, or it should be a certain by-product, because the social enterprise is not a social service:

[...] it should not be only the wage, which we pretend to be the integration means of someone [...], but it is, of course, too little. [...] we need to turn it into money and further training [...] and someone who will kind of take care of him. Of him – by this I mean it may be, for instance, three people at once [...]. As in Austria, where I saw it in the larger social enterprises, when the people come and go and they are all the time welcomed and said goodbye to, because it is such a natural process. It is not a big psychology... You meet a person, you get in touch with him, you get to know each other more personally, you find out what needs to be done and it gets kind of done. And because it happens during work, which stabilizes the person economically and, at the same time, at least in our conditions, we need to solve the debts, so basically you are already helping... besides to the employing you also help psychically [...] No rocket science, mainly a relationship like... like in the Austria, it is a normal HR specialist with social education, who simply responds, based on who comes there, or who the labour office sends to her for the two-year integration program, so basically she responds accordingly. And this is always someone else, so in our conditions, most of them will be indebted people, some will have a problem with criminal past and the relationships that follow, others will be disabled. Of course, they choose them, they are employers like anyone else, that is, they can refuse someone, however, they have to be prepared for everything or they specialize, but it is essential that they should lead them through the process. First in a work manner, get him oriented professionally or just let him develop and then finally the last one – in Austria it includes the last three months – let him to negotiate, kind of, with the employer and enable him to move somewhat further, let him try a new place, etc. And this is hardly possible to define somewhat unambiguously, we still needed to separate it from social service, because the existing social services providers would lose part of their wages, if they would only say: “And we also do this.” So it is just a strange form of counselling according to the active policy of the employer.... according to the Employment Law, it should be separated so that it could be fully supported, but it is, actually kind of a guide through the process (social enterprising specialist).

**Integrative overlap or psychosocial assistance in social enterprises should take therefore a certain form of guidance**, while the only more specialized worker is the HR specialist, who should have a social education and more sensitive approach to the person. Further specialized assistance was perceived as "useless science", that may only destabilize the whole process, which is nevertheless also connected with the Czech environment and as thus specifically influenced by the Act on Social Services, which largely limits the development of social work in the Czech Republic (for example by the fact that it combines health social work with a general field social work). As the specialist in the focused group has shown, clinging to social work within the social enterprises could, in Czech conditions, cause methodological regulation that could paralyze the integration activities of social enterprises. **A particular solution in this regard could be directing employees to specific social services provided by non-profit entities in their surrounding** according to their life situation, initiated by the HR specialist or mentor. However, the problem in this respect is the fact that social services are very heterogeneous in individual regions and smaller localities and often unavailable in smaller villages. At the same time, a map containing services in individual regions is not available, which is potentially a great limit to any similar networking.

This viewpoint is interesting also in another respect – it is very flat, since it only counts on one type of social enterprise, the one that originated as “classical“ enterprise has grown later and over time has transformed itself into social and has focused a part of its work positions on marginalized or disadvantaged people. In the current Czech conditions, only such an enterprise is large enough to allocate part of its work positions to disadvantaged people, fulfil the transit function and allocate a special HR specialist/mentor position. Other types of enterprises – smaller and emerging within the non-profit entity – are excluded from these considerations.

**It is also a question of how would a mentor or HR specialist operate with released people who need to be approached in a specific way**, as they combine various types of disadvantages, which could make work with them more difficult:

I agree that the best and well working is the relationship, well, on the other hand, I have to say that after 25 years we have actually made completely different conclusions. If you have people with health handicap, you look at them and you find out that they need some compensating aid, so you give it to them, or they need some physical assistance. But in case of our people,

people with criminal past, they just have something to them... I tell them that they are very damaged in their lives, and you never know. And I do not believe that, honestly after the experience, that if you entrust it to those people, who should just have a relationship to them, so it does not work. You need to find out why this human being fails, and give him/her just that. [...] I have there a man for two years, who, as I think, works well, and after two years I find out that he has something on his mind, when he makes the trouble, he has something, which, if I only knew it, that he is troubled with it, so I would just solve it. [...] It is not enough to just provide him with this relationship (social enterprise representative).

At the same time, a part from unresolved personal trauma, released persons also have experience with using drugs. This implies that different people from different target groups will need a specialized approach, they will need a support also within their employment in the social enterprise and outside, which can be provided by different therapeutic non-profit entities. **In this respect, it appears to be the most functional model where a social enterprise is created within a non-profit entity which has experience with social work and therapeutic activities**, which provides intertwining of activities and work to those people who, moreover, also come to different environments.

**The other specialists**, we spoke with in the individual interviews, had less straightforward views and **they admitted that an ongoing social work or at least some form of support at the worksite is necessary for the (re)integration:**

The psychosocial support, which the people should receive, is incredibly important, because they already can work, and they will learn to operate the machines, but these people often completely misunderstand the reality surrounding them. [...] The supervisor or boss of the social enterprise has to be equipped with many competencies. It cannot be just a boss who would walk them with the shovel to some place (member of local action group). They are going through reducing the debts [...], these services are interesting for them, someone can help them to organize the insurance companies and health and social security, and it is good if someone helps them with this. Those models of these clusters are known from abroad [...] these social enterprises provide these services, well, they provide everything, including the types of assistance and there may be even more of these enterprises associated together and one such a cluster provides it and helps these employees (social enterprising specialist).

Motivation, individual and group counselling, some basics of benefits and debt counselling, a mentor based training job and assistance for a primary labour market. [...] What the social entrepreneurs, who are doing well, say... so they say that they always need to look at the particular person, and check what does he/she need. And when we perceive that the person needs, I do not know, some help, be it with a distrainer or just a place to live, so if we help, it is us who is helping, or we mediate the person with some professional organization. [...] Either they have someone who is, kind of... it can be also just the boss, who appoints the tasks, but, at the same time, very often it is just, well, it comes from the environment of non-profit organizations, that the boss also gives them tasks, but at the same time he is interested in them, kind of, and just solves with them the issues as they come up. May be they do not have fixed working hours, so that for example, I don't know, he would work till 15:30 and then he would have some interview or something, some kind of a consultation, but it is so, that he just speaks with them and that he says: "Hey, is something going on with you today, what's up?" Or it is more based on the cooperation with the non-profit organization, when the person has may be once a month a chance to go there and just solves there something [...] the most common model [...] is that the organization has someone who appoints the tasks and, at the same time, is interested in the person working there (social enterprising specialist).

**The scope and intensity of support provided by a social enterprise** are naturally very individual and depend on a particular person disadvantaged in the labour market, as to what forms of support suit him/her and what specific problems he/she experiences – while some people appreciate a rather small number of support interventions and already the "passive" support (i.e., for example, the very awareness of that support which is available in case he/she needs it for integration at the workplace) is important for them, others prefer rather more frequent assistance and the fact, that the support at the workplace is provided in an active form. The preferences of employees therefore influence the upcoming approach of the specific enterprises towards providing support to the employees. As one informant suggested, **a more personal and therapeutic approach could minimize also the frequently mentioned common problems such as unreliability or a large number of absences or late arrivals:**

There are some figures on how many people working in the community services are able to participate in the primary labour market and how many people participate in the primary labour market this way, when it is a kind of job synchronous with some other support, then the numbers differ a lot... in favour of a more complex approach (social enterprising specialist).

At the same time this approach can be further supported also by adapting working conditions (e.g. shortening working hours or moving the start of the shift, etc.).

**Specific integration activities and efforts varied from one enterprise to another** – some companies offered social work and interventions directly within the operation or workplace in order to synergize all activities, while some businesses focused more on ensuring a good quality work done and left social work to the umbrella social enterprises if it was possible. In four cases, the representatives of social enterprises stated that they are trying to meet their employees work conditions, which they adjust to make them suit the employees and, at the same time, they would be functional for the enterprise.

The most **complex work with the target groups** was attempted by a social enterprise which had statutory form of a cooperative and which focused on two target groups: 1) people with homeless experience and 2) released or imprisoned persons. The members of the cooperative have chosen the released persons on a basis of consideration that this groups is not very often provided with work in the Czech Republic and is also more stigmatized than the other groups, so they wanted to help the released persons while disproving the stigma of them deserving exclusion after the release, as it is actually a continuing punishment. Apart from practical and psychological assistance (the cooperative employs a multifunctional team where one of the members is a social worker) they tried to apply the principles of participating in the company and inclusion to the decision making process:

From the beginning, we try very hard, although these people are not members of the cooperative, only employees, so from the beginning we try to include them into the decision making process. We want it really badly that the person would not take it only as a job and, above all, not as some kind of a charity, because we understand this to be a very poor approach. We do not give anything to the person, on the contrary, we want to work with him/her. We want him/her to become a member of our team, to share his/her ideas with us, to share with us his/her own feelings, so that we all would enable some kind of a safety environment for a person, where he/she

could also develop personally. Of course, we help this person, when he/she asks for it, or solve some issue with authorities, you know, just all these things, it is clear. But most importantly, we want [...] to cooperate here in some way, it is the greatest motivation for us. And we think that also for the person it must be miserable... this can make his/her return to the, so to say, normal life, easier, as he/she sees that here... well, he/she does not have the stigma here.

Besides, they tried to meet the needs of the employees at the workplace and, for example, **not put heavy demands on them** in the beginning and **integrate them into the operation gradually** also in regards to the work and performance. Interestingly, employed people can move to another, for example, more creative work position, if they want so (but these positions are not better paid, because they have the same hourly wage in the company in all work positions), thus their move to a different work position is motivated clearly by their interest to perform the work. Besides, they try to find out what problems the person has, if he/she has a negative approach, and find a common ground and **solve the possible problems together**. If some problems would appear, such as late arrivals (which are not a common phenomenon, and the company's representative stated that they expected more problems in general), so then they deal with him/her with understanding and they try to explain him/her that this is not a tragedy, but next time he/she could behave better, which usually works out well. At the same time, they try every once a while (in a six-months period) to organize **a whole company's supervisions** (provided by a professional supervisor), so that the team does not have any negative feelings that would influence the work operations and interpersonal relationships.

It is interesting that another enterprise in our sample has also tried to **introduce participative elements**. This company has been working with a group of migrants, mainly older women, who often face marginalization. Besides providing support in the form of language courses, legal and career counselling, including counselling on self-employment opportunities, the social enterprise tried to include the employees more into the operation of the company via introducing participative decision making process. This mechanism was based on the fact, that economic goals are proposed by the manager of the enterprise, but all employees have to approve them via voting.

Another social enterprise **cooperated very closely** (in respect of social work and therapy with employees) **with a non-profit organization it was part of:**

We mutually cooperate, actually, we have a therapist coming regularly, it is not a supervision, but rather a direct support [...] and we have a meeting, a group, which usually meets once a month, and there we solve any possible issues or so, because the work [the field where the social enterprise operates] is physically and psychically demanding and, of course, the people sometimes do not really know what it takes, so they find that out one month later, if it is for them or not, or sometimes they are about to collapse from simple things, so we just have a discussion about it, we talk it over, if it is really so much demanding or not. So we help each other this way. Generally, as for a person who has never been in any kind of work process, who used to live in completely different conditions till now, just after he/she has started his/her work; so for such a person, entering this process can be very demanding [...] it may induce certain feelings in him/her, which ordinary people do not experience. It is really good to work a lot with this. So, of course, we meet this on a daily basis (social enterprise representatives).

However, regarding these provisions of a direct support at the workplace, they can build on previous social programs, on which their employees have had participated previously. **Potential employees** (especially drug users or released persons) come to them **after completing the social program of the mentioned non-profit organization**, so they are already in a certain stage of stabilization of their life and social situation and they are better prepared to be employed in an enterprise. **However, the two worlds are somewhat separated**, which has a great advantage in the fact that the person encounters two different worlds and gains many further experiences. While in the case of placing the therapist directly at the workplace, the intermingling of the workplace and social service could undermine one another and the person would not receive new experiences and skills. However, it is necessary to note that both social entrepreneurs are educated as special education teachers, so they are very close to social work and they have no problem in applying certain techniques directly at the worksite, as they are skilled in this and it is not a problem for them to chose a human approach and solve arising issues without any conflict. Just like the previous social enterprise, this one also tends to keep the employees, as it is advantageous for the enterprise, because this way it can develop and gain some stability, but they can also work more with the person. However, if one of their employees is considering a change, has found another job or thinks that he/she can

manage transfer to a new job, then both representatives of the enterprise stated that they gladly support such a person in the transition to the primary labour market. The transition function is regularly fulfilled – sometimes it happens that some employees gain so much confidence and develop so well, they continue to work somewhere else (mostly younger people), freeing a workplace for someone else. Nevertheless, the transition is never pressurised on their employees and they leave it rather on the specific circumstances and the decision of the employees themselves.

Another social enterprise had similar format of cooperation with its parental non-profit organization, where it was incorporated as a form of therapy in a certain phase of the social program. Employment through a social enterprise enabled people to make life and therapeutic shifts in their lives, which supported social work and increased their chance to (re)integration. The selection of new employees thus took place in cooperation with the mentioned non-profit organization, which resulted in minimizing possible operational problems that were also minimized by a fact that most of the employees used accommodation services of the non-profit organization, thus avoiding problems with absences and late arrival to work. **Social work with employees was provided by a non-profit organization, where** the representative of the company, who was in a position of its director and head-workman, has stated that the **employees tried to work also at the job and during the working hours**. However, they have strived more for a practical support, mainly with an everyday operations, like cooking and preparing snacks for work.

The remaining two social enterprises, or social enterprise and a division of social enterprises with its employees that were disabled, **worked minimally**. The divisions uniting several social enterprises left the social work **exclusively on the parental non-profit organization, although the worksite of individual enterprises provided also support to employees**, especially in a sense of adjusting the work environment, so that it would suit the employees and they could undergo personal development there. **However, interventions of social work activities are not provided by the social enterprise itself**, which causes negative situations, as described by the division's representative:

Frequently, these people go to the advisory boards, yes, who... because they have an disability allowance, well, and they just call them in to review the disability allowance. And then it just happens that, just like this lady which is in [social enterprise], they told her: "Well, but you're a

washerwoman and you work in a laundry, so you kind of cannot have number three, so we just cancel your disability allowance.” The woman did not tell them that she works at a sheltered workplace, that she has an adjusted working hours, well, and suddenly she lost her disability allowance, which was wrong (social enterprises representative).

**The last surveyed social enterprise did not work with its employees at all**, this organization considered providing employment and services to other disadvantaged people to be a sufficient social overlap.

In addition to integration, the social enterprises tried to provide **other socially beneficial activities**. One of the enterprises tried to operate ecologically and to network other social enterprises by purchasing the products and services they provided, which was also an attempt of another enterprise, which offered and provided premises for conferences, workshops etc., for a very low price, which was further reduced for non-profit organizations or provided them the premises for free. One of the representatives of the enterprises saw the social overlap of their enterprising also in the fact that they did not operate primarily for profit, but all extra money were reinvested back into the enterprise or employees.

**Most of the responding enterprises understood integration as providing longer-lasting dignified jobs for decent wages**, where one could develop and could decide whether or not to stay in the enterprise or go elsewhere. This is in contradiction to the expert opinion in the focus group, which was directed more towards the transit role. However, **transit role is very problematic for the enterprises** because it goes against their economic interests, and is clearly inappropriate for some target groups, for example, groups with health handicap, but also the general decision whether a certain employee wants to move on, should primarily depend on him, whether he/she has enough confidence and will to move on (at this point it is necessary to make another reminder as some disadvantaged people are very unlikely to make such a shift). **Some enterprises have attempted implementing also some participatory elements in the management and direction of the enterprise**, which is a very sporadic feature to come from the specialists, only one of them have said in this respect that it is a complicated issue which is hard to implement into practice. In any case, interviews with the social enterprises specialists have shown that even small enterprises can have a considerable integration potential. But this must not be diminished by placing too much emphasis on the transit, which would imply economic

difficulties for them and would make it harder for them to reconcile the economic and social dimension. At the same time, it is clear that **social enterprises in the Czech Republic have very different approach towards the question whether a social enterprise should provide social services or not** (which, for example, is related to the issue whether it is appropriate to fund it from public money). Among the reviewed specialists as well as among the social enterprises' specialists, we have noticed **different viewpoints also to the question of whether the social enterprises should be regarded as market entities with social elements or as entities which perform some social activity missing in the social system**, thus essentially providing the public with certain social service.

### **Adjustment of the economic and social dimension**

The **reconciliation of economic profitability** and social dimension was very problematic for all social enterprises within the Czech conditions with whom we have spoken, and for the most part, they were basically dealing with ensuring the basic operation for various reasons. As one specialist has pointed out, integrative social enterprises always **have a competitive disadvantage** as they simply work with a specific target group, which is difficult and brings to the enterprising activity certain uncertainty that the “classic” enterprises do not have to deal with. In some cases, the social enterprises were aided by **sharing certain resources with non-profit entities**, which mainly included the **administrative burden and accounting** which the enterprises would not have capacitively and personally managed. This was due to the fact that our sample was predominantly formed by smaller and small enterprises, which were **personally very under-staffed** and which included blending of several roles, as the enterprises just could not afford more staff. In this respect, two companies had to pay external accountants, because otherwise they would not have managed this activity at all. Personal under sizing is a very significant factor and disadvantage in comparison to “classical” enterprises which can afford to diversify activities among more people which have clearly discerned duties and thus also the capacities to perform their work well.

The utilizing of public money in form of grants and projects was very limited, often due to the fact that **most social enterprises could not draw public money** because there were no suitable calls for them. The current public calls concerned either creating new social enterprises or establishing new activities within an existing

enterprise. However, most of the enterprises wanted to develop existing activities and not to expand them, because it would require capacities which these enterprises just do not have. At the same time, the enterprises **had to seriously consider a question whether** applying and consequent **fulfilling of the project would be administratively worthwhile**, since their capacities were very limited in this respect, although some of them have used administrative facilities of their parental non-profit organizations. Some enterprises have had a very **negative experiences with public funding**, which illustrates this case:

One of our employees who applied for a retirement pension in 2011, which was admitted in 2013, but with a retroactive effect from 2011. Based on this, we have paid and accounted different health insurance in the amount of CZK 2000, which we simply could not possibly suppose. On this basis, the labour office refused to reimburse us 2.3 millions, because we have become debtors on the health insurance due to 30. June. We have paid it in two days and they said: "That's very nice, but on 30. June, the date to which the applications are to be filled in, you were debtors at health insurance. You have no right to receive the 2.3 millions reimbursement." And this took us three years, when finally, we had to sue the state before we got these money back (social enterprises representative).

The mentioned enterprise also found it **difficult to provide relieves and special conditions at the workplace** because **they are economically demanding and are not compensated in any way**. A specific phenomenon is the high "mortality" of social enterprises which were founded on basis of a project, change of target groups (to the people with health handicap, which is the only group whose employment is subsidized by the labour office) they cooperate with, or their transformation to "classical" social enterprises. For this reason, one informant offered rather a variant of so-called operating grants where if a social enterprise would hire a new employee from a group of disadvantaged or marginalized people, they would automatically draw a subsidy or grant for at least part of his/her wage and if they would lose the employee, they would lose the right to draw this funding, while the system could therefore function dynamically in this way.

Some informants expressed their positive opinion on the opportunities **for public procurement**, which **were a very good and reliable source of funding** for them, so they would appreciate development of socially responsible procurement, especially with respect to its use with regard to municipalities. Public procurement has

been perceived as a good tool for economic retention of at least some social enterprises. Some public institutions already can assign socially responsible procurements (for example, in the contract allocation, it is possible to require, that some percentage of the employees were disadvantaged people, while the disadvantage category can be also defined there). At the same time, the current legislation makes it possible to require in the contract that the contractors not only employ the disadvantaged people, but they may also be asked to explain how they work and would work with them while performing the contract. At the same time, it brings along a side effect of supporting local economy which often cannot be supported directly from the procurement – when the contracting authority knows that a social enterprise located in this area has the capacity to fulfil the contract, it can set up the procurement documentation accordingly (put more emphasis on social benefits). However, the problem is that this mechanism is not yet legally enforced and, in particular, the **culture of public institutions** which do not try to utilize socially responsible procurement (or they fear that applying this tool in public tenders may be questioned by some subjects) and which **continue to award contracts with an emphasis on price**, instead of the social and environmental benefits. According to one informant, there are more procurements with the main price criterion in the Czech Republic, if compared with the EU, while he believes that the main reason is the concern of public institutions that they may violate the law and they may have to deal with sanctions, which could be solved by establishing some counselling centre, which would lead the contracting party through the whole procurement process and would guarantee the correctness of the award. On the other hand, the barrier **for social enterprises** may also become the **administrative burden resulting from applying to the competition**, which could disqualify especially smaller enterprises.

A certain topic, more discussed in the Czech Republic, is whether the municipalities should be, a part from socially responsible awarding procurements to social enterprises (thus outsourcing certain activities), also allowed to set up their own social enterprises. This was evaluated by two informants as a more efficient approach, because it allows for greater sustainability and interconnection with, for example, contributory organizations which enables further the development of employees who may also try out more work positions. On the other hand, another informant has categorically opposed, due to her reasoning based on her experience with activities of municipalities related to the community service, which they often arrange. Within this

employment policy tool, municipalities have a tendency to recruit employees and keep them in the work position because they often provide cheap and high-quality necessary services to the community (most often maintaining the public area) and which they would otherwise have to arrange in a more costly way through external entities.

A certain competitive advantage and tool for a better reconciling of economic and social components could be **using the “brand” of a social enterprise**, as one participant has suggested in the focus group:

[...] the enterprise should be able to sell it to the stakeholders, the partners, public, etc., because in the moment, when the public or contractor, for example, well, the provider of the contract, when they start to perceive this issue as reliable, then in this moment the approach may change, not quickly, from day to day, but it will change. According to my experience, 80 percent of existing social enterprises are seriously neglecting this. They shut up themselves, they do not sell themselves, I mean, their social benefit. I even meet this [...] so to say, that they say, their purchaser does not want to know it that the purchaser closes eyes and says: “we do not care, here is the price, here is the order, the quality, done.” But one has to fight this [...] (social enterprising specialist).

**Most of the representatives we have talked to, said, they usually do not use the “brand“ of the social enterprise at all**, because no one is interested in it (as mentioned in the quote above) or it makes their situation even more difficult (and it can actually be a competitive disadvantage) or they use it very strategically while communicating with specific actors. Regarding the released persons, it is important to mention the structural and cultural factors, eventual marketing activities have to deal with and which are, without social-medial support, possible to be changed either in a very long time or practically not at all. If the released persons are socially stigmatized and perceived as dangerous people, then this factor cannot be changed by the social enterprise hardly at all and it can only strategically deal with it (just not to mention the fact, it is a social enterprise and that its target group are released persons). Interestingly, this fact actually confirms the need for legislation which would systematically define social enterprises as most informant felt that **during communication with state institutions** some confusion keeps coming up and that the relevant officials do not know how to perceive the social entities and how to handle them. Some of the social enterprises surveyed did not want to communicate their status externally because they strived for **placing themselves into the market rather**

via their own activities and via quality of the work performed, which was a measure of their self-sufficiency and sustainability. Nevertheless, **one enterprise communicated its affiliation to social enterprises in relation to corporations**, which valued the fact that the organization is a social enterprise, especially for the “non-financial reporting,” it has to implement and which enables it to fulfil it through purchasing a socially-tuned service. According to the representative of this social enterprise, the **corporate sector is also more dynamic in this respect and is better oriented in the social enterprise than, for example, state administration**, where the use of social services is far slower. According to the informant, this was due to the fact within the individual state structures only one person is in charge of communication and purchasing of (social) services while this person also does a lot of other routine work, so he/she does not have much capacity left for social enterprises. Companies and corporations dedicate one person for these activities, which carries out only this activity and can fully attend to it. However, even within this social enterprise, employees have handled this “brand” very carefully and strategically, as they usually wait for the appropriate moment and situation when they communicate this fact. On the other hand, one representative of an enterprise claimed that communicating the fact that they are a social enterprise is considered self-evident by them (and that they declare this fact quite commonly, not just “purely strategically” depending on whether it may be useful), because they want to influence the established discourse related to their target groups (released persons and homeless people); more over he felt that many companies hire them for catering just because they are a social enterprise, as those companies can use it subsequently in their PR).

Some social enterprises are trying to expand their activities and invent new ideas to increase their profitability and economic turnover, and implement different marketing activities into their operation. In particular, companies that, for example, focused on gastronomy, tried to negotiate catering or various events with so called hanged lunches and drinks (customers can pay for a lunch or a drink and let it “hang” for someone who comes after them and does not have money to purchase it, which strengthens the social dimension of their enterprising, increases the awareness of customers about social enterprises and it is also economically advantageous).

In the sample, we had one social enterprise, which **failed to reconcile the economic and social dimension of its enterprising** and during the interview, it operated in a very limited and scarce manner. It was related to two main reasons. 1)

burning out of the main person who coordinated everything, searched for contracts, worked with people, provided the administration and, at the same time, did some other minor works. 2) economic competition for which the social enterprise could not financially secure itself through contracts, because it did not have enough of them (and new opportunities could not be sought by the staff because it had no capacity), which resulted also in fluctuation of employees who went to the primary market (the transient role just significantly enhanced the destabilization of the social enterprise), and a general economic paralysis because then they had to reject their permanent customers as they could not guarantee fulfilling their contracts. At the same time, they could not offer any innovation or specialized service as they provided manual and cleaning work and they also had employees that needed special approach, and therefore their work was slower and consequently also more expensive. According to the informant, the social enterprise would be helped if at least 50 or 60 % of the overhead costs were covered by subsidy of other public money, which would enable avoiding the incessant existential problems and uncertainty. However, he saw the problem also in his own burn out, which was caused by the inability to hire other therapeutic staff at the worksite, which would work with the employees from the psychic and social-practical side, as providing this work by him and his colleague (who had also accumulated several other roles) had proven to be unsustainable in the long run. In addition, the issue of reconciling the economic and social dimension and the need to support the integration social enterprises in some way from the public funding has also been heard in the focus group:

As for the economic enterprise, despite all our assumptions, it will never be a self-sustaining business, because it will always need some support. [...] our main setting is to help these people, which means... we are going differently. If we would count it before, we would never do it, but because we can work with projects and that's for a long-run, what we can provide, well then it somehow works out... because we get support from abroad, otherwise we would not manage it (social enterprise representative).

It is therefore obvious that **reconciling the social overlap and economic profitability is a very complicated task in the Czech environment, while for the smaller and small enterprises it is often an insoluble problem, if they cannot use some form of public (co)funding**, because they are heavily disadvantaged in the market, which cannot be helped by a strategic use of the social enterprise “brand”

which can, on the contrary, in some situations actually significantly harm the enterprise. In general, **social enterprises** have little chance to ensure certain comparative advantage and, on the contrary, they **face many comparative disadvantages** (for example, inner insecurity, the need to put more effort into working with employees, adjusting the working environment, accumulating jobs in the enterprise, etc.).

### **Other problems concerning social enterprises in the Czech Republic**

Some problems were mentioned throughout the chapter on social enterprising in the Czech Republic – in this subchapter, we try to describe the remaining limits and issues which have appeared in our data. The basic issue, articulated by many informants, was the **stagnant discussion on social enterprises in the Czech environment**, which results in many negative factors. The first are **project calls**, which are **often unclearly and problematically set up**, and more over, it is not clear how to write a meaningful project and many projects are being refused on basis of uncertain criteria and benchmarks). In addition, social enterprises often wanted to **develop their existing activities rather than establish new enterprises or start new activities**, for which they lacked capacities and which could ultimately negatively affect their existing and in a certain way functioning enterprising. Often, the **projects expenses are curtailed**, making it more difficult to implement them and to apply psychosocial assistance, but it can also cause paralysis of the whole enterprise because of the **concurrence of various work positions**. It is therefore necessary to **set up an appropriate system to prevent the emergence of purposeful enterprises**, which present themselves as social but are not, **but at the same time to support starting and ensuring of social enterprises' operations**. In this respect, however, two informants have pointed out in the interviews that the situation can become worse in the future, as there is a debate on the overall change in support of social enterprising, where instead of subsidies the social enterprises should receive help via so called financial instruments, i.e. repayable loans. This could result in preservation of the current state of the affairs, leaving only the big companies which can reach the loans, while the smaller and small enterprises are going to be extinguished and the new social enterprises will not arise, because they simply will not be able to afford the loans.

The second problem related to the inadequate or stagnant discussion is the present **social-cultural reality**, in which social enterprises must exist. The social enterprises often do not meet understanding for their activities, or they have to deal

with prejudices against the target groups they work with, which is illustrated by one informant:

I actually realize that some kind of social awareness of how much costs for example a person who is on a street and really is kind of a drug addict, how much he/she costs the society and how much costs the person who is kind of mature to function and to be productive in the productive age. Such things are very important and I miss them a bit in the society. The society is not aware of it, well, that we live in such a social bubble and if the social bubble was a bit bigger of more permeable, then... then it would probably have a bit bigger effect on the social enterprise and it may bring a bit better response from the people. Perhaps they know nothing about this – that we employ junkies and dopes and those who were in the can, and it is often a common believe in the society that they do not deserve it at all, well, and I think that it would work much better if the society would understand that it is important that the junkie suddenly can work, which those, who do not take drugs, don't always do (social enterprise representative).

A similar problem, but from another viewpoint, was accentuated by another informant who pointed out that the social enterprise she represented, had a hard time to communicate with other “classic” companies and corporations which have problems to grasp and understand that, in some cases, they can purchase their services and products, which is mutually beneficial. The informant then had put it into a contrast to the great awareness of non-profit enterprises, so the corporations are more likely to give gifts to them rather than to purchase services from social enterprises.

Another problem is the **approach of state and public institutions**, which is in many cases not very helpful, but in some cases they actually make the situation more difficult. In this context, representatives of one of the social enterprises have described how they sought to obtain a subsidy from a labour office for their employee with a health handicap. They passed through the entire claim process, but they did not receive the subsidy because they did not meet the condition that they have to employ at least 50 % of people with disabilities. However, none of the employees of the Labour Office communicated this absolutely crucial information to them during the whole process of applying the application. The representatives of this enterprise have expressed rather an understanding towards the Labour Office which they were dealing with, referring to the fact that the clerks are also busy with their routine work. Less understanding showed another informant who told us of his negative experience with

a project they were supposed to realize for one municipality. One of their social enterprises filed a project based on a call announced by this municipality, which was to be implemented from the beginning of next year, but the project evaluation was finished in the next April and the business contract was signed in the mid-year. However, the municipality have penalized the enterprise for not keeping terms and not completing the project according to the plan, while the representative of the municipality completely ignored the fact, that evaluation of the project application was delayed and therefore the whole realization and all the related terms we delayed as well. In addition, the enterprise has signed the contract in the mid-year and therefore could not be responsible for events (not) happening prior to it. Another informant has seen another issue with public institutions, namely the ineffective handing over of the agenda, as staff at institutions often change, as well as at the companies, but unlike the companies, employees in the institutions are not able to hand it over or just ignore the previous one. In the social enterprise she has represented, this often meant that they have to start all the demanding starting the contact and communication over again from scratch. One informant also pointed out a great number of **untapped potential in regards of cooperation between the social enterprises and municipalities** in respect to providing premises for enterprising (for a symbolic or subsidized price) in the Czech Republic. For the municipality, it would be beneficial also from the viewpoint of reconstructing the premises that were not utilized before and could be thus used.

One informant has mentioned one, very specific, but significant problem, which may affect the operation of some enterprises, that is the **lack of social workers** with a law defined education, which can make it difficult to provide basic psychosocial support which is also envisaged in the forthcoming law about social enterprising.

One informant also pointed out to a limiting factor for entrepreneurs, who already have a company, which they would like to transform to a social enterprise at least partially, and which consist of the **necessity that at least 30 percent from the turnover of the company would be earned through social business related activities**, which may be often unfeasible for them.

## **Conclusion – social enterprising in the Czech Republic and released persons**

Social enterprising in the Czech Republic is still at a stage when its implementation, development and sustainability achievement is made difficult by a **stagnant discussion** of the expectations which we would like to put into these specific subjects, how would we want to fulfil these expectations and how the support of social enterprises shall continue. The basic limit consists especially of the absent discussion and often contradictory opinions on the role the social enterprises should play in the Czech environment. In this respect the issue is in particular whether the social enterprises should be rather transit entities (and what should be the transition period) or if they should provide a long-term dignifying employment. In this issue, it is important to keep on mind that the transit goes against the economic stability and interest of the enterprises. So in the context of the constant rotation of disadvantaged employees the transit can function only in the large enterprises, which are able to reserve certain work positions and the rest of the work positions get occupied by employees who do not belong into the category of disadvantaged people. Several enterprises, with whose representatives we have spoken, however, pointed out that although they are focused on providing long-term work positions, they also fulfil the transit function, because it happens to them that sometimes, if someone gains enough confidence and wants to try something else, he/she goes to the primary labour market. This option is more favourable for all parties, as the employees move on only if they feel ready for it and the company decreases the economic burden resulting from the constant fluctuation of employees. In addition, in the Czech environment, it is necessary to take into account that a bigger number of smaller and small social enterprises has been currently balancing on the very sustainability line.

The second general and also basic issue connected with the mentioned sustainability is **financing**, where on one side there appeared ideas that the enterprises must be completely independent and that their funding must be completely ensured by economic activities, while on the other side, the necessity of certain public support (in the form of subsidies or grants, or contracts) was accented. A model where the social enterprises should be independent while fulfilling the transit function seems to be very difficult to maintain, since it is virtually impossible to reconcile the economic and social dimension, as the enterprise puts a great deal of energy into training and work with all new employees which in itself is demanding and, in addition, in a sense prepares “its” people to leave the enterprise and go, for example, to their competitors.

The second model reliant on public funding is probably a better option at this time, given that the social enterprises in the Czech Republic only start to operate on a larger scale, while the public funding could at least assist them to gain certain stability and security at least initially. However, there is, of course, a certain risk of speculative activities, where some entities may declare to be integrative social enterprises and ask for public funding, but in fact they would provide no support to their employees. This situation is, of course, a question of setting up control mechanisms, but it is also very much related to the reproduced entrepreneurial culture with which it is also necessary to work in this respect.

The third problem is also related to funding, as the enterprises should be excluded from the social system, but, at the same time, they fulfil (and could do it more systematically, if supported) important **integration functions** of social system which are in the public interest. This discrepancy reflects the role of social enterprises in the Czech environment, especially in respect to the integration activities which varied in our sample of social enterprises – some enterprises provided very complex support to their employees and tried to create a non-stigmatizing work environment, and eventually get the employees more involved in the decision making process, but other enterprises provided only job and worked with the people minimally. It cannot be said which from the models is better or worse (as well as it cannot be said that the transit or long-term employment is good or bad approach and vice versa) because the disadvantaged or marginalized people differ and each person actually requires different approach. For this reason, it would be very desirable to maintain a certain level of diversity in the Czech system, so that it is possible to work with employees in many different ways. A question of possible supporting the emergence of social enterprises within the framework of social system appears, as is the case of some other states (see above), which would mean that employment in a social enterprise would automatically be a certain degree of a therapy that a person could use and the whole integration process could therefore become more efficient. Such social enterprises could be founded, for example, by public institutions, but it, of course, entails certain risks (see above), or a large social public enterprise could be established. Such enterprises would be able to apply the principle of the transition without any problems, as the public funding would cancel the orientation towards profitability and this mechanism would not pose such a high economic risk. These

included social enterprises could, of course, operate alongside the social enterprises located formally outside the social system.

As far as our original intent is concerned, i.e. analyzing the **integration potential of social enterprises** for disadvantaged groups, especially with an emphasis on released persons, in this respect the social enterprises represent an interesting tool, as they can create a specific non-stigmatizing environment enabling much better conditions for work with the disadvantaged people. At the same time, this way of employing released persons cancels the issue of criminal record, which is still a common reason for not hiring such persons, because social enterprises do not solve this factor. The addressed representatives of social enterprises focused on work with released persons furthermore declared that the activity with those people is not as demanding as they have expected it to be. In this respect, however, it is necessary to take into account that in one case the social worker was a member of the cooperative (and the members of the cooperative were very empathic) and in the second case the disadvantaged people got to the work positions after previous attending of a social program in non-profit organization, under which the social enterprise worked. Taking into account also the statement of the participant in the focus group, who represented an entity with a long-term cooperation with released persons, it is necessary to provide these people with social work and psychological support (and, of course, with further support), then it seem desirable that, in the case of employing released persons, the social enterprises should at least to some degree include therapeutic activity and relevant staff. The connection of a social enterprise with a non-profit organization appears to be very effective and functional in this respect. However, it would also be possible to outsource the social work from the non-profit organizations in case of independent social enterprises, if they cannot provide this activities themselves. In this case, a major obstacle consists of non-existent map of the social services in the Czech Republic as well as a very heterogeneous and, in some cases non-existent cooperation among individual actors (notably state/public institutions, social enterprises, “classic” enterprises and non-profit companies). However, if the social employment of released persons would develop, then it could become one of the key tools that would combine the therapy, social work and (at least partially) the solution for material problems of released persons.

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