



# CZECH REPUBLIC

## COUNTRY SCENARIO

### 1. Main definitions and concepts used

There is no specific policy framework for social enterprise. However, the concept of social enterprise forms part of some national strategic policy documents. It is a part of the National Action Plan of Social Integration for the Years 2008-2010 and the National Plan of Support for and Integration of Citizens with a Disability for the Period 2010-2014. The broader concept of social economy has been included in the Concept of Roma Integration for the Period 2010-2013 and is a part of the Strategy of the Fight against Social Exclusion. It is also a part of the Sustainable Development Strategy and the Strategy for Combating Social Exclusion 2011 – 2015 and it was mentioned in the Strategy of SME support 2014 – 2020. Social economy will also be included in the Strategy of the employment policy 2014 – 2020 (Bednarikova & Francova 2011).

The government has recently added social enterprise to its legislative plan, acknowledging its rising importance in Czech circumstances. It is going to be discussed in the first quarter of 2015.

Recently, TESSEA has published a proposal on how to include the concept of social enterprise in Czech

legislative. It specifies the following three options (RAVL, 2013):

- Create a separate legal act defining the main attributes of a social enterprise irrespective of its legal form. This can be followed by further measures specifying in more detail the support aimed at social enterprises.
- Include the support of social enterprises into the currently existing Employment Act 435/2004 Coll. The support measures for social enterprise would have to respect the basic principles of this legal act. There is an option to extend some of the support measures for employment of disadvantaged individuals to social enterprises.
- Pilot evaluation of application of existing active employment measures to social enterprises. The evaluation would be carried out in two to three regions and provide more information about how to design support for social enterprises at the national level.

The Czech Republic is currently in a state of transition as it moves from its previous Civil Code to a New Civil Code regime. Under the new regulation, some legal



forms will continue without change, while others will need to adapt to the new regulatory provisions. The new regime also introduces new legal forms.

## 2. Short history of the sector and its developments

Activities directly related to social enterprises (as defined by the Operational Definition) are very recent. Notably, several public grant schemes to support social enterprises were launched by the Ministry of Labour and Social Affairs (MoLSA) between 2009 and 2013. The grant calls 1 & 8 within the Integrated Operational Programme (IOP) and grant call 30 within the Operational Programme for Human Resources and Employment (OPHRE) were particularly important. They provided substantial amount of investment and non-investment financial support to emerging social enterprises.

These public grant schemes have generated interest in social entrepreneurship and led to creation of many new social enterprises. Together, the IOP and OPHRE grant schemes supported around 150 enterprises. They targeted exclusively work integration social enterprises (WISE).

This reinforced the traditional Czech focus on work integration of disadvantaged individuals. The dominant target group of social enterprises are people with health disabilities – 72% of social enterprises employ people from this group (P3 & Provida, 2013). About a fifth of social enterprises also employ people in long-term unemployment, which makes them the second largest target group.

In addition, the Employment Act 435/2004 Coll defines support for those organisations that employ people with health disabilities. This mirrors the strong position of WISE targeting people with health disability. It also provides possibilities for future development in this area.

There have been recent developments in national legislative that may lead to significant changes. Social entrepreneurship has been included in the legislative plan of the government for the first quarter of 2015. This means that there is a possibility of a introducing the concept of social enterprise into the Czech

legislative. Such a definition could be a first step to more systematic support of social enterprises, which could cover more areas than employment of people with health disabilities. In fact, the legal form of social cooperative has already been introduced in January 2014.

Municipalities also seem have a growing interest in finding other ways of public procurement that do not focus solely on the lowest price criteria. The Agency for Social Inclusion has been advising municipalities how to include social considerations in their public tenders. As a result, approximately 60 municipalities have included social criteria in their strategic documents. A few municipalities even included social criteria in their tenders – for example in the form of a condition that people with health disabilities must constitute at least 10% of the employer's workforce.

This development favours social enterprises and could help them access new markets and customers. It acknowledges their social mission and considers it in bid evaluation. It reduces the disadvantage that social enterprises face in public tenders where municipalities evaluate bids solely on the lowest price basis. For example, WISE employing people with health disabilities are not likely to be fully competitive if the benefits of integration are not considered – their workforce is likely to be less productive due to health.



### 3. Data and figures

According to a survey carried out in 2013 (P3 & Provida survey 2013), almost a half of social enterprises take the legal form of a limited liability company. Further 24% are public benefit organisations and 16% are civic associations. Finally, 8% are self-employed individuals and 5% are cooperatives.

Social enterprises employ an average of 14.7 employees, out of which 10.3 are from disadvantaged groups. The largest social enterprise had had 150 employees, the smallest had only one worker. About two-third of the disadvantaged employees are employed on a part-time basis, the rest on a full-time basis. In contrast, healthy employees usually work on a full-time basis. The majority of social enterprises rely on paid labour force - only 12.9% report employing volunteers (P3 & Provida survey 2013).

Own activities are the main source of income of social entrepreneurs – they constituted 51.2% of total income of an average social enterprise in 2013 (P3 & Provida survey 2013). This income is derived mostly from provision of goods and services. About a fourth of social enterprises provide gardening services, maintenance and cleaning. Another fifth operates in the hospitality industry. Food production and sales is the third dominant activity, with 16% of organisations doing business in this area (People, Planet, Profit 2014).

The majority of Czech social enterprises are WISE (Bednarikova & Francova 2011). According to the interviewed experts, this group constitutes approximately 80% of all social enterprises, with the rest focusing on provision of social integration or environmental services. The dominance of WISE is partly a result of tradition and partly the result of the OPHRE and IOP grant schemes that targeted this type of activity. However, this distinction is not always clear. Some WISE focus on provision of publicly beneficial services and some organisations primarily focused on social service provision employ disadvantaged people. The TESSEA definition of a social enterprise also specifies that social enterprises need to be environmentally friendly and satisfy local needs.

Quantitative data is available for WISE as the main group of social enterprises (People, Planet, Profit 2014). Their target group was to a large extent influenced by the OPHRE and IOP grant schemes, which specified the following disadvantaged groups:

- Youth (15-26);
- Individuals with a health disability;
- Ethnic and national minorities;

- Foreigners;
- Homeless;
- Care and prison leavers;
- Victims of criminal activities, domestic violence, human traffic and commercial abuse;
- Carers for a close person; and
- Individuals with substance misuse experience.

Out of these groups, most social enterprises focus on employing people with health disabilities (67%). This is partially due to the strong tradition in this area and partially due to the relatively easy access to stable contributions from the Labour Office for this group.



## 4. Legal framework and legal forms of social enterprises

Social enterprises in the Czech Republic are identified by their membership in the database run by the Thematic Network for the Development of Social Economy (TESSEA). To sign up, members of this database have to accept the TESSEA definition and indicators of a social enterprise. Membership is not conditional on any specific legal form.

The most common legal forms are:

- *Social Cooperatives*

A new legal form of social cooperative was added to the Commercial Corporations Act n. 90/2012 Coll in January 2014. Social cooperative is defined as a “cooperative that is pursuing beneficial activities to promote social cohesion through work and social integration of disadvantaged people in society, prioritizing the satisfaction of local needs and utilization of local resources particularly in the area of job creation, social services and health care, education, housing and sustainable development. The social cooperative:

- Has to specify its social mission and rules of profit distribution in its statutes;
- Cannot transfer or mortgage its assets unless the counterpart is another social cooperative (asset lock);
- Can redistribute a maximum of 33% of profit among its members;
- Provides each member with one vote at the member meetings (democratic principle).

- *Civic associations*

Civic associations are defined in Act nr. 83/1990, as a non-profit legal form that allows people to associate to pursue various social missions. This legal form allows for supplementary commercial activities – if such option is used to pursue a publicly beneficial social mission, civic association may be considered a social enterprise.

- *Limited liability company*

A limited liability company, defined in the Commercial Code, can be founded with a different aim than conduct of business, if a special directive does not prohibit it. If founded with a socially beneficial mission, a limited liability company may be considered a social enterprise.

- *Public benefit organisation*

Public benefit organisation, defined in Act nr. 248/1995, is a legal form whose main aim is to provide publicly beneficial services. Its profits need to be reinvested into the provision of those services. It can earn its income by charging acceptable prices for the provided services and by accepting subsidies and donations from the state and private sources. From this definition, it is apparent that public benefit organisation combines the profit seeking and socially beneficial motives, and as such may qualify as a social enterprise.



## 5. Participative and/or democratic governance

There is no explicit legal provision on the matter, apart from the specific provisions regarding social cooperatives that have been mentioned before.

The TESSEA definition states that employees and members of social enterprises should participate in the enterprise's strategic-decision making. This may be difficult to achieve in practice, particularly in WISE employing people with health and social disadvantages. In such enterprises, at least some employees may lack the capabilities or willingness to participate on the strategic decision-making level.



## 6. Sources and bibliography

- Bednarikova, D., & Francova, P. (2011) Study of the Infrastructure of the Social Economy in the Czech Republic, TESSEA.  
P3 & Provida (2013). Vysledky dotaznikoveho setreni v socialnich podnicich v Ceske Republice, People, Planet, Profit  
People, Planet, Profit (2014) Vyhodnoceni dotaznikoveho setreni socialnich podniku v CR, People, Planet, Profit