

UDK 658.8

**SOCIAL ECONOMY AND SOCIAL ENTREPRENEURSHIP  
IN THE LIBEREC REGION MUNICIPALITIES**

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*In 2009 the Faculty of Economy of the Technical University in Liberec implemented a specific research titled as „The Research into the Function of the Social Enterprises Established by the Municipalities in the Liberec Region During the Economic Crisis“. The aim of this project was to find out what role the municipalities play in reduction of unemployment rate, generation of new job opportunities*

*for disadvantaged groups of inhabitants such as handicapped people, mothers coming back from maternity leaves, graduates from secondary schools and universities, people over 50 years of age, etc.*

**Keywords: social business, social firm, disadvantaged groups, handicapped people.**

### Introduction

Social economy has been constantly developing lately, playing even more important role day after day. Recently it is often referred to as one of the potential solutions of the global economy crisis. One of the entities that may affect the growth of its importance are municipalities, as they may generate job opportunities in their areas by means of social entrepreneurship for so called disadvantaged groups of local inhabitants. In 2009 the Faculty of Economy of the Technical University in Liberec implemented a specific research titled as „The Research into the Function of the Social Enterprises Established by the Municipalities in the Liberec Region During the Economic Crisis“. The aim of this project was to find out what role the municipalities play in reduction of unemployment rate, generation of new job opportunities for disadvantaged groups of inhabitants such as handicapped people, mothers coming back from maternity leaves, graduates from secondary schools and universities, people over 50 years of age, etc.

Social entrepreneurship and municipalities.

The key place for provision of social services to fulfill the strategy of social integration is municipalities, respectively regions. After getting the competencies for provision of social services they strive after making the social service network more efficient, especially by means of community planning. Besides regions and municipalities, social services are provided by non-profit organizations and physical persons and the ministry of labor and social affairs. Amongst the most important social services belong homes for pensioners, social care institutions, shelter homes, etc. Despite the prevailing type of social services in Czech republic is an institutional care, recently there is an effort to support the development of alternative services too – they should allow the clients to stay in their natural

environment, with their families and communities. The most important role plays organization from non-profit sector – they represent one of the most significant motor in the development of social entrepreneurship. Many of the non-government non-profit organizations carry out profit making activities that however represent only very small part of their scope of business. Future transformation of these organizations to social enterprises will contribute to making this sector and thereby the social entrepreneurship more professional and competitive.

Social enterprises established by municipalities in the Liberec region.

The aim of the research project on the theme „Research into the function of social enterprises established by the Liberec region municipalities in the period of the recent economic crisis“ was to find out the role that municipalities, as founders of social enterprises, play in reduction of unemployment rate, creation of job opportunities for the endangered groups of citizens, such as handicapped, mothers returning from maternity leave, graduates from secondary schools and universities, workers over 50 years of age, etc.

### Results of empirical research

In the view of the goals set and in order to confirm or disprove the hypothesis that social enterprises established by municipalities in the Liberec region help with reduction of unemployment rate and creation of job opportunities for disadvantaged groups of inhabitants during the recent economic crisis, it was necessary to collect primary data from the municipalities situated in the Liberec region. For this purpose the project team carried out a questionnaire research in 2009 in all 215 municipalities of the Liberec region. The research made use of both empirical methods (to collect data by means of questionnaire survey and processing them by means of the

basic statistical methods) and theoretic methods, such as studying of the social economy conception, social entrepreneurship, social enterprises and social companies.

The structure and form of the questionnaire was determined carefully in order to reduce the time required for completion of the questionnaire to 10 minutes at maximum (not to waste time of the representatives of municipalities too much. In the accompanying letter the respondents were thoroughly familiarized with the reason for collection of the requested information. The questionnaire was supplemented by the comments sheet with the detailed information on the social entrepreneurship conception in general, for those who are not well informed.

In May 2009 all 215 municipalities situated in the Liberec region received electronic questionnaire consisting of 2 parts. Besides the information necessary for basic familiarization with the involved respondents, the questionnaire collected information on particular legal entities who established municipalities, and their classification to business companies, non-profit organizations and social enterprises. In the Česká Lípa district the questionnaires were delivered to 57 municipalities, while in the Jablonec nad Nisou district it was 34 municipalities, in the Liberec district it was 59 municipalities and the biggest number of questionnaires was delivered to the Semily district - 65.

Table 1

Activity of municipalities in establishment of legal entities	Municipalities in regions				Liberec region
	CL	JN	LBC	SML	In total
Not active	24	6	26	47	103
Active	33	28	33	18	112
In total	57	34	59	65	215

Source: own data

Legend: CL – Česká Lípa, JN – Jablonec nad Nisou, LBC – Liberec, SML – Semily.

The following table shows the overview of entities that establish municipalities in the

particular districts of the Liberec region. 103 municipalities in the Liberec region did not establish any legal entity, while 112 municipalities established in total 390 legal entities, as shown in the following table:

Table 2

Purpose of entities established by municipalities	Municipalities in regions				Liberec region
	CL	JN	LBC	SML	in total
social enterprise	X	X	1	X	1
business company	7	8	15	3	33
non-profit organization	94	71	134	57	356
Total	101	79	150	60	390

Source: own data

Municipalities that establish non-profit organizations are mainly using the legal form of allowance organization or not-for-profit organization. If profit making companies are established, the most frequent legal form is the limited company and public limited corporation.

Research summary

The empiric research that was carried out during 2009 in the Faculty of Economy of the Technical University in Liberec and was aimed at the research of social enterprises established by the Liberec region proved that

despite the municipalities establish various legal entities, these entities do not have the attributes of the social enterprises. During the collection of primary data the project team members found out that municipalities are not aware of the social entrepreneurship conception at all. Social enterprises they mentioned were mostly those that were established by law – especially those entities the main activity of that is provision of educational services and constitutional and social care. As for the business companies, the main aim is to generate profit. The profit is then distributed and not kept by the companies for their own pur-

poses. Moreover the disadvantaged groups of people do not represent the majority of clients of these business companies. This means that the municipalities in the Liberec region generate job opportunities in the region, however they are not preferentially aimed at the marginalized groups of inhabitants.

The only subject that fulfills the standards of social entrepreneurship is the not-for-profit company Komunitní práce Liberec (Liberec Community Works) established in 2005 by Liberec (as a statutory town). Liberec itself however does not consider this company to be the social enterpriser. The company offers job to people who face difficulties while trying to get a job (people with low qualification, workers over 50 years of age, people unemployed for long time, etc.). In the Liberec region it is therefore important to focus on promotion of the social enterprising concept in various forms, such as by organizing a common conference on the theme "social enterprising" with representatives of municipalities, Regional Authority of Liberec, etc.

#### Conclusion

In the Czech Republic the level of self-recognition of the social economy and its subject as a specific sector is at very low level. Social entrepreneurship is not generally considered as the way to sustainability and self-financing of third sector organizations, in order to become less dependent on state grants

and subsidies. The members of target groups do not see the private undertaking as a good way from unemployment and social exclusion. At the moment there are agencies to support the social undertaking. The existing subjects that provide support to small and medium-sized companies do not have specific knowledge concerning the social entrepreneurship. The existing supporting entities usually work on the commercial basis which makes their services unavailable for social enterprises. The system for building capacities for the third sector organizations allowing them to transform into social enterprises as well as the system of support for the potential self-employed persons from target groups is not developed sufficiently.

Municipalities in the Czech Republic do not play such a meaningful role as in other EU countries where they usually strongly affect the activity of social enterprises. They create appropriate conditions for them, thus helping with reduction of unemployment rate within the group of disadvantaged people. The common practice is that municipalities establish various types of social enterprises and are actively engaged in social economy.

Recommended by the editorial board. Received 03.06.11.