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Working Paper

**Overview of social economy development in Slovakia
and its promoting as the employment solution
for long-term unemployed and disabled ones**

Lenka PČOLINSKÁ

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Overview of social economy development in Slovakia and its promoting as the employment solution for long-term unemployed and disabled ones*

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The article is written as the part of the project *VVGS-2019-1018 Dynamics of the development of the social economics in Slovakia and its use in self-government.*

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Abstract

The aim of the article is to provide an overview of the social economy development over three decades in Slovakia (between the years 1989 - 2019) and to point out the natural environment of shaping this phenomenon as well as the current state and possibilities for further development. The essential features of the social economy development in Slovakia are: regional development in terms of reduction of unemployment and long-term unemployment, integration of disadvantaged groups of people into the labour market, new law on social economy and social enterprises, activities of self-governing bodies and implementation of common good activities that serve the community, the group of disadvantaged but also the region, while contributing to rural sustainability. As chosen methods, we especially used a theoretically-analytical approach appropriate to describe the present situation about unemployment and potential of social economy (using secondary data of official statistics). The paper aims at clearing the main problems of the social economy development in Slovakia, also reflecting the historical roots, and it points to the social economy potential future development.

Keywords: social economy, long-term unemployment, civil society, municipal social enterprises

JEL Codes: A13, J64, L31

Introduction

In Slovakia, the social economy shaped at a slower pace than in Western European countries. The acceptance and perception of the term "social economy" is generally new to some extent in the European space, all the more in countries where after the fall of Communism, the third sector has only begun to develop. The European Commission officially recognized the social economy in 1990, defined it and acknowledged social enterprises as key players in European economic, social and political space (Lubelcová, 2012; Dohnalová, 2003). Establishing the social economy in emerging European countries that have undergone a social change can be divided into several stages. Based on the analysis and historical perspective, we identified three phases in the development of the social economy in Slovakia: the first phase after the end of communism and the development of democratic and civil society, the second phase of Slovakian integration to the European structures and the deployment of the social economy and the third phase of the current economic development and establishing the social economy in practice.

1. Development of democratic and civil society (1990 – 2000)

Although this phase represents the formation of the socio-economic environment after 1989, not only in Slovakia, it is important to emphasize the functioning of centrally directed economies and the different starting position of social economy formation in the entire Central European area and other post-communist countries before 1989.

In post-war Germany, the economic order of the social-market economy was characterized by signs of private ownership, competition of performances, free pricing, and the principle of free movement of labour, capital and services. The social order was created by the order of the labour market, which corresponds to the nature of the social-market economy and the extensive system of social security, which is based on the principles of fairness and social equality (Defourny, Develtere, 2008).

The Iron Curtain divided the post-war Europe into two blocks, of which the Eastern block consolidated the socialist model of economy and the state's position, thus centrally oriented economy. The social economy, as we know it in today's framework with regard to helping the deprived, disadvantaged citizens, disappeared from this level because the strengthening of the state's position, equality of ownership and the artificially created reciprocity system "did not need" this social economy "Institution", especially in terms of helping individuals without work (Pčolinská, 2018). In the context of the centrally oriented

economy, limitation of the free market law, of private ownership and of the business environment, but also of civil rights on the grounds of the absence of democracy, civil society has not had the opportunity to be formed in the post-communist territories for 40 years of communism, as the right to associate, the right to freedom of speech and others were lacking. These rights are the driving force for shaping the social economy sector. Thus, the social economy sector did not exist in this society at all. Social principles were determined solely by the state within the centralist model of government, where equality and equal welfare conditions were to be guaranteed. Everyone was supposed to work in a socialist world, later in communist society.

According to Pavel (2005), of course, there was the interest in taking care of people with disabilities and the state sought to integrate them into work. Their employment was among the priorities of the *cooperatives*. The *cooperatives* have assumed the state's responsibility even after World War I, when the first *invalids' cooperatives* were formed. Several production cooperatives in Slovakia were created during the post-war period to create conditions for employing people with reduced working capacity (Janků, Sobinkovič, 2003). After World War II, the Constitution of the Czechoslovak Republic enshrined the principle that the disabled ones would be given the same opportunity for self-realization as the healthy citizens. Later, when Act no. 5/1956 Coll. on social security entered into force, cooperatives have become the main actors to assist disabled citizens. They have become the production cooperatives of the disabled people. They grew mainly at the turn of the 1980s and 1990s. The Slovak Union of Production Co-operatives has united 17 production cooperatives of the disabled people and they employed more than seven thousand such people. After the political and social changes in Slovakia in 1989, there were also significant changes in the area of supporting the employment of persons with disabilities. These changes were already introduced by Act no. 1/1991 Coll. on Employment (Pavel, 2005).

The whole issue of promoting their employment has become part of the comprehensive state employment policy, encompassing applying the right to work of all citizens who can and want to work and are truly interested in work. This Act was followed by Act no. 387/1996 Coll. on Employment and Act no. 5/2004 Coll. on Employment Services, which tried to elaborate the instruments of active labour market policy in more detail (Pavel, 2005). The activities of invalids' manufacturing cooperatives have slowly stagnated since the 1990s. After the introduction of a "decentralized" model of organizing the employment of not only disadvantaged people and the transition of their employment to the free labour market, the cooperatives have gradually lost their position in the market. The cooperative statute was an important business form during communism, and being "assimilated" to it contributed to its

weakening after the fall of the iron curtain (Korimová et al., 2008). Compared to other countries where cooperative practice is a common business practice on the basis of association and common interest in a common goal, there is a certain distrust of cooperatives in the Slovakian society, and thus a weaker background for developing the social economy through this form of doing business.

In many Eastern European countries, the social economy unfolds out of the scope of the third sector. The social economy is based on the principle of association, solidarity, subsidiarity, fairness and equality, and consequently also social inclusion of those who are in any way disadvantaged (Korimová et al., 2008).

The social economy sometimes identifies itself with the third sector, sometimes it complements the public, private, but also the non-profit sector itself. However, its work is consolidated in a society that is built on democratic principles and freedom of association (Ondrušek, 1998). The freedom of association is a prerequisite for the formation of the third sector, which has also started to develop in Slovakia after 1989. The new legislation that came into force opened up the space for civil activities, social activities and mutual assistance. Act no. 83/1990 on Association of Citizens, Act no. 213/1997 on Non-profit organizations providing common good services, Act no. 147/1997 on Non-investment funds and Act no. 34/2002 on Foundations, were the direct consequence of a change in the political establishment of the society, the commitment of citizens to address market failure or the lack of state social welfare and the dialogue between the public and private sectors.

This phase can therefore also be seen as the beginning of the third sector development (non-profit organizations in Slovakia), which focused on supporting civil society and providing common good and social services. The contribution of these organizations to the concept of social entrepreneurship concerned both the new organizational forms and the specific type of management, as well as the values of social mission and voluntary work (Lubelcová, 2007). The third sector is involved in the regulation of economic life when, for example, associations or social co-operatives are the partners of public authorities in the task of helping back into work low-qualified unemployed people, who are at risk of permanent exclusion from the labour market (Borzaga, Defourny, 2001). It is worthy to mention that 90s were the era of consolidation of democratic efforts, fight for freedom and justice, and effort for the orientation of politics and society towards integration into the European Union.

2. Integration into European structures and unfolding of the social economy (2000 – 2010)

Between 2000 and 2010, especially due to the integration into the European Union, the ideas of social economy also penetrated the territory of Slovakia: the period of introducing social economy and social entrepreneurship into legislation, but also in practice, has started. However, this was preceded by the shaping of reciprocity and association ideas, the creation of labour market policy and the consolidation of the third sector under new legislation.

2.1. General aspects and distinction “Social Economy vs Civil society”

In 2004, the Slovak Republic joined the European Union, which included the adoption of European Community legislation governing the granting of state aid. In 2004, Act no. 5/2004 Coll. on Employment Services tried to follow up with Act no. 387/1996 Coll. on Employment policy. It tried to elaborate further on active labour market policy instruments. These laws have impact for instance on employing persons with disabilities within the production cooperatives of the disabled, which, as we have already mentioned, gradually declined, in particular by losing many subsidy mechanisms from the state. Production cooperatives of the disabled moved to the form of cooperatives, or sheltered workshops and workplaces were established. They were constructed in the first decade of the 21st century.

By applying these laws, subsidies from the state budget were reduced and the system of employing people with disabilities was gradually broken down within the production cooperatives of the disabled (Pavel, 2005). The negative perception of cooperatives continued to prevail, and was based primarily on the fact that the cooperatives were used as the instrument in maintaining communist ideology during communism, the nationalization of private property - collectivization and the fulfilment of central economic plans -, which contradicted the democratic ideas of functioning of the free market and market economy. According to Korimová et al. (2008), the role of cooperatives was to limit and push out the capitalist methods and integrate deeper into the planned economy. Thus, the decline of cooperatives was influenced by several factors, namely the transformation of the state establishment, the formation of civil society, the incapability of cooperatives to compete on the market – in particular, the production cooperatives of the disabled, but also others.

The form of cooperatives, as the most common form of social economy activities, especially in countries like Italy or Sweden, was marked by the era of communism in Slovakia, and its decline is a paradox, but understandable, although its history dates back to 1845, when the first cooperative was founded

in Slovakia (Schlüter, 2004). In 2004, the number of invalid production cooperatives of the disabled fell to 15, with about 550 disabled workers. If there was less than 50% of disabled people in the production cooperatives, it was a "simple" production cooperative (Šúbertová, 2004). Invalid production cooperatives of the disabled, which in addition to their business activities also performed a social function because they employed more than 50% of disabled people, can be classified as social enterprises (Korimová et al., 2008). Regarding disabled people, the law determined the obligation of employers with more than 20 employees to employ a certain proportion of people with disabilities; the establishment of sheltered workshops and workplaces began to be subsidized (Pavel, 2005).

It can be said that the development of the *third sector* has fully erupted at this phase. According to the Office of the Government Representative for the Development of Civil Society, NGOs in Slovakia most often have the legal form of civil associations, foundations, non-investment funds and non-profit organizations providing public services. These organizations operate in the fields of education, research, child and youth work, social and charity activities, health, environment, culture, sport, recreation, human rights, minorities, or working in local communities.

This wide-ranging group of organizations is also the part of civil society, which does not perceive itself as part of the third sector and does not participate in its joint activities in any way (for example, many sports clubs, clubs, leisure associations). It also includes citizens' initiatives, clubs and activities that do not have an institutionalized and formalized form and do not have their own legal personality. Civil society also encompasses trade unions and employers' associations, professional associations, professional chambers and other institutions of organized interest. Churches and religious societies represent a specific and autonomous part of civil society (Office of the Plenipotentiary of the Slovak Government for the Development of Civil Society, 2011). These initiatives form the base for a social economy, and many actors are pursuing social activities and fulfilling the social economy framework, although these entities are not officially referred to as entities of the social economy.

2.2. Employment policies for disabled and long-term unemployed people

Thus, the dynamic period of transformation of employment, labour market and employment services culminated in the adoption of Act No. 5/2004 on Employment services. Actions in relation to citizens with disabilities have become an integral part of a comprehensive state employment policy and set the citizen's right to access work not only in sheltered employment but also in

the open labour market, but have exacerbated the conditions for social entrepreneurship and cooperative production (Korimová et al., 2008).

The strategy for integration of the long-term unemployed and social disadvantaged groups into the labour relations was supported by the European Union with the initiative EQUAL. The European Social Fund supported various projects also in Slovakia within this initiative. These projects were led for the development of social economy in the right sense (Alexy, 2007; Pčolinská, 2013). Conditions for social support within this initiative EQUAL were created in 2004-2006.

According to the new legislative Act no. 5/2004 Coll. on the employment services, significant tradition of establishing *sheltered workshops* started in Slovak Republic, which worked with people with disabilities and created conducive conditions for the integration of social economy in the development of the country. Although they were or are not self-sufficient and are significantly dependent on a help from outside, they perform a certain economic activity. Sheltered workshops can be found in a high number in Slovakia and they were (and still are) focused on various activities: production of office supplies, decorations, advertising and promotional materials, textile production, food processing, furniture, woodworking, carpentry, as well as wellness or motor service and many more (Alexy, 2007).

2.3. Legal and statistical aspects of social economy and its academic support

After the integration of Slovakia to the European Union, the concept of the social economy came alive in Slovakia. In 2008 regarding the legislation on social economy, the Slovak Law defined *social enterprise* within the *Act no. 5/2004 Coll. on the employment services*. The Central Office for Labour, Social Affairs and Family, also established the Register of Social Enterprises for the entities that fulfilled the statutes requirements provided by the legislation. Support for the employment of disadvantaged job-seekers in a social enterprise is defined by law: §50b defined the social enterprise, its position in terms of the application for the status of a social enterprise and §50c concerned the guidelines on the contribution to support the creation and maintenance of jobs in the social enterprise for disadvantaged applicants.

Before the legislative implementation of social economy occurred, first pilot social enterprises were established in Slovakia in 2007 and focused on integration of marginalized citizens into the labour market. They were territorially located primarily in the areas with the highest unemployment rate, where 90-95% were long-term unemployed and generationally and maladjusted individuals or groups (Korimová, 2011). However, in their early stages, social enterprises did not create the space for positive effects from this

entrepreneurship. Many people saw it as an opportunity for using money from the state support, not as tools for creating value or being helpful to marginal groups of people. These examples brought the wave of distrust to the social entrepreneurship, because of their leadership. This had bad hand for the development of social economy in Slovakia (Pčolinská, 2013). According to these examples, the market failure problem is featured from a different angle: a person who is a representative, the ideas' implementers and decision makers of social enterprises could be seen as causing the market failure.

However, in particular, by highlighting humanity, its uniqueness and at the same time the ability to bring ethics, reason, subsidiarity and solidarity into economic rationality, the social economy can develop scientific knowledge and acceptance of social justice, poverty reduction and social exclusion (Korimová et al., 2008). One of the barriers of the adoption the social economy in post-communist countries is according to J. Defourny, general lack of confidence in the solidarity action. The concept of solidarity is primarily seen as an individual's relationship to friends and family, a vision of economic activity is associated with his own objectives rather than a positive contribution to society (Defourny, 2003).

The Central Office of Labour, Social Affairs and Family of Slovakia published on its website a list of individuals and entities that have applied for registration into the Register of Social Enterprises. They were called "Temporary employment employers who fulfilled the terms of the law".

From 2008 to the end of December 2009, there were 47 companies that were granted the status of social enterprise according to the Act no. 5/2004 Coll. on the employment services. 43 companies of them were declared void after few years of existence and 3 companies suspended activities upon their own request. Only one of them is still registered as Temporary employment employer (Central Office of Labour, Social Affairs and Family, 2019).

It should be added that since 2004, at the academic level of universities, events were organized to actively communicate about social economy as an instrument of active labour market policy aimed at solving social inequalities, fighting unemployment and caring for disadvantaged people on the labour market. Mostly academic researchers at universities, who were interested in the subject, supported these ideas and moved them forward on the basis of foreign contacts and upon their own scientific research. One of these academic areas was the Faculty of Economics of Matej Bel University in Banská Bystrica. Other workplaces like the Faculty of Economics of the University of Economics in Bratislava and the Faculty of Public Administration of the Pavol Jozef Šafárik University in Košice, which in the following period incorporated the topic of social economy and social entrepreneurship into the education.

3. Current economic development and establishment of social economy (2010 – 2019)

As the social economy is built on the foundations of the non-profit sector, but also on business activities aimed at socially beneficial goals, the third decade of democratic functioning in Slovakia in terms of social economy development was focused on the development of the third sector.

In order to develop civil society, the institute called "The Plenipotentiary of the Slovak Government for the Development of Civil Society" was established in Slovakia in 2011, and a new advisory body of the Government was set up in 2012 - the Government Council for Non-Governmental Organizations. In cooperation with representatives of the state sector and of the third sector, the Conceptions of Civil Society Development in Slovakia ("Conception") were adopted, containing the basic background and idea of priority areas of civil society development in which the state and public administration in Slovakia should be active. The Action Plans for the relevant years are part of the adopted "Conception" (Office of the Plenipotentiary of the Slovak Government for the Development of Civil Society, 2019).

The development of the social economy and the establishment of social enterprises were marked by barriers to its development. First of all, there was still a social attitude of distrust to social enterprises because of the failure of pilot social enterprises in 2008. Although the ideas about social economy from Western European countries in terms of incorporating were implemented into the legislation under Act no. 5/2004 on employment services, the real practice remained in the background, especially through the barriers to development, which were mainly related to the ignorance of the social economy and to what this phenomenon represents. The first established businesses had problems with setting themselves on the market, as they focused on integrating disadvantaged job-seekers and were not competitive enough due to lower job performance. Another aspect was still the low awareness of the functioning of the social economy and the low managerial skills of entrepreneurs addressed by this concept. Legislative definition was too narrow and social enterprises could be named as social enterprises only if they fulfilled the conditions set by law and later could be registered in the Register of Social Enterprises.

For 10 years, since 2008 when the definition of social enterprise was expressed for the first time, no specific law was drawn up to govern the functioning of the social economy and social enterprises in Slovakia, only amendments of existed law on employment services. Between the years 2011 to 2017 an amendment to the Act no. 5/2004 on employment services focused on social enterprises. In 2013, the amendment concerned the conditions for the integration of

disadvantaged job-seekers in a social enterprise. The amendment in 2016 concerned the addition of the definition of social economy, the conditions of integrating disadvantaged job-seekers in the social enterprise of labour integration – a social enterprise that was defined (§50b) – and the conditions of integrating disadvantaged job-seekers at the Employer of temporary employment (§50c).

4. Law no. 112/2018 on Social Economics and Social Enterprises

The change occurred in 2018, when the new *Act no. 118/2018 on Social Economy and Social Enterprises* was approved. It defines the social economy, the subject of social economy, the social enterprise, the enterprise with social impact and the conditions for registration in the Register of Social Enterprises. The law is conceived wider than the previous definition of social economy and social entrepreneurship, which allows more free-standing conditions for the operation of social economy in Slovakia.

§3 of this Act defines the *social economics* as the sum of productive, distribution or consumer activities carried out through economic activity or non-economic activity, independently of the state authorities, whose main objective is to achieve a positive social impact.

According to §4, *the subject of the social economics* may be a civil association, a foundation, a non-investment fund, a non-profit organization, a special purpose church facility, a trading company, a cooperative or an individual person - an entrepreneur who is an employer, who:

- (a) is not majority-controlled by a public authority, they are largely not funded, appointed or elected by a statutory body or by more than half of its members, and do not appoint or elect more than half of the governing body or supervisory body;
- (b) is engaged in economic activity or non - economic activity within the activities of the social economy; and
- (c) if it does business or pursue other gainful activities under special regulations, it does not pursue them solely for the purpose of gaining profit or it uses this profit in accordance with this Act.

§5 of the Act identifies *the social enterprise* and *the enterprise with social impact* as follows:

(1) The *social enterprise* is a subject of the social economics,

- (a) which carries out an economic activity continuously, separately, in its own name and on its own responsibility,
- (b) the main objective of which is to achieve a measurable positive social impact;
- (c) in which the production or supply of goods or services contribute to a positive social impact;
- d) which, if
 - (1) it earns profit from its activity, it uses more than 50% of after-tax profit to achieve the main objective under (b),
 - (2) it distributes part of the profit according to the Commercial Code, it divides it according to procedures and rules that do not violate the main objective under (b),
- (e) which involves interested persons defined by this Act to the management of its economic activity.

(2) The social enterprise, to which registered social enterprise status has been granted, is the Registered social enterprise.

(3) The *enterprise with social impact* is a civil association, foundation, non-profit organization, church service facility, commercial company, cooperative or individual person - entrepreneur who performs continuously, independently, in its own name and on its own responsibility economic activity, the main objective of which is to achieve a measurable positive social impact and meets at least two of the conditions under paragraph 1 (c) to (e) (Law no. 112/2018 on Social Economics and Social Enterprises).

The Act also regulates the operation of 3 types of enterprises: an integration social enterprise, a social enterprise of housing and another registered social enterprise, which achieves a greater positive social impact than an entrepreneur who performs a similar activity for profit.

Social enterprises will be supported by the state directly in the form of investment and compensation aid, as well as contributions to the integration social enterprise. The law also envisages indirect support, through tax breaks, creating demand through public procurement, and through demand-side service vouchers (Implementation Agency of the Ministry of Labour, Social Affairs and Family, 2018).

According to the Register of Social Enterprises administered by the Central Office of Labour, Social Affairs and Family, social enterprises registered in the current

system since 2008 must comply with the conditions of the current law and will be re-registered in the new Register of Social Enterprises. Presently, there are 10 social enterprises in the Register of Social Enterprises that fulfilled the conditions for registration.

5. Circumstantial analysis - assumptions for the development of the social economics

According to the European Economic and Social Committee, Slovakia belongs to the group of countries where there is *a little or no recognition of the concept of the social economy*: The concept of the social economy is little known, emergent or unknown. The related terms such as non-profit sector, voluntary sector and non-governmental organizations sector enjoy a relatively greater level of recognition. Among these countries there are also: Austria, Czech Republic, Estonia, Germany, Latvia, Lithuania, Malta, Netherlands and Croatia (European Economic and Social Committee, 2017).

Employment in the social economy differs among the countries of the European Union. While employment in the social economy in countries such as Belgium, Italy, Luxembourg, France and the Netherlands accounts for between 9% and 10% of the working population, in the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, but also in Cyprus and in Slovakia, the social economy remains a small, emerging sector employing less than 2% of the working population (European Economic and Social Committee, 2017).

In order to evaluate the potential of the social economy in Slovakia, it is necessary to analyse the current situation in the economic environment, especially in terms of unemployment, as the social economy focuses on it. As we can observe in Table 1, unemployment rate in Slovakia has a decreasing trend and in the last 3 years: it decreased about 5%.

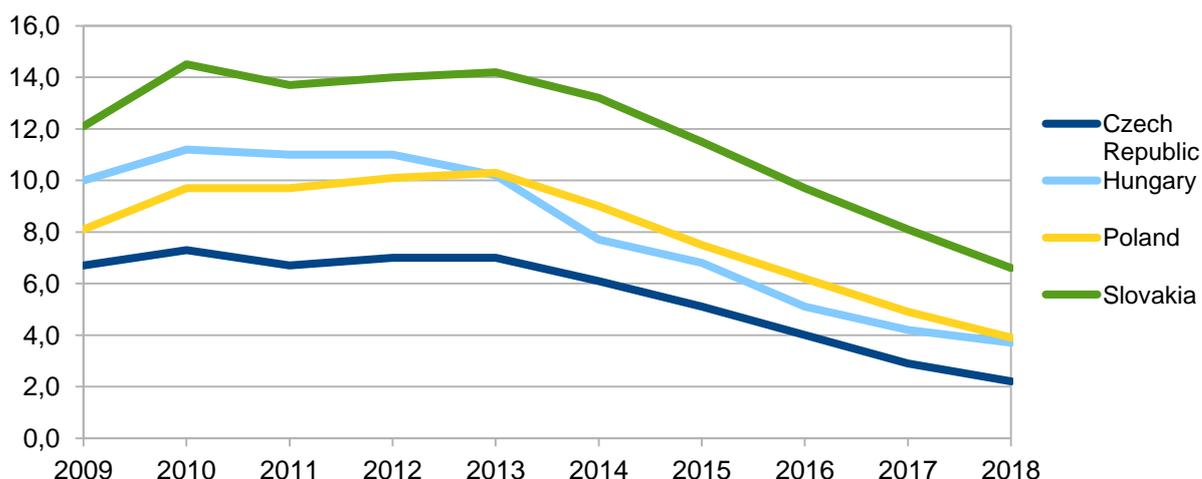
Table 1 - Unemployment rate in Slovakia (% of active population)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Slovakia	12,1	14,5	13,7	14,0	14,2	13,2	11,5	9,7	8,1	6,6

Source: Eurostat, 2019.

This trend is similar to the other countries in the Central European region. The unemployment rate is also decreasing in the Czech Republic (around 2%), Poland and Hungary (around 4%). In comparison, the unemployment rate in Slovakia is the highest among these countries (Eurostat, 2019).

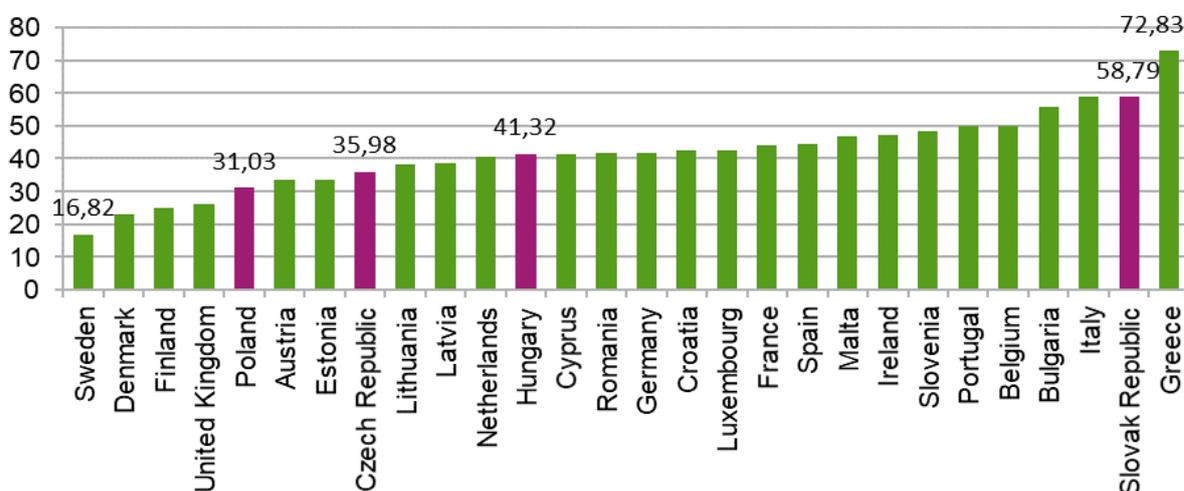
Graph 1 - Unemployment rate in V4 countries (% of active population)



Source: Eurostat, 2019.

The long-term unemployment is now becoming a more serious problem for development, especially at local level. According to OECD data in 2017, long-term unemployment in Slovakia was 58.79% of total unemployment and Slovakia is the second country from the EU28 with the highest long-term unemployment. It means that more than half of Slovak unemployed people are unemployed for a long period, more than 1 year. For this group of people who are for a longer time without work it is harder to come back to the labour market. They lose working habits, working skills and they suffer from social and psychological effects on their life. Comparing to other countries of V4 region, long-term unemployment in Poland is 31,03%, in Czech Republic it is 35,98% and in Hungary 41,32% of unemployed people. Slovakia has analogical the highest long-term unemployment rate in central Europe.

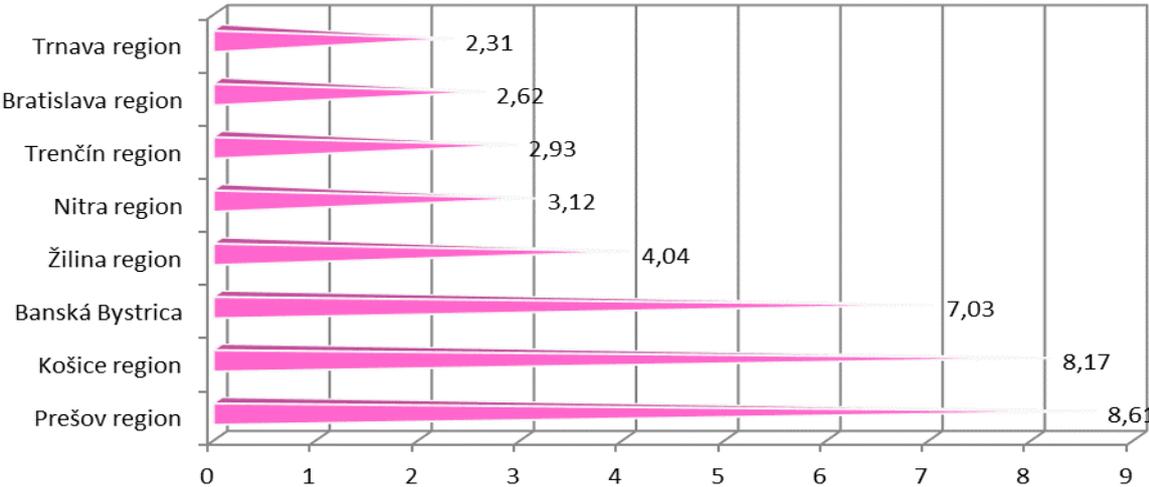
Graph 2 - Long-term unemployment rate in EU28 (% of unemployed, 2017)



Source: OECD, 2019.

Looking closer to the territory of Slovakia we can see many differences especially in socio-economic situation between regions and districts. As it is obvious, higher life standard concentrates mostly around big towns. We can see the disparities in the unemployment rate between regions. And according to this we can identify the problematic regions and the needs of the specific action in those regions.

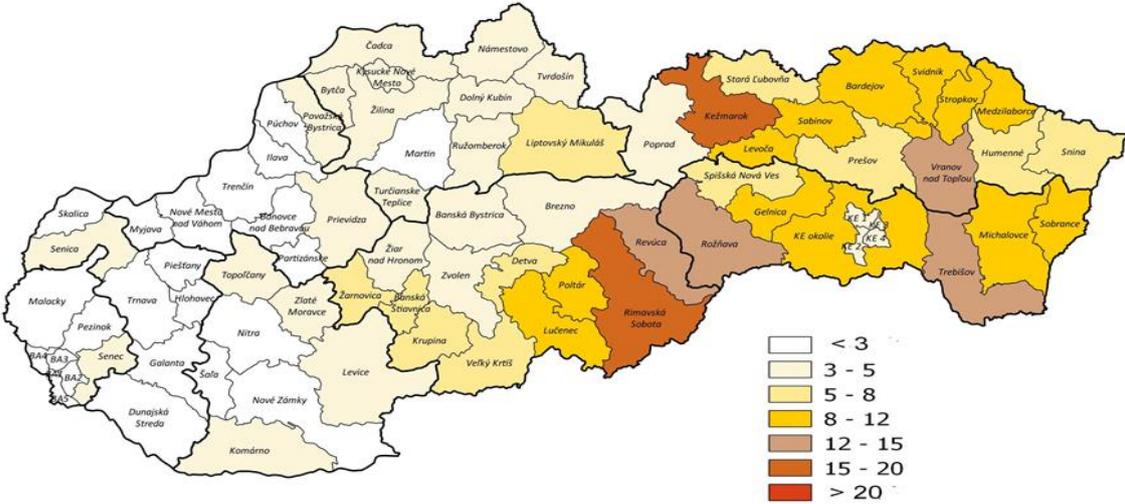
Graph 3 - Regional disparities of unemployment in Slovakia (% , 2018, NUTS 3)



Source: Central Office of Labour, Social Affairs and Family, 2019.

At the end of 2018, the lowest levels of registered unemployed people were in the Trnava and Bratislava regions: around 2%. The district with the lowest rate of unemployment at the end of 2018 was the Hlohovec district (1.68%).

Picture 1 - Unemployment rate in Slovak districts (% , LAU 1, December 2018)



Source: Central Office of Labour, Social Affairs and Family, 2019.

On the contrary, the further east in the country, the higher the rate of registered unemployment. We can observe it also in picture 1 where the differences of unemployment rate between districts of Slovakia are shown in darker and lighter colours. The highest registered unemployment rate in comparison of regions was in the Prešov region, where it stood at 8.61% at the end of 2018. The highest registered unemployment rate in comparison of districts was in the district of Rimavská Sobota (Banská Bystrica Region, central south) - 16.1% registered unemployment rate at the end of 2018.

The analysis of the duration of the long-term unemployment can better describe the situation of Slovakia especially in regions where unemployment is higher. In Table 2 we can observe, that the average duration of unemployment in Slovakia in months is around 30,2 months in 2017, what represents in average 2 years and 6 months of being unemployed. In 2001, the average duration of unemployment in Slovakia was the shortest – 1 year and 3 months. The longest average duration of unemployment was in 2006, and it lasted 2 years and 10 months (almost 3 years). In comparison with the data of V4 countries in 2017, Slovakia has the longest average duration of unemployment. For example, in Czech Republic it is 15,6 months and in Hungary 16 months (OECD, 2019).

Table 2 - Average duration of unemployment in Slovakia (in months)

Time/ country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Slovakia	15,4	23,7	24,0	23,9	28,2	34,3	33,4	31,3	23,6	27,1	28,8	30,5	31,7	29,6	31,5	29,1	30,2

Source: OECD, 2019.

Longer unemployment can bring other negative effects: deep social and psychological burdens in the form of inferiority, shame, guilt, incompetence, often loss of social ties, loss of skills and working habits and increasing reluctance or fear of returning to the labour market; problems with alcoholism or with other addictions. This also affects the economic level of a person who is gradually getting into a vicious circle of reduced income or financial debt. These unemployed people are becoming disadvantaged job-seekers, as a marginalized group. This group of unemployed people could be the subject of further research. As they are depending on the external help, it is the group of interest of social initiatives in the private and non-profit sectors, which can represent the social economy.

In assessing the unemployment and long-term unemployment in individual regions in Slovakia, it is necessary to create such a labour market policy, for ensuring the conditions of employability for these marginalized groups, which

are getting isolated from the society especially due to long-term unemployment. However, it is not just about the long-term unemployed, since also other groups of citizens can be disadvantaged.

Act no. 112/2018 on social economy and social enterprises defines the following groups of disadvantaged citizens: persons who did not have a job for the last six months, or whose wages did not reach the minimum subsistence level and are at the same time: over 50 years old, persons under the age of 26 who have not been employed for 6 months since graduating, long-term unemployed, people with lower education, people living in the least developed districts, persons of national minority or an ethnic minority, lonely adults with one or more persons dependent on their care, persons with disabilities.

The Act also defines groups of persons who belong to the so-called vulnerable persons (f.e. former prisoners, refugees, children from orphanages) (Act No 112/2018 on social economy and social enterprises).

On the basis of the economic environment analysis, we can say that there is a need in specific regions to create employment support for the above-mentioned groups of citizens, but which require a special approach. As the primary goal of a social enterprise is to provide jobs and education, especially for those who are socially excluded, by creating a stimulating and supportive environment, we see social economy as the response for the active labour politics for disadvantaged people. Easy manual work is an excellent opportunity for varying degrees of work difficulty and the integration of people with different skill levels (Cehelská, Hangoni, 2013).

6. Potential of social economy - municipal social enterprises

The new trend in the Slovak Republic is the establishment of municipal companies. According to the monitoring of the local territory there is a visible effort of mayors to locally help their own groups of disadvantaged citizens, especially in the regions and districts with higher unemployment rates. Municipal enterprises are not motivated by profit-making, but primarily by seeking to ensure efficient public services and improving the quality of life of their citizens, and thus, solving specific social and economic problems in the village or in the city (Toth et al., 2014). Mayors try to connect the potential they have in people who are without job and local needs of villages or towns.

We can see a big potential especially in establishing municipal social enterprises that according the experiences can be more vivid at the market and can bring a profit for local economies. As the private effort of individuals in establishing the

social enterprises is not so easy and business of the company can fail, the successful examples of municipal companies can be used as the examples for activities with disadvantaged citizens. Many helping initiatives arose between state, non-profit sector and academic world in offering the help of *Regional centres of social economics* and courses for those mayors who are thinking about establishing municipal social enterprises.

The growth of the social enterprises especially in assisting villages and towns can bring the solution to the regions with high unemployment and long-term unemployment. Adapting the capabilities of potential workers and finding the main business activity of the company, mostly manual work can be performed on the basis of simple training: construction work of different types (excavation work, concrete work, masonry work, etc.), painting work, small bakery and confectionery production, tailoring workshops, gardening, production of wood products, eco-fuel production, provision of cleaning services, waste companies and many others.

Conclusions

Social economy is still an emerging trend in solving the active labour market policy in Slovakia. After more than ten years of development and establishment of the concept of social economy in Slovakia, the law on social economy and social enterprises was adopted in 2018. The actual situation of the labour market creates natural preconditions for the development of these activities aimed at helping marginalized groups in society to have a chance to return to the labour market. Slovakia needs to find a tool to address with the long-term unemployment, which is the second highest in the EU28 and the highest among V4 countries.² Although the unemployment rate is declining in Slovakia, the high share of the long-term unemployed is a sign that active labour market policy requires a distinctive approach with a focus on the long-term unemployed who are losing their working habits and are unable to be recruited on the traditional labour market. In regions with the highest share of long-term unemployment, it is possible to use the instruments of the social economy - the social enterprises. Through the support of the state and lower demands on the performance of employees, it is also possible to help to the economic growth of the localities with a high percentage of disadvantaged citizens. In particular, we see the way in establishing municipal social enterprises.

² According to Graph 2: Long-term unemployment rate in EU28 (OECD, 2019), the long-term unemployment rate in Slovakia was 58,79%. In comparison to the central European neighbouring countries – named V4 countries (Visegrad countries - Czech Republic, Poland, Hungary and Slovakia) – Slovakia has the highest long-term unemployment rate.

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