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**T. Golob, M. Makarovič**

### WORK INTEGRATION SOCIAL ENTREPRENEURSHIP IN EAST-CENTRAL EUROPE THROUGH STRUCTURAL AND SEMIOTIC TRANSFORMATIONS

WORK INTEGRATION SOCIAL ENTREPRENEURSHIP IN EAST-CENTRAL EUROPE THROUGH STRUCTURAL AND SEMIOTIC TRANSFORMATIONS

СОЦИАЛЬНЫЕ ПРЕДПРИЯТИЯ ТРУДОВОЙ ИНТЕГРАЦИИ В ЦЕНТРАЛЬНОЙ И ВОСТОЧНОЙ ЕВРОПЕ В УСЛОВИЯХ СТРУКТУРНО-СЕМИОТИЧЕСКИХ ТРАНСФОРМАЦИЙ

*Tea GOLOB<sup>1</sup> — PhD, Assistant Professor  
E-MAIL: [tea.golob@fuds.si](mailto:tea.golob@fuds.si)  
ORCID: 0000-0003-4314-3231*

*ГОЛОБ Тэа — PhD, доцент, Школа перспективных социальных исследований, Нова-Горица, Словения.  
E-MAIL: [tea.golob@fuds.si](mailto:tea.golob@fuds.si)  
ORCID: 0000-0003-4314-3231*

*Matej MAKAROVIC<sup>1,2</sup> — PhD, Professor  
E-MAIL: [matej.makarovic@fuds.si](mailto:matej.makarovic@fuds.si)*

*МАКАРОВИЧ Матей — PhD, профессор, Школа перспективных социальных исследований, Нова-Горица, Словения; факультет информационных исследований, Ново-Место, Словения.  
E-MAIL: [matej.makarovic@fuds.si](mailto:matej.makarovic@fuds.si)*

<sup>1</sup> School of Advanced Social Studies (SASS), Nova Gorica, Slovenia

<sup>2</sup> Faculty of Information Studies, Novo Mesto, Slovenia

**Abstract.** The central question addressed is how the structural and semi-otic contexts, seen from the perspective of the cultural political economy, of the selected post-communist societies of East-Central Europe (Croatia, Czech Republic, Slovenia, and Poland) have affected the historical development and contemporary situation of social entrepreneurship focused on the integration of the disadvantaged social groups in the labour market (work integration social enterprises (WISEs)). Based on secondary data, surveys, semi-structured interviews and focus groups with the stakeholders from the transnational project INNO WISEs, we identify both the communist and post-communist transformations as mostly unfavourable for WISE, while the crucial factor contributing to their selection as a viable option after 2004 has been the external impact of the European Union-related structures and discourses.

**Keywords:** social entrepreneurship, disadvantaged groups, WISE, East-Central Europe, cultural political economy, social structure, social discourse

## Introduction

The present paper addresses work integration social enterprises (WISEs) in the post-communist societies of East-Central Europe. Throughout Europe, WISEs are playing a vital role in facing contemporary societal and environmental challenges. While combining economic activities with specific social and governmental dimensions, they

**Аннотация.** Авторы исследования с позиций культурной политической экономии рассматривают влияние структурно-семиотических особенностей посткоммунистических стран Центральной и Восточной Европы (Хорватия, Чешская Республика, Словения, Польша) на историческое развитие и текущее положение социального предпринимательства, работа которого ориентирована на интеграцию социально незащищенных групп на рынке занятости (т.н. «социальные предприятия трудовой интеграции»). В исследовании использованы вторичные данные, данные опросов, полужформализованных интервью, а также фокус-групп с участием представителей международного проекта INNO WISEs. Авторы утверждают, что и коммунистические и посткоммунистические трансформации являются скорее неблагоприятными для функционирования социальных предприятий трудовой интеграции. Вместе с тем, после 2004 года немаловажным фактором, влияющим на отбор социальных предприятий трудовой интеграции, является внешнее влияние организационных структур и дискурсов, связанных с Европейским союзом.

**Ключевые слова:** социальное предпринимательство, незащищенные слои населения, социальные предприятия трудовой интеграции (WISE), Центральная и Восточная Европа, культурная политическая экономия, социальная структура, социальный дискурс

can encourage innovative ways of employing and integrating disadvantaged people<sup>1</sup> [A map of social enterprises, 2015]. With their impact on social cohesion and inclusivity, their role in mitigating social exclusion and poverty, as well as promoting innovative approaches to respond to global market needs, they have gained increased attention and support from the general public, academia, and economic actors. However, despite the common structural incentives at the EU level, resonating with adjusted legislation, business and civil initiatives, WISEs are merely a compilation of various national characteristics [A map of social enterprises, 2015]. The historical and political aspects of European regions have substantially influenced cultural, economic, and social activities [Cooney et al., 2016]. Accordingly, WISEs in East-Central Europe are lagging behind the successful performance of WISEs in Western Europe. While most of East-Central Europe was at the semi-periphery of the Western part in the 19<sup>th</sup> century [Adam et al. 2005], the consolidation of communist ideology after World War II represented a tremendous impediment to the development of social entrepreneurship. As Marković et al. emphasise [Marković et al., 2017], the emergence of the civil sector was delayed, as repressive regimes suppressed and marginalised civil society. Often, its activities were shadowed by the label of quasi-governmental agencies, severely controlled by the communist party [Bežovan, Zrinščak, 2007; Ciepielewska-Kowalik et al., 2015; Marković et al., 2017: 141]. With the process of democratisation, decentralisation, and the transformation of social welfare in the late 1980s and the 1990s, WISEs were given impetus [Ciepielewska-Kowalik et al., 2015; Marković et al., 2017]. However, one can find different levels of developmental performance even within the East-Central European region, which is due to distinctive pre-communist past, different communist regimes, i. e. Stalinism or Titoism, and transition paths.

Accordingly, the purpose of this paper is to place the development of WISE in the post-communist East-Central European countries in a broader perspective of interrelated social change: occurring on the one hand on the level of social structures and on the other on the level of discourses or social semiotics. Nowadays, WISEs are the predominant form of social enterprises in East-Central Europe, and perform under the following criteria, at a minimum: a) private and autonomous enterprises operating on the market; b) disadvantaged workers have employee rights under national labour legislation; c) core mission is the integration through work of disadvantaged people; d) compliance with a minimum threshold of disadvantaged workers over total workforce [A map of social enterprises, 2015: 122]. One can find different types of WISEs differentiated on the basis of a) type of subsidies (permanent, temporary, self-financing); b) type of employment offered to disadvantaged groups; c) intensity of training of working skills; d) level of encouraging the sense of citizenship and empowerment (the extent of inclusion of disadvantaged groups into structures of enterprises); e) level of working integration and destigmatization; f) integration goals; g) type of training [ŠENT, 2014: 12—13].

This paper intends to demonstrate how a particular position of the branch of social entrepreneurship, explicitly designed to integrate deprived social groups in the labour market, has been affected by two major social transformations in East Central Europe

<sup>1</sup> Social enterprises and the social economy going forward (2016). URL: [https://ec.europa.eu/growth/content/social-enterprises-and-social-economy-going-forward-0\\_en](https://ec.europa.eu/growth/content/social-enterprises-and-social-economy-going-forward-0_en) (accessed 20.09.2018).

referring to structural and semantic changes: first from (typically) semi-peripheral modernising traditional societies to the communist style modernisation and second from the communist to post-communist social order. In addition, we will observe how the very concept of WISE entered the discourses in these countries under the combined impacts of European integration, neoliberal globalisation and accelerated technological development — and how these discourses are linked to further structural transformations.

In terms of structural change, our analysis draws from a rich sociological tradition dealing with structural and functional differentiation of the increasingly complex modern social systems. While classical accounts in this topic have been already summarised and upgraded by Talcott Parsons' [Parsons, 1975] structural functionalism, significant further advances have been provided by more recent attempts by Niklas Luhmann [Luhmann, 1999] to observe the modern society as increasingly differentiated into autonomous functional subsystems, such as the economy, politics, science, religion, mass media, education, etc., which are only able to observe themselves and their environments (and respond to their observations) from their own particular perspectives.

In these terms, WISE can be understood primarily as a complex relationship between the market principles of the economic subsystem and the common (public) goods that are supposed to be provided by the political subsystem — but also combined with the principles of social solidarity and self-organisation linked to civil society. In order for WISEs to successfully merge their economic and social mission, enabling to make profit and sustain solidarity and cohesion in society, there is a need for special types of actors within the social economy, called relation subjects [Archer, Donati, 2015]. They can produce and provide common goods (trust among people, cooperation, collaboration, etc.) through emergent social relations. In that regard, WISEs can be seen as the emergent example of relational differentiation, representing the contemporary alternative to functional differentiation [Donati, 2001: 25—26].

The structures within which WISEs operate, including self-organisation within the civil society, cannot be seen as inherently inclusive, 'good' or at least neutral, but more as a place of struggles between different actors to establish and maintain certain hegemonies in classical Gramscian terms [Gramsci, 1971].

This becomes even clearer when we link social structures to discourses. (Self) observations and (self)descriptions of and by various social (sub)systems and the corresponding individual and collective agents are far from neutral: different social, economic, and political imaginaries are (re)produced through social discourses significantly affected by the unequal access of various social actors to different resources, such as power, money or influence. Based on Bob Jessop's cultural political economy, one may thus see the co-evolution of social structuration and social semiosis as determined by the on-going processes of variation in the discourses and practices, selection of particular discourses, retention of the resonant discourses, their discursive and material reinforcement, and finally the selective recruitment, inculcation, and retention of social agents on this basis [Jessop, 2009: 8—9].

By deploying the abovementioned theoretical frameworks, the present paper offers an interpretation of the exhaustive data obtained through the research conducted

within the transnational project funded by the Programme Interreg Central Europe, entitled Technologies, Competences and Social Innovation for Work Integration Social Enterprises (INNO WISEs) and a range of other secondary sources. The research methods within the project included a comparative social survey and semi-structured interviews with the WISEs representatives, as well as focus groups with a broader range of stakeholders (from WISEs, the local communities, national authorities, small and medium enterprises, experts, civil society, and the general public). In that regard, we intend to explain why WISEs have only quite recently become a relevant concept of the economic, political and social imaginaries in East Central Europe despite their deeper historical roots and what factors are most likely to shape their future structural-semiotic co-evolution.

### **The first major transformation: establishing the communist style modernisation**

In a historical perspective, East-Central Europe is far from a homogeneous regional entity. It has consisted of various ethnic and linguistic groups and has been ruled by different political elites and powers. However, one can find numerous similarities within the region, when compared to its Western counterpart [Mucha, undated]. With the Czech lands as the only significant exception, the countries of East-Central Europe can be seen as late modernisers during their pre-communist period — when compared to the Western European core modernisers [Adam et al. 2005]. Straggling after the core, East-Central Europe was economically underdeveloped as a consequence of the prolonged transition from feudalism to capitalism, persisting agrarian economy and subsequent relative absence of indigenous upper urban classes; all these combined with the hindered struggle for constructing national identity and political sovereignty [Davies, 1996; Mucha, undated].

In structural terms, this implies the delayed growth of functional differentiation. From this perspective, the rise of the capitalist economy, which took place from the second half of the 19<sup>th</sup> century, can be seen as the growing autonomy of the economic subsystem from the traditional social bonds, typically expressed in terms of inherited social statuses, religious values and norms, traditional loyalties and solidarities, etc. In addition, the territory was severely politically dependent on foreign political forces, causing a delayed growth of autonomous political structures [Davies, 1996; Mucha, undated]. The territories of East-Central Europe mostly belonged to three major empires: Prussia/Germany, Austria (Austro-Hungary) and Russia — lacking an autonomous political organisation of their own before the First World War. The lack of their own tradition of statehood (being without their nation states despite national aspirations or obtaining them only after the First World War) clearly characterised the prevailing attitudes towards politics. It was easy to observe the state and authority with suspicion, as something foreign or even hostile.

In the social atmosphere of grounding national identity on the basis of ethnic roots and culture in opposition to the influences imposed from above, the social economy started to flourish. With the aim of mobilising the prevailing population, i. e. peasants, into a national community, especially the intelligentsia aimed to encourage specific forms of economic and social cooperation. In that regard, the critical role was played

by the Roman Catholic Church, being a protagonist in the development of charity and related social activities. Another impetus to social economy was given by the bourgeois revolutions in 1848, which established freedom of association as a classical constitutional right and legal norms regulating the foundation of associations and other forms of association of people on the basis of common interests [Borzaga et al., 2008; Spear et al., 2010: 12—14]. In Slovenia, and in other East-Central European countries, cooperatives performed on the basis of merging the principles of economic security, social freedom, and political participation [ibid.].

Activities within the social economy can be seen as the booster of the emerging third sector or civil society, but again with clear limitations:

- they mostly lagged behind the core European modernisers in terms of self-organisation abilities and freedom from political constraints and even repression;
- in many cases, especially in Poland, Slovenia, and Croatia, it was strongly dominated by the Roman Catholic hegemony in institutional and ideological terms.

The initiatives of pre-communist social entrepreneurship can be understood in this context. Although the concept as such did not exist (in Europe, it first appeared in Italy after 1990) [Defourny, Nyssens 2010], its manifestations could be observed in various territories of East-Central Europe. As has been noted, 'already in the 19<sup>th</sup> century entities that could be characterised as such enterprises operated on Polish lands in the Russian, Prussian and Austrian sector. These were, among others, agricultural societies, people's banks, cooperatives, loan societies'<sup>2</sup>.

In the Austro-Hungarian Empire, as argued by Hunčová: 'co-operatives were regulated by a specific law of 1873 which was subsequently revised in 1903. Every type of co-operative was a binary, autonomous, self-governed, voluntary, mutual, self-help, open, etc. body' [Hunčová, 2004: 216]. In the Czech lands, a more advanced industrialised economy led to even more developed cooperatives as a form of social entrepreneurship in the period from 1847 (when the first cooperative was formed) to 1938 (when Czechoslovakia lost its sovereignty) [ibid.]. To a significant extent, the Czech examples were followed in the Slovenian part of Austro-Hungary, where the first cooperative was established in 1856 and the movement was strongly influenced by Janez E. Krek and his Christian-social doctrine [Kozič, 2009; Kemperle, 2017]. Until World War One, the social economy encompassed an extensive network of associations, cooperatives, charity organisations, trade unions and professional organisations and unions, while the roots of social economy organisation can be traced back to medieval history. The cooperative societies grew into a mass social movement, emerging as a defence mechanism of farmers, workers and craftsmen against the growth of capitalism<sup>3</sup>. For the Hungarian part of the monarchy that also included Croatia, in contrast, the authors do not report such a rich cooperative movement<sup>4</sup> [Gabor Szabò and Alexandra Kiss, 2004].

In the pre-communist period, the emerging social entrepreneurship assumed three major functions in relation to the three subsystems, namely economy, politics/state, and civil society:

<sup>2</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018. P. 1.

<sup>3</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Slovenia 2018. P. 12—14.

<sup>4</sup> Cf. INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Croatia 2018.

- Towards the economy: the emerging capitalist markets and the final decay of the old order with its relative predictability generated increasing uncertainties that started to be addressed through new organisational forms in the economy, most typically the cooperatives: partly as a new response to the new challenge, partly as something legitimised by the older historical traditions<sup>5</sup>.
- Towards politics: due to the lack of independent statehood, cooperatives 'assumed the roles of non-existent public institutions, bolstering the national spirit and furnishing educational and social support' [Les, 2004: 186], for example in Slovenia and Poland before the First World War.
- Towards civil society: the seeds of social entrepreneurship were often linked to the Roman Catholic religion and ideology as a part of Christian social teachings, emphasising their perspective on social solidarity [Kozič, 2009]. As such the forms of social entrepreneurship also contributed to the maintenance of the hegemony of the Roman Catholic Church and its teachings.

If we link these structural conditions to discourses applying the apparatus of the cultural political economy, we can see the emerging communist discourses before the Second World War only as a *variation*, i. e., as an alternative to the established imaginaries of social entrepreneurship usually dominated by the Christian-social ideologies. While certain aspects of imaginaries were shared between the communists and the Christian-social thinkers (especially their negative views towards capitalism, i. e. the growing autonomy of the economic subsystem) and at least short-term alliances could happen among the actors/agents, they were typically positioned on the opposing sides. Learning from the Leninist/Stalinist version of the communist ideology, the East-Central European communists typically saw the highly centralised state as the principal tool for their goals (unlike, for example, their Italian counterpart Antonio Gramsci, who placed more hope in attaining the hegemony over the civil society). As such, they were reluctant towards any kind of social and economic (or even more so political) self-organisation that takes place beyond the direct control of the state.

The *selection* of the communist political, economic, and social imaginaries could only happen in East Central Europe with the total collapse of the old social orders caused by the Second World War. After that, however, the progress to the subsequent evolutionary stages that supported the selected discourse with the corresponding structures was quite swift. Through the assumed political control of the state, its institutions, including the educational and mass media subsystems, the communists took extra care to provide its *retention*. Further *reinforcement* was provided in a relatively brutal way often through direct oppression against any potential competing discourses and actors linked to them. Finally, the processes of *selective recruitment* enabled the reproduction of the dominant discourses and the maintenance of the established structures through the actors expressing loyalty to the officially supported communist ideas.

In structural terms, the key result of the communist transformation as a (selective) modernisation from above was the domination of the political subsystem over the rest of the society. The autonomy of *both* the economy and the civil society was strongly

<sup>5</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018. P. 1; INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Slovenia 2018. P. 12—14.

limited, since both free-market entrepreneurship and bottom-up solidarity and self-organisation were almost completely abolished. This was directly reflected at the end of autonomy of cooperatives and other forms of social entrepreneurship.

As observed for Czechoslovakia by Hunčová [Hunčová, 2004], the previous co-operative law was abolished, and cooperative ownership became socialist after 1948. That implied the loss of cooperatives' democracy (the managers were installed by the Communist Party), mutuality and self-help (under a centrally planned economy), voluntary nature (mandatory membership) and autonomy (under total politics) [Hunčová, 2004: 216]. At that time, Polish cooperatives also ceased to be autonomous players and were turned into quasi-state agencies<sup>6</sup> [Les, 2004: 187]. A slightly different situation can be observed in the case of Slovenia (and Croatia). The secession from Stalinism and the introduction of the so-called 'worker's self-management' within the communist political system represented a critical structural trend inducing a period of crisis. It enabled new variations of discourses as well as their proliferation and retention [cf. Jessop 2009]. At least certain limited discussions and consultations regarding wider social issues, such as social conflict, public opinion, civil society, etc., were allowed in order to legitimise the specific type of communism. Even demonstrations against the Soviet occupation of Czechoslovakia were encouraged. The development of civil society thus begun even before the dissolution of Yugoslavia. As has been argued [Spear et al., 2010: 13], certain civil society organisations had been initiated in 1974, and their number increased between 1975 and 1985. At least at a declarative and superficial level, the promotion of such organisations was even more intense than in the 1990s, i. e. in the period after the immediate change of the political system [Borzaga, Galera, Nogales, 2008, in *ibid.*].

Nevertheless, the social economy was still hindered under socialism. In Yugoslavia, self-management socialism did allow certain autonomy from the direct state control, but the autonomous self-organisation in terms of social entrepreneurship was severely limited. The establishment of the communist regime substantially broke with the tradition of a strong and developed social economy. Many functions and activities of that sector were included in the public sector, while funds were nationalised or abolished. The tendencies towards collective responsibility and self-organisation observed before World War II were hindered by the patronising role of the state [Spear et al., 2010]. In some countries, work integration organisations intended for the people with disabilities still operated but in the context of communist ideology. In Croatia and Slovenia, for instance, there was a tradition of organisations employing and taking care for disabled in the communist regime, but with no direct connection to social entrepreneurship [Marković et al., 2017].

### **The second major transformation: from communist to post-communist social order**

Of course, anti-communist, pro-Western, pro-democratic, liberal (counter)discourses were present during the communist times as *variations*. However, they were *selected* in East-Central Europe, only when this was enabled by a set of structural conditions,

<sup>6</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018.

including the utter failure of the Soviet-style economic system, a variety of international factors, comparatively high educational levels of the local populations with the development of urban middle classes, etc. (It is not our purpose here to provide any exhaustive list of structural conditions.) With the shifts in political power from the 1980s to the 1990s and the corresponding major democratic and market-oriented reforms in all East Central European countries, as well as their membership in the Euro-Atlantic integrations, the *retention* of these discourses as the dominant ones has clearly gained sufficient structural support.

From their beginnings, post-communist transformations in East-Central Europe have been seen as transitions from authoritarian (and partly totalitarian) communist regimes to liberal democracies based on multi-party democracy and free market economy. From the perspective of structural change supported in the new dominant discourses, this implied support for further functional differentiation in terms of higher autonomy of various subsystems — especially of the economy and civil society from politics. The sociological theories of structural and functional differentiation were typically developed in modern Western societies to describe, analyse, and interpret the status quo, while in East-Central Europe they have gained a normative-critical orientation: free market economy and autonomous civil society were not seen so much as given facts but more as normative goals in the literature dealing with the topic [cf. Bernik, 1994; Hein, 2011; Makarovič, 1996]. To this one may also add the requirement of ‘liberating’ the political subsystem from ideological prescriptions and turning it into a Western-style comparatively free game of various interests [Golob, Makarovič, 2017].

However, neither the emerging dominant discourses, nor the corresponding structures established at the beginnings of the post-communist transitions favoured WISE or social entrepreneurship in general. While the dominant discourses at the national levels (also under the transnational, EU influence) supported autonomous self-organisation within civil society, they did not link it to entrepreneurship. The latter was supposed to belong to another autonomous sphere — that of the free market economy. Evidently, the emphasis on free market competition beyond the social concerns was most obvious in the countries that adopted shock therapy reforms [cf. Lipton, Sachs, 1990]. However, even in the countries that were more cautious while adopting the market reforms and were quite reluctant regarding deregulation, such as Slovenia [Šušteršič, 2009], it was the state and the *macro*-level neo-corporatist social dialogue that was supposed to provide sufficient social stability and solidarity [cf. Stanojević, 2012] — neither of them was seen as linked to entrepreneurship. According to Hunčová, micro-economic solutions to social problems have been ‘strange to both socialism and capitalism in the Central and Eastern European countries’ [Hunčová, 2004: 218].

Support for civil self-organisation combined with a lack of connection between the entrepreneurial and social dimension can be illustrated by the case of Poland. The country was characterised by the impressive growth of foundations and associations<sup>7</sup>. In contrast, the rich traditions of co-operatives were initially seen as discredited and they were rejected from the neo-liberal market perspective [Les 2008]. A similar problem could be noticed for the Czech Republic, where co-operatives were transformed

<sup>7</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018. P. 1.

into private enterprises in 1992, losing their dimensions of self-help, mutuality, and collective ownership [Hunčová, 2004: 216—217]. Slovenia experienced a slightly different situation as, unlike other transition countries, did not experience a so-called ‘welfare gap’ [Črnak-Meglič, Rakar, 2009; Spear et al. 2010: 13], which encouraged the development of civil society organisations elsewhere. In Slovenia, the only significant organisational form that was close to the contemporary concept of the WISE in the 1990s was the disability companies. However, it has been argued that their social mission was weak. They were predominantly profit enterprises not including employees and other stakeholders in management<sup>8</sup> [Borzaga and Galera, in Adam, 2015]. The entrepreneurship in that time was also associated with the lack of social conscience [Doherty et al., 2009; Spear et al., 2010], which have continued to influence misunderstandings of the concept.

Although certain aspects of *reinforcement* and *selective recruitment* based on the neo-liberal understanding of the free market and its distinction from any principles of social inclusion and solidarity have clearly taken place, they have been far from complete — especially when compared to the totality of these processes during the communist times. Rich variations that counter the neo-liberal imaginaries have clearly remained in the post-communist East-Central Europe — ranging from various forms of communist/socialist nostalgia to the much more innovative attempts to connect social inclusion of vulnerable groups with the principles of responsible entrepreneurship and the challenges and opportunities provided by technological development and transnational interdependence.

Although the recent growth of work integration social entrepreneurship in East-Central Europe owes some elements to the local traditions of cooperatives and other seeds of social entrepreneurship presented above, the key structural and discursive source of *variations* that have led to the current growth of WISE had been the recent transnational context of the European Union.

### **Contemporary challenges and opportunities: neoliberal globalisation, the European Union, accelerated technological development**

Specifically, the philosophy of WISEs as a special type of social enterprises is a relatively recent development that first emerged after the mid-20<sup>th</sup> century in the old member states of the European Union with the purpose of empowering and integrating excluded people, to offer them an opportunity both to reassess the role of work in their lives and to gain control over their personal projects [Markovič et al., 2017: 142]. They are not only supposed to develop an occupation but also to acquire specific values through democratic management structures through their involvement in the governance of WISEs<sup>9</sup> [Galera, Borzaga, 2009].

Although the practices of economic activities linked to the social functions and collective participation could relate well to the older East-Central European traditions of cooperatives, it has been the ‘external’ EU impact that has turned out to be crucial

<sup>8</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Slovenia 2018.

<sup>9</sup> OECD Local Economic and Employment Development (LEED) Working Papers, 2016. OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kg0nvfx2g26-en>; INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

for the establishment of WISEs in East-Central Europe. This can be mostly explained by the fact that neither of the two previous major transformations favoured the principles of social entrepreneurship. It has been argued that the development of WISEs in that region has been a consequence of the cognitive Europeanization, the dominance of new discourses, and the availability of financial funds [Marković et al., 2017]

Although unlike other countries in East-Central Europe, Poland started to evolve the legislation-institutional framework regarding WISEs already in the 1990s, it was the country's accession to the European Union in 2004 that can be seen as a major turning point for the development of WISEs and social entrepreneurship in general. In a relatively short time, legal regulations were introduced to specify important social and economic aspects of activities carried out by social economy entities. The legal framework in which social enterprises are established and operate are laid down by the National Programme of Social Economy Development and state legislation on economic activity and social economy entities. However, there are still many challenges to be overcome. It has been argued that the creation and operation of social enterprises require compliance with many complex and frequently changing state legislation provisions, which does not help the sector grow. There are no complete, systemic legal regulations related to social entrepreneurship that encourage taking up economic activity and realising valuable social objectives in this manner<sup>10</sup>. However, the regeneration of social entrepreneurship in the new political and economic reality accelerated owing to the possibility of obtaining support for undertaken actions from the European Social Fund (ESF), in particular, participation in the EQUAL Community Initiative (2005—2008)<sup>11</sup>.

In Slovenia, the concept of social entrepreneurship as such was hardly used until 2009 when an EU-funded pilot programme to support the development of social enterprise was launched [European Commission 2014]. The legal basis for social entrepreneurship was established in 2011 when the *Social Entrepreneurship Act (2011)* was adopted, followed by other regulations. Despite the adoption of a legal framework for the establishment of social enterprises in accordance with the EU regulation, Slovenia has not yet overcome the initial phase of the development of the social entrepreneurship, which lags behind other EU members. This fact was, for example, confirmed by an OECD project [Spear et al. 2010] and CIRIEC [CIRIEC, 2012]. The cooperation between the institutions responsible for the development of social entrepreneurship remains insufficient [Macura, Konda 2016], which makes social entrepreneurship difficult to grow at the national as well as at the local levels.

Additionally, Slovenian WISEs consist of a large number of diverse organisations, fragmented across different sectors, and lack visibility as a homogeneous group [Podmenik, Adam, Milosevic, 2017]. The Social Entrepreneurship Act and other relevant legal documents contribute to a large range of administrative barriers that make social enterprises difficult to develop and grow<sup>12</sup>. The Slovenian case is particularly indicative, since it demonstrates the significance of external impact to the WISE related

<sup>10</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018. P. 10.

<sup>11</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Poland 2018.

<sup>12</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Slovenia 2018.

discourses and structures. The Social Entrepreneurship act from 2011 has directly copied a Western (typical for Italy) distinction between Type A and Type B (i. e. WISE) social enterprises, while not dealing at all with the existing disability enterprises, which have thus been omitted from the specific social entrepreneurship legislation. A more flexible solution integrating a broader variety of WISE forms and dropping the A vs B type distinction has only been adopted with the legislation changes in 2018.

In the Czech Republic, despite particular initiatives, such as the Programme Warranty 2015—2023, intended to enable social enterprises preferential access to financial resources, most pilot actions that have emerged lack clarity regarding the definition of the target groups. There is a potential risk of blurring the distinction between enterprises with social sensitiveness and real social enterprises<sup>13</sup>. Some research notices the mainly bottom-up origin of social enterprises and the key role played by civil society organisations. Other findings, however, suggest that approximately half of the existing social enterprises have a commercial origin. These contrasting results confirm the difficulty of capturing the variety of social enterprise types and their relative weight<sup>14</sup>. In the Czech Republic, WISEs have also been supported by socially responsible corporate policies: responsible procurement has become a new trend that is also slowly emerging in the private sector. Several large companies, banks, and public institutions have been reported to express their interest in buying goods or services from social enterprises under their corporate social responsibility policies and practices. With the help of support organisations, they look for social enterprises that can meet their needs. However, it is difficult to match demand with supply because the offer of social enterprises is limited; their capacity is restricted by the limits of their employees, and there is no intermediary at hand with up-to-date information<sup>15</sup>.

The lack of ability to apply the existing local traditions of cooperatives in the development of WISEs and social entrepreneurship, in general, has also been noted in Croatia. Again, the crucial turning point enabling the development of WISEs precisely coincided with the country's joining the EU and was defined in the Joint Memorandum on Social Inclusion of the Republic of Croatia. This framework provided the EU IPA funds, which many civil society organisations used for setting up a new generation of entities that use the model of social enterprises for work integration of disadvantaged groups. In 2015, Croatia adopted its Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period of 2015—2020, which has finally shaped the framework for social economy actors in Croatia, including WISEs, though they are not explicitly mentioned. The document has placed additional emphasis on the integration of war-veterans and the relevance of social cooperatives as a means of cooperation in favour of vulnerable social groups<sup>16</sup>. However, it has been observed that Croatia continues to lag behind other post-socialist countries

<sup>13</sup> OECD Local Economic and Employment Development (LEED) Working Papers, 2010/16, OECD Publishing, Paris. P. 9. <http://dx.doi.org/10.1787/5kg0nvfx2g26-en> (accessed: 20.09.2018). Summarised in INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

<sup>14</sup> OECD Local Economic and Employment Development (LEED) Working Papers, 2010/16, OECD Publishing, Paris. P. 7. <http://dx.doi.org/10.1787/5kg0nvfx2g26-en> (accessed: 20.09.2018); INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

<sup>15</sup> INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

<sup>16</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Croatia 2018.

[Marković et al., 2017]. Just as noted for the Czech Republic, confronting the economic crisis from 2008 (with the corresponding growing unemployment and even worsened conditions of the marginalised and vulnerable groups) has also been a significant factor contributing to the rise of WISEs in Croatia. WISEs have thus gained additional weight as one of the most important actors for social inclusion and integration in the work/market sector<sup>17</sup>.

One can observe that in the selected countries, there is a general lack of clear definition of the WISEs in the legislation, and they often take too many legal forms. Legislation frequently provides neither proper definitions nor proper answers to the actual challenges, and as such, it can also be an administrative obstacle. There is a lack of networks or institutions with enough capacity for wider and deeper support for the development of WISEs. Especially in Slovenia, Croatia, and Poland, it has become clear that WISEs sector is still not developed very well, meaning that most WISEs are really small (typically micro) companies, with many organizational deficits. The main issue for WISEs in those countries is to ensure a budget for paying staff salaries, which means that any other cost items are usually limited. They usually have almost no budget for investments in tools, technologies, or training supporting their everyday operation. Since they are usually in the early phase of development, there is a clear need for new competences inside the organisations to enhance innovation<sup>18</sup>.

If we focus on the specific discourses and structures explicitly supporting WISE practices in East Central Europe, we may argue that the impact of the European Union has played a crucial structural and discursive role in the process of their *selection*. This has been especially noticed in the cases of Poland, Slovenia, and Croatia. In addition, extra-semiotic factors in terms of the economic crisis and its costs have been noted as playing a very significant role in the Czech Republic and Croatia. With the WISE-related concepts becoming parts of the national legislations, regulations, strategies, and organisational practices, we can argue that the selection process in terms of the cultural political economy has been successfully completed.

The *retention* phase, however, only seems to be at its beginning. WISEs have become parts of the official national strategies, but they are far from being recognised more broadly. Despite the lively policy debate and interest of policymakers and researchers, social enterprises are still rather invisible and continue to be little understood<sup>19</sup>. There is also significant concern in terms of insufficient understanding of social entrepreneurship among the general public as well as financial issues and the search for building a supportive environment for the development of social enterprises<sup>20</sup>. As noted for Croatia (but can be generalised to other cases as well), even though the importance of work integration of disadvantaged groups is added to almost all official documents, WISEs very often live under the shadow of a broader concept though, in the EU, most of the social enterprises are WISEs. There is no network or institutions with sufficient

<sup>17</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Croatia 2018.

<sup>18</sup> INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018. P. 40.

<sup>19</sup> INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

<sup>20</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Slovenia 2018.

capacity for wider and deeper support for WISEs development, and very few scientific studies about this topic exist<sup>21</sup>.

Only a broader public acknowledgement of social enterprises' ability to create social value will, in turn, build the identity of a community able to deliver social impact by engaging in different activities, increase visibility, and hence the access to private markets<sup>22</sup>. Moreover, only this could be seen as an actual *retention* of the WISE discourses and structures.

### **Concluding remarks — discussion**

The analysis of the specific developmental paths of WISEs revealed certain influences of structural and semiotic co-evolution referring to the variation, selection and retention of discourses impeding and hindering social entrepreneurship in Poland, Czech Republic, Slovenia, and Croatia. We can observe the impact of historical elements of the pre-communist and communist periods in relation to transition outcomes, showing us a significant delay in the successful performance of WISEs. At the same time, the incentives from European integration in terms of institutional and structural frameworks and in terms of the selection and retention of certain discourses, work in favour of the development of social economy and entrepreneurship. However, there is still a long way for those countries to go in order to meet the developed European core, especially in terms of facing new technological development and related skills. In the accelerated time-space compression [Harvey 1983], WISEs are no exception in the need to adjust their visions and performance to the changed social reality underpinned with mobility, ICT expansion and new ways of social interaction. However, it has been shown that East-European countries lack proper experiences and skills on the managerial level, as well as up-to-date technologies and knowledge to use and exploit them [A map of social enterprises, 2015]. Again, the common European framework, funding, and experience-sharing can substantially improve both structural settings and the mindsets of individuals.

In the ever more connected world, inducing new risks and also opportunities, the social economy and WISEs are an important actor. They can alleviate the risks of unemployment, employment precariousness, and public discomfort with the functioning of the global economy; they also offer new ways of connection and solidarity. In that light, WISEs can be seen as a sign of the new evolutionary stage of social differentiation: upgrading the earlier modernisation related trend of functional differentiation with a new one, i. e. relational differentiation [Donati, 2011]. The latter is conceptualised as the macro-correlate to the third sector composed of social formations established through networking. Thus, they can overcome the lack of morality and solidarity brought by functional differentiation, while generating relational common goods enabling the reduction of inequality and poverty [ibid.].

Orientation towards sustainable performance is already visible in the selected countries<sup>23</sup>. However, it has been shown that WISEs still typically lack proper work-

<sup>21</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.1.4 Regional Report Croatia 2018.

<sup>22</sup> INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

<sup>23</sup> INNO WISEs 1223 Interreg Central Europe Deliverable D.T1.1.5., Comparative analysis, 2018.

flow management systems with an efficient ICT support; these processes should be adapted to the special requirements of the deprived groups employed by the WISEs. Their specific challenges call for an innovative integration between managing the workflows and managing people with their particular needs<sup>24</sup>.

While the broader EU context has clearly contributed to the selection and retention of the discourses favouring WISE as a way to transcend both the neoliberal free markets and the centralised welfare state interventions, their consolidation in structural terms will clearly depend on their performance — both in terms of integrating the vulnerable social groups and in terms of surviving and even prospering under the pressures of the global market economy. The research within the InnoWISEs project has confirmed that technological developments, involving particularly the ICT related tools and the skills to adapt and apply them will be crucial in the successful production of 'relational goods' [Donati, 2011]. More specifically, the WISEs which are the most able to adapt the new technologies to the participation and inclusion of the vulnerable groups in the productive and governance processes of the WISEs are also more likely to achieve better results — from the economic and from the social perspective.

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<sup>24</sup> INNO WISEs 1223 Interreg Central Europe Deliverable 1.2.2 Regional Joint Strategy on tackling technological and managerial skills shortages of WISEs, 2018.

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