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# Social Entrepreneurship as a Tool to Respond to Challenges of Long-Term Unemployment in Ukraine

## Abstract

The relevant international experience being duly considered, the paper puts forward and reasons the main directions of the potential use of social entrepreneurship as a tool for responding to the challenges of long-term unemployment in Ukraine. The case-method are exploit as principal herein. The necessary economic and organizational measures for enhancing of social entrepreneurship in this respect are identified as well.

**Keywords:** social entrepreneurship, long-term unemployment, initiative, prevention, addressing, measures.

## INTRODUCTION

According to the methodology of the International Labor Organization, the long-term unemployment is considered to be twelve months or longer. It is known that on individual level, such unemployment undermines motivation to active life, causes the loss of professional skills, even the degradation of personality. Destruction of life habits, interests and goals is observed. In the professional discourse, it is often stated that even the half-year's unemployment causes the destructive changes not only in the financial condition of a person, but also in his/her mental, physical and social wellbeing. On society level, long-term unemployment is dangerous because of the likely increase in social inequality, risks of mass marginalization of the population, and increase in social transfers. Consequently, the determining effect of this type of unemployment is a complex individual and social manifestation of the social vulnerability, which requires efforts by not only the institutions of labor market regulation, but also other agents of social policy, including NGOs. At the same time, appropriate measures in Ukraine are currently

limited to traditional approaches that envisage direct organizational and financial participation of the government in solving social problems in general and problems of the labor market functioning in particular. In this aspect, the social entrepreneurship development is a pressing need, as it is based on the strengthening role of social self-organization in support of socially vulnerable segments of the population, including the unemployed ones.

## SHORT REVIEW OF THE RECENT RESEARCH

Social problems of Ukraine's labor market development and the possibilities to overcome long-term unemployment are explored by many reputable Ukrainian scholars, including, among others, S.I. Bandur, O.A. Grishnova, T.A. Zayats, A.M. Kolot, E.M. Libanova, L.S. Lisogor, Yu.M. Marshavin, I.L. Petrova and others. The issue of social enterprises functioning seems to be rather new and promising in the domestic scientific economic community. Some aspects of this issue are reflected in the papers of such researchers as O. B. Kireeva, T.I. Lunkina, N.M. Sirenko, O. V. Sotula. Among other things, they consider the social entrepreneurship as an innovative tool of the social policy and a mean to counteract destructive social phenomena. Nevertheless, this type and mode of entrepreneurial activity is currently under-integrated into the social challenges context of the long-term unemployment in Ukraine.

## THE OBJECTIVE

The paper's primary objective is to formulate and rationalize the areas of possible impact of the social entrepreneurship on the long-term unemployment issue in Ukraine, as well as to identify the set of priority economic and organizational measures necessary for realization of this impact.

## DISCUSSION

Professionals offer two well-known basic approaches to understanding and perception of the social entrepreneurship. The first one is the European (continental) approach. Social entrepreneurship here is a classical business structure, which has some social goals. Significant (if not overwhelming) part of income of such a structure is used not to enrich owners or participants of the enterprise, but to solve social problems. This structure itself is called a social enterprise. The second one is the American (Atlantic) approach, where social entrepreneurship is positioned as an entrepreneurial activity of a NGO, profits of which are directed towards implementation of the mission or statutory goals of the organization. Accordingly, a social enterprise here is referred to as a nonprofit organization [1]. Common in both approaches is that social enterprises are unique organizational hybrids that combine social values and business objectives.

Solving the social tasks of the labor market functioning through social enterprises is actively implemented and widely spread in a number of foreign countries. The

very first examples of social enterprises were associated with the employment of vulnerable groups. In particular, the Grameen Bank initiative, established in 1976 in Bangladesh, was aimed at creating conditions for employment or self-employment of unemployed women. The mechanism of micro-credits to “solidarity groups” (small informal groups that guaranteed repayment of a loan, based on mutual economic assistance) was introduced. After repaying a loan by one borrower, the other one could receive funding [2].

Italy was one of the first European countries to launch social entrepreneurship on a large-scale basis. In 1991, the country approved a separate organizational and legal form for a social enterprise – a social cooperative. The creation of such cooperatives was linked precisely to the need for labor integration of vulnerable populations. Unlike traditional cooperatives aimed at satisfying needs of their members, social cooperative worked for the interests of a wide range of population. Social cooperatives as social enterprises were divided into two groups. The first group included organizations rendering social services (health, education, social care). The second group consisted of cooperatives, which actually hired the most disadvantaged groups of society [3].

So far, activity of social enterprises has also been established in many post-socialist European countries – Hungary, the Czech Republic, Slovakia, Slovenia, Lithuania and Poland. In some countries, the law defines that the main objective of social enterprises is to support the long-term unemployed. This, in particular, is regulated by a separate article of the national law (act) on social entrepreneurship of the Republic of Slovenia [4].

It should be noted that Ukraine, too, has some successful initiatives in the field of social entrepreneurship. Although, unlike European countries, such initiatives do not have the legislative formalization. Efforts of domestic lawmakers in this direction can be monitored on the official web-portal of the Parliament (URL: <http://w1.c1.rada.gov.ua/pls/zweb2/webproc2>). The first draft Law of Ukraine “On Social Enterprises” was developed and published in 2012. It was rejected soon, and a new draft bill was introduced in 2015, which is currently under consideration by the profile committee. According to the new draft, a social enterprise in Ukraine is defined as a business entity formed by legal entities and / or individuals whose priority is to achieve social outcomes, primarily in the field of health, education, science, culture, environment, provision of social services and support for socially vulnerable population groups (the unemployed, poor, disabled, etc). In order to acquire a status of a social enterprise, an organization should meet a defined criterion of employment of such persons, and they should be at least half of workers employed by such enterprise. Therefore, the Ukrainian law-making practice also recognizes the potential of social enterprises in combating long-term unemployment.

Despite the absence of a framework law currently in force, social enterprises in Ukraine have been already involving homeless and other marginalized people into the economic activity. They allow getting the first work experience for young workers. These organizations also offer wages, new knowledge and skills to people who have become unemployed in the pre-retirement age or due to illness, and so on. By “absorbing” this category of workers, social enterprises prevent their further social degradation and reintegrate them into the labor force.

Based on the analysis of specific cases from Ukrainian practice of social entrepreneurship, at least two directions of the constructive impact of social enterprises on challenges associated with long-term unemployment can be formulated. First, this kind of entrepreneurship can have a preventive effect on long-term unemployment. Secondly, it can be useful directly in the context of overcoming this destructive phenomenon and a number of its socio-economic consequences. The preventive effect means the initiatives aimed at both objective reasons (lack of work experience, etc.) and personal reasons of long-term unemployment (insufficient motivation to work, lack of proactiveness, etc.).

The social enterprises' potential in preventing long-term unemployment can be concluded from the case of the nonprofit initiative "The Employment Center of Free People", aimed at promoting employment and social rehabilitation of the forced migrants from the Crimea and the East of Ukraine. The Center renders professional counseling at all stages of employment, and helps in finding vacancies, training, informing about the possibility of receiving assistance from other sources. The Center brings together more than 100 volunteers as well as more than 1000 loyal employers ready to address the issue of resettled persons. The Center's database contains almost 5000 people who have received the necessary support [5]. Due to the efforts of the Center, free English language courses for the forced migrants was started in Kiev City in the summer of 2015, in order to increase these people's competitiveness in the urban labor market.

Another case is of Zhytomyr Regional Association of Business Consultants, which introduces motivational and professional trainings, consultations for development of entrepreneurial skills of unemployed and young students. The Association has implemented several social programs in the labor field. Among them one can mention the social program "Foreign Language for Business Success", the project "Promoting the Establishment and Development of Agricultural Service Cooperatives in Zhytomyr Region" (for socially vulnerable rural youth), etc. [6].

The social enterprises' potential in combating long-term unemployment and its consequences (marginalization of the population) may be illustrated by the following cases. The Mutual Aid Society Oselya is a nonprofit organization that has been one of the first in Ukraine to support the homeless people. In 2003, in Lviv City, it formed a unique community where such people live and work together, lead a common household and help others. Oselya operates the educational and production workshop and artistic shop. Annually, the production workshop trains and employs about twenty homeless and long-time unemployed people. They have the opportunity to learn furniture repair and sewing skills. In the art workshop, the community members decorate dishes brought to them by the City residents. The Community sells restored items – clothes, household items – through the Charity Store for donations [7].

Another case is about the social bakery "Filbert House" from Lviv City, where they cook biscuits by Italian and German recipes. The bakery was founded by the NGO "People's Aid-Lviv" in 2010. They employ women having no jobs and/or no places of residence [8]. The "Filbert House" cookies are extremely popular among local restaurants and cafes.

Despite the noticeable potential of social enterprises, as evidenced by the cases above, full-scale realization of this potential in Ukraine remains the desirable ideal

only. Obviously, several successful cases cannot significantly affect the long-term unemployment problem in Ukraine. In order to spread the practice of social entrepreneurship throughout Ukraine, it is necessary to take a set of specific measures by both civil society sector and the government. Consequently, civil society activists should:

- 1) conduct ongoing awareness rising campaign, as the society does not yet fully perceive the socio-economic benefits of social entrepreneurship;
- 2) establish cross-sector and inter-sector communication, unite and self-organize for the experience sharing and having influence on the governmental policy concerning social entrepreneurship issues ;
- 3) constantly study appropriate directions of realization of social entrepreneurship in specific communities;
- 4) get the full support of local authorities;
- 5) initiate the creation of informational, educational and consulting centers at the regional level;
- 6) look for opportunities to enhance the experience sharing between foreign and domestic social entrepreneurs.

On the level of the government, the following consecutive measures are awaited:

- 1) further deregulation of entrepreneurial activity, creation of institutional conditions for the emergence of innovative enterprises (start-ups);
- 2) adoption of the framework law on social enterprises;
- 3) development of a national strategy for the social entrepreneurship development to coordinate efforts of entrepreneurs, NGOs, donor structures and the government;
- 4) development of effective mechanisms for seeking partners and for financing of social entrepreneurship with the involvement of socially-oriented private companies, credit and other financial institutions, international charitable foundations, etc.;
- 5) provision of financial support to social enterprises from the state budget (in the form of purpose loans granted on a competitive basis);
- 6) establishment of tax exemptions for social enterprises in accordance with pre-defined state priorities;
- 7) provision of training of specialists in the field of social entrepreneurship by introducing appropriate special courses and programs for training;
- 8) support of research in the field of social entrepreneurship, including issues on social challenges of long-term unemployment.

If stakeholders take these aspects into account, it would likely promote the social entrepreneurship in Ukraine, following the example of European countries, to the proper position as an efficient tool for combating effects of long-term unemployment and preventing this destructive phenomenon.

## CONCLUSION

The paper puts forward and reasons the main directions of the potential use of social entrepreneurship as a tool for addressing the challenges of the long-term unemployment in Ukraine. The case-method are exploit as principal herein. The paper presents the set of the relevant cases, which are properly culled to support the idea that:

- social entrepreneurship may functionally serve as a preventive tool to address the long-term unemployment issues. The paper suggests that the prevention is to be provided by the civil and the entrepreneurial initiatives aimed at both objective causes (e.g. market conditions) and personal causes (e.g. insufficient motivation) of the long-term unemployment.
- social entrepreneurship must be also perceived as a combatting tool to cope with the long-term unemployment and its miscellaneous socio-economic consequences. Among such consequences, the marginalization and the pauperization of the population are considered the most challenging, pressing and persistent in Ukrainian society and economy.

The paper claims that the specific economic and organizational measures for enhancing of social entrepreneurship are required to facilitate the possible preventive and alleviating effect hereof on the long-term unemployment issues in Ukraine. The set of the relevant measures are to be developed and exploit by the civil society organizations in conjunction with the government authorities responsible for the implementation of the social policy's agenda in Ukraine.

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