SOCIAL ENTREPRENEURSHIP AS A TOOL OF SOCIAL INCLUSION UNDER THE CONDITIONS OF ECONOMIC UNCERTAINTY

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Ukrainian society continues to seek answers to the challenges posed by the negative effects of deindustrialization, underinvestment, significant import dependence, macrofinancial fragility, unemployment, low incomes, significant social inequality, etc. The situation of uncertainty is complicated by the war and the institutional weakness of the state. The issue of economic uncertainty is exacerbated by pandemics, environmental and man-made disasters.

The most vulnerable members of society – those who belong to a socially restrictive group – are the ones who suffer the most from economic uncertainty. At the same time, they may be the source of increased uncertainty. Therefore, economic uncertainty and social exclusion are interrelated.

In fact, the term *«social exclusion»* originated and spread in the mid-1970s as a reaction to the ineffective social policies of the French government. Inefficiency was manifested in the fact that certain groups of people were not covered by the social protection system, joined the ranks of lumpens, and could not participate fully in the life of civil society. Such groups included people with disabilities, people of retirement age, mothers with many children, former prisoners, HIV-positive people, and so on. From now on, *social exclusion* is seen as *a process by which a person / group of people is completely or partially excluded from full participation in society.* This interpretation of the phenomenon of exclusion focuses on unequal access to economic resources and the uneven distribution of benefits in society. It is recognized that the result of this inequality is the stratification of society. Accordingly, the scale of economic uncertainty is growing.

We formulate the assumption that **social inclusion** may be one of the determining conditions for an adequate response to economic uncertainty (*inclusion* meaning «involvement»).

Social inclusion is a new concept with theoretical tools that are continuously being developed. As a result, the terminological apparatus occasionally lacks clarity and unambiguity in terms of meaning interpretation.

During four decades, the concept of social inclusion was developing on the idea of guaranteeing social rights and achieving a higher level of well-being. In the late 1980s, this concept was adopted by the European Union to start forming the social policy [1]. In many areas, it has replaced the concept of poverty reduction, which had

been the focus of European governments for a long time. This concept arose primarily as a result of Europe's welfare state crisis, which saw a failure to effectively address critical social issues.

If social inclusion has already become a reality in developed countries around the world, there is just a general understanding of the concept and debate of general approaches to its actual implementation in Ukraine.

We proceed from the fact that *social inclusion* is not just the opposite (antipode) of social exclusion (rejection, alienation), but the conscious formation of a *certain state* of society. This state is demonstrated by the fact that *citizens have sufficient*, controlled and guaranteed by society conditions in such areas as:

- consumption of goods based on earnings;

- ownership of resources and their use in the process of productive employment;

- management through participation in civil society institutions and direct democracy.

The following fundamental ideas are decisive in the implementation of the concept of social inclusion:

– appreciation, recognition and respect for all members of society, despite differences in education, age, social status, etc .;

- involvement and participation in various spheres of society, free choice;

– material well-being, which includes material and financial support for vulnerable groups;

- *observance of the human right* to a decent standard of living.

Social inclusion is a fundamental element of public life. It is not restricted to addressing the concerns of society's most disadvantaged members. Inclusion «enters» with its substance in the economic and political sectors, going beyond the actual social sphere.

Social inclusion is a prerequisite for resolving a variety of issues, particularly those on the economic-social spectrum. The hiring of vulnerable groups who are not interesting for traditional business is one example of such an issue. After all, such employment involves additional costs to adapt the workplace to the special needs of people with certain disabilities. In this and similar cases, the social problem could remain unresolved due to economic constraints. Therefore, there is a need for nontraditional, more socially oriented forms of business.

A specific type of entrepreneurship emerges as an effective means of merging economic and social goals while also serving as a tool for social inclusion. The term «social entrepreneurship» is used to describe it. A new hierarchy of values is a unique aspect of social entrepreneurship. It is aimed not so much at the profitability of business, but at achieving social welfare.

What social problems related to social inclusion and social development are solved by social enterprises?

To begin with, social enterprises help to alleviate the problem of unemployment. They are designed to help unemployed, low-skilled youth, individuals with impairments, and others integrate into the labor market. At the same time, employment, as an inclusive process, is not limited to the inclusion of the most vulnerable segments of the population and only in the labor market. It's all about giving people with higher earnings new ways to spend their money. New economic benefits become available, ensuring a decent level of living. Finally, it is possible to become self-fulfilled in the profession.

Employment, thanks to social enterprises, promotes the inclusion of certain categories of the population in various spheres of public life. In the social sphere, employment plays the role of the so-called «social elevator». In the economic sphere, a working person appropriates the income that he or she generates, rather than having it redistributed in his or her favor by the state. Higher education potential is formed in the socio-cultural sphere; a person enters the workforce, develops communication skills, gains new social experience, and so on.

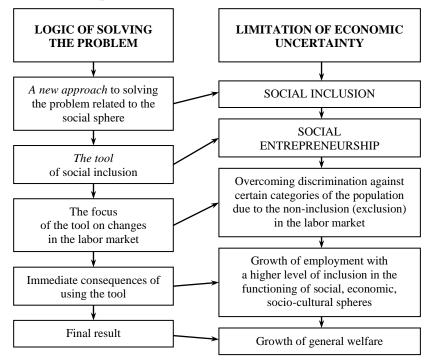


Fig. 1. The relationship between economic uncertainty, social inclusion and social entrepreneurship

Source: authors' own

Fig. 1 depicts the key (conceptual) lines of relationship between social inclusion, social entrepreneurship as a form, and economic uncertainty, on the one hand, and economic uncertainty, on the other.

Fig. 1 illustrates the idea that the exclusion of certain groups from employment causes a higher level of uncertainty. Instead, the use of social inclusion tools, including social entrepreneurship, contributes to greater economic certainty through employment. The latter is embodied in the growth of general welfare.

The concept of *«social entrepreneurship»* is included in our general theory of social inclusion. As a result, we believe it is critical to clarify the nature of this phenomenon.

The problem of social inclusion (exclusion) has been the subject of scientific research since the 1970s. Instead, social entrepreneurship has been actively studied since the 1990s.

The theoretical basis of social entrepreneurship is the concept of the so-called «mixed value» by J. Emerson. According to this idea, in any organization (including an enterprise) there is a combination of economic and social spheres, which actively shape each other [2].

There are four approaches to determining the nature (main content) of social entrepreneurship. They are presented in the analytical Table 1.

Identification of the approach	Authors (developers)	The main features of social entrepreneurship	Limitations of the approach
From the standpoint of a broad interpretation of the content	J. Weerawardena, G. Mort, A. Fowler, E. Shaw, related to the activities of the Center for the Improvement of Social Entrepreneurship	Covers the activities of a wide range of organizations, namely: – state social organizations; – traditional business organizations, which always have a social component; – non-governmental non-profit organizations aimed at achieving social goals	No special features of social entrepreneurship are emphasized, it is identified with any activity that has a social effect
Combined (commercial and social) approach	A. Macmillan, J. Robinson, Ya. Rohalin	Covers activities that focus on achieving not only social but also commercial results	Gives an answer to the question of the combination of social activity, but does not reveal the actual content of social entrepreneurship
Innovative approach	J. Wei-Skillern, S. Wurro, J. Meyer, E. Noboa, E. Austin, F. Perrini, H. Stevenson	Is a part of the activities of innovative enterprises, which are usually aimed at solving social problems	The possibility of achieving social goals by non- innovative enterprises is not emphasized
Problem-oriented approach	K. Lidbiter, analysts of the Schwab Foundation	It is an activity the social results of which are aimed at a certain social group – people with disabilities, homeless people, etc. – or at solving general social problems related to the environment, energy, etc.	As a kind of broad approach, does not focus on the peculiarities of social entrepreneurship, only highlighting the results of its activities and consumers of these results

Table 1. The approaches to determining the content of social entrepreneurship

Source: developed based on [3]

From the analysis of the information presented in the analytical Table 1, it follows that mainly «broad» interpretations of social entrepreneurship are used in scientific circulation. This is its interpretation as an activity without emphasizing the peculiarities and differences of such entrepreneurship. A common feature of the four approaches considered is the recognition of a social goal, which, however, is interpreted differently.

In our perspective, something more should be considered when determining social entrepreneurship, in addition to socially recognized outcomes of its actions. It's about the reality that social goals take precedence over the economic aim of profit maximizing and profit direction in resolving socially significant problems in communities or society. The purpose of social entrepreneurship, like entrepreneurship, is to make a profit. However, it may rank lower in the hierarchy of values than social aims, such as the goal of inclusion. Furthermore, a trait of social entrepreneurship should be the prevalence of democratic values over authoritarian ones. Otherwise, social goals may be «relegated to secondary positions» because of the authoritarian methods of management.

It is significant that the fixation of the fact that the social enterprise, as an economic entity, should be profit-oriented, corresponds to the documents of the EU official bodies. According to these documents [4; 5], social entrepreneurship must meet the following criteria and has to:

- engage in genuine economic activities;

- have a clear social goal that is useful for society;

- make a profit, but have restrictions on its distribution and distribution of assets with the aim to ensure the priority of the social purpose of the activity;

- be independent of the state or other non-profit organizations in designing the own activities;

- ensure inclusive (internal) management and democratic decision-making procedures.

It is critical that the founders of Ukrainian social entrepreneurship create, comprehend, and begin to apply the aforementioned criteria [6].

In the activities of a social enterprise there is a constant contradiction of two aspects of activity – social and economic. With the aim to simplify, we will use the terms economic, business, commercial side of the social enterprise as synonyms. There is a complex system of interaction between social and economic in the activities of social enterprises. It should be the subject of a study to clarify the definition of the notion of social entrepreneurship. In Fig. 2, we provide our thoughts on the peculiarities of the interaction of the two sides of social entrepreneurship, which are based on examining the experiences of social entrepreneurs in other countries as well as the experiences of Ukrainian social enterprises.

Fig. 2 presents those elements of the social and economic components of the activities of social enterprises, the relationship between which explains the objective contradiction of social entrepreneurship. It (contradiction) is manifested in the fact that social orientation, the desire to minimize labor costs with the aim to increase reinvested earnings, etc. can lead to a decrease in economic efficiency. This creates additional economic risks for the company as a social structure. Excessive democratization of the management process can also create certain risks of inefficient activities.

If social entrepreneurship contributes to social inclusion, then the study of the actual channels of influence is fundamentally important to explain this contribution. In our opinion, social entrepreneurship determines social inclusion through the following channels:

- inclusion of citizens in joint activities related to the implementation of social projects;

- the development of individual and group responsibility for a common goal;

- expanding opportunities for additional jobs and additional employment;

- overcoming the social isolation of people with disabilities;

- strengthening communities by intensifying public activity of members of these communities;

- breaking down barriers in citizens' perception of prestigious and nonprestigious activities, respectively, barriers in relations between citizens;

- increasing the potential for solving social problems at the level of local communities while reducing the burden on local budgets;

- formation of new models and ways of providing social services in partnership between business, local communities, and central government.

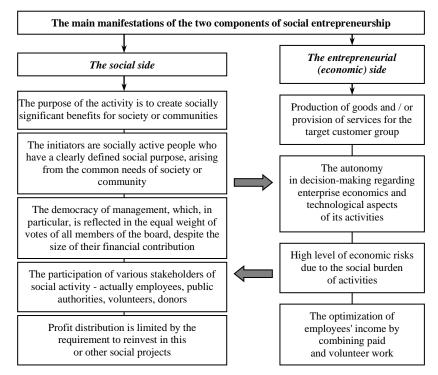


Fig. 2. The components of social entrepreneurship

Source: authors' own

As Ukraine is not a leader in social entrepreneurship, it is fundamentally important for the Ukrainian economy and society to be aware of the experience of social entrepreneurship in other countries. Despite the existence of peculiarities in each national model of social entrepreneurship, there are grounds for distinguishing two basic models. The terms «American model» and «European model» may be used for them. Despite the widespread use of these terms, it is significant that in many countries there is no statutory concept of «social entrepreneurship». And there are no unified approaches to the identification of social enterprises in the EU [7].

Fig. 1 presents information on the peculiarities (differences) of the so-called American and European models of social entrepreneurship.

The fundamental distinction between the two models of social entrepreneurship, according to Fig. 3, is the emphasis on a certain component of their activity. The economic (entrepreneurial, commercial) element of the activity is emphasized in the American model.

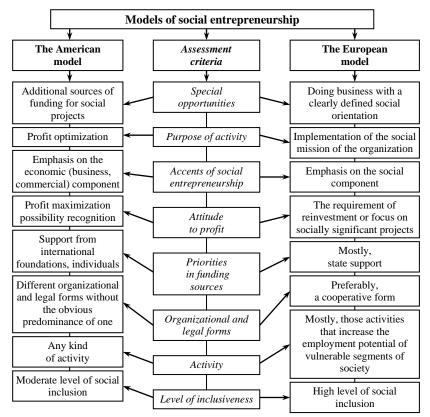


Fig. 3. The features of two basic models of social entrepreneurship *Source: authors' own based on [8]*

The European model, on the other hand, emphasizes the social focus of activities. These emphases are also reflected in different attitudes to profit optimization: the value of profit in the American model of social entrepreneurship is greater. Instead, the European model is more «paternalistic»: the role of the state in it is more noticeable. As a result of the reduction in funding for non-profit organizations in the social sphere, the American concept of social entrepreneurship was formed. The more liberal nature of the American model is ultimately manifested in a lower level of inclusion. Instead, the European model makes it possible to ensure a higher level of social inclusion. There is reason to believe that the term «social entrepreneurship» refers to enterprises established according to the logic of the European model. A «business with a social mission» and a clearly emphasized and supported social effect is the European model of social entrepreneurship. Achieving this effect is stimulated by the state through legislation, benefits, and subsidies.

The term «entrepreneurship in the social system», for example, might be applied to the American model. It explores numerous strategies for promoting socially responsible enterprises. These are financial, research, educational support of international and private organizations, state and federal programs of rehabilitation and employment of people with special needs, taking into account the fact of meeting these needs in providing benefits to entrepreneurs.

Against the background of two basic models of social entrepreneurship, it is advisable to study and emphasize the peculiarities of social entrepreneurship in individual countries. This will help in selecting those forms and tools of influence that can contribute to the formation of the Ukrainian model of social entrepreneurship. We will try to identify those national peculiarities that are manifested in the organizational forms of social entrepreneurship [9-11].

Cooperatives are a typical form of social entrepreneurship in most European countries. In France, for example, they are called «cooperatives of common interest», in Italy – «social cooperatives». In Spain, Portugal, France, Greece, and Croatia, a social enterprise can exist exclusively in the form of social cooperatives.

Social entrepreneurship in the United States is the activity of non-profit nongovernmental organizations, the income of which is used for the statutory purposes of the organization, most often to solve social problems of certain target groups of citizens. In the United States, it is enough for a product or service to help solve a certain social problem. And then the enterprise which makes such goods or renders such service can already be called social.

In the UK, a special kind of social entrepreneurship has been introduced – companies that work for the benefit of communities. There are more than 13,000 such companies in the country. The United Kingdom is considered the European leader. There are about 70,000 social enterprises in the country, employing almost a million Britons. Their total contribution to the economy is over 24 billion pounds. In 2017, 68% of social enterprises supported people from vulnerable groups, 44% – employed such people, 28% – worked in the most depressed areas of the country, shaping the economy of these regions.

In Belgium, Denmark, Finland, Luxembourg, and Slovenia, the status of a social enterprise can be granted not only to cooperatives or private companies, but also to public, volunteer, charitable organizations and foundations.

In Latvia, there is a law according to which social enterprises can exist only in the form of a limited liability company (LLC). Their social status must be confirmed annually by the relevant ministry. The state exempts social enterprises from paying income tax.

In Austria, Belgium, Spain, Italy, the Netherlands, Slovenia, Finland, and Sweden, such a form of social enterprise as «Work Integration Social Enterprise» is widespread. Their purpose is to provide assistance in employment and training to vulnerable groups of citizens.

Social entrepreneurship cannot exist without state support. For European countries, this is not only the support of national governments, but also of EU governing bodies. Back in 2011, the European Commission approved a long-term program for the development of social entrepreneurship called «Social Entrepreneurship Initiative» [12]. The purpose of the program is to stimulate the countries of the

European region to develop the social entrepreneurship sector. The program has three major goals: to promote social enterprise activities, to create a legal framework that is conducive to social entrepreneurs, and to make it simpler to receive funds.

The European Commission identifies the following main areas of social entrepreneurship:

- provision of individual social services in the sphere of health care, social protection, and education;

- care for children, the elderly, assistance to the poor;

- employment of people in difficult life circumstances and the unemployed;

- local development of depressed / vulnerable regions;

- garbage recycling, environmental protection, sports, art, culture, science, research and innovation, consumer protection.

The list of the spheres of social entrepreneurship in the documents of the EU governing bodies is important, among other things, because it reflects the European interpretation of the concept of «social». According to the list, this concept covers not only the phenomena associated with inequality of people in society. «Social» is also interpreted in connection with the processes that shape the overall level of well-being in the country. This is not only income and employment, but also the state of the environment, culture, education, and public health.

The reaction to the created conditions and incentives for social entrepreneurship can be analyzed according to the number of social enterprises in some European countries. This information is presented in Fig. 4.

Information from Fig. 4 shows the different potential of social entrepreneurship in different countries. With disparities in the number and structure of the country's population, as well as the level of economic growth, this is entirely reasonable. However, the statistics of social enterprises shows a rather controversial fact of significant (many times) differences between countries with approximately the same economic potential. These include three European leaders – France, Germany, and the United Kingdom. Germany has 2,7 times the number of businesses as France, whereas the United Kingdom has 1,7 times the number of businesses as Germany. This phenomenon must be investigated in order to determine what is driving the differences: anomalies in law, government support, or social enterprise statistics.

With only 150 social enterprises registered in Ukraine, social entrepreneurship is still in its infancy. In the evolution of Ukrainian social entrepreneurship, there are three stages.

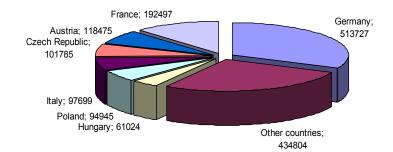


Fig. 4. The number of social enterprises in EU countries and the United Kingdom, 2017

Source: developed based on [13]

The first stage (1991 - 2010) was marked by the initiatives of international donors, primarily USAID, which encouraged the government and society to build a social protection system. First of all, it was about protecting people with certain limitations and special needs. The first legislative act in which the idea of inclusion is present (although there is no actual term) was the special Law of Ukraine N \otimes 875-12 [14], adopted in 1991. This law is still in force and provides additional preferences for entrepreneurship involving people with disabilities. It also provides for the activities of a special fund for financing business initiatives of citizens of Ukraine, which have certain restrictions. In this way, thanks to the Law, certain conditions for social entrepreneurship have been created. However, the entrepreneurial activity of people with disabilities is not called «social entrepreneurship».

For the first time, the term «social entrepreneurship» began to be used in Ukraine only in the 2000s and became widespread thanks to the «Network of Public Action in Ukraine» (UCAN). The network supported the activities of 28 Ukrainian social enterprises that existed at the time.

The second stage (2010 - 2015) is associated with an increase in the number of studies on social entrepreneurship, with the development of relevant programs and organizational support structures. A study by Ukrainian author K. Smahlii, published in 2014 [15], was one of the first investigations to be noticed by the Ukrainian scientific community. The Consortium for the Promotion of Social Entrepreneurship in Ukraine was founded in 2010. It brings together five international organizations with the purpose of providing financial, educational, and advisory support to social entrepreneurs that have just started operations. The positive result of the Consortium's activity was that social enterprises began to operate actively in several large cities of Ukraine. And the responsibility for their support has largely begun to be taken by local communities and local businesses.

At this point, the «Social Initiatives» All-Ukrainian Resource Center for Social Entrepreneurship Development, the socialbusiness.in.ua portal with the first register of social enterprises, and a social investment program for social enterprises with relatively low interest rates have all been established as organizational forms of support for Ukrainian social entrepreneurship.

The third stage (early 2016 and still) is characterized by an increase in the number of social enterprises, the expansion of the range of entities that support social entrepreneurship. In particular, at this stage Ukrainian small and medium business as well as Ukrainian universities actively joined. International organizations continue to play a significant role. At this stage, there were changes in the emphasis on the activities of social enterprises. Modern Ukrainian social entrepreneurship and the volunteer movement are overcoming the consequences of the Russian-Ukrainian war in eastern Ukraine. Refugees, children of frontline territories, soldiers in need of rehabilitation after injuries, families of the dead, etc. become the subject of attention.

Ukrainian entrepreneurship courses began to be taught at Ukrainian universities during the third stage. As a result, experts with the required skills began to be trained.

With regard to the significant financial and advisory support for social entrepreneurship from EU countries, one could expect the replication of the European model in Ukraine. According to the criterion of priority of the social over the economic, the European model in Ukraine, indeed, is partially implemented. But the Ukrainian national model lacks the second part of the European model, namely, consistent economic state support. In this second part, the Ukrainian model of social entrepreneurship is more like the American one with its initiative private funds and citizens.

It seems that the Ukrainian national model of social entrepreneurship with special features is being created. Within its limits, social entrepreneurs are forced to take over those social functions that the state does not perform, although it should perform under the law. The reasons for the state's failure to perform its social functions in the Ukrainian reality are: the weakness of state institutions, lack of political will, the formed oligarchic model of the economy with non-social values, etc.

Conclusions: Based on the analysis of the relationship between social inclusion and social entrepreneurship, on the one hand, and economic uncertainty, on the other, we can make the following generalizations.

Social entrepreneurship as a form of social inclusion undoubtedly expands the scale of economic certainty. After all, social enterprises achieve greater coverage of citizens with employment, receiving earned (factor) rather than redistributed incomes, ensure the development of professional and communication skills, and intensify participation in management and government institutions.

At the same time, social entrepreneurship has some potential for expanding *economic uncertainty*. It is related to the contradiction between the social and economic sides of the activity, which [contradiction] is manifested in the fact that the prerogative of the social can lead to a loss of economic efficiency.

The contradiction between social and economic in the activities of social enterprises is resolved within a specific national model of social entrepreneurship. This model means the existence of special state requirements for organizational forms of social entrepreneurship, as well as special tools of state support and forms of

interaction with civil society institutions, international organizations, local communities, and non-social business.

It is likely that a mixed model of social entrepreneurship is being formed in Ukraine, which is forced to combine certain features of the so-called European and American models. This mixture is largely determined by the gaps (failures) of the modern Ukrainian state in the performance of social functions, respectively, in the provision of social guarantees and standards.

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