

სოციალური მენეჯმენტი, როგორც ევროსაბჭოში სოციალური ეკონომიკის რეალიზაციის ფორმა

SOCIAL ENTREPRENEURSHIP AS A FORM OF IMPLEMENTATION OF THE SOCIAL ECONOMY MODEL IN EUROPEAN UNION

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საერთაშორისო ურთიერთობების ინსტიტუტი

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ABSTRACT

The idea of developing a social economy on the territory of the EU has long been the key vector of socio-economic development of the region, as well as most of the leading countries of the world. The European model of the social economy is implemented in the forms of corporate social responsibility, social investment, social currencies, and the expansion of social services infrastructure. But the most characteristic feature is the development of social entrepreneurship, which both is at the heart of economic development, and is used as a mechanism for social protection, support and development. At present, the common directed approach to the formation and regulation of the sphere of social entrepreneurship throughout the region, the use of best practices of individual national economies, and the deepening of regional integration determine the main features of further development of social entrepreneurship as a condition for achieving sustainable socio-economic growth.

**Keywords:** social economy, social entrepreneurship, sustainable socio-economic growth, solidarity economy, general welfare, European social economic model.

ანოტაცია

ევროკავშირის ტერიტორიაზე სოციალური ეკონომიკის განვითარების იდეა, ისევე როგორც მსოფლიოს სხვა განვითარებულ ქვეყნებში, დიდი ხანია წარმოადგენს რეგიონის სოციალურ-ეკონომიკური განვითარების საკვანძო ვექტორს, სოციალური ეკონომიკის ევროპული მოდელი რეალიზაციას პოულობს კორპორატიული სოციალური პასუხისმგებლობის სოციალური ინვესტიციების, სოციალური ვალუტის დანერგვის და მიწოდებული სოციალური მომსახურების ინფრასტრუქტურის გაფართოების ფორმაში. განსაკუთრებულ მახასიათებელ თავისებურებად ითვლება სოციალური მენეჯმენტის განვითარება, რომელიც ამავდროულად დევს ეკონომიკური განვითარების საფუძველში და გამოიყენე-

ბა როგორც სოციალური დაცვის, თანადგომისა და განვითარების მექანიზმი. თანამედროვე პირობებში მთლიანი რეგიონის ჩარჩოებში ერთვექტორული მიდგომა სოციალური მენეჯმენტის ფორმირებასა და რეგულირების საკითხებისადმი, ცალკეული ქვეყნების მონიშნულ პრაქტიკის გამოყენება და რეგიონალური ინტეგრაციის გაღრმავება, განსაზღვრავენ სოციალური მენეჯმენტის შემდგომი განვითარების ძირითად თავისებურებებს, როგორც მდგრადი სოციალ-ეკონომიკური ზრდის მიღწევის პირობას.

**საკვანძო სიტყვები:** სოციალური ეკონომიკა, სოციალური მენეჯმენტი, მდგრადი სოციალურ-ეკონომიკური განვითარება, სოლიდარული ეკონომიკა, საერთო კეთილდღეობა, ევროპული სოციალურ-ეკონომიკური მოდელი.

PROBLEM STATEMENT

World experience demonstrates the existence of several alternative options for constructing a social economy: planned socialism, implemented by a number of communist countries in the middle of the twentieth century, a model of social partnership, common in some European countries by the end of the last century, the concept of welfare, is now common in the countries of the Nordic region. Among the countries of the European Union, the prevalent welfare model is currently widespread. The practical implementation of its individual elements began with the adoption of a single Social European Charter. Nowadays the EU has a number of commissions and committees that develop and coordinate the implementation of the basic mechanisms of the model of social economy.

**Analysis of researches and publications.** Questions of the socialization of the state governance system, creation the social economy on this basis, development of social entrepreneurship and increasing of its effectiveness both for economy and for society were raised both by the old economists and philosophers, are the main objects of

research by leading economists of our time, in particular F. Fukuyama, Nobel Laureates E. Roth and L. Shapley, J. Tirole, A. Deaton and economists who are specialized in European region. Almost all of them (Borzaga C., Galera G., Nogales R., Noya, A. Clarence E., etc) are working under the guidance of profile organizations, departments, state and non-governmental groups. There are also private initiatives for conducting scientific studies in the field of social entrepreneurship and social economic, whose purpose is to increase the effectiveness of the practical implementation of individual measures to achieve sustainable socio-economic development, growth.

**Research objective.** The main objective of the study is to determine the priority of the implementation of the social economic model of the EU within the framework of the modern concept of sustainable development and to analyze the practice of the subjects of social entrepreneurship as a priority form of the social economy in certain countries of the Western European region.

**Main material.** In a social crisis, the social solidarity economy and social entrepreneurship are an important source of inspiration for further economic growth and development and a peculiar mechanism of anti-crisis measures. The state socially-oriented economic policy of the EU countries is based on common principles and global goals of sustainable economic growth, comprehensive social development and welfare, enshrined in the European 2020 strategy.

Social economic institutions in the EU are recognized as a separate entity, an integral element of the modern economic system. Over the past decades, social economic institutions have played a significant role in the economic and political aspects of development, both nationally and regionally and internationally.

The main purpose of the activities of the subjects of social economy, in contrast to traditional institutions, is to provide public benefits, to provide society with social benefits. Services of a general public nature cover a wide range of activities that have a direct impact on the level of welfare, quality of life, etc. They range from basic infrastructure (energy and water supply, transport, postal services, waste management) to key sectors of the socio-economic system (health care, education, social protection). It is this segment of services that provides sustainable development in terms of meeting basic needs, social integration, economic protection, public welfare, environmental protection, etc. They are social services, their availability to all members of society is a basic principle of the socio-economic model of the EU.

The changing financial and economic situation has highlighted the important role in the system of effective state social and economic policy in the whole of the social economy and social enterprise as a guarantee of stability and stability of national economies. Currently, there are about 170,000 cooperative associations that provide nearly 6 million jobs and more than 1 million cooperatives employing more than 100 million people (which is 20% higher than the employment provided by MSCs in the EU). This makes social entrepreneurship a key element of the social economy, which provides employment for more than 50% of the EU's population [1].

Social enterprises implement a number of key principles and initiatives in the context of the social economy, in particular: equal pay for equal work, gender balance of employment, adaptation programs and support for young workers and elderly people, etc. In addition, they are more stable in crisis situations. For example, during the financial crisis of 2008-2011 in the EU, social enterprises, in particular, cooperative societies, exhibited a higher, versus traditional income business, resilience, elasticity, and the number of closed companies and reduced jobs was minimal. The additional effect would be obtained by the entities of the CCE as a result of close cooperation between themselves, mutual assistance and support, as well as the long-term effect of investment in human capital and social programs. As a result, the total turnover and the number of jobs in the crisis period among the active counterparties of the CEE even increased, as opposed to negative general market trends. However, the maintenance of positive trends is possible only with the proper political will, support of national governments, regional and international unity of the principles of socio-economic programs of sustainable development.

The general indicators of sustainable development in the European region are achieved, first of all, by the active realization of social programs through their entrepreneurial activity. Economic and social sustainability is explained by long-term strategic programs of economic development, the social effect of which is constant, constant and becomes significant. In the global aspect, such long-term economic programs with a social effect can reduce the vulnerability of the national economy from financial crises, fluctuations and upheavals.

Social entrepreneurship is an actual phenomenon of the modern European social economic model, which is identified with a "different" way of doing business in order to achieve social goals. The European Commission

defines a social enterprise as a modern operator of a social economy whose primary purpose is to exercise social influence rather than increase the yield of its own shares. Enterprises of this category, like other business entities, receive profits, implement programs and development strategies to increase their own profitability, but the main amount of income is spent on achieving social goals, the implementation of social programs, which they define as an innovative aspect of development.

In accordance with the legal framework of the EU countries, a social enterprise is a business entity of any ownership (association, cooperative, charitable foundation, private enterprise, etc.), the overwhelming share of its income (from business practice, at least 50%, but given the share is not fixed by law) is derived from business activity, and is not attracted through grants and donor programs.

Social entrepreneurship maintains a balance between social and economic dimensions. Commercialization of the solution of social problems actualizes social entrepreneurship, makes it more interesting and extends, increases the turnover and raises the level of achieved economic effects. Currently, social enterprises are widely involved in traditionally public sectors, whose commercialization through social enterprises can increase the efficiency, quality of satisfaction of social services, while maintaining their reliability and security as an integral element of social protection of the EU. While traditional forms of the social economy (associations, cooperatives) are oriented on meeting the needs of a limited circle of community members' common goals, social enterprises have an additional positive influence, usually solving the urgent issues of certain communities, regions, including the least protected groups of the population by providing targeted assistance to them.

In almost all EU countries, social assets typically have a "lockout" - a limitation on the distribution of profits and assets. As a rule, in the event of the closure of a social enterprise, the bulk of its assets is transferred to another social enterprise in order to maintain the continuity and reliability of the provision of social services and ensure a sustainable level of welfare. A characteristic feature of the European social economic model is the use of the institutional mechanism of organizational structures of social entrepreneurship, based on a strong team, close relationships with public organizations, the personal division of management and owners of these forms of business with the same ideas of the social economy, a combination of interests and roles (workers, users, volunteers, etc.) performed by such contractors in the direction of socio-economic

development, the general social responsibility of every member of this process.

In general, the practice of implementing social entrepreneurship in some EU countries is somewhat different.

For example, in the United Kingdom, companies representing the interests of the community (Community Interest Companies) are the main subjects of social enterprise. The organizational form of a limited liability company, which is legally enshrined in them, allows entrepreneurship to be carried out in such important areas for the society as: child care, social housing construction, public transport, leisure. Such organizations can be charitable activities or be registered as non-profit organizations, as well as conduct traditional commercial activities, provided that they benefit society. These organizations pass an annual Community Impact Test and submit a report to the communities that they are conducting a Community Interest Report. The regulation of activities in this area is carried out in accordance with the Law on Social Entrepreneurship, adopted in 2007. This law does not provide any fiscal benefits for social business entities, however, unlike charitable organizations, there is no strictly regulated their organizational structure, a permit to issue shares is allowed, which allows indirectly to attract capital for the implementation of community efforts and support of local communities.

In Italy, the key form of social entrepreneurship is social cooperatives that combine business activities with the achievement of social goals. The main purpose of the activity of cooperatives in the legislative acts is to provide general benefits to the regions and social integration of citizens (type A social cooperatives provide social, medical and educational services, type B - carry out integration into the labor market of people with disabilities, which includes people with physical and psychological illnesses, invalids, persons with alcohol and drug dependence, developmental disorders and those who have problems with the law). Co-op members can be hired workers, beneficiaries, volunteers (up to 50%), financial investors and government agencies. This practice is also widespread in Spain and France.

In France, the Cooperative Company of Collective Interest is a widespread form of social entrepreneurship. Companies of this type combine contractors of at least three types (hired workers, volunteers, consumers, state bodies, associations and private individuals) and produce goods and/or services in all socially useful areas (those that meet the urgent needs of local communities) provided that the economic and social resources are mobilized within individual regions. Combining the efforts of coun-

terparties in one region, this form of social entrepreneurship allows actively mobilizing the necessary resources, ensuring the sustainable economic development of the region simultaneously with the acquisition of positive social effects at the local level.

The diversity of forms of social entrepreneurship varies depending on the development of civil society, the social security system, the social finance market and the state social and economic policies of individual countries. For example, the main social sectors of enterprises in Romania and Hungary are healthcare social work, education, Sweden and the UK - almost all areas in Italy and Spain - the provision of social services and integration of

comprehensive human resources market work. The experiment proved last significant shifts and positive effects of the involvement of social enterprises in social partnership, which operates in the labor market, as opposed to an active position only state to support the passive population and attract these human resources to work. There are also a socially oriented areas (waste reclamation, renovation, construction, gardening, facility management, etc.) involved and traditional forms of business, conducting its activities in this area, get social features. According to the weighted average of the SELUSI research project, the main areas of activity of social enterprises in the EU are defined (Table 1).

Table 1.

AREAS OF SOCIAL ENTREPRENEURSHIP IN THE EU<sup>1</sup>

Social services	16,70%
Hiring and training of employees	14,88%
The environment	14,52%
Education	14,52%
Economic, social and regional development	14,34%
Culture, art, leisure	7,08%
Healthcare	6,9%
Housing construction	2,72%
Business associations	2,00%
Law, advocacy and political groupings	1,63%
Others	4,72%
In general	100%

The main sources of financing and scope of activities are also different. If the capital of social enterprises in Sweden, the United Kingdom and Spain involve direct operations, then in Romania they are grants and private donations. In some areas, there are mostly small businesses, while other social businesses create networks or consortia to centralize services and economize on a scale.

The tendency to expand the geography of activity is promising enough to expand business opportunities and social benefits. In addition to the economies of scale, participants in this process have the opportunity to share achievements, know-how, experience in the field of SSE. The latest form of such cooperation is social franchising. The main subject of the franchise agreement is a wide

range of services, in particular social, as well as the social effect of their provision - ensuring economic stability, high quality of services provided, comprehensive provision of consumer needs. The activation of these processes is provided by the European Social Franchising Network and the International Center for Social Franchising, which involve investments in the development of social franchising models, exchange knowledge, identify business models, develop a code the behavior of social franchisors and promote the practical implementation of proven business models. As a result, over the past 10 years in the territory of Europe, social franchises have created more than 10,000 jobs.

<sup>1</sup> Resource: SELUSI data including all observations across all countries

Another mechanism for increasing the efficiency of social entrepreneurship was transnational education, in which the transfer and adaptation of classical forms and models of the SSE were carried out within the framework of specific conditions for the development of national and regional economies. Within the framework of these projects, awareness of the public and business contractors with existing social needs and ways of their solution increases, additional sources of attraction of finances and investments are sought for the purpose of realization of specific social business projects, distribution of risks of this type of activity is carried out. The forum that took place in Ireland in 2012 was a positive example of this project. More than 1000 representatives from different spheres of power, business and the public were involved in discussing the pressing issues in education, health, environment, economic development, and the welfare of communities. As a result, at the end of 2014 social enterprises successfully implemented 42 innovative projects financed mainly by corporate sponsors, and supervision of their implementation was carried out by the appointed coordinators accordingly. The state government took on technical support, consulting, communications, and coverage of the processes of implementing these initiatives in the media legislative initiative ..

In general, the legal basis for activities of social entrepreneurship is in all EU countries, and the development and expansion of their activities have become key principles of the state social and economic policy of the development of the countries of the region.

Recent trends indicate the expansion of social enterprises. In particular, they are actively involved in the sphere of production, distribution and consumption of food products. In general, being quite versatile and versatile, sustainably implementing innovations in their own activities and with strong community support, social entrepreneurship is a balanced alternative to entrepreneurial activity that combines private life, income generation, creation of additional values / benefits and the implementation of socially useful ideas.

About 15 million workers are involved in the social economy, representing 6.5% of the total number of EU-employed. The structure of social entrepreneurship is dominated by associations and foundations (92%). The largest share of the employed population in the overall structure of employment of the country falls on the Scandinavian region countries (more than 11%). the United Kingdom, Germany, Spain, France and Finland dominate by the number of registered social entrepreneurship. However, it is difficult to obtain accurate data on the so-

cial economy due to the lack of complete unification and standardization of the types and forms of the SSE, as well as, as a rule, insignificant attention to their activities on the part of state statistical bodies.

The subjects of the social economy are based on the principle of interaction (while in the market conditions, contracting parties exchange, and under the condition of state regulation, the basic principle is coordination on the basis of rule of law and bureaucratic procedures). At the same time, the subjects of the social economy have a significant social and economic impact. Based on the cooperation and commonality of interests, such enterprises enjoy the trust of members of society, which facilitates their engagement with the general population, thus accumulating significant amounts of social capital. The economic impact is due to the expansion of activities, the increase in the profitability of these companies, and, consequently, increased competition in the market and the creation of more favorable conditions for consumers - a greater supply, higher quality, lower retail prices, active introduction in the production of innovation, the creation of new jobs, antitrust measures, limitation of asymmetry of information.

Social entrepreneurship is an important stabilizing function of the economy, especially in industries characterized by uncertainty and instability of prices, such as finance and agriculture. The availability of an alternative, social economy allows society to react to uncertain changes, lowering volatility of prices and / or stabilizing certain spheres of the economy (such as the stabilizing effect of credit unions on the banking system of North American countries in 2011-12).

By implementing resources of strategic importance from government quotas and producing social goods / services, the activities of social economy actors increase the supply of social goods and services, provide these sectors with the public sector, create new jobs, and employ low-competitive labor market segments (women, young people, poor people, etc.), contributes to the growth of incomes and welfare.

The positive economic effect of social entrepreneurship is particularly noticeable in connection with crisis phenomena. Thus, cooperative banking institutions are more stable than commercial ones, since they focus on the real sectors of the economy, avoiding investing in speculative financial products, refraining from risky financial activity. This difference in the mechanisms of activity is explained, first of all, by different strategic goals and missions of the institutions: yes, cooperative banks are created to provide financial services to their members, and com-

mercial ones - in order to maximize the profit of their own shareholders.

Social business is also involved in setting up resource-saving, low-carbon economic processes in the EU. The use of renewable energy sources, such as sunlight, wind, water, biomass, is carried out in accordance with the principles of centralization within the framework of EU programs. A more efficient way to use renewable energy sources is relatively small investment in different regions of the countries. Thus, with the dispersion of assets and the use of a variety of sources of funding, the joint efforts of a large number of counteragents will produce a positive environmental, economic and, at the same time, social impact - sustainable development of the region is ensured. In addition, in a number of regions, social wind and solar cooperatives create regional networks, whose revenue is distributed among members of a local community or regional community. Thus over the last decade in Germany private investors (citizens) have invested more than 1 billion euro into newly established local energy cooperatives. Participation in these cooperatives provides a number of social and economic benefits: the impact on local development, the supply of electricity produced from renewable energy sources, reducing its value, environmental protection, ensuring the reliability of investments, developing know-how, capacity building, adapting the latest business models, state support.

The huge proportion of social entrepreneurship in the general economic system allows for high-quality systemic changes, introduction of new business models, changing the value chain, activating unused labor potential, and effectively exploiting untapped resources.

The socialization of entrepreneurial activity brings a number of positive effects to the general directions of socio-economic development. In particular, socially-oriented entrepreneurship promotes the development of economically backward regions, where too high profitability reduces the overall volume of business returns. An example can be agricultural activity in mountainous terrain; creation of consumer cooperatives and banks in geographically remote, hard-to-reach areas. In addition, entrepreneurship is being developed in the traditionally so-called "Social umbrellas" model (providing social, medical and educational services), which broadens the employment opportunities of the poorly protected population and improves the infrastructure for providing such services. The deepening of this trend is due to the growing demand from the population for social and public services, which cannot be fully satisfied with existing private and state enterprises. Such demand leads, moreover, to the socialization of

the activities of traditional business institutes. In particular, commercial banks are developing special programs for lending to small and medium-sized enterprises, which is a less lucrative, but rather promising area of development, and is currently mainly covered by cooperative banks (for example, in Italy, the share of co-operative banks is only 7%, but they provide more than 1/5 small business lending). The expansion of lending, in turn, promotes the development of small and medium enterprises. For example, such an effect is especially noticeable in the agricultural sector in Germany, the main part of which is the production of small family farms. And the principle of a network management system at once by many small social enterprises in one region allows them to maintain their overall competitiveness at a rather high level. An example of such a network system is created within the framework of the state program "Big Society" in the UK educational facilities. Such experience has been successfully implemented in the field of provision of social services (Sweden) and the use of renewable energy (Belgium).

The practice of social entrepreneurship is ideally suited for prompt response to the emerging local demand for certain social innovations aimed at creating economic mechanisms for solving urgent social problems (at this stage, primarily in the areas of education, renewable energy and the integration of migrants).

However, despite the well-defined positive impact of the social economy on the development of the economy and society of the EU countries, there are significant barriers to further expansion of this sector. In particular, this is still a low level of public awareness of the socio-economic values of these processes (primarily due to the lack of media attention to these processes). And although the subject of social economy, now the state initiative is included in educational programs by the majority of EU countries, there is a lack of employees and managers with knowledge of the specifics of social entrepreneurship.

Another problem is the need to build the appropriate infrastructure and set up information and logistics processes with their own efforts. And if for large companies - traditional market players to do this much easier, small social business needs state support and subsidies in these areas, which is not always implemented in practice.

The practice of the last decades has identified the following key strategies for cooperation between the public sector and the social economy actors:

- support strategy (subsidizing private providers of social services with the principle of precise targeting of these subventions; for example, creating a new enterprise);

- incentive strategy (state aid provided that the problems that are urgent for a given region are resolved; for example, compensation for remuneration in the employment of vulnerable groups of the population);
- contract strategy (government order of a specific range of services providing social business, satisfying the demand in the given region, for example, provision of social services);
- voucher strategy (state financing of services through the issuance of certain categories of citizens vouchers for their receipt, for example, vouchers for certain food products or medical, social services, the cost of which is compensated by presenting the enterprise vouchers received from individuals). This strategy is distributed in France, Italy, Belgium, where certain categories of citizens receive vouchers for housekeeping (for the elderly) or child care (for single and/or younger mothers), and these services are provided mainly by social entrepreneurs.

However, the use of such strategies is more likely to support social entrepreneurship rather than stimulate its development, restraining the possibility of using innovations (in determining a clear range of services and goods) and attracting investment (subject only to the voucher method of payment for services / goods).

Particular attention should be paid to the lack of a common approach to the development of mechanisms for regulating social entrepreneurship, which creates significant obstacles to the transnational dissemination of their activities, and thus eliminates the possibility of obtaining traditional effects for international activities. This is due to the different stages of development, the widespread forms of social entrepreneurship, and the different structure of public demand for social services in certain EU countries.

National programs for the development of the social economy are based on the main strategic principles presented by the Regional Economic Development Program «Social Entrepreneurship» developed by the Organization for Economic and Social Development:

encouraging, attracting and expanding social entrepreneurship by raising awareness and involving

young people in these processes (certain social economy issues are included in basic and vocational education programs, vocational guidance programs for adolescents and young people are being implemented, conferences, seminars and thematic round tables are held);

support for social startups (legal consulting, business planning, market research and market conditions help to create social enterprises and help to anticipate and avoid potential business risks). Participation in such support is accepted not only by the state, but also by innovation parks and incubators;

ensuring stable financing of the social economy (state assistance to the development of the social finance market in order to capitalize on social enterprises; common investment schemes for financing social economy from the private and public sectors);

access of social business to the public procurement sector through the introduction of certain social requirements (for example, the proportion of the employed disabled or the unemployed on the submission of the state employment services) to the local government bodies for the tenders;

establishing a proper legal framework and fiscal standards to improve the efficiency of social business (tax regulation, transparency of activities, open access to the public procurement market will create a favorable business environment, provide long-term sustainability of social enterprises, in contrast to the short-term effect of fiscal aid, charitable and sponsorship grants, tax breaks);

perfect management and strategy will enable partners to engage in specific projects, get synergistic effect of cooperation, make more transparent the results of monitoring the social impact of economic mechanisms of the state policy of stimulating social entrepreneurship [2].

Under the modern architecture of the international economic system, the social solidarity economy and social enterprise are assessed by the international community as an innovative alternative tool, a way of development that can overcome the negative social and environmental effects on the path of sustainable economic growth.

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