

Social Entrepreneurship Paradigm and its Assessment in Latvia

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Abstract. The research aim is to investigate the paradigm of social entrepreneurship in tackling socio-economic problems in Latvia, thus, four paradigms (government, free market, tertiary sector, and social entrepreneurship) and their advantages and disadvantages in tackling socio-economic problems were characterised. The nature and topicality of this term in tackling socio-economic problems was improved after analysing the scientific literature on social entrepreneurship. Defining a social enterprise is based on social and economic criteria. It was found in the present research that the government, the market, and nongovernmental organisations were not able to solve the increasing socio-economic problems (poverty and unemployment), and one of the most efficient and sustainable solutions was the development of social entrepreneurship.

Key words: social entrepreneurship, social business, unemployment.

JEL code: E24, H55, I33, J60

Introduction

According to the Millennium Development Goals of the United Nations, it is necessary to decrease poverty (by reducing the proportion of individuals with income less than 1 dollar a day) and increase employment of higher productivity, especially among women and youth, until 2015. In Latvia, the problem of poverty is urgent as well. According to data of the Central Statistical Bureau (CSB), totally 38.1% of the population lives at the poverty line. In Latvia, the long-term unemployed account for 38.3% of their total number, and the highest proportion of job seekers is observed among young individuals, i.e. aged 15-19 (61.5%). Since 1995, the government expenditures on benefits and pensions have risen by 76.5% on average. It proves that the government cannot cope with the increasing socio-economic problems; and new, efficient, and sustainable solutions have to be searched for. Social entrepreneurs argue that social enterprises have emerged as a response to the problems, caused by the market, which the government is not able to solve (Mulgan G., Landry L., 1995). Therefore, it is important to promote the development of social entrepreneurship.

The term social entrepreneurship becomes more and more topical in the world, thus, various authors have tried to develop the most optimal definition of this term. Yet, there is no unanimity among them – often a definition is justified with a phrase “a social enterprise is recognised when it is seen”. In the result, it is hard to collect statistical data on social enterprises and conduct further comparative research on social entrepreneurship (Lyon F., Sepulveda L., 2009).

There is a lack of studies on social entrepreneurship in Latvia, and economic theoreticians have mostly researched corporative social responsibility (A.Petersons, L.Pavare, and A.Viksne). Social enterprises were studied for the first time in the survey Global Entrepreneurship Monitor 2009. According to the survey, the indicator of social entrepreneurship in Latvia, compared with other countries, is not very high, i.e. 1.9%. E.Zagare (2010) in her research paper found that the majority of social

entrepreneurs were not even aware of the fact that they were engaged in social entrepreneurship. Therefore, it is important to start the present research with definition criteria for social entrepreneurship as well as to emphasise the role of social entrepreneurship in tackling socio-economic problems.

The research aim is to investigate the paradigm of social entrepreneurship in tackling socio-economic problems in Latvia. The following research tasks were defined to achieve the aim:

- 1) to investigate the nature of social entrepreneurship and to set criteria for its identification;
- 2) to assess the paradigm of social entrepreneurship in tackling socio-economic problems;
- 3) to analyse the necessity for developing social entrepreneurship in Latvia.

Research **hypothesis:** social entrepreneurship can be a significant instrument for tackling employment problems in Latvia. The following research **methods** were employed in the present research: the monographic and descriptive methods, analysis and synthesis, induction and deduction, the graphical method, and correlation analysis. Data of the Latvian Central Statistical Bureau, the survey Global Entrepreneurship Monitor 2009, the Lursoft company, and scientific literature were used in the present research. Given the fact that there is a lack of scientific studies on social entrepreneurship in Latvia, findings of foreign scientists and social entrepreneurs were also used in the research.

1. Nature of social entrepreneurship and its definition criteria

Presently, various definitions and interpretations of the term social entrepreneurship exist. J.Mair and I.Marti (2006) distinguish three groups of terms based on the leading-motive chosen for a definition: individual (social entrepreneur), process (social entrepreneurship), or economic entity (social enterprise).

Orientation towards an individual - social entrepreneur. When defining the term social

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Table 1

Characteristics of social entrepreneurs

Economic theoreticians	Definition of social entrepreneur	Characteristics of social entrepreneurs
J.B.Say (19 th century)	An individual who makes the factors of production more productive and provides higher income.	<i>Creation of values</i>
J.Schumpeter (20 th century)	A businessman introduces an innovation in business to cause changes in production.	<i>Innovation, promotion of changes</i>
P.F.Drucker (1985)	A businessman always searches for changes, challenges them and uses them as opportunities. Business does not always include a leading-motive for profit.	<i>Identification and use of opportunities</i>
H.Stevenson	Businessmen mobilise resources to achieve their business goals.	<i>Mobilisation of resources</i>
B.Drayton (1998)	A social entrepreneur integrates an unusual and creative approach for tackling problems with high ethics.	<i>Ethical views</i>
G.S. Mort, J.Weerawardena, K.Carnegie (2003)	Social entrepreneurs feature novelty, proactivity, and disposition to take risk in their decision-making.	<i>Ability to take risk</i>
D.Bornstein (2004), B.Dreyton (2004)	Individuals who are motivated by a wish to bring changes to the society.	<i>Promotion of changes</i>
G.Vega and R.E. Kidwell (2007)	Innovators in tackling special social problems. They use the opportunities that were not successfully exploited by individuals in the private, public, and nongovernmental sector.	<i>Tackling of social problems</i>
Alvord S.H., Brown L.D., Letts C.W (2004)	Individuals who have an ability to cause sustainable changes in the social sector – to change local social norms, roles, and expectations in order to bring changes in the life of marginal groups.	<i>Ability to cause sustainable changes</i>
R.L.Martin and S.Osberg (2007)	Traditional entrepreneurs are motivated by money, while social entrepreneurs – by altruism. There are significant differences in the understandings of these values	<i>Motivations</i>
G.J.Dees (1998)	Social entrepreneurs are stakeholders bringing changes to the social sector who act according to their mission of creating and maintaining social values.	<i>Creation of social values (social mission)</i>

Source: author's construction based on literature analysis

entrepreneur, the main emphasis is put on an individual or a group of individuals who establish a social enterprise and the skills and abilities inherent to them (Bornstein D., 2004). In identifying a social entrepreneur, the most important issue is to stress the factors that motivate an entrepreneur to start entrepreneurship (Kuratko D., Hornsby J., Naffziger D., 1997).

Early French, English, and Austrian economists characterised entrepreneurs as "stakeholders of change" in a fast growing economy. A French economist of the 19th century J.B.Say stressed creation of values (Dees J.G., 1998), an Austrian economist J.Schumpeter emphasised that entrepreneurs had an influence on promoting economic progress, while P.Drucker characterised entrepreneurs as users of changes and opportunities. He also was the first one who stated in his work "Innovation and Entrepreneurship" that entrepreneurship did not necessarily have to include the leading-motive for profit. It means that an entrepreneur might be led by other interests, not only by the creation of material values.

One can conclude that the entrepreneurial abilities identified by the early economic theoreticians are

also significant to social entrepreneurs, thus, modern economic theoreticians stress the previously mentioned qualities. For instance, an ability to use an unusual and innovative approach is important (Thompson J.L., 2008). Researchers of social entrepreneurship also stress a special ability of social entrepreneur (Catford J., 1998) to identify opportunities and efficiently exploit available resources (Sharir M., Lerner M., 2006). Ethical views of social entrepreneur are important (Catford J., 1998) as well. Characteristics of social entrepreneurs are summarised in Table 1.

The author points that these characteristics of social entrepreneurs are very important, however, it has to be admitted that traditional entrepreneurs, at the same time, might have the mentioned abilities. One of the most essential characteristics of social entrepreneurs is **motivation** (Martin R.L., Osberg S., 2007). Mostly, financial gains motivate traditional entrepreneurs, whereas altruism motivates social entrepreneurs. A motivation of social entrepreneurs closely relates with their main ability – to **create social values** (Mort G.S., Weerawardena J., Carnegie K., 2002).

One can conclude that *a social entrepreneur is an individual who pursues a goal of creating social values in a society, employing the approach of entrepreneurship. The social entrepreneur features high principles of ethics, an ability to identify and implement opportunities, produce innovations, and mobilise resources for achieving the goal in order to solve socio-economic problems and bring positive changes to the society.*

Orientation towards an economic entity - social enterprise. Economists and social entrepreneurs have tried to develop an optimum definition of the term social enterprise (Wallace S.L., 1999), yet, there is a lack of single and precise criteria for its definition.

Various criteria characterising a social enterprise may be found in the scientific literature. For instance, the Social Enterprise Coalition sets three main criteria: approach of entrepreneurship, social goals, and social ownership. A similar approach for identifying social enterprises was also specific to F.Lyon and L.Sepulveda (2009).

J.Pearce (2003) stresses six unifying elements for a social enterprise, while the founder of social entrepreneurship M.Yunus (2010) sets seven ones: a goal of business is to solve the problem of poverty or other problems of society instead of raising profits; an enterprise has to be financially sustainable; investors get back only their original investments without any interest; profit is used for enterprise development; an enterprise is friendly to the environment; labour is paid wages corresponding to a market situation, working under better conditions; and work is done with pleasure.

One can conclude that there are no single criteria to be used for precisely defining social enterprises. K.Peattie and A.Moorley (2008) believe that there are only two explicitly defined criteria identifying a social enterprise: priority of social goals and engagement in commercial activities. The author also agrees with this outlook on condition that these two criteria have to be defined in more detail, as there are narrow bounds among social enterprises, socially responsible corporations, and charity organisations.

Social criteria. The priority of any social enterprise is a social goal or the creation of social values, and gaining profit is a subordinate priority (Mair, Marti, 2006). To achieve the social goal, it is important to engage **socially little-protected groups of society** in social enterprises (Boschee, 2006). These might be poor or low-income individuals (families) and socially little-protected groups, as they face social rejection on the labour market most often. The Cabinet Regulations No. 32 "Regulations Regarding Socially Little-protected Groups of Persons" (11 January 2005) sets 16 groups fitting the status of socially little-protected group of individuals (the disabled, individuals freed from imprisonment, the long-term unemployed etc.). However, these are not the only socially little-protected groups; young individuals with poor skills, individuals of pre-retirement age, and parents after a childcare leave might belong to such groups. Yet, the status **of poor family (person)** is granted in accordance with the Cabinet Regulations No. 299 "Regulations Regarding the Recognition of a Family or Person Living Separately as Needy".

To obtain the status of social enterprise, two development scenarios are possible:

- 1) to employ the mentioned socially little-protected groups of society (65%) or other categories of individuals at a social enterprise (including their engagement in the management of enterprise) if an entrepreneur can prove their belonging to a socially little-protected group;
- 2) to provide the most necessary services/goods to socially little-protected and/or poor groups of society at a lower cost that corresponds to their income level.

A significant criterion for identifying social enterprises is also **sustainability of social values** (Thompson J.L., 2008).

Economic criteria. First, social enterprises are engaged in **commercial activities generating revenues**; it means that they operate based on the principles of business, as it is important to provide the **self-sustaining** of enterprises. According to the ideas of M.Yunus (2007), a social enterprise has to operate with profit or at least without loss. Otherwise, it is a charity organisation, which exists owing to donations etc.

As regards **profit distribution**, it is important to emphasise that owners of a social enterprise are not allowed to share the enterprise's profit; it has to be **reinvested** in the enterprise or invested in further promotion of public goods by providing the society with goods/services of lower price and better quality, which are also available (Wallace S.L., 1999). M.Yunus (2007) assumes that only original investments, without any interest, are given back to social investors. In case such an enterprise is liquidated, its accrued profit and assets are transferred to another social enterprise, thus, ensuring that the goals are achieved (Galera G., Borzaga C., 2009).

Social (democratic) ownership is also specific to social enterprises; it is closely associated with making decisions, which do not relate to the shares of equity owned.

To precisely distinguish social enterprises from traditional ones, there is a significant criterion of social enterprises – they supply certain **goods or services to the market (poor or low-income intervals)**, the production of which is not desired by or financially unprofitable to the private sector. Considering the fact that social entrepreneurs who supply necessities (food, housing, education), used to face a problem – the poor are not able to pay even a low price for goods and services supplied (Seelos C., Mair J., 2005), support of the central or local government is required.

One can conclude that a social enterprise has to conform to several social and economic criteria. Based on these criteria, an ideal type of social enterprise may be determined, yet, in practice, social enterprises conform to a part of the mentioned criteria.

Based on the previous studies, *a social enterprise is defined as an organisational economic entity founded with the purposes of creating social values in the society, employing socially little-protected groups of society at the enterprise, or providing such groups with services and/or goods.*

Orientation towards a process - social entrepreneurship. Social entrepreneurship includes the above-mentioned criteria for a social enterprise and characteristic elements of social entrepreneur, thus, the

Table 2

Basic guidelines for tackling socio-economic problems

Basic guidelines	Economic theoreticians	Main conclusions	Problems / criticism
Market	A.Smith ("invisible hand")	Failures caused by the market might be solved with innovative market mechanisms.	<ul style="list-style-type: none"> – Social innovations are not introduced. – The market is oriented towards individual gains. – The poorest stratum of society is not provided with goods.
	Neoclassical economists (Cowen, 1988)		
Government	Welfare economists (Gray, Healy and Crofts, 2003)	The government has to tackle social problems through social benefits, income redistribution, and subsidies.	<ul style="list-style-type: none"> – Lack of financial resources. – Lack of efficiency in performing commercial activities. – Threats of corruption.
	Supporters of Keynesian theory		
Tertiary sector	Institutional economists (Valentinov and Baum, 2008)	The best solution to tackle failures caused by the market, especially in developing countries, is the development of the tertiary sector.	<ul style="list-style-type: none"> – "Benefit culture" is created. – Local public needs are not well known. – In case of shortage of funding, the tackling of problems is stopped.
Social entrepreneurs	Social entrepreneurs (Drayton, 2002; Nicholls and Cho, 2006; Yunus, 2010)	Social entrepreneurship is the best solution to offset problems caused by the market and to fill "governmental gaps".	<ul style="list-style-type: none"> – Dominant capitalism culture – "profit dominance". – Merging social and economic values causes threats for existence of enterprises.

Source: author's construction based on literature analysis

term social entrepreneurship will not be analysed in a wider scope. One can say that *social entrepreneurship is a type of entrepreneurship, the priority of which is to create social values while ensuring its financial self-sustaining and sustainability.*

1.2. Paradigms in tackling socio-economic problems

Over various periods, both representatives of the tertiary sector and the government as well as entrepreneurs, by means of market mechanisms, have tackled socio-economic problems. According to experiences in the world, the functions, which the government or the private sector is not able to execute, are transferred to social entrepreneurs. After analysing the opinions of various authors on tackling socio-economic problems, four paradigms are possible.

Free market. In the period of industrial economies, A.Smith's idea of the market's "invisible hand", which solves various problems, caused by the market, without any interference of the government dominated. Nowadays, too, such a neoclassical economist as T.Cowen (1988) believes that failures caused by the market may be solved by means of innovative market mechanisms. An advocate of social entrepreneurship, G.J.Dees (2001) who believes that the market does not make social improvements and does not provide either the poorest stratum of society with goods and services does not agree with it. I.Maitland (1997) stresses that the market does not take into consideration ethical norms but it promotes

greed and individual prosperity instead of an increase in the welfare of society (Table 2).

Tertiary sector. S.Baines et al. (2010) define a tertiary sector as a formal or institutionalised, separate from the public sector, non-profit, and self-regulating sector. Volunteers are often engaged in this sector, but, at the same time, professional organisations employing paid labour operate in it (Billis D., Gelennerster H., 1998). The tertiary sector also includes charity organisations and groups of society (Shaw E., Carter S., 2007), and nongovernmental organisations belong to this sector as well.

Such institutional economists as V.Valentinov and S.Baum (2008) emphasise that entrepreneurship can develop only in an environment that is able to support the market. In developing countries, especially in their rural areas, the institutional environment is weak, thus, failures caused by the market cannot be solved only by means of market instruments. They believe that the best solution, especially in developing countries, is the development of their tertiary sector. It casts doubt on the need for social enterprises, as, according to this view, social enterprises perform the functions of organisations of tertiary sector. Yet, supporters of the organisation "Ashoka" argue that social entrepreneurs better know a local society and its needs than nongovernmental organisations and are able to find the cause of a problem and solve it.

J.L.Thompson (2008) believes that the tertiary sector relies on work of volunteers. M.Yunus (2007) supports this idea by arguing that solely nongovernmental

Expenditures on government benefits and pensions, thou. LVL

Indicators	1995	2000	2005	2010	Average increase rate, %
Expenditures on benefits:	62 883	93 899	169 024	359 181	80.6
<i>Increase rate, % - $t_{m(k)}$</i>	-	49.3	80.0	112.5	
Sickness benefits	15 040	8 686	27 254	66 802	105.6
<i>Increase rate, % - $t_{m(k)}$</i>	-	-42.2	213.8	145.1	
Unemployment benefits	7295	21 546	28 967	88 820	145.5
<i>Increase rate, % - $t_{m(k)}$</i>	-	195.4	34.4	206.6	
Expenditures on pensions:	243 809	444 962	558 709	1 233 381	76.3
<i>Increase rate, % - $t_{m(k)}$</i>	-	82.5	25.6	120.8	
Old-age pensions	181 845	361 430	465 947	1 091 980	87.4
<i>Increase rate, % - $t_{m(k)}$</i>	-	98.9	28.9	134.4	
Expenditures on government benefits and pensions – in total	306 692	538 831	727 733	1 592 562	76.5
<i>Increase rate, % - $t_{m(k)}$</i>	-	75.7	35.1	118.8	

Source: author's construction based on the CSB data

organisations are not able to cope with social problems, as they often depend on donations. Upon running out of funds, social problems are not tackled as well. Besides, funds available for charity in developing countries are small, whereas needs are huge there. Dependence of individuals on social benefits and donations, which does not reduce but promote poverty, is not a less significant problem caused by the government support and donations of public organisations. A new system of welfare has to be created, which motivates individuals to control their lives themselves and take the initiative over the situation instead of waiting only for assistance from others (Leadbeater C., 1997).

Government. According to public-finance theory, socio-economic problems have to be tackled by the government, as its main tasks are to provide residents with public goods (libraries, education, national defence, and security) and reduce the inequality, created by the market, by means of an income redistribution mechanism. Such welfare economists as M.Gray et al. (2003) and supporters of Keynesian theory are convinced that the government has to tackle social problems through a system of social benefits, income redistribution, and subsidies. Yet, it has to be noted that governments of many countries (especially developing countries) do not have sufficient funding to regulate their market by means of benefits and subsidies. Social insurance schemes and services financed from tax revenues are not able to tackle effectively the increasing social problems – long-term unemployment, poverty etc. (Leadbeater C., 1997). Nowadays, an issue of efficient use of funds becomes more and more topical.

Due to the high unemployment and the aging of society, expenditures on both social benefits and pensions have substantially increased in the government budget (Table 3). The expenditure on the unemployed (unemployment benefits) significantly increased, i.e. by 206.6% in 2010 compared with 2005 and by 145.5%

on average during the period of 1995-2010. It may be explained by the economic recession, which caused employee optimisation processes.

Considering the aging of society, the expenditure on pensions have significantly risen, i.e. an average increase rate was 76.3% from 1995 to 2010; in the result, a government budget deficit reached LVL 1050 mln in 2010, which proved that the government could not effectively tackle all socio-economic problems and it should search for new efficient and sustainable solutions.

B.Shore has emphasised in an interview with A.M.Wolk in 2007 that social entrepreneurs were able to execute tasks the government could not cope with, as they were ready to take a greater risk, besides, in terms of cost, they performed more efficiently than the government, as they were less bureaucratic, more flexible, and more capable of increasing returns from their employees (Leadbeater C., 1997). Social enterprises are more innovative in providing public services, which determine their efficiency (Shah D., 2009).

Social entrepreneurship. Social business is the best solution to offset failures caused by the market due to high transaction costs, effects of exogenous factors on fair price policy, and asymmetric information flows between consumers and sellers (Drayton W., 2002; Nicholls A., Cho A.H., 2006). Social entrepreneurs use J.Schumpeter's argument that the business approach has to be changed to solve deeply-rooted problems created by the traditional market system, which used to lead to a lack of goods and services, unemployment, and income loss for certain groups of society.

Regardless of such critics as M.Gray et al. (2003) who assert that social entrepreneurs and their proposals are very deeply rooted in the dominant paradigm of neoliberal economics to be able to imagine another type of capitalism, M.Yunus is convinced that almost all social and economic problems in the world may be solved by means of assistance of social enterprises, thus, changing

Table 4

Strength of correlation for effects of the factors causing unemployment in Latvia

Indicator	Correlation coefficient (r)	Strength of correlation
Number of established enterprises	-0.66	Correlation is strong
GDP	-0.20	Correlation is weak
Number of emigrants	0.76	Correlation is strong
Income of individuals (net average monthly wage of employees)	-0.24	Correlation is weak

Source: author's construction

lives of 60% individuals of the lowest stratum by assisting them to get out of poverty.

The efficiency of social enterprises is doubted by followers of A. Smith's ideas who emphasise in the magazine *the Economist* that the private and public sector have to perform their own functions by strictly separating the creation of social values from that of economic values, as the merger of both types of values may threaten the existence of a successful enterprise by negatively affecting its economic performance. Whereas, J. Emerson stresses that the merger of social and economic values is not only desired but also needed, as it can promote the establishment of a system of socially responsible capitalism (Emerson J., Bonini S., 2003). I. Maitland (1997) also stresses that those entrepreneurs who will support social values get greater economic gains.

One can conclude that socio-economic problems may be tackled both by means of a market mechanism and with assistance of the tertiary sector as well as by using the government budget funding. Yet, it is important to be aware of the role of social entrepreneurship in tackling problems, which is especially essential during the economic recession when funds available in the tertiary sector and government support significantly decrease, and new, innovative, and sustainable ways of tackling socio-economic problems have to be searched for.

1.3. Necessity to analyse the development of social entrepreneurship in Latvia

The most significant problems that exist in Latvia and that might be tackled by means of social entrepreneurship are, first, the high unemployment rate (18.7% in 2010) and, second, social entrepreneurship is an important instrument to reduce poverty. Due to these problems, the problem of emigration has become urgent as well. In 2010, totally 10702 residents have emigrated from Latvia, which is 1.5 times more than in 2000, thus, making a negative migration balance of 7912 individuals.

After analysing the rates of employment and unemployment, one can conclude that in the period of 2000-2008, a trend was observed that the rate of employment rose and, in its turn, the rate of unemployment declined (in this period, the rate of unemployment decreased by 43.1%, while the rate of unemployment rose by 13.4%). In the second half of 2008, an opposite trend began - the rate of unemployment declined and the rate of unemployment started sharply increasing due to the economic downturn, which caused significant problems in the national economy - poverty, emigration etc. In accordance with the European Parliament resolution of

19 February 2009 on Social Economy, one can conclude that 10% of the total number of European enterprises represents social economy, i.e. 2 million enterprises or 6% of total employment, and it has a high potential to establish and retain a stable level of employment. The resolution states that social entrepreneurship assists to correct the three main disadvantages of labour market: unemployment, employment instability, and rejection of the unemployed on the labour market. It means that it is possible to reduce the unemployment rate by promoting the development of social entrepreneurship.

To identify the factors affecting unemployment, a correlation analysis was performed to ascertain the strength of correlation between a variable and a factor. By hypothetically assuming that certain factors and their interaction affect unemployment, a rate of unemployment was determined as a variable the numerical value fluctuations of which were studied in relation with value changes in other factors (GDP, number of founded enterprises, income of residents, and number of emigrants).

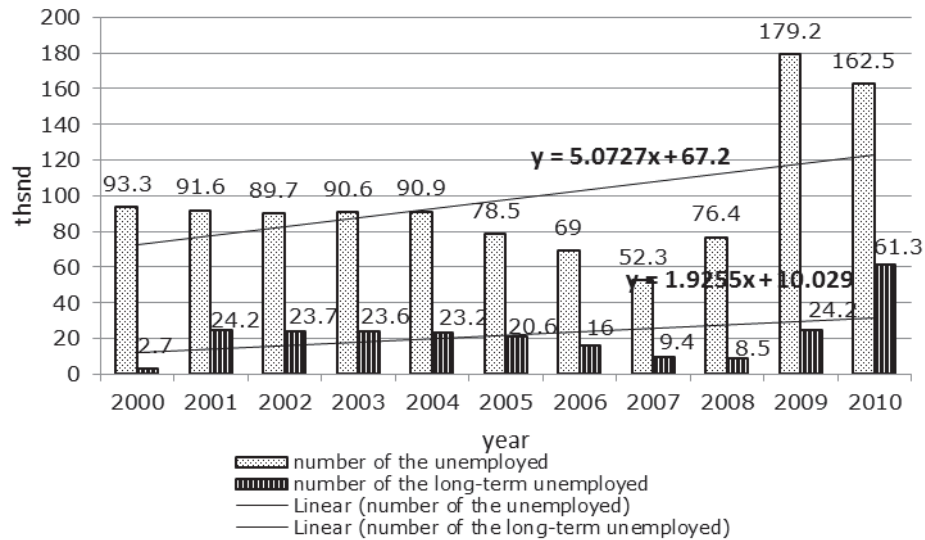
Data from databases of the CSB and Lursoft were used for the calculation of correlations, and the correlation diagram included 15 points (factors were studied in the period of 1996-2010). The result is presented in Table 4.

One can conclude that unemployment features:

1) **a strong correlation** with the number of established enterprises and the number of emigrants. Namely, with an increase in the number of established enterprises, the unemployment rate tends to decline, since new jobs requiring human resources are created. Yet, with an increase in the unemployment rate, the number of emigrants increases, which means that the working population moves abroad in search for jobs.

2) **a weak correlation** with the GDP and the income of individuals, which allows concluding that other factors also affect and determine changes in unemployment as a variable but the effects of these particular factors are insignificant.

The above-mentioned problems may be tackled by means of social entrepreneurship. Besides, it is important to stress that **socially little-protected groups of society are employed** at social enterprises, for instance, individuals with special needs, the long-term unemployed or other groups of society with a comparatively low level of employment. A. Amin (2009) believes that social enterprises often employ individuals coming from a socially unfavourable environment and having limited skills, experience, and social capital, thus, they face social rejection in the labour market.



Source: author's construction based on the CSB data

Fig. 1. Number of the unemployed and the long-term unemployed in Latvia in 2000-2010

Therefore, social enterprises perform as a mechanism for reintegrating rejected individuals into the labour market (Chan, 2008). It relates to the **long-term unemployed** as well. According to Figure 1, one can conclude that the linear trend characterising the number of unemployed tends to increase. The number of unemployed individuals has annually risen by 5.1 units on average. The fastest increase in the number of registered unemployed individuals was observed in 2009. The number of the long-term unemployed tends to increase as well. According to the trend's equation, one can conclude that the number of the long-term unemployed has annually grown by 1.9 units on average.

One can conclude that by means of social entrepreneurship, it is possible to find a solution for various socio-economic problems, which the government is not able to solve and the private sector is not interested in.

Conclusions

1. Social entrepreneurship is a type of entrepreneurship, the priority of which is to create social values while ensuring its financial self-sustaining and sustainability.
2. The identification of a social enterprise is based on social criteria (priority of social goals, employment of socially little-protected groups of society, creation of social values) and economic criteria (generation of income from commercial activities, financial self-sustaining, social ownership, and profit distribution).
3. Social entrepreneurship plays a significant role in tackling socio-economic problems, as funds available in the tertiary sector declined, while the government expenditures on pensions and social benefits from 1995 to 2010 have grown by 76.5% on average. It means that social entrepreneurship can provide significant support to the government in tackling socio-economic problems.

4. One of the main socio-economic problems in Latvia is the high rate of unemployment (18.7% in 2010), which strongly correlates with the number of established enterprises. It is possible to create new jobs by developing social entrepreneurship.
5. A social enterprise plays a significant role in employing socially little-protected groups of society, including reintegration of the long-term unemployed into the labour market. The number of the long-term unemployed has annually increased by 1.9 units on average in Latvia in the period of 2000-2010. It was mainly determined by the economic situation in the country, in the result of which the number of employees was optimised at enterprises.

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