

## REGIONAL DISCUSSION

### SOCIAL ENTERPRISE IN LATGALE - TO BE OR NOT?

#### Organizers and participants RESOLUTION

Ludza Society of Disabled and Ūrtaekni, workshop of the Organization of Disabled in Iceland in collaboration with Ludza County municipality organized a discussion Social entrepreneurship in Latgale- to be or not?

The Constitution of the Republic of Latvia stipulates that Latvia is a socially responsible state, the aim of which is to ensure a decent standard of living and social protection in case of risk, as well as the promotion of social justice, equality and solidarity in the society. However, in practice socially sensitive groups of the society face discrimination in the labour market, although it is important to promote social integration. Currently, the social integration is represented by non- governmental organizations which are engaged in different projects (mainly EU funded). But these projects have short term effects in the solution of social problems, because after the project funding is over, the work is not continued. It can be concluded that the government has committed the promoting of social integration to voluntary activists who do it on their own initiative. In Latgale the promotion of social integration is particularly important because the economic situation has led to a hidden discrimination against people with disabilities, people at pre-retirement age and other socially sensitive groups of society.

One of the solutions is the development of social entrepreneurship. The Ministry of Welfare has developed the concept of "The introduction of social entrepreneurship opportunities in Latvia", which aim is promoting the establishment of social enterprises in Latvia and creating a friendly environment for them. The participants of the discussion are aware of the potential threats and benefits the development of SE will bring to the society.

A number of benefits that may be expected fostering SE were identified

#### at national level

- If the social enterprise operates profitably, it supplements the state budget with tax- paying public social security contributions (SSC), personal income tax and business risk state fee, as well as value-added tax (VAT).
- employing individuals of socially vulnerable groups social enterprises promote equality in the society, reduce social tension and facilitate integration

#### At regional and local level

- social enterprises employ individuals of socially vulnerable groups of society, which are often found to be poor and are paid the guaranteed minimum income(GMI) and housing benefit. By fostering the employment of these people their income level will increase, while the burden of social benefits on local municipalities will decline. It should be noted that in addition to GMI and housing benefit other benefits may be paid as well. For example, allowance for paying medical services, education and upbringing benefit. Taking into account the existing socio-economic problems in Latgale the promotion of the SE can be an important instrument to support municipalities.
- By promoting the integration of sensitive groups of society into the labour market municipality will get the image of socially responsible municipality.
- By promoting the development of SE, the unemployment rate and poverty problems which are considerable in the region of Latgale, will decrease.

#### At individual level

- In social enterprises individuals of socially sensitive groups of society are engaged. Job is for those people of primary importance, because it contributes to increasing their income.

- Employees of social enterprises are not only employed, but also trained. So their professional qualification level is raised, they are encouraged to personal development, their self-esteem rises, their social skills are developed.

The participants of the discussion have also identified the potential threats that may arise by promoting and supporting SE in Latvia.

- Financial support of social enterprises in Latvia can cause deformation of the market and the distortion of the competition. However, it should be stressed that the current situation is not conducive to fair competition for all individuals, as individuals from socially sensitive groups of society are discriminated.
- By supporting social enterprises financially the expenses of the state budget may temporarily increase and the revenues may decrease, but it can be compensated using EU structural funds.
- It is often considered that social enterprises are more risky and less profitable than others. At the same time there is lack of information about the social effect of social enterprise. That may be the reason why it is difficult to get financial support for founding a social enterprise.
- In case of imprudent distribution of funds there is a threat that a social enterprise is dependent on state funding. Therefore, state aid instruments should be well thought out-must promote the development of social enterprise but they mustn't contribute to dependency (to avoid the formation of culture of beneficiary).
- Taking into account that there is no concept of social enterprise in the legislation of Latvia and as there is a possibility to receive financial support for a social enterprise, the status of social enterprise might be misused.

The aim of this resolution is to promote the inclusion of the issues of the SU in the political agenda of local governments, government institutions and the government in order to bring up for the discussion those issues that must be solved by all interested parties.

The participants of the discussion are encouraging to develop legal framework for SE:

- Identify the ways and means of cooperation between public institutions, local governments, non-governmental organizations, employers, trade unions in order to promote and develop SE.
- Classify social enterprises by type;
- Provide financial support for social enterprises from the state budget;
- Introduce tax reducing and differentiation;
- regulate the relationship between employer and the employee in social enterprise in order to make this cooperation mutually beneficial;
- Reduce the administrative burden for social entrepreneurs; put more emphasis on performing advisory and educational functions of controlling institutions which work with social enterprises at national level.

In the discussion 47 participants from 6 counties of Latgale region, from Riga, Daugavpils, Rezekne, Dagda, Karsava, Zilupe, Jelgava and Reykjavik.