

SOCIAL COOPERATIVES: WHETHER THE EUROPEAN EXPERIENCE TAKES ROOT IN UKRAINE?

Social enterprises, as the most important expression of citizens' needs and aspirations in the form of a cooperative, have appeared naturally to provide adequate solutions to satisfy community needs, such as social, health, and education services, housing for homeless, ecological situation improvement and landscape development, as well as labour integration for disadvantaged and socially excluded people, – all of them are worldwide basic needs. Over the last few years, the cooperative movement, through member-based and democratically controlled businesses, has been meeting the challenge of satisfying those needs in a more intensive manner, while at the same time contributing to economic development, sustainable employment and social cohesion in communities. Cooperatives play a significant role in employment creation and income generation, with more than 100 million jobs worldwide [1, p. 40]. Moreover, they provide higher quality and better cost-efficiency compared to other delivery patterns, according to a number of studies (see, for instance, [2 – 4]). Case studies also revealed the resilience of worker and social cooperatives in the face of crises, be they individual enterprise crises or global and separate country's macro-economic ones. This particular resilience to crises of various types is a clear indication of the capacity of cooperatives to contribute to local and regional development both under a crisis and in normal times [5, p. 190 – 191; 6, p. 15].

Social entrepreneurship is growing rapidly in many countries, especially in the Western industrialised countries, mainly in Europe and North America, successfully solving the problem of unemployment, social protection and social inclusion in society. In Ukraine under modern conditions of political, financial, and economic crisis, it is urgently needed to create appropriate business climate for fostering social entrepreneurship as an alternative way to overcome the difficult situation. Nevertheless, potential contribution of social enterprises to work integration, job creation, and social services delivery remains largely unrealized in Ukraine as well as in other CIS countries, particularly in relation to disadvantaged groups including the long-term unemployed, ex-criminals, people with disabilities, internally displaced persons and ethnic minorities [7, p. 6; 8, p. 8 – 9; 9, p. 279]. Therefore, it is relevant to study the experience of development of the social enterprises sector in European countries in general as well as social cooperatives, in particular, in order to address the acute economic and social problems in modern Ukraine.

The aim of the paper is to investigate the European experience of social cooperatives development, creating appropriate environment for this type of business, as well as to determine how this experience should be applied in Ukraine.

Methodology and Research Approach. To gain a thorough understanding of its facets, and to build up a solid and tested framework for the comparative part, the concept of social cooperatives / enterprises is explored through a literature review of current research of leading scholars on this topic initially. Then, ways to enhance the development of social cooperatives are determined on the basis of a study of available empirical data, scientific literature, laws and regulations relating to the ecosystem for the appearance and operation of social cooperatives in EU countries. Conclusions are on how the social cooperatives concept has been legally implemented and institutions necessary for this type of business support established in Ukraine. In doing that a number of general and special methods were used, such as: theoretical generalization, abstract logic; synthesis; comparative and structural analysis.

The phenomenon of social entrepreneurship has emerged in West European and North American countries in 60-es – 70-es of the XX century, and social enterprises sector has been steadily growing over the last 20 years mostly due to development of the cooperatives movement and evolution of the non-governmental organizations towards commercialization and involvement into public service provision and work integration for disadvantaged and socially excluded people. Around the world, the moment is dawning today for some of the most successful social entrepreneurs, and they are slowly moving away from a dependency model of financing, the traditional business model for non-profits in which they depend solely or almost entirely on charitable contributions and public sector subsidies, with earned revenue either non-existent or minimal. A distinctive feature of these enterprises is that they receive income from the ordinary production and commercial activities for the sustainable financing of the targeted social activity. One of the pioneer researchers of social entrepreneurship phenomenon, Charles Leadbeater put forward a brief but concise explanation why social entrepreneurship is important for modern capitalist societies improvement: “There is a growing political and intellectual consensus that we need to start looking beyond the confines of the traditional welfare state and the

voluntary sector for solutions to our social ills” [10, p. 9].

The concept of social entrepreneurship and social enterprises has been widely discussed in academic circles and literature mainly in the OECD countries since the early 90s of the last century [2, p. 11; 11, p. 32; 12, p.7; 13, p. 5]. Now the concept is a research topic in wide range of societal sciences, which representatives are seeking an alternative way to find proper answers on modern social challenges. Among Western scholars who made significant contribution in investigating of social enterprises as type of business and their ecosystem are C. Borzaga, J. Dees, J. Defourny, L. Favreau, J. Hausner, G. Galera, J. Kerlin, J.-L. Laville, J. Mair, M. Mendell, F. Moulaert, A. Nicholls, R. Nogales, M. Nyssens, B. Roelants, R. Spear, M. Yunus, and others. Recent years have witnessed a new interest in cooperative organizations, especially as a result of their transformation and expansion in new fields of activity, particularly in social services. C. Borzaga, G. Galera, B. Roelants, R. Spear in their works have explored cooperative evolutionary dynamics in advanced, developing and transition economies with a view to provide researchers and practitioners interested in studying and promoting the development of social enterprises sector and social economy as whole. In Ukraine there are few publications devoted to the topic. The research activities connected with social enterprises were concentrated on such topics as reasons for emerging and development of the social enterprises sector [14; 15], as well as its role and concrete areas for support of socio-economic sustainable development [16; 17], the necessity and feasibility of social cooperatives development in the country [18]. Despite of these attempts, there are several aspects remained poorly studied, namely: legitimization of social enterprise sector in the country as whole and social cooperatives, in particular; institutional aspects of the sector formation and its support both on the state and local levels.

Social entrepreneurship is a relatively new concept in societal sciences. Nevertheless, this concept has gained increasingly acknowledgement at an international level with international organisations (for instance, the UNDP, the OECD Centre for Entrepreneurship, SMEs and Local Development, the European Economic and Social Committee), international charitable foundations and organizations (for instance, Ashoka, the Schwab Foundation, the Skoll Foundation), world-class universities, governments, public agencies, private corporations and entrepreneurial firms paying attention to and allocating resources for social aims. Because of this increased acknowledgement, social entrepreneurship has now evolved into a global phenomenon. In Europe, despite the absence of universal and indisputable definition of the social enterprise [11], this concept has been increasingly using to identify an alternative way of doing independent business, which occurs when an en-

terprise created in order to pursue primarily social aims while simultaneously carrying out commercial activities. In the paper, we do not discuss a wide range of definitions of social enterprise existing in academic publications and official documentation or develop a new one. Instead, we operate with the existing and widely accepted notion of Social Enterprise as articulated in the European Commission’s Communication “Social Business Initiative”. The Commission uses the term “social enterprise” to cover the following types of business:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice [19, p. 2 – 3].

The definition of the Communication mentioned above incorporates the three key dimensions of a social enterprise that have been developed and refined over the last decade or so through a body of European academic and policy literature:

- an entrepreneurial dimension: engagement in continuous economic activity;
- a social dimension: a primary and explicit social purpose; and,
- a governance dimension: the existence of governance mechanisms to ensure prioritisation of the social purpose and which demonstrate sensitivity to different stakeholder interests [20, p. 45 – 46].

Each of the above dimensions has a set of core criteria – reflecting the minimum conditions that an organisation must meet in order to be categorised as a social enterprise under the EU definition. The following core criteria were established:

- the organisation must engage in economic activity
- it must pursue an explicit and primary social aim that benefits society;
- it must have limits on distribution of profits or assets to prioritise the social aim;
- it must be independent from the state agencies or other for-profit organisations; and
- it must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes.

In European Union, social enterprises are operating in almost every sector of the member-countries economies, such as banking, insurance, agriculture, craft, various commercial services, health and social services, provision of employment and sheltered workshops etc. According to web site of European Commission on 20/02/2017, there are 2 million social economy enterprises in Europe, representing 10% of all businesses in

the EU. More than 11 million people – about 6% of the EU's employees – work for social economy enterprises: out of these, 70% are employed in non-for-profit associations, 26% in cooperatives and 3% in mutual organizations¹.

Studies have revealed that in Western Europe social enterprises actively use the legal form of non-profit association or cooperative. Social enterprises operate in the form of associations in countries where legal associations are free for commerce on the open market. In countries such as Finland, Sweden, Spain, where commerce law has certain limitation in commercial activity for non-profit associations, the social enterprises usually have the legal form of cooperative [21; 22]. In 2013 cooperatives in Europe that correspond to the criteria spelt out in the Social Business Initiative mentioned above were over 18 000 enterprises employing at least half a million EU citizens (out of whom 50 000 are vulnerable people). Over 17 000 social cooperatives are registered under a specific law on social cooperatives (or equivalent term) in Italy, Greece, Poland; Hungary, Spain (“social initiative cooperatives”), France (“community interest cooperative enterprises”), Portugal (“social solidarity cooperatives”), plus a small amount of ones that are regulated by a combination of a general cooperative law and a law on social enterprises (or equivalent term) in Finland, the UK (“community interest companies”) and Belgium (“social purpose enterprises”), the rest being registered under a general cooperative law only (for instance, in Sweden, the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria and Malta).

Over 13,000 of these cooperative enterprises are organized in a federative system coordinated by CICOPA-Europe at the European level [23]. CICOPA, a sectoral organisation of the International Cooperative Alliance (ICA) represents industrial and service cooperatives across the world. Many of those cooperatives are worker cooperatives, namely cooperatives where the members are the staff of the enterprise and which are characterized by a distinctive type of labour relations, called “worker ownership”, different from the one experienced by conventional employees or by self-employed. A new and growing typology of cooperatives represented by CICOPA are cooperatives whose mission is the delivery of goods or services of general interest, i.e. social cooperatives. CICOPA also represents cooperatives of self-employed producers active in industry and services. Starting almost from scratch a few decades ago, the cooperative form of social enterprise has grown into the largest organized group of such enterprises in Europe, and its figures continue to grow steadily in spite of the on-going crisis, in front of which it is showing particular resilience and sustainability, according to a

number of studies. For example, 32% of social cooperatives in Italy are experiencing net growth under the current crisis, a much higher rate than other types of enterprises in that country².

The concept of social cooperative made its first official appearance in 1991 when the Italian Parliament adopted a law creating a specific legal form for “social cooperatives” which underwent a quite remarkable development. Since then, social cooperative has also become a new type of cooperative in some countries, which also adopted specific legal frameworks for such enterprises (see table 1).

The Italian experience with social cooperatives is especially impressive. Since passage of a 1991 law that authorizes social cooperatives and provides public policy support for them, 14,500 social cooperatives have been started that employ 360,000 paid workers and rely on an additional 34,000 volunteer members.

The typical cooperative has fewer than 30 worker-members, and provides services to the elderly, the disabled and those with mental illnesses. Some provide “sheltered employment” for people with disabilities and other vulnerable groups. Currently Italian social cooperatives are providing services for nearly five million people, and they bring in and spend 9 billion euros annually. Their survival rate after five years is 89 percent [27]. On the example of Emilia-Romagna, which is one of the most active region in Italy for the development of social cooperatives, one can see how stable this sector during the economic crisis. From the data in Table 2, one can see that: 1) cooperatives in the region as a whole have shown more employment resilience to the economic crisis than employment in general; 2) there was a decrease in employment in cooperatives, except for social ones, in 2010 and 2013. However, in 2012, when the total employed population of the region decreased, employment in cooperatives, as well as in social cooperatives, increased; 3) a significant part of the employment resilience of cooperatives under the crisis in the region Emilia-Romagna has been the outcome of a steady increase of employment in social cooperatives.

An analysis of Italian social cooperatives and their characteristics reveals that these organizations were really a new type of business entities that differs from commercial firms even traditional cooperatives, public service agencies and non-profit organizations. Social cooperatives not only tend to combine the social aims of traditional non-profit organizations with the entrepreneurial behaviour of conventional business corporations and cooperative firms, but also have a unique ownership and membership structure. “On one side, while owners in conventional firms hold the right to control the firm and to appropriate the firm's profit, and owners in non-

¹ See: https://ec.europa.eu/growth/sectors/social-economy_en.

² One of the findings of a research project carried out by the European Research Institute on Cooperative and Social Enterprises (Euricse) [23].

Table 1

Country	Legal forms used	Law/Year	Activities allowed
Italy	Social cooperative	National law, 1991	Type "A" - can deliver health, social or educational services. They operate as commercially orientated businesses, with workers and volunteers being members of the coop. Many "A" coops have established 'privileged' relationships with municipalities Type "B" - integrating disadvantaged people into the labour market.
Spain	Labour integration cooperative societies Social cooperative societies	Regional laws in 12 autonomous regions, during 1993-2003 National law, 1999	1. Provision of assistance services in the fields of health, education, culture or any other activity «of a social nature» (equivalent to type A in Italy) 2. Any economic activity aiming to provide labour integration of persons who are victims of any type of social exclusion and, in general, the satisfaction of social needs that are not catered for by the market (equivalent to type B in Italy)
Belgium	Social purpose company (via limited liability company or cooperative form)	The Companies Code, 1995	There are no formal restrictions on the activities a company is able to carry out, but it is required to set out details of the social purpose in their statute. Usually, company can take on the status of an SPC carries out its social purpose through trading.
Portugal	Social solidarity cooperatives	Co-operative code, 1996 and Legislative decree, 1998	Satisfaction of the needs of socially disadvantaged families and communities, poor citizens returning to the country, work-integration of vulnerable groups of citizens
France	General-interest cooperative society	National law, 2001	Production or provision of goods and services of collective interest, which present a character of social utility
Greece	Limited liability social cooperative (Koi.S.P.E.) Social cooperative and working cooperatives	National law, 1999 – the first version 2011 – the second version Draft of new Law of 5 June 2016 (do not adopted yet)	Work integration, social care; provision of services that satisfy collective needs/local development
Germany	Work integration social enterprise (any legal form including cooperative one)	Federal law, 2001	Work integration of vulnerable populations, including long-term unemployed
Great Britain	Community interest company (in form of limited company or cooperative) Cooperative and community benefit society	Community Interest Company Regulations, 2005 Co-operative and Community Benefit Societies Act, 2014	The wide field of activity that meets the needs of the community. Compliance with social objectives is assessed a special institution (the CIC Regulator) Any legitimate business that has a social orientation, with the exception of business for profit, mainly for the payment of interest, dividends or bonuses to members of the company
Finland	Social enterprise (market oriented cooperative)	Act on Social Enterprise, 2003	Work integration of jobless or socially disadvantaged people, local development
Poland	Social cooperative	National law, 2006	Social and professional reintegration of jobless and/or disabled persons, social care and educational activities
Hungary	Social cooperative	National law on cooperatives, 2006	To find employment for coops members who are jobless or socially disadvantaged, and to encourage the improvement of their social situation by other means
Czech Republic	Social cooperative	Commercial Corporations Act, 2012	Work integration of jobless or socially disadvantaged people, social care and educational activities
Croatia	Social enterprise (via cooperative form)	Cooperatives Act, 2013	Work integration of jobless or socially disadvantaged people, social care and educational activities
Denmark	Social enterprise (any legal form including cooperative one)	Law on Registered Social Enterprises, 2014	A national Committee on Social Enterprise recommended an administrative registration scheme for social enterprises taking on a variety of different Legal Forms. The registration system is built on the assessment of social activity that the absence of regulation in some instances may cause problems for social enterprises in terms of legitimising their business and developing a form of common identity.

The table is based on sources: <http://www.eurice.eu/wp-content/uploads/2015/03/social-economy-guide.pdf>; <http://www.bis.gov.uk/cicregulator/>; <http://www.legislation.gov.uk/ukpga/2014/14/contents>; http://www.bdv.at/wordpress/wp-content/uploads/2012/06/WISE_Bericht_DE_2009_final.pdf; [2, Annex 1]; [22]; [24]; [25]; [26].

**Changes in employment in cooperatives and the employed population in general
in the region Emilia-Romagna between 2008 and 2013**

	2008	2010	2012	2013	2013 to 2008	2013 to 2012
Employed population	1979560	1942490	1968860	1937630	97,9%	98,4%
Employment in cooperatives	166244	165696	172217	171341	103,1 %	99,5 %
Employment in social cooperatives	34170	36599	38156	38372	112,3 %	100,6 %

Source: Unioncamere Emilia-Romagna, 2013; www.istat.it.

profits do not have rights to either element, in social cooperatives the owners (that is, the cooperative's members) have full control rights over the firm but not over its profits, since when the cooperatives are allowed to distribute part of their profits, their assets are normally locked. On the other side, social cooperatives in the Italian case have often a multi-stakeholder membership, including in their governance all the different actors participating in the production process: workers, volunteers, customers, and even other private or public organizations..." [26, p. 9]. Thus, social cooperatives can be seen as one of the most developed and successful models of social enterprise. . Since, as a rule, the social cooperatives are the result of the initiative "from the bottom - up" and concentrate civic initiative as an additional resource, they are an effective sample of various social issues solution. Moreover, this is true both for countries with well-developed and stable welfare system, as well as for countries that need to restructure their social security system and social welfare, for example, for Ukraine.

For Ukraine is useful to study the experience of the neighboring country, Poland, which is also actively developing social cooperatives. Prerequisites for the implementation of social cooperatives in Ukraine may be formed with consideration of the best achievements international experience, including one that can be adapted to local realities. Neighborhood location both countries, a lot of common in historical and cultural heritage, socialist past, all these criteria determine the necessity of applying the experience of development of social cooperation in Poland [28, p. 84]. A lot changes in respect to social cooperation occurred here during the period shortly before the country access to the European Union. EU policy with corresponding funding, as well as improvements in social policy towards active form have contributed to the rapid popularization of social economy in Poland. The Act on the social cooperatives was put on effect in 2006. Its main aim is bringing back to the labor market and joint entrepreneurship people who are in danger of the social exclusion, people who have low chances for employment, as well as enabling the unemployed people to be active in their profession. The founders of the social cooperatives may be the

physical persons, and the number of a cooperative workers cannot be less than 5 and not higher than 50 people [29]. The Act stated the concrete physical persons who are allowed to create the social cooperatives are: unemployed; alcohol and drug addicted, and other people with abuses after the treatment; homeless who realize an individual program of overcoming the homeless; ex-prisoners who have difficulties for social integration; persons with mental disorders; refugees who have problems with the integration; disabled who have able to perform the legal actions; other people not mentioned above, on condition that their number does not exceed the 50% of the general number of the founders.

After the novelization of the Act in 2009, the social cooperative can also be established by at least two legal entities from the following list: NGOs, local self-governments' entities or the ecclesiastical legal entities. After the establishment of the social cooperatives, the legal entities are obliged to employ at least 5 workers out of the mentioned above, within 6 months since day of registration of the social cooperative in the National Court Register. After 12 months of the continuous employment on the cooperative, employed workers can become its rightful members.

People who establish the social cooperative are allowed by the law to apply for the disposable subsidiaries from the Labour Fund resource for undertaking of the business activity, dismissal of the court charges expected while establishment of the social cooperatives, refund of the shares paid for the social insurance, tax allowances, running the simplified accounting in the cooperative, voluntary support, possibility to obtain the public task and social clause in the public orders. The activity of the social cooperative can also be supported with the funds from the budget of the local self-government units: subsidiaries, loans, services or the counseling in the financial, accounting, economical, legal and marketing extent and reimbursement of the scrutiny costs.

Social cooperatives in Poland operate in many different sectors (such as construction, catering and hotels, craft, environmental protection and tourism). The current data issued by the Polish National Council of Cooperatives (Krajowa Rada Spółdzielcza) shows that

there are about 11,655 cooperatives in Poland, including those in shutdown process. Most traditional cooperatives (such as housing, manufacturing, rural agricultural, worker and bank cooperatives, cooperatives for the disabled and other types of traditional cooperatives) declined in numbers after 1989. More than 60% of all cooperatives were established before 1989. The whole cooperative sector is dominated by housing cooperatives, which represent 38% of the total number of cooperatives. Worker cooperatives constitute 8.5% of all cooperatives. Only social cooperatives, as a new type, have emerged in the Polish social economy landscape after passage of the new legislation of 2006, and their number has grown dynamically. In 2007, there were only 70 social cooperatives and their number had increased up to 470% by 2011, while this unprecedented growth is still occurring. The new legislation entailed supportive measures for the start-up and operation of social cooperatives, especially in the area of job creation. However, they are subject to high risk both in terms of their membership and the lack of mechanisms supporting their operations, such as raising the quality of services, adaptation activities and access to funds for investment (most often – if not always – they have only enough money for start-up costs). Many of them are not in a position to defend themselves on the open market [30].

In Ukraine, the cooperative form of business is not sufficiently developed, even in a traditional sphere of cooperation, such as agriculture, trade and catering [18, p. 89 – 90]. At the same time in the country for quite a long time, there are significant needs and real possibilities of formation and expansion of the cooperative sector, not only in traditional industries, but also in such areas as construction, coal mining, and social services [31, p. 37]. As for social cooperation, it should be noted insufficient role played by social cooperatives in the post-communist countries, especially in Ukraine. This is a relatively new trend in the world-wide cooperative movement remains undervalued in Eastern Europe. There are various factors that explain such status, when despite the existing demand for general interest services there are lack of entrepreneurial behaviours on the part of groups of people who are able to create and run a social cooperative. These factors comprise: the lack of supporting environments and infrastructures; a restricted access to resources; unsuitable institutional framework and conflicting legal environment or even a legal vacuum on the social cooperatives, which result in a lack of legal regulations and unsuitable legal frameworks that fail to consider the social commitment and degree of disadvantage taken on by social enterprises into account. In addition, the fragile political systems where social enterprises are fit in prevent them from building medium and longer term strategies and the lack of skills of social entrepreneurs adds to the chronic financial instabilities of most social enterprises. Overall, the roles displayed by other than investor-owned orga-

nizations and public agencies in the social systems and economies of post-communist countries are widely untapped. Social enterprises are still considered as “filling the gaps” agents rather than long-term welfare and economic actors (see [32, p. 203 – 206]). The experience obtained by author during participation in elaborating of several strategies and programmes for small business development in the Donbass and consulting for several social entrepreneurship projects shows that a lack of information on the process of starting and driving a social enterprise might be viewed as a barrier for some initiatives. However, the experience also proves that, despite this, setting up a social enterprise in the Ukrainian not-for-profit sector even under existing legal frameworks provides a real opportunity for getting social values.

In April 2013 the Committee on Economic Policy of Verkhovna Rada of Ukraine considered the bill “On social enterprises”, which was presented by the MP O. Fel’dman. According to the conclusion of the Chief scientific and expert department of the Parliament and the comments of the Committee members, the bill was rejected. MP O. Fel’dman in April 2015 again submitted to the Committee on Economic Policy of Verkhovna Rada of Ukraine the bill, while almost did not change its content [33]. The bill had been included in the agenda of the second session of the eighth convocation of the Verkhovna Rada in November 2016, but until now has not been considered. In the paper [34] a critical assessment of this bill is given. In addition to the comments and suggestions to improve the bill, it is necessary also to enter into this document the concept of social cooperative, to expand the scope of social enterprises, and to submit at least the overall design of ecosystem for social enterprises functioning.

In order to introduce the European experience on development of social cooperatives sector in Ukraine, public authorities should take into consideration the World Standards of Social Cooperatives approved by CICOPA General Assembly on 16 November 2011. According to these standards, national legislation on social cooperatives should meet the following main characteristics [35, p. 2 – 4]:

1. *Explicit general interest mission.* The most distinctive characteristic of social cooperatives is that they explicitly define a general interest mission as their primary purpose and carry out this mission directly in the production of goods and services of general interest. Work integration, which is a key mission of many social cooperatives, should be considered as a service of general interest to all intents and purposes, regardless of the types of goods or services which they produce.

2. *Non-state character.* In accordance with the fourth cooperative principle (autonomy and independence), social cooperatives are non-state entities. As such, they should be substantially independent from the public sector and from other entities, independently from the forms and amounts of aid, which they might receive, the

partnership agreements with state authorities, which they could enter into, and even representation of state authorities, which might exist within their membership.

3. *Multi-stakeholder membership structure.* A governance structure potentially or effectively based on multi-stakeholder membership is an important characteristic of social cooperatives.

4. *Substantial representation of worker members.* Worker-members should be represented at every possible level of the governance structure of a social cooperative. The representation of worker members should be higher than one third of votes in every governance structure. In the case of work integration social cooperatives, at least 51% of the members (disadvantaged workers and other workers put together) should be workers. In both cases, at least 51% of workers should be members. In addition, all the standards of the standards of the World Declaration on Worker Cooperatives should apply to worker-members.

5. *Non or limited distribution of surplus.* Whereas cooperatives may use part of their surplus to benefit members in proportion to their transactions with the cooperative (third cooperative principle), social cooperatives practice limited distribution or non-distribution of surplus. However, this way to apply the third cooperative principle should be adapted to each specific context.

Conclusion. Social cooperatives are among the most vital actors of the economy in today's world, showing the capacity to understand the great change and challenges that our societies face today. The conceptions of social economy, social enterprises and cooperatives are deeply rooted in the social, economic, political and cultural contexts of almost all European countries. Unfortunately, Ukraine is far behind in this movement, to be precise not headway in general. A set of basic legal, political and organizational measures can help to create an appropriate environment for social cooperation development that can improve the impact of social entrepreneurship on the national and regional economies and welfare systems in Ukraine. The principal requirement is to create a favourable legal context, which treats social enterprises / cooperatives similar to business organizations, such as has been done in some developed countries (say, Italy, Spain, Poland), which have instituted legal frameworks for specifically support this sector. In doing that, it is needed also to keep in mind the distribution of competences between the central, regional and local public authorities under current process of decentralization. Thus one can conclude the following:

- *The Law "On social enterprises in Ukraine"* should play the role of framework document that define the essence of subject, the basic criteria and procedures for granting the status of a social enterprise to concrete entity, the main responsibility of government and regional public authorities for promoting social enterprises. The appropriate ecosystems for functioning of

social enterprises and for infrastructure their support have to be set by regional and municipal authorities.

- The following institutions of supportive infrastructure are crucial to consolidate and optimize a social cooperative development process:

- Business support institutions, deep-seated in the territory, such as cooperative development centres, training centres, advisory institutions, nonbanking financial instruments (allowing for a better access to bank loans) etc. They aim at promoting and supporting cooperatives and other social enterprises in order to ensure the long-term sustainability of their activity, including the development of new entrepreneurial models and solutions in response to articulated needs and aspirations.

- Consortia and groups of cooperatives that cluster to engage in common activities or share their resources to achieve common goals.

- Local/regional/national associations, according to the dimensions and needs of the social cooperative movement. They are responsible for the representation of interests with institutions (public authorities, trade unions, universities etc.) and other types of associative/political networking among the represented social cooperatives. The autonomy and democracy of these institutions (whose leadership is elected by members) from governments guarantees a commitment centred on members/beneficiaries and the reflection of the grassroots' will.

- It will be useful to elaborate the national and regional *Strategies for social entrepreneurship development*, which will set out four high level objectives for the period at least 3 years:

- To increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship;

- To upgrade existing supportive environment for entrepreneurship;

- To promote the employment of vulnerable groups in the labour market; and

- To improve social services for disable and socially vulnerable people (lonely old persons, long-term unemployed, temporarily displaced persons, ex-criminals, alcohol and drug-addicted etc.).

- The courses on the social economy, social entrepreneurship, and social cooperation have to be elaborated and incorporated in the universities' curricula.

Topics for investigating and discussing.

Partnerships between social cooperatives and conventional enterprises. Social cooperatives and conventional enterprises can promote strategic partnerships to enhance the capacity of combining the social value of the former with the managerial competences and excellence in producing goods and services of the latter. Creation of work opportunities for disadvantaged persons and their integration in conventional enterprises, promotion of welfare solutions for employee are among the most common forms of collaboration.

Social cooperatives and local development. The country has areas where the decrease of socio-economic factors can lead to social exclusion and marginalisation of entire communities (for instance, the territories where anti-terrorist operation has been holding). In these areas, social cooperatives are increasingly proving their capacity of inclusion, promoting local development, building new connections with local actors (municipality, associations, etc.) and strengthening strategic partnerships with conventional enterprises and clusters.

Financial instruments for the development of social cooperatives. There are different financial needs of social cooperatives, presenting different levers that can be activated and their connection with the different steps in the development process of the cooperative: start up, consolidation, innovation, etc. Thus, it will be useful to study funding programs that have been developed in the countries advanced on social enterprises sector promotion.

The challenge of migration and living conditions of temporarily displaced persons: policies, inclusion, social aid. The different aspects of migration and the role of the social cooperative movement in migration policies, work integration and social welfare system for migrants and temporarily displaced persons.

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Лях О. В. Соціальні кооперативи: чи приймиться коріння європейського досвіду в Україні?

Потенційний внесок соціальних кооперативів та інших форм соціальних підприємств в інтеграцію, зайнятість, створення робочих місць і надання послуг залишається значною мірою нереалізованим в Україні. Дана стаття присвячена аналізу ролі соціальної кооперації в забезпеченні можливостей для зайнятості і широкого спектру соціальних послуг для спільнот за інтересами та місцевих громад. Інституційні аспекти та правові рамки, розглядаються з метою визначення відповідної системи інфраструктури і середовища для підтримки і стимулювання сектору соціальних підприємств. Увагу також приділено рамкам політики для підтримки соціальних кооперативів на мезорівні (регіональному), беручи до уваги триваючу децентралізацію публічної влади, яка, що дозволяє уточнити: який рівень влади повинен нести відповідальність за конкретні заходи політики розвитку.

Ключові слова: соціальні кооперативи, сектор соціальних підприємств, політика підтримки соціального підприємництва, правова база і інститути для підтримки соціальних підприємств, місцеві громади.

Лях А. В. Социальные кооперативы: укоренится ли европейский опыт в Украине?

Потенциальный вклад социальных кооперативов и других форм социальных предприятий в интеграцию, занятость, создание рабочих мест и оказание услуг остается в значительной степени нереализованным в Украине. Данная статья посвящена анализу роли социальной кооперации в обеспечении возможностей для занятости и широкого спектра социальных услуг для групп по интересам и местных общин. Институциональные аспекты и правовые рамки, рассматриваются с целью определения соответствующей системы инфраструктуры и среды для поддержки и стимулирования сектора социальных предприятий. Внимание также уделено рамкам политики для поддержки социальных кооперативов на мезоуровне (региональном), принимая во внимание продолжающуюся децентрализацию публичной власти, что позволяет уточнить: какой уровень власти должен нести ответственность за конкретные меры политики развития.

Ключевые слова: социальные кооперативы, сектор социальных предприятий, политика поддержки социального предпринимательства, правовая база и

институты для поддержки социальных предприятий, местные общины.

Lyakh O. Social cooperatives: whether the European experience takes root in Ukraine?

The potential contribution of social cooperatives and other form of social enterprises to work integration, job creation, and service delivery remains largely unrealized in Ukraine. This paper focuses on an analysis of the role of social cooperation in providing employment opportunities and wide range of general interest services for stakeholders and local communities. Institutional aspects and legal frameworks are considered in order to define the appropriate environment system for social enterprises sector support and fostering. Attention was also paid to frame of the policy for social cooperatives support on the mezzo-level (regional), taking in account ongoing decentralization of public authority that is allowing to clarify what level of authority should be responsible for concrete policy measures elaborating.

Keywords: social cooperatives, social enterprises sector, social entrepreneurship support policies, legal frameworks and institutions for social enterprises support, local communities.

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