



*Livelihood Improvement through Fostered Employment (LIFE)
For People with Disabilities Program*

REPORT ON LIFE PROGRAM EXPERIENCE IN ESTABLISHING OF SOCIAL ENTERPRISES

2016

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	3
1. INTRODUCTION	4
2. JUSTIFICATIONS	5
3. THE CONCEPT OF SOCIAL ENTERPRISE	6
4. SOCIAL ENTERPRISES CREATED WITHIN THE FRAMEWORK OF THE LIFE PROGRAM: the format and basic principles	7
5. SOCIAL ENTERPRISES CREATED WITHIN THE FRAMEWORK OF THE LIFE PROGRAM: an analysis of the activities	9
5.1 METHODOLOGY	9
<input type="checkbox"/> Sample	9
<input type="checkbox"/> Research questions	10
5.2 SURVEY RESULTS	11
<input type="checkbox"/> SE as a structure	11
<input type="checkbox"/> SE social performance	12
<input type="checkbox"/> SE economic performance	16
<input type="checkbox"/> SE economic impact on the standard of living of people with disabilities	20
<input type="checkbox"/> The efficiency (productivity) of the disabled employees	20
<input type="checkbox"/> SWOT analysis of social enterprises	23
Conclusions and Recommendations	25

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Save the Children LIFE Program

1. INTRODUCTION

Since 2012, with funding support from US Agency for International Development, *Save the Children* International has been implementing *Livelihood Improvement through Fostered Employment for people with disabilities* (LIFE) Program (2012-2016) in Armenia, which aims at promoting equal employment opportunities and access to employment as a basic human right for people with disabilities.¹

Activities within the framework of the LIFE Program targeting to ensure employment for people with disabilities (PWD) also include establishment of *social enterprises* in cooperation with business structures, NGOs, local self-government bodies and technical and vocational education and training (TVET) institutions.

This model is an analysis and summary of the experience with *social enterprises* established and expanded within the framework of the LIFE Program and is addressed to the RA Government, international and local organizations, employers and companies pursuing social entrepreneurship that aim to support the formation and development of a sustainable and fundamental social entrepreneurship institute in Armenia, as well as the involvement and integration of people with disabilities in the workplace.

The document presents comments and practical advice on how to run a social enterprise, theoretical concept targeting the regulation in the field, as well as some suggestions for legislative regulation.

¹ The program description is presented in Appendix 1.

2. JUSTIFICATIONS

The movement of social entrepreneurship and establishment of social enterprises is gaining momentum in the whole world. On each continent, social enterprises are challenging the most complex social issues, at the same time creating workplaces and ensuring a sustainable economic growth. By cooperating with social enterprises and promoting their activities, it is possible to achieve long-term budgetary savings through reallocation of the state funds targeting advancement of social issues, unemployment reduction and productivity increases in the country.

The role of social enterprises and generally of social economy in promoting employment is widely recognized and is already established by analytical data. According to research data, social enterprises provide profitable employment for almost 40 million people in the whole world and 200 more million people work as volunteers in social enterprises.

Fourteen point five million people (almost 6.5% of the population of working age) in the European Union are either working in social enterprises, or have found jobs through social enterprises. This indicator is higher in Sweden, Belgium, Italy, France, and the Netherlands where people working in social enterprises make up 9-11.5% of the active workforce.

In the European Union, different forms of social enterprises (cooperatives, foundations, NGOs) make up 10% of the organizations pursuing entrepreneurial activities – more than two million institutions. More than 30 higher education institutions in the world (including, Harvard, Stanford, and Oxford) offer education programs on social entrepreneurship.²

Over the recent period, within the context of social sector reforms implemented in Armenia, there has been much discussion about the idea and purposes of social entrepreneurship and social enterprises and about the need for having and establishing social enterprises despite the fact that the RA legislation does not currently view *social enterprise* as a legal-organizational form of legal entity. At present, pilot projects are being implemented in different marzes of Armenia with the support of international donor organizations. The aim of these projects is to demonstrate the results that can be anticipated when establishing social enterprises. At the same time, studies are being conducted to highlight the purposes of establishing social enterprises, to emphasize the criteria (characteristics) of social enterprises, which make them different from other organizations.

Within the framework of the LIFE Program, Save the Children has invested major efforts into outlining possible approaches to legislative regulation of social enterprises in the Republic of Armenia, and particularly, in emphasizing the legislative criteria and legal-organizational form of social enterprises taking into consideration its own experience and viewpoints and suggestions³ of partner organizations.

² *Social Enterprises: A Comparative Analysis of the International Experience*, Save the Children/ Unison NGO, Yerevan 2015, (www.life-disability.am).

³ At present, practical steps are being taken with the framework of the LIFE Program to describe and formulate a legal model of social enterprises in *the RA Law on Protection of Rights of People with Disabilities and Their Social Inclusion* and to fix the relevant provisions in the same law.

3. THE CONCEPT OF SOCIAL ENTERPRISE

The study⁴ of the best practices of international experience demonstrates that the main purpose of a social enterprise is to make a social impact, to improve the lives of people with disabilities, socially vulnerable people and their environmental conditions. A social enterprise does not pursue an aim to gain profit for its founders (stakeholders and shareholders). The profit gained as a result of the entrepreneurial activities of a social enterprise is primarily used for public and social purposes.

A social enterprise is not an independent legal-organizational form of legal entity; it is a conceptual notion, within the context of which the purposes of its creation and activities are prioritized. The legal-organizational form of the organization be it commercial (limited liability company, shareholding company, etc.) or non-commercial (public organization, foundation, etc.) is not essential for a social enterprise. To become known as a social enterprise, the important things are its aims and criteria (public-benefit goal, participatory management, utilization of the profit for public-benefit purposes), which the organization must correspond to.

At present, the legislation of the Republic of Armenia does not provide any legislative regulation of social enterprises; however, in principle, possible and acceptable approaches to social enterprises are as follows:

- The social enterprise commits certain part of its profit to the realization of public and social purposes;
- The social enterprise can employ people considered as non-competitive⁵ in the market, including those with disabilities, as well as parents of children with disabilities;
- The management of the social enterprise is transparent and participatory, which means that representatives of NGOs, enterprise beneficiaries, as well as of local self-government bodies participate in the management of the social enterprise.

As already noted, in the initial (present) stage, the purpose behind establishment of social enterprises can be promotion of employment opportunities for people with disabilities. By the

⁴ In 2015, within the framework of the LIFE Program, *Unison* NGO carried out a *Study on the International Experience of Social Entrepreneurship*, the results of which are presented on the website www.life-disability.am
⁵“The criteria for the uncompetitiveness of the unemployed in the labor market are: 1) the fact of being disabled, 2) the social status of the person, 3) the person’s age, 4) the period during which the person has the status of the unemployed, 5) the place of the person’s residence (borderline, highland, alpine, urban, rural), 6) the fact of being a refugee, 7) the level of the risk for leaving the country in search of employment, 8) the fact of the first entry into the labor market, 9) the possibilities for the person to find a job or get enrolled in vocational training programs, 10) the fact of taking care of an under-three-years –of- age child, 11) the fact of being registered at the authorized body within six months after demobilization from the compulsory military service.” *The RA Law on Employment* (adopted on December 11, 2013) <http://www.parliament.am/legislation.php?sel=show&ID=4860>

way, this is well demonstrated by the pilot projects that have been implemented in Armenia up to date.

On the other hand, not to limit the establishment of a social enterprise by the purpose of exclusively securing employment possibilities for people with disabilities, yet another criterion can be accepted. Irrespective of the fact of employment of people with disabilities, an organization can be considered a social enterprise if certain percentage of its profit is targeted to the realization of public and social purposes.

4. SOCIAL ENTERPRISES CREATED WITHIN THE FRAMEWORK OF THE LIFE PROGRAM: the format and basic principles

Guided by the necessity to ensure employment opportunities for people with disabilities, Save the Children and its partner organizations created a number of *social enterprises*⁶ in Yerevan and Ararat, Aragatsotn, Gegharkunik, Shirak, Syunik and Vayots Dzor marzes within the framework of the LIFE Program in 2013-2015. As a result of this initiative, more than 200 people with disabilities have developed their working capacities, have been retrained and provided with long-term jobs.

The following formats have been used for the establishment of social enterprises within the framework of this initiative.

- a) The establishment/expansion of *social enterprises* **through cooperation between a business structure and local NGO** (11 enterprises). For this format, the LIFE Program made a 65% investment and the highest invested sum was 14 million AMD. The 35% of the invested sum was contributed by partner organizations.
- b) The establishment/expansion of *social enterprises* through cooperation only with a **business structure** (3 enterprises). For this format, the LIFE Program made a 50% investment and the highest invested sum was 17 million AMD. The remaining 50% of the invested sum was contributed by a partner business structure.
- c) The establishment of *social enterprises* **through cooperation with local self-government bodies**, which resulted in creation of community based social enterprises (3 enterprises⁷). For this format, the LIFE Program made a 50% investment and the highest invested sum was 27 million AMD. 50% of the invested sum was provided by self-government bodies and other donor organizations.

⁶ A list of social enterprises created within the framework of the LIFE Program is presented in Appendix 2.

⁷ In September of 2015, Save the Children, within the framework of its LIFE Program, initiated the establishment of yet another social enterprise through cooperation with the Abovyan municipality of the Kotaik Marz, bringing the number of social enterprises created with involvement of local self-government bodies to three.

- d) The establishment of *social enterprises through cooperation with TVETs* (1 enterprise). For this format, the LIFE Program made a 65% investment and the invested sum made up 14 million AMD. The 35% of the invested sum was provided by the partner TVET.

All of the four cooperation formats have placed a high priority on employment of people with disabilities and as a condition all social enterprises have engaged at least 8-10 PWD or at least 50% of all the employees.

All the initiatives were:

- To target the creation of **integrated working conditions**;
- To contain component for **adaptation of the workplaces**;
- To develop **institutional capacities to work with people with disabilities** of the cooperating organizations;
- To include monitoring of the **working conditions of** and psychological/technical assistance⁸ to the employed **people with disabilities**;
- To have clear management and business plans for the initiative, as well as a risk assessment and sustainability plan.

⁸ The monitoring of the working conditions of the employees of the social enterprises created within the framework of the LIFE Program, as well as the provision of psychological/technical assistance have been carried out by the Save the Children's LIFE Program and partner organizations, as well as by representatives/social workers of the State Employment Agency of the RA Ministry of Labor and Social Issues.

5. SOCIAL ENTERPRISES CREATED WITHIN THE FRAMEWORK OF THE LIFE PROGRAM: an analysis of the activities

To evaluate the social and economic performance of the social enterprises created within the framework of the LIFE Program aimed at providing employment to people with disabilities in the Republic of Armenia, in December of 2015 Save the Children carried out a study of the activities of 17 SEs, which targets to reveal and document the SE strengths and weaknesses, external opportunities and risks, to identify positive and negative factors and issued for SE activities, as well as to come up with justified conclusions and recommendations. The study was conducted to develop an applicable SE model for the Republic of Armenia for subsequent replication and expansion.

5.1 METHODOLOGY

To evaluate the SE activities, a qualitative method of data collection was used, as a result of which it was possible to collect and analyze the opinions and judgments of all participants in the process: representatives of the State Employment Agency of the RA Ministry of Labor and Social Issues, NGO heads, Ltd/IE (individual entrepreneur) heads, and employees with and without disabilities.

- **Sampling**

Specifically, by using open-ended and closed-end questionnaires 41 semi formalized interviews were conducted with the following participants:

- NGO heads – 9
- Leaders of SE- 9
- SE employees with disabilities - 18
- SE employees without disabilities - 5

The employees with disabilities were randomly selected from 184 employees with disabilities of all the social enterprises that were present at the workplace at the time. The sampling makes up 10%: overall 18 people (13 female, 5 male).

The survey participant people without disabilities were selected from those social enterprises, which prior to cooperating with the LIFE Program had been working business structures and later, as a result of the cooperation, expanded the business by engaging people with disabilities.

In-depth interviews were conducted with one representative from the State Employment Agency (SEA).

- **Research questions**

A separate tool – questionnaire⁹ was developed for each surveyed group. Nevertheless, for research purposes, all the questionnaires used in the process contained, one way or another, the following questions:

a) Topicality

- *To what extent is SE a topical means to promote the employment of people with disabilities?*
- *To what extent is SE topical to secure the social and economic inclusion of people with disabilities?*
- *To what extent is SE a topical means to ensure financial sustainability of NGOs?*
- *To what extent is the Save the Children’s LIFE Program assistance topical/adequate for the establishment of SE?*

b) Effectiveness/impact

Social

- *How effective is SE from the perspective of ensuring an inclusive, non-discriminatory working environment at the workplace?*
- *How effective is SE from the perspective of improving communication and social integration of PWD and enhancing their self-esteem and self-confidence?*
- *How effective is SE from the perspective of increasing the business community’s awareness of and interest in PWD working rights, social responsibility and SEA support programs?*
- *How effective is SE from the perspective of increasing the awareness of the population, including people with disabilities, of PWD working rights?*

Economic

- *How effective is SE as a profit-making organization (self-sufficient, cost-effective, profitable)?*
- *How effective are people with disabilities as a workforce?*
- *To what extent does being SE-employed help the improvement of PWD standard of living and is it more preferable than benefits/pensions?*
- *What are the main factors that help/do not help SE desirable outcomes?*

c) Sustainability

- *How far-reaching are prospects for SE future activities?*
- *How willing and capable are SEs to keep PWD employed after expiration of contracts?*
- *How likely is the SE idea’s further expansion in the Republic of Armenia?*

⁹ Samples of the questionnaires used during the research are presented in Appendix 3.

5.2 SURVEY RESULTS

- **SE as a structure**

Given the fact that at present the RA legislation does not, in any way, define the legal-organizational form of and relevant criteria for *social enterprise*, the enterprises founded within the framework of the LIFE Program are registered as IE (individual entrepreneur) or Ltd, under the relevant legal-organizational type.

According to the heads of the surveyed enterprises, the main factors conducive to creating/becoming a social enterprise can be divided in two groups:

The first-group factors can be classified under the category “social”, according to which the decision to create/become an SE is based on the experience of interacting with people with disabilities (and, in general, with socially vulnerable groups of society) or in cooperation with such NGOs which promote the defense of PWD interests and solution of their employment issues.

The second-group factors can be classified under the category “economic”, according to which the creation/establishment of an SE in the present-day realities of Armenia is first of all a good opportunity/chance to receive a grant and to scale up the already existing entrepreneurial activities. It is also a good opportunity to ensure the financial sustainability of NGOs by generating income through SE and “nurturing” the NGO, i.e. transforming the NGO-business nexus into a mutually feeding/funding chain. For such a big enterprise as *Lentex Ltd*, it was also a good opportunity to expand the enterprise, as well as to solve the issue of social responsibility.

A social enterprise created by an NGO initiative is a relatively new idea in the Republic of Armenia. The survey participant NGOs pointed out numerous problems, including that 1) as of now, no clear-cut mechanisms are developed to target the income generated through economic activity of an NGO to its charter purposes and to promote NGO financial sustainability, 2) SE still lacks a legislative definition outlining relevant criteria and privileges.

The SEA representative noted, *“I believe that at the present moment there are no SEs, there are ordinary enterprises which employ people with disabilities”, “...in the past we had a state program on overcoming the poverty... at that time a new point was added stressing that the Government would encourage and assist establishment of SEs, besides a certain number was set for those organizations that had 50 or more employees with disabilities... But this program was frozen due to the crisis.”*

The SEA representative also noted that encouragement mechanisms and state support is necessary for creation and maintenance of SEs, *“a number of important points need be added to the Law on State Procurement to the effect that if orders are placed or any SE necessary produce is made, priority, other things being equal, be given to SEs.”*

- **SE social performance**

Social inclusion of people with disabilities

The SE employees with disabilities have primarily been selected in the following way:

- Having the experience of dealing with people with disabilities, the employer personally knew the potential employee with disability. The Informatics College-based SE selected its employees from among former students¹⁰ that excelled in their studies and demonstrated good abilities.
- Through and following the suggestion of NGOs dealing with PWD issues, from among different program beneficiaries.
- From among those registered at Employment Centers.
- Through a competition, by placing announcements in the mass media outlets and on social networks.

Some SEs have used one of the above methods, and others have used a combination of a few of them.

The majority of the surveyed people with disabilities have been working in a given SE for more than a year. Some of those surveyed had worked before being registered as a disabled person; the others worked many years ago and afterwards had a long gap in work. Few among them have received *Paros* benefits.

Work integration

With the exception of the *Lentex* Ltd, the prevailing majority (50-70%) of the employees of all the other SEs are people with disabilities, so employees without disabilities make up lesser percentage. For this reason, to some extent it is difficult to talk about discrimination in the workplace. At least the general picture is such that SE-employed people with disabilities are not subjected to discrimination and almost all of them are pleased with the attitude of their colleagues and management. According to the surveyed employers and employees, SE working atmosphere is warm, the attitude is friendly and well-wishing and interrelations are healthy and business-like. Only three of the interviewed people with disabilities said that they believed that for the same work they were remunerated less than employees without disabilities. However, this was not confirmed by the employers.

None of the research participant employees without disabilities noted that the presence of people with disabilities in the collective constrained them in some ways, made them feel inconvenient or angry . On the contrary, many note that they are inspired by the fact. Both

¹⁰ The Informatics College of Yerevan has also participated in *the Vocational Education for People with Disabilities Program* (2013) implemented within the framework of the LIFE Program and have provided 60 young people with disabilities with a retraining opportunity to specialize in programming, web design and computer accounting.

employees with disabilities and without disabilities stated that they have their lunchtime break together and together participate in corporate events.

The employees have noted that they witnessed a caring, but “not pitying” attitude towards those with disabilities. Most of them did not share the idea that it would be better if only PWD-employing enterprises were established since that “would widen the gap.” The employees confirm that higher or lower reward or management’s special attention would offend those disabled and therefore the equality should be maintained.

“...It is good that some employees are offered psychological assistance, training courses; they feel self-confident,” notes an SE employee without disability, female, 50 years of age.

“...If integration starts in the kindergarten and school it will be easier to integrate at our age, it will be considered natural...,” notes an employee without disability, female, 48 years of age.

The survey participant people with disabilities pointed out some problems which they came across while working at SEs. Those were primarily problems of low, delayed payments, or, according to one of the interviewed, offering produced goods as payment for work. A number of the respondents noted that they do not manage to keep up with others in performance of their work-related responsibilities. They also informed that they experience difficulties in their work, get tired and have health problems.

Together with problems, the respondents pointed out the positive influence of the work on their mental state and socialization.

“After the amputation of my leg, I spent 15 years sitting at home, without any socialization with people, ...I put on weight, I was in a depressive state...Now, I leave my house, socialize, even though with people with disabilities...I have a stimulus to work and live,” notes an SE employee with disability, female, 35 years old.

“This is the first work experience for 5 employees with disabilities at our enterprise...Of course, it has helped their social integration,” notes an SE Head from Gegharkunik.

In spite of the enumerated problems, all of the respondents in the survey agreed that in any case it is better to work if you have an appropriate opportunity.

Almost all SE-employed people with disabilities have been enrolled in professional training organized by their employer or an NGO and continue to receive continuous guidance. All of the respondents have been pleased with that work-related guidance.

After getting a job at SE, the people with disabilities were provided with psychological assistance by NGO social workers or an employee of the LIFE Program. The employers and employees spoke very highly of the psychological assistance, noting that it helps PWD adaptation in a new place, overcoming the inferiority complex, an effective communication

between employees and, ultimately, an effective long-term cooperation, and suggested that the frequency of similar meetings be increased.

Some NGOs noted that they periodically conduct monitoring of SE activities, organize meetings, discussions, training courses on capacity building, consultations, including also those on legal issues.

Directors of the business structures argued in their turn that they need psychological consultations and training on correct communication skills with people with disabilities.

The majority of the interviewed SE employees with disabilities noted that the workplace had been adjusted to their needs, and in other cases there was no need for adaptation.

With the exception of the *Unison* studio, where the physical environment was adapted to a large extent, the majority of the remaining employers have not carried out similar large-scale adaptation since, in their words, there was no need for that. Smaller, light changes were made to the workplaces, which the employers managed to do using their own means. The employers noted that not having ramps at the workplaces or having unadjusted rest-rooms can become a real problem for the disabled who are in need of these adaptations.

At this point, it is noteworthy to mention that although a significant number of employers have noted that there was no need for the environment adaptation and just small changes were made, their answers provided to a number of other questions reveal that actually there was a need for adaptation, simply similar necessity was denied within the and they had to find alternative solutions, including changing the assignments and the nature of work.

Noted among the privileges provided to people with disabilities were flexible work hours or a short work day and the possibility to perform some tasks at home. At some enterprises, employees do not have a fixed lunchtime break, some have recreational rooms, and some employers do not require medical certificates for a sick leave. One employer noted that he provides lunch for the employees at the enterprise expense. A number of employers consider it to be a privilege for their employees when they are given bonuses, New Year gifts, fire wood or an opportunity to earn extra money.

To summarize the above, one can conclude that employees with disabilities are overall pleased with their involvement in SE work emphasizing the positive social and psychological impact of the work on the improvement of the quality of their lives.

Integration in society

During the interviews, people with disabilities working at social enterprises responded to a number of questions, which allow to judge the extent to which they are included in a broader society, outside the SE. Their responses demonstrate that 60-80% of SE employees feel as full-fledged members of society, equal to others. The respondents state that after getting employed

they have begun to feel more confident, they go out and socialize with people more often, they have developed new contacts and made friends with others.

“...The co-workers, neighbors, and the environment treat me well, I am not displeased,” notes an SE employee, female, 43 years old.

The majority noted that they are treated as equals in their environment. Some have noted a display of pity.

The majority of the employees with disabilities stated that their family members listen to them/reckon with them more since they are the ones who “bring money” home. Moreover, they have already started to make plans for their future.

The last two assertions attest to both social and to some extent economic integration.

Community awareness

The research provided the opportunity for clarifying to what extent the establishment of social enterprises has promoted societal awareness of the working rights of people with disabilities.

Some of the Directors of social enterprises note that they do not specifically stress the fact of their employees having disabilities to win over clients and markets. There is a concern that it can lead to the formation of a wrong opinion about the quality of the products and services.

“...Society is not ready yet, there are stereotypes that need to be overcome...,” notes an employer from Syunik.

Nevertheless, the greater part of the employers state that their permanent customers are informed and consider the fact positive since they receive quality services.

“...More emphasis should be made on the quality of the product rather than on the status of employees,” notes an NGO/SE Director.

Despite the fact that the work of some social enterprises does not imply communication with wide masses of the population, the inner circles of the working people with disabilities are aware of the SE work.

An effective cooperation of the LIFE Program partner NGOs and SEA is demonstrated by the fact that such a large number of people with disabilities became aware of the possibilities and had the opportunity to engage in SEs. Job announcements were disseminated through mass media, social networks, as well as through the SEA territorial centers. However, yet few of the disabled apply to Employment Centers.

“...They reluctantly apply to employment centers...their self-esteem is low...,” SEA, Yerevan.

Prior to cooperation with the program, the employers too had some concerns.

“...We came to understand and learn many things in the process: how to show a correct approach, communicate, instill self-confidence in them...,” notes an employer from Yerevan.

“...I believe that other, major employers too must get involved and start using the potential of people with disabilities...,” notes another employer from Yerevan.

Thus, it is possible to conclude that both employment of people with disabilities and creation of the so called *social enterprises* help awareness raising of PWD working rights among people with disabilities themselves, business structures, and the general population.

- **SE economic performance**

The economic efficiency of social enterprises

When founding social enterprises, as well as any other enterprise, it is necessary to take care of the initial capital, main contributions and other organizational matters. However, one of the characteristics of the social enterprise is the fact that its charter should clearly spell out those public-benefit social purposes, for which the enterprise was created and to which the profit of the social enterprise will be committed.

The social enterprises established within the framework of the LIFE Program have received their main capital/part of the contribution from the program funds (65%) and the remaining part (35%) has been provided by a cooperating organization. Funds¹¹ contributed by the LIFE Program have primarily been used to purchase equipment and raw materials, to adapt the workspace and for other organizational purposes.

According to the survey participants, they have applied for the LIFE grants program because of the following:

- Non-commercial (public) organizations working with vulnerable groups of the population are interested in founding a social enterprise **to channel the generated income towards the implementation of their strategy and programs and to ensure their financial sustainability.** The funding sources of the NGOs operating in the Republic of Armenia are primarily grants from international donors and private foundations; some of the respondents have also mentioned state assistance in the form of space provision or some other way; one organization has noted membership fees as a financial source.

¹¹ Depending on the number of workplaces to be created, the funds provided for establishment or expansion of social enterprises ranged from 4, 500, 000 AMD (Zartprint, 4 new workplaces) to 27, 000, 000 AMD (the Spitak greenhouse, 20 new workplaces).

- Local self-government bodies are interested in creating social enterprises in order to **receive quality services with minimal expenses** instead of hiring another business structure and paying a market price for the service.
- Business structures have applied for grants to expand/improve their production and at the same *to address the issue of the expected quota¹² and “social responsibility.”* In some cases, the director of the business was a person with disability, whose main incentive was to provide jobs to people with disabilities.
- The main incentive for TVETs that have become inclusive and offer courses to a certain number of young people with disability per year is also *provision of jobs to former students*, especially those who demonstrated exclusive abilities in the process of their studies.

The types of activities of the established social enterprises vary and include food production, photo digitization, laser printing, production of leather bags, apparel, and fabric, installation of solar batteries, IT services, processing of plastic waste, production of films, production of electric devices, cafes, greenhouses and landscape gardening.

As a rule, the enterprise can become cost-effective and profitable in 1-2 years after its founding provided it is correctly managed, carries out proper selection of human resources, organizes production in line with market requirements and has a correct marketing strategy. This research was conducted in 1-2 years after the SE establishment, but being purely sociological, it did not imply special economic calculations and its judgments on economic efficiency are based on statements of the SE heads and on indirect indicators.

For some SE leaders, primarily NGO representatives, this was their first experience with entrepreneurship. Directors of the business structures mentioned having 2-10 years of experience with entrepreneurship.

The general number of employees (both with and without disabilities) fluctuates between 5 and 30 in each SE, only *Lentex* noted that it has 300 employees.

Some of the employers provide employees with disabilities with piece-rate remuneration in accordance with the scope of the accomplished work, others remunerate with fixed salaries; so the net salaries of the employees with disabilities fluctuate between 20, 000 and 100, 000 AMD.

¹² According to the RA Law on Employment (adopted on December 11, 2013): “...Irrespective of the ownership form, organizations are to meet a norm on mandatory provision of workplaces (hereafter quota) for work placement of people with disability and under the age who are entitled to age pension. 3. The quota requirement for state organizations with a hundred and more employees is set to make up at least 3% of the total number of the organization’s employees. 4. The quota requirement for non-state organizations with a hundred or more employees is set to be at least 1% of the total number of the organization’s employees.” (Article 20, Participation of Employers in Implementation of the State Employment Policies.) The quota requirement for state organizations went into force in 2015, and for non-state organizations is effective from 2016.
<http://www.parliament.am/legislation.php?sel=show&ID=4860>

One of the employers covers lunch expenses by the funds of enterprise; another employer compensates the employees with tree branches (as firewood) resulting from tree cutting in the city; 1-2 employers pay extra money to their employees at the end of the year whenever they make large profits.

According to the employers, employees with disabilities are remunerated on equal basis with those without disabilities, and if a PWD is paid less, it is due to shorter work hours or lower qualifications.

Most of the social enterprises have benefited from the state programs¹³ on promotion of employment of people with disabilities: they have received a lump-sum assistance, have adapted the workplace as per the need of the employee with disability, have received a partial compensation of the salary provided to people with disabilities, and have organized professional training. Some employers have rejected this assistance for different reasons: paperwork delays, the necessity for people with disabilities to be registered at an employment center three months beforehand the employment, having no need to adapt the workplace, etc.

The employees with disabilities of almost all of the employers have participated in on-the-job training and internship. Only one employer has noted that the nature of their work (unskilled labor) does not require organization of any special training. They have also noted that for organizing the training practice they cooperated with other structures (for example, the Institute of Applied Problems of Physics, printing-houses or technical maintenance specialists) to provide training courses of better quality. The employers have pointed out some problems connected with human resources selection, which are separately noted in the section on problems.

“...It is not good that we did not have a probation period¹⁴, we would have selected younger and more productive workers...,” notes a business director from Siunik.

The SE heads have primarily noted that it is too early to talk about the SE efficiency and future prospects. It should be noted that economic efficiency is different in each specific enterprise and it is difficult to generalize the results. It is connected with a number of internal

¹³ Annual state programs on regulation of the population’s employment, in which job seekers, the unemployed, and people with disabilities can get enrolled. The basis for engagement of people with disabilities in the programs is the individual rehabilitation program (IRP) developed by the Medico-Social Expertise Agency (MSEA) of the RA Ministry of Labor and Social Issues. Detailed information on the programs is available from regional or territorial centers of the State Employment Agency or the website www.employment.am

¹⁴ “...When employing people with disabilities, no probation period is required for them. When the number of employees or available positions is reduced, the disabled employees have a privilege of retaining their jobs in case of equal work productivity and similar qualifications.” **Article 19 of the RA Law on Social Protection of people with Disabilities in the Republic of Armenia.**

and external factors, which are described in detail in the section on SWOT¹⁵ analysis of this research.

However, most of the employers have noted that SE is efficient: has medium or high productivity. The majority of the SE leaders state that SE is cost-effective, i.e. the achieved economic and social outcomes justify the made investments/incurred expenses.

The majority of the SE heads also note that SEs are self-sufficient, i.e. the generated income is sufficient for salary payments and maintenance expenses. Other heads, mostly NGO and college representatives, state the opposite: SEs are not self-sufficient. The enterprises created through cooperation with local self-government bodies do not pursue profit making and perform municipality orders.

“...Netsuk () does not make profit, the salaries are paid from the state budget,” notes an employer from Lori Marz.

Part of the respondents have confirmed that at present SEs are profitable; the others (primarily NGO representatives) have stated the opposite, that they have not had any profit yet.

“...The generated income suffices only to cover salary and maintenance expenses..,” notes an NGO head from Gegharkunik.

“...At present, due to the crisis in Russia and exchange rate fluctuations, we have problems with selling the produce in the Russian market...we work with a loss...,” notes an Ltd director from Gyumri.

Thus, the main result expected by NGOs, i.e. funding of NGOs through SEs, by and large, has not come true since the income generated by the SEs up to date has only sufficed to cover the expenses for raw materials, salaries, maintenance and state taxes.

The so far low productivity of the social enterprise is conditioned by a number of problems of different levels, ranging from the general socio-economic situation in the country and unfavorable policies for business development to local problems of a specific enterprise connected with inexperience, absence of business mentality and marketing strategy, lack of knowledge of laws, etc.¹⁶

At the same time, the majority of the enterprises continue to operate expecting to become more efficient and profitable in the future. Moreover, none of the interviewed spoke about staff reduction or shutting down the enterprise. All of them stated that they were going to continue their SE activities maintaining all workplaces.

¹⁵ The SWOT analysis – a strategic planning method, which allows to assess the influence of the factors of the organization’s external and internal environment on the organization’s activities by differentiating four main categories of factors: S –strengths, W- weaknesses, O- opportunities, and T-threats.

¹⁶ The problems are described in more detail in the section on the SWOT analysis of this research.

The majority of enterprise owners noted that the financial support of the Save the Children/ LIFE Program is important, pivotal, and sufficient to operate the enterprise to its full capacity.

In their turn, the NGOs noted that the process has been a positive experience for them and has helped to expand their capacities and knowledge. Moreover, all consider the establishment of social enterprises as a successful experience. Only one enterprise owner has had major financial losses due to a force majeure situation (fire in the warehouses) and is presently on the verge of bankruptcy.

- **SE economic impact on the standard of living of people with disabilities**

All of the interviewed employers are convinced that thanks to working at SEs people with disabilities are able to independently take care of their expenses.

The 50% of the interviewed employees with disabilities have noted that they are pleased with their jobs and salaries. For many, it is their first working experience after acquiring the disability status and a long interruption in work. They noted that compared to earlier times their standard of living has improved and they can make more purchases and make presents to their relatives. The others, primarily those who had worked previously, noted that their standard of living has remained the same. The majority of the people with disabilities confirmed that thanks to their current jobs they are able to incur less debt and to take care of the necessary expenses connected with utility payments, medication, food, etc.

Undoubtedly, it is not possible to talk about major incomes in this case since SE-employed people receive minimum or medium-level salaries, which under the conditions in the Republic of Armenia provide only for the minimum food basket. However, it should be mentioned that the noted salary (about 45,000 -55,000 AMD) is mainly paid for a short workday or flexible work hours.

During the interview, some, mainly people of middle and advanced age, noted that in any case “...*people with disabilities should be provided with a disability allowance,*” irrespective of work.

The majority of the respondents with disabilities note that they would advise their acquaintances with disabilities to give up “*the Paros benefits*” and get a job if there is such a possibility.

- **The efficiency (productivity) of the disabled employees**

The majority of employers note that the work productivity of the employees is not related to the disability status and employees with disabilities ensure the same economic outcomes as those without disabilities. Others are of the opinion that in some cases relatively low productivity is connected with health problems or age.

Two of the employers specifically stressed that higher productivity level of the employees with disabilities is connected with the acquired professionalism.

"...our students discover mistakes in the work done by designers with 15 years of experience and have become very professional... I doubt if a person without disability would be able to work so much," notes a College Rector from Yerevan.

Some SE heads view the involvement of employees with disabilities as especially successful story.

"... We have two sisters working here with speech and locomotor problems; in the beginning of the program, their parents would bring them carrying in their arms... I was concerned that it would be difficult to bring them every day... Now they have completely adapted, they work normally, they work even at home and are thinking of buying a laser-cutting machine so that they can work at home as well... One of them is currently studying at Polytechnics Institute... Her mother would say that the illness tended to progress, but after studying here this illness stopped," notes an SE director from Yerevan.

Nevertheless, some people with disabilities confessed that they could not keep up with the performance of their work responsibilities on equal footing with others.

"...They pity me, try not to burden me with a more complex work, or do it instead of me," notes an SE employee from Gyumri.

Besides objective reasons, a similar opinion is frequently voiced because of low self-esteem and lack of self-confidence. Their colleagues insist that the PWD productivity does not lower than that of the others, and in some cases, it even exceeds the others'.

"...It will be good if some employees are offered psychological assistance, training courses so that they too feel self-confident," notes an SE employee without disability, female, 50 years old.

Only one organization conducts a quarterly evaluation of the work by its employees with disabilities. Yet another SE, which is a service provider, evaluates its employees through its customers, who are given special service quality evaluation questionnaires. Two other employers carry out evaluation of their employees on the basis of the quality and scope of the product. Other respondents do not have methods for evaluation of their employees, and one employer finds standard forms for evaluation of the work of employees with disabilities completely unhelpful since the abilities and capacities of the latter at the workplace are extremely individualized and an individualized approach and evaluation is needed.

Problems associated with the activities of social enterprises

The respondents have divided the problems associated with entrepreneurial activities into micro, meso, and macro levels. Thus.

- **The noted macrolevel problems** included such that are largely dependent on the country's financial and economic situation. For example, currency fluctuations, price hikes for electricity and gas, floating interest rates for credits, difficulties associated with getting credits (especially for newly-created SEs), changes in the state programs promoting employment of people with disabilities (for example, in June of 2014, a six-month period of partial compensation of salaries replaced the formerly effective one-year period), absence of legal-organizational status for *social enterprise*, absence of the probation requirement for people with disabilities, lack of professional knowledge.
- **The noted mesolevel problems** included such as stereotypic and preconceived attitudes of society (specifically of customers) towards the products produced and services provided through participation of people with disabilities or lack of adequate infrastructures and adjusted transport.
- **The noted microlevel problems** included such as communication difficulties in the workplace, the fact that workplaces are not adjusted, lack of the necessary equipment/machines/tools, or the fact that they are of poor quality/damaged/old, absence of special transportation means, losses of materials during the initial period due to lack of experience, and, according to one respondent, concerns and dissatisfaction of the selected employees based on their age and health, and turnover of young cadre.

The above noted problems at the macrolevel have largely remained unresolved. At the mesolevel, in some cases the problems associated with the stereotypes have automatically resolved, the segment of society with purchasing power has come to accept and understand that the quality of goods produced by people with disabilities is not related to the disability. Resolved are primarily problems associated with interpersonal relations and development of communication skills. Some problems depending on financial investments (for example, physical space adaptation, or acquisition of equipment) remain unaddressed.

- **SWOT analysis of social enterprises**

It should be noted that when responding to the questionnaire, the employers noted the same phenomenon as both a strength and weakness and for that reason; the presented material is a general picture of what strengths and weaknesses a social enterprise can have.

S – SE strengths

The SE strengths can be grouped in the following way:

- a) Socio-cultural factors: being concerned with the problems of people with disabilities, readiness and willingness to address these problems, being free of stereotypes, the organizational culture, a friendly atmosphere of mutual trust. Some employers have especially emphasized the fact of having a vision, ideology, and strategy, as well as faith to implement that, work experience, being recognized in the market and by partner organizations. The NGOs have stressed their long-term experience of working with people with disabilities and being recognized by partner organizations.
- b) Economic/marketing factors: availability of a clear-cut business plan, enjoying the trust of suppliers, having permanent clients, production of goods with demand in the market, innovation – initiating¹⁷ some services for the first time, years of experience, promotion of the local produce, the quality of goods, the scope of assortment.
- c) Administrative-organizational factors: motivated personnel, the preparedness of the cadre and their specialization over a period of time, acquisition of skills, sound management, familiarity with the legal aspects of entrepreneurial activities, the capacity to initiate new programs, the existence of state programs promoting employment of people with disabilities.
- d) Technical factors: the majority of the social enterprises created within the framework of the LIFE Program have their own workspace, workplaces that are fully or partially adjusted to the needs of people with disabilities, quality equipment/machines/tools.

W – SE weaknesses

The SE weaknesses can be grouped in the following way:

- a) Socio-cultural factors: being newly created and lacking experience, lack of skills and work with engagement of people with disabilities.

¹⁷ For example, the *Life* café is the first children’s café in Chambarak; the *Unison* studio also offers innovative photo services.

- b) Economic/marketing factors: lack of or little experience of entrepreneurial activities, lack of market knowledge, absence of a separate marketing strategy: lack of advertising possibilities/capacities, small volumes of produce, lack of human resources with specialization (cannot afford to have more employees, and on the other hand, the same employee has different functions), low level of competitiveness as compared with large enterprises (for example, printing-houses), lack of trust on the part of banks because of being a newly-created enterprise, difficulties with getting credits, problems with exporting goods.
- c) Administrative-organizational factors: the weakness of the medium-level management, wrong selection of the working space.
- d) Technical factors: threadbare or inadequately selected equipment, absence of an adjusted vehicle, being geographically faraway from raw materials and consumers.

O – SE external opportunities

The SE external opportunities can be grouped in the following way:

- a) Socio-cultural factors: positive shifts in perceptions of and attitudes towards the capacities of people with disabilities, overcoming the stereotypes, changes in the self-consciousness of people with disabilities –acquiring of self-confidence, the spread of the idea of social enterprise.
- b) Economic/marketing factors: new sources for SE funding: grants from international organizations, charitable contributions, assistance by local self-government bodies, opportunities for cooperation with domestic and foreign businesses.
- c) Administrative-organizational factors: engagement of young qualified cadre.
- d) Legal factors: legislative changes and especially the possibility for legalization of the SE status, possible privileges: taxation policies, tenders for state orders, NGOs can become self-sufficient and be not dependent on donor assistance.
- e) Cooperation: Experience sharing with other SEs created within the framework of the program, cooperation with StateEmployment Agency, possibilities for cooperation with other business structures and other NGOs.

T – SE external threats

The SE external threats can be grouped in the following way:

- a) Socio-cultural factors: wrong/inadequate perceptions of society of the activities of social enterprises, lack of awareness of people with disabilities about their opportunities for employment in the labor market.
- b) Economic/marketing factors: the socio-economic situation of the country, inflation and foreign currency price fluctuations, unfair competition with other large enterprises, problems with exporting the produce and selling goods in foreign countries, emigration and the resulting reduction of the segment of society with purchasing power, low purchasing power of society, the duration of the commodity turnover from produce to realization.
- c) Legal factors: absence of the policy of taxation privileges, absence of a special law on social enterprises.

Conclusions and Recommendations

Overall, the experience of all the established social enterprises has been positive. However, each of them has its own characteristics, as well as its own advantages and problems.

Representatives of all the enterprises assure that without the assistance provided to them by the LIFE Program, they would not have implemented this program on employment of people with disabilities. That is to say, employers need financial and technical assistance to organize training of people with disabilities and they need social enterprises to create a large number of workplaces for people with disabilities.

At present, the state assistance is provided to employers when they hire people with disabilities, meanwhile, a lump-sum assistance is very often needed right at the start in order to begin entrepreneurial activities.

Relevant legal field (a law and other normative acts) and adequate oversight mechanisms are necessary for the establishment, operation, and sustainability of social enterprises.

The data produced by this study based on individual interviews can be used by main decision makers to make the policy formulation and its implementation process more effective and thus to address the problem of employment of people with disabilities through establishment of social enterprises.

Based on the above, we believe it important to make the following recommendations:

To State Structures

- To create a favorable legal field¹⁸ for promotion and development of social entrepreneurship;

¹⁸ For example “...to provide grants from the state or community budgets to initiator groups (persons) to start a new business and to engage in social entrepreneurship. To introduce a privileged or low taxation rate for levying the income tax from salaries of people non-competitive in the market in case of their employment, for example, a rate of

- To ensure the participation of representatives of civil society and business structure/SEs in the process of discussion of SE-related legislative initiatives;
- To develop and introduce a special policy and instruments on credit provision for social entrepreneurship to ensure the growth of employment of groups uncompetitive in the market;
- To review the customs policies with respect to social enterprises and/or enterprises employing people with disabilities¹⁹;
- To define taxation privileges for social enterprises taking into account the factors of the person's type of disability, the disability category, and the performed work;
- To review the state programs²⁰ on assistance for employment of groups of people that are uncompetitive in the market ensuring the participation of NGOs and employers active in the area and of people with disabilities in the development, monitoring, and oversight processes;
- To develop a special penalty mechanism for non-performance of "the quota requirement" for people with disabilities provided by *the RA Law on Employment*²¹;
- To develop and introduce a special mechanism to ensure prioritization of SE in the processes of state procurement, competitions, tenders and service delegation for, other things being equal, service or goods provision;
- To foresee and provide lump sum means for establishment of new types of businesses and promotion of employment of people with disabilities by defining special conditions, terms and obligations (guided by the LIFE Program's model)²².

To Civil Society Organizations

- To spread the social enterprise idea and to disseminate the information on its public benefits by using the potential of member organizations of *the Network of Social Enterprises* created within the framework of the LIFE Program, as well as any experience-sharing platform;
- To advance, through capacity building, the implementation of socially-oriented programs and development of social entrepreneurship initiatives in the marzes²³;

13% instead of the currently effective 24.4 or 26%." A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

¹⁹ For example "... *Not to apply customs duties with respect to those SEs that import goods and to levy the customs taxes only at the stage of selling a given commodity taking into account the natural wear and tear.*" A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

²⁰ For example: "*1) To review the program on partial compensation of salaries changing the percentage and terms, 2) To maintain the benefits of the Paros system for people with disabilities who have found employment, 3) To review the approval process for the state program on workplace adaptation.*" A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

²¹ For example "...*to use the levied penalties to create social enterprises and to provide employment opportunities for people with disabilities.*" A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

²² A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

- To implement community development programs guiding local self-government bodies to make contributions from the community budget to enhance the role of social enterprises and service delegation to them;
- To carry out monitoring of the activities of social enterprises.

To Already Established Social Enterprises

- To emphasize the high quality of the produce and its availability rather than the fact of its production by people with disabilities when advertising the SE product or service;
- To offer vocational retraining courses to people with disabilities, in cooperation with employment centers, state and private structures.

To Social Enterprises to be established in the future

- To establish a successful and effective business, carry out a market analysis, do detailed calculations, work out a detailed business plan, as well as conduct risk assessment and develop a sustainability plan;
- Clearly define those public and social purposes for which the enterprise has been created and for which the profit of the social enterprise will be used in the charter of the social enterprise;
- The charter of the social enterprise should indicate the portion of the profit which will be used for realization of the noted social purposes;
- The social enterprise should operate in a transparent manner to demonstrate that in reality it serves the realization of those public-benefit purposes for which it has been created. For this purpose, the social enterprise should place on its website information (and it should regularly be updated) on the location of the social enterprise, the total number of employees and the total number of people with disabilities among them, on the remuneration for their work and engagement of volunteers, the activities and operations of the social enterprise, including information on the financial flows, beneficiaries, assistance received from donor organizations or the state budget of the Republic of Armenia, as well as on implemented projects and their process and progress. The noted information cannot be considered a commercial secret;
- The name of the social enterprise, irrespective of its legal-organizational form, can include the word combination “social enterprise²⁴”;

²³ For examples: “...to develop a business plan on a small social enterprise creation and operation and seek and find investors to fund that initiative. To demonstrate possible benefits of this initiative for the community and the region.” A quotation excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.

²⁴ Besides that, “established NGOs which intend to found social enterprises can call their social enterprises by the names of their NGOs, whose prestige will help the formation and development of the social enterprise.” A quotation

- **Remember** that a social enterprise is a special kind of charitable activity whose benefit is not only of a material kind, but also that of spiritual contentment. At the initial stage, one should not expect major financial outcomes, but should patiently conduct a realistic study of the market and strictly follow the elaborated business plan gradually developing the social enterprise.

excerpt from the discussions of the focus group of representatives of social enterprises held within the framework of the LIFE Program on February 10, 2016.