



YOUTH & SOCIAL ENTREPRENEURSHIP IN LATVIA

Country report

This report portrays the main aspects of the social entrepreneurship ecosystem and trends that affect engagement of youth in it. The used data has been collected through desk research, an online survey with 35 young people and an online survey with 12 social entrepreneurs in Latvia from March to April 2023.



Contents

1. INTRODUCTION	03
2. DESCRIPTION OF ECOSYSTEM	03
2.1. Social entrepreneurship policy framework	03
2.2. General ecosystem overview	04
2.3. Youth and social entrepreneurship	05
2.4. Support for youth social entrepreneurs	06
3. ENGAGEMENT OF YOUTH IN SOCIAL ENTREPRENEURSHIP	08
3.1. Level of already existing knowledge and involvement	08
3.2. Motivation to get involved and factors that might affect it	09
3.3. Effects of Covid-19, war, energy crises on the engagement of youth	10
4. LEARNINGS FROM EXISTING SES	11
4.1. Key lessons learned from starting a social enterprise	11
4.2. Definition of success	12
4.3. Impact of recent global events on social enterprises	12
5. CONCLUSIONS	13

1. Introduction

Involving youth in social entrepreneurship (SE) is a strategy that might aid in solving numerous challenges in the society, but even more so - equip them with the necessary skills and mindset for the job market or their own SE adventure to stay resilient in face of ever changing world. This report is written within the project "Socially Agile" and will be combined with the findings of other countries in an international report "Innovative approaches for fostering social entrepreneurship using agile methodology" to subsequently create a novel online course. The used data has been collected through desk research, an online survey with 35 young people and online survey with 11 social entrepreneurs from Latvia from March to April 2023.

2. Description of the Ecosystem

2.1. Social entrepreneurship policy framework

In Latvia, a social enterprise is an enterprise that has been granted the status of social enterprise determined by the Ministry of Welfare and which solves socio-economic problems with an entrepreneurship mechanism. According to the Latvian SE law (in effect from 2017), the social enterprise in this country can be described the following way:

A social enterprise is a limited liability company which in accordance with the procedures laid down in this Law has been granted the status of a social enterprise and which conducts an economic activity that creates a positive social impact (e.g., provision of social services, formation of an inclusive civil society, promotion of education, support for science, protection and preservation of the environment, animal protection, or ensuring of cultural diversity)¹.

¹ https://lufb.ltu.lv/conference/Research-for-Rural-Development/2022/LBTU_LatviaResRuralDev_28th_2022-166-173.pdf

The system works in a way that a commission evaluates applications roughly once a month and grants the status based on a row of aspects, and the status should be renewed each year by submitting reports on achieved social impact and business indicators. Even though the fact of having such a law and framework is an achievement in itself, the practitioners and existing social entrepreneurs often mention that it is nowhere perfect, and exhibits a very narrow and limited perspective which excludes a broad spectrum of social economy organizations. Meaning that by Latvian law non-profits, non-governmental organizations and other types of social economy organizations are not permitted to obtain the status of social enterprise, and thus more ambiguous structures present in other countries (like, NGOs that can still earn some income to further their social goals), can not reap the benefits of social enterprise status. Simultaneously, many LLCs are not trying to obtain the status, because it is complicated to maintain it, but others without true social mission apply just because there is available extra funding².

2.2. General ecosystem overview

The social entrepreneurship ecosystem of Latvia comprises various key actors and stakeholders, including social enterprises, state and municipality organizations, the Social Entrepreneurship Association of Latvia, incubators and accelerators, educational and support institutions, social impact investors and intermediaries, and conventional enterprises. The Ministry of Welfare is the primary state institution responsible for overseeing the social entrepreneurship sector in Latvia.

While collaboration among these major ecosystem players has improved in the past years, there is significant potential for working together to establish an even better environment for social enterprises. Since adoption of the Law of Social Enterprises, more municipalities and regional governments have introduced sub-divisions for fostering it on the local level, but the overall activity is still most prevalent in central parts of Latvia.

Regarding social enterprises by legal status, the first data is available starting from April 2018 when the first social entrepreneurs were able to obtain such status. As of 31st May 2023, the national register includes 267 social enterprises (216 of those active) primarily registered in Riga and the surrounding areas - 72%. The most common areas for social impact are within workplace integration (24%), education (21%) and healthcare, sports or wellbeing (19%). The least popular issue to tackle is environmental protection (4%)³.

² <https://www.lsm.lv/raksts/zinas/ekonomika/socialie-uznemeji-statusu-ir-viegli-iegut-bet-gruti-noturet.a439192/>

³ <https://www.lm.gov.lv/lv/socialo-uznemumu-registrs>

2.3. Youth and social entrepreneurship

An elaborate research on statistics regarding youth involvement in social entrepreneurship is lacking, nonetheless a brief insight in the general trends can be gained from Eurobarometer report⁴ (March, 2023). Among other EU countries Latvia has the second highest rate of self-employment rate among youth - it is 13% of 15-30 year olds (the same rate is present also in Estonia, Hungary and Slovenia). This does not signify the amount of youth involved in social entrepreneurship particularly, or show a very high result, but nonetheless an impression of level on youth's self-initiative can be gained.

According to the same report, overall the familiarity with social entrepreneurship as such is rather low - 72% know nothing or very little of such a concept, and only 22% know a fair amount and 4% - a great deal. These numbers are slightly lower than the EU total, and signify that youth should first be familiarized with social entrepreneurship and only then work on motivating them to get involved can start.

One of the most crucial aspects to be mentioned regarding access of youth to social entrepreneurship in Latvia, are the opportunities provided by the educational system. According to Eurobarometer report⁵ in Latvia, the primary source from which youth had found out about social entrepreneurship was from school/university (32%) and social media (24%). It signifies two aspects. First, schools and universities (or other educational opportunities) should be considered as the primary pathway to fostering social entrepreneurship among youth. And second, the current system has already done part of its work, as a minimum - informing the young population about such a concept.

To give a perspective, within schools youth is not taught social entrepreneurship as a subject, but brief insights are included as a topic in social sciences, history and entrepreneurship. According to internal knowledge from the National Centre for Education of the Republic of Latvia, these topics are purposefully fostered within the educational system, but there is a huge gap prevalent in the available teaching materials in Latvian language. Educators scramble information from the existing sources, and thus an equally comprehensive content can not be provided to students in the whole of Latvia (that largely depends on the educator's personal level of knowledge and awareness).

Within higher education, social entrepreneurship as a program is available only for Masters level, and is provided in two universities (in European Christian Academy and EKA University of Applied Sciences). But for Bachelor levels courses that highlight social entrepreneurship are presented in seven universities⁶. In general, it is visible that the student market of Latvia is not large enough, and the awareness or interest in this topic - not as great yet, to ensure a broader choice of educational opportunities in higher education.

⁴ <https://europa.eu/eurobarometer/surveys/detail/2670>

⁵ <https://europa.eu/eurobarometer/surveys/detail/2670>

⁶ <https://sua.lv/socialas-uznemejdarbibas-studiju-iespejas-latvija/>

2.4. Support for youth social entrepreneurs

Support to social enterprises is embedded in the law - in form of tax deductions (for a row of occasions on income tax, as well as property tax and in-kind contributions from other public entities) and possibility to engage volunteers. This is a mechanism that ensures some financial support from the government, but it comes with a bureaucratic bourdain that might hinder the access to this support and/or interest in obtaining the lawful status.

Specifically for monetary support, the most prominent mechanism for financial support is the program conducted by the Ministry of Welfare and financial institution "Altum" - until the end of March 2023 they have distributed 205 grants in total worth 12.8 million EUR. It has been a very valuable opportunity, offering grants from 5 000 to 200 000 EUR per project as an investment or current assets (that can be used also for salaries), thus promoting such a business operation model in itself. Unfortunately, the finances have run out and no grants are being provided at the moment (with a potential of opening a new program in 2024).

Especially for youth in Latvia, one of the primary desired ways for support that would motivate their involvement in social entrepreneurship is the possibility to apply for accelerator program⁷. These are not aimed at youth directly, but currently two accelerator programs are available for social entrepreneurs in Latvia - managed by New Door NGO and Reach For Change Latvia.

For support and incentivisation of social entrepreneurship in general, various institutions announce support for creating new business opportunities. For example, the idea contest for social entrepreneurship startups by the Wellfare Ministry of Latvia, pitch contest by the Social Entrepreneurship Association of Latvia, and grant program for support of social entrepreneurs by SEB Bank and five regions surrounding Riga. To ensure creation of competitive social business models, support in form of consultations is also provided by the Wellfare Ministry of Latvia.

From the overview it is clear that targeted support for youth is currently not available, but the existing support mechanisms are nonetheless inclusive and available for anyone interested to become a social entrepreneur. Another trend rather common in the whole Europe, is the fact that support is usually provided for the startup phase, but after a few years social entrepreneurs are left on their own, and thus are more vulnerable due to their specific and limiting nature of work. This might serve as a factor that hinders motivation of youth to uptake social entrepreneurship. Instead, they prefer to become employed by someone else motivated by the financial stability it provides⁸.

⁷ <https://europa.eu/eurobarometer/surveys/detail/2670>

⁸ <https://europa.eu/eurobarometer/surveys/detail/2670>

We can learn from this that even with the basic prerequisites, like the legal framework and overall support mechanisms offered to advance social entrepreneurship in Latvia, very little of this work is aimed particularly at youth and increasing their access or involvement in such entrepreneurship. It can be considered a loss, because social entrepreneurship, especially taken as a set of skills, can be a very valuable way not only to increase the entrepreneurial mindset, but also provide young people with other necessary soft skills and resilience in the face of ever changing and unpredictable job market. The educational system might provide such competences from an early age, but currently is not using its full potential. Additionally, the existing legal framework is considered rather complicated, and therefore not friendly neither for youth, nor other social entrepreneurs.



**YOUTH & SOCIAL
ENTREPRENEURSHIP
IN LATVIA**

3. Engagement of Youth in Social Entrepreneurship

This section will reveal the opinion of 35 young Latvians (16 - 33 years of age) that have filled an online survey distributed over Facebook. Most of them are female (91.4%) that live in urban parts of Latvia (54.3% in Riga and 28.6% in other cities) and are employed (34.4%), study in a higher education institution (34.4%) or are enrolled in secondary education (17.1%). In questions that overlap, the secondary data from Eurobarometer report about Social entrepreneurship and youth⁹ confirm similar trends, but represent a much larger audience (1047 young people in total), therefore will be referred to throughout the following chapters.

In the methodological approach the questions are based around an approach where readiness and willingness of youth to get involved in social entrepreneurship is determined by their prior level of knowledge, motivation to become entrepreneurs and the existing or necessary support mechanisms. One question in the survey reveals the effects of global events of last years (Covid-19 pandemic, war in Ukraine and the following energy crisis) on the engagement of youth.

3.1. Level of already existing knowledge and involvement

Not only the data from our survey, but also those from the Eurobarometer report referenced before clearly state that youth has a very low level of understanding about the term "social entrepreneurship". In this case 71.4% or 25 of 35 respondents have entry level awareness - either have never heard about it (17.1%) or have heard the name but know very little of it (54.3%). 22.9% were well aware of the concept, but not professionally connected to it, and only 5.7% (2 respondents) work in an organization / company that is closely connected to social entrepreneurship, but none are social entrepreneurs themselves.

This gives us a perspective on the approach in fostering the social entrepreneurship among them - primarily they should be familiarized with the concept to understand the individual benefits and long-term gains. Only afterwards the next steps can be taken to engage them in particular activities with social entrepreneurship as the end goal. Additionally, in the context of training for non-particular youth audiences it highlights that the information provided to them should either be very simplified (adjusted for beginners) or focus on already existing references within standard business practices to ensure understandability and relatability.

⁹ <https://europa.eu/eurobarometer/surveys/detail/2670>

Interestingly, almost half (48.1%) have considered becoming social entrepreneurs themselves or being employed by one, but deeper research should be conducted to specify the motivations to this. In the report "Social entrepreneurship and Youth", young people mention that a potential employer has defined social goals (75%) or environmental goals (73%) for the company, and involves employees in the decision-making (78%). By default, these are characteristics of most social entrepreneurs, and thus could be considered as one of the motivations for the above described trend.

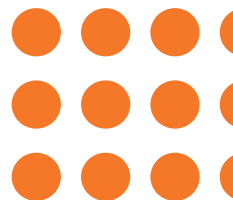
3.2. Motivation to get involved and factors that might affect it

Engagement and motivation of youth is being discussed broadly lately in context of the most various topics. When exploring the motivation of youth getting involved in social entrepreneurship, the elements that affect it are mostly connected to their prior level of familiarity (see previous sub-chapter), engagement and interest in solving social challenges as well as the personal employment requirements/preferences and the available support.

Among young respondents in Latvia, when asked "What are/were your main motivations that led you to consider or get engaged with social entrepreneurship", the absolute forerunner was the answer willingness or ambition to leave a lasting impact / solve a challenge in the society (73.3% or 11 respondents). It was closely followed by their personal trait to be emphatic or care for community and feeling the individual civic responsibility to contribute to change (both 53.3%). This highlights the willingness to be a part of the solution in one way or another that reflects both in the previous parts of this document, as well as in the following ones.

Similar trends were confirmed in the data gathered from the existing social entrepreneurs (see chapter 4) - the exact three answers mentioned above were the most prominent also among them. They were more inclined to start because of care for the community or feeling civic responsibility (both 41.7%), and not far behind also by the willingness to leave lasting impact (33.3%).

To see what would be the external motivators and prerequisites, we wanted to understand what support they would require to consider taking part or starting your own social entrepreneurship. The most common answers were - access to resources (financial, human, etc.) by 60.0% of respondents, training on business management skills (45.0%) and knowledge and/or training about the concept of social entrepreneurship (40.0%). These were closely followed by help with finding an idea for a business model / concept (35%) and well rounded support from government support (30%). The answers don't give a unanimous impression about one necessary type of support, but rather shows that support all across the board is necessary and this topic should be explored in more focused audiences for more detailed conclusions.



3.3. Effects of Covid-19, war, energy crises on the engagement of youth

From the beginning of research it was consciously important to understand how have the events of the past years (e.g. Corona-19 pandemic, war in Ukraine, energy crisis, etc.) influenced youth's attitude towards involvement in solving societal challenges.

Even though this part of the survey was not very prominent and consisted of just one question, it is important to highlight the potential emerging trends that might support the motivation of youth to become a part of the social economy. Based on the responses, the most (48.6%) are now more aware of the existing challenges in the society, or are more aware of their individual responsibility towards society (40%), but in either category respondents have not taken action to exercise it. 22.9% feel more connected to the community, and thus its challenges. Only a small part have taken some kind of action - 14.3% have started volunteering or contributing other ways in an NGO, but 8.6% have considered starting their own social enterprise or bringing a socially responsible service idea to their current workplace, but 14.3% have not noticed any change in their motivation at all.

Even if these turbulent events have not contributed to a much higher civic engagement, they have had a genuine positive effect on the level of awareness regarding prevalent issues in the society, and their own role in solving those. It is a crucial first step that we can build upon when thinking about developing measures to involve them in social entrepreneurship more actively. Such awareness and willingness to be a part of the solution as found in the previous chapter serve as an important base for any activities that foster social entrepreneurship.

4. Learning from Existing SES

These learnings depict experiences of 12 social entrepreneurs that have submitted their answers through an online survey that was sent out to the database of holders of social enterprise status in Latvia. Less than half of these can be considered newcomers to the field and have started their business less than one year ago (3 of 12) or 2-3 years (2 of 12). 4 of them operate for 3-5 years and 3 - more than 5 years. Most of them (11) operate in the urban areas - 5 in Riga and 6 in other cities. Only one carries out their work in rural areas.

In this survey a row of questions were asked to determine their initial motivation to start social entrepreneurship, as well as elements revolving around business model and management. To round up the useful experiences gained by working in the field for an extended period of time, the learned experiences were asked and the effects of recent global events on the business operations. All of these aspects allow gaining deeper insight in real-life struggles in the sector and elements that might help designing valuable experiences for involvement of youth in social entrepreneurship, but nonetheless serve only a supporting role in the findings of this report.

4.1. Key lessons learned from starting a social enterprise

To better understand the potential entry points for prospective and aspiring social entrepreneurs into this type of business, we collected insights in journeys of the ones already doing it. The most important findings relate to the ways how they chose a problem in society to solve, and matched it with their current business model, as well as the things they learned on the way.

Among surveyed Latvian social entrepreneurs the primary way for choice of challenge to tackle was inherent or already existing in their surroundings. For 9 of 12 respondents this choice was connected to already existing awareness about an issue (for 6 something they encountered themselves, and for 3 - something they encountered in their community). Taking into consideration the fact that social business models often emerge as a response to particular challenge in particular environment, there is no surprise in their answers regarding choosing the model for tackling their chosen challenge. For 8 of 12 it came naturally and no specific method was used, but the remaining four used a mix of researching existing models, networking and mentorship or accelerator programs. The main takeaway from this to be implemented in context of fostering social entrepreneurship is the need to invest in activities among youth that refine understanding of the surrounding challenges (in their own lives or the ones in the community) - not only it will aid at boosting their motivation to look for solutions due to relatability, but also serve as a good base for creating a sustainable business model.

What we can learn from the learnings of running a social enterprise are primarily two types of competences that we can later use as **realistic motivators for youth to consider social entrepreneurship for themselves**. First and foremost, very prominently - **business and leadership skills** (focus on target group and focus on staff, need for perspective and knowledge about ecosystem, knowledge about business principles and crisis management, etc.). And secondly, **soft skills and values** - importance of team work, self-reliance, transparency and trust.

4.2. Definition of success

Taking into consideration the very varied paths and business models for each social enterprise, the success can lie in quite many aspects. In this survey we asked to elaborate on the received support, their own evaluation on the main success factors.

It is quite clear that any entrepreneur's path is rather complicated and without support many beginners would not be able to endure. The most Latvian social enterprises who took part in the survey have received some kind of support - majority (5 of 12) have benefited from financial support from public sector entity, and almost as many have received consultancy and similar support from public or non-governmental sector or alternatively - mentorship and/or accelerator program (both 4 of 12). Also in the question about wishes for aspiring entrepreneurs many mention the need for support ("ask for advice, but decide yourself", "reach out to potential partners"). But it is rather interesting that when asked about aspects that have ensured overall success of their business, the most prominent answers touch support from family/ friends, and teamwork (both 6 of 12, but interestingly only 3 of 12 recognized that they had received support from family or friends in the previous question). With that said, it is clear that even if support in form of resources is necessary, the greatest prerequisite for success lies in the moral support and like minded people who root for the same cause on a daily basis.

4.3. Impact of recent global events on social enterprises

With no surprises, the impact of global socioeconomic challenges has touched social entrepreneurs greatly. Only three of them encountered no changes in their daily business. In this open question one of them briefly responded "improved", and one was ambiguous by saying "losses and new opportunities for development" but the remaining 7 described various changes these events have brought to their work. These include limitations of lockdown largely closing down the business, or creating need to overlook the business model and delay the planned development activities. One of them encountered burnouts and other complications among his staff (this enterprise works in the field of education), but the war in Ukraine made their customers more careful about choosing their product. Even though this does not paint a very accurate picture of all social enterprises in Latvia, it is still clear that the events have had significant effects on them.

5. Conclusions

Combining the results of surveys and the ecosystem and support overview, it is possible to come to a few main conclusions.

1. In all categories of data it demonstrates that youth are aware and care for social issues. Not only they prefer to work for employees with defined social values, but also have gained extended awareness due to global events in recent years. Even more so - asked for their potential motivation to get involved in social entrepreneurship in future, they primarily mention aspects revolving around social consciousness and civic responsibility. It means that the first step towards increasing their engagement is already there.
2. Building on the previous conclusion, the operating social entrepreneurs chose their challenge to tackle primarily on personal experience (individually or in the community), and thus came up with a fitting business model as well. The existing awareness of youth should be linked and made relatable to the challenges from their own lives to ensure a sustainable and motivated involvement in future.
3. Even if they are aware of the social issues, there is a large gap in knowing and understanding the concept of social entrepreneurship. Considering this, policies should consider including more thorough and practice based social entrepreneurship education on all levels of education, but not necessarily with the goal for youth to start their own enterprises. Because they prefer being employed by someone else, such education should be focused on social entrepreneurship as a possibility to build their skillset and agility in the changing job market.
4. Not targeted particularly at youth, but there are a number of support mechanisms both from the public and private sector for social enterprises in Latvia (mostly for the start up phase). Focused support for making involvement in social enterprises easier for youth should be planned and developed taking into consideration the challenges with employability among young people, as defined by the EU.



sociallyagile.eu

