INFLUENCE OF ACTIVE SOCIAL POLICY ON SMALL AND MEDIUM BUSINESS

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Abstract. Taking into account the peculiarities inherent in the social state, the whole of the European social model is natural for all EU Member States. Social policy is an integral part of the economic processes, and it shall be given priority attention of EU policy. Over the last 10–15 years, the shift from passive to active labour market policy measures has been seen. To ensure equal opportunities for all, jobs are very important factors contributing to the full participation of citizens in economic, cultural and social life and their potential implementation. Small and medium-sized enterprises have a significant impact on economic development; it is a major creator of jobs, employment growth. The paper shows that, in turn, small and medium business development depends on active labour market policy factors.

JEL classification: C10, J21, M20.
Keywords: active social policy, labour market, small and medium business, active labour market policy instruments.

Reikšminiai žodžiai: aktyvi socialinė politika, darbo rinka, smulkus ir vidutinis verslas, aktyviosios darbo rinkos politikos priemonės.

1. Introduction

Economy is primarily a social process, involving social actors: people, social groups, institutions and the state. These social entities: the first—an active force depends on economic growth, the second—a force that is closely connected with all areas of public life—politics, law, culture, ideology, family management.

EU gives priority to social policy, labour and employment, human resource development. Lithuania mistakenly believed that it is first necessary to achieve rapid eco-
nomic growth, stability and only then take care of the wealth to address social policy issues. In fact, inseparable from the social processes of economic change, they affect each other. Social constraint reflects social aspect of system and added values that improve the quality of human life (Rudzkienė, Burinskienė, 2007).

The lives and work of EU citizens is progressing rapidly, increasing the risk that the Social Security system is unsustainable. This process is linked to European and international economic integration, the new, particularly in information and communications technologies, the demographic aging of societies is still relatively low average level of employment. European Committee of Employment and Social Affairs acknowledged that the conditions of EU ground development should to be modified so that it reflects on today’s political, economic and social realities (European Commission, 2010).

In recent years, budgetary constraints, the aging population, globalization, the challenges of innovation and new organizational models influence began to focus on how to make social programs more effective through active social politics model. In order to ensure prosperity and reduce the risks of social exclusion, it is necessary to modernize the social security system, more people to attract and keep active labour market policies. Active labour market policies (ALMP) are very important in facilitating the most rapid employment of the unemployed and creating the right conditions for some economically inactive people back into the labour market, as well as addressing the problems of disadvantaged workers in the labour market.

Major tasks of small and medium enterprises (SME) promotion are to maintain the necessary jobs and create new jobs. This coincides with the active labour market policy objectives: promoting self-employment, structural unemployment and regional disparities in demand and supply deflection stop. All of these problems, in particular, entrepreneurship education, are particularly relevant to the Lithuanian people.

Small and medium business (SMB) development is one of the priorities of Lithuania’s economic policy objective. This business segment is a constant source of employment, if that gives impetus to economic growth (economic stagnation during the SME employment declining relatively less, but good times there is relatively more than large companies). Lithuanian SMBs and employment statistic analysis shows that the active labour market measures are related to SMB development opportunities.

2. Active social policy

The key elements of the European social model are the current labour law, employment, equal opportunities, non-discrimination policy, employee participation, information and advice, and recognition of the social partners in decision-making process, social dialogue and collective bargaining, civil society, public services, fair earnings, social protection, social inclusion, ensure employment and social rights (workers and citizens in general), regional cohesion, social policy and international instruments (Vaughan–Whitehead, 2003, Melnikas, 2010). S. Stoškus and D. Beržinskiénë (Stoškus, Beržinskiénë, 2002) define the employment model as the development of each in-
individual and society concerning whole needs to find economic and social cohesion. Changing the system of unemployment insurance benefits and basic income support as well as the repertoire of active labour market policy instruments and making benefit receipt more conditional upon job search and acceptance of job offers was a major issue on the political agenda (Eichhorst et al., 2010).

Passive social protection is not effective in the sense that people return to the job market or at least maintain their ability to take care of themselves at home. In assessing the social protection of the new public management paradigm point of view, only at risk of social measures to support the survival and the final—the social reintegration of the results is important to show the real degree of effectiveness of social protection. Social reintegration is a key argument for the indisputable need for an active social policy and active social protection (Extending..., 2005). Social policy, focused on increasing employment and reducing unemployment, wages and personal income growth is one of the most important investment and growth factors (Weiler et al. 2003). In order to maintain an economically strong, stable and competitive position in the region, the European Union has formed a general policy, implemented in all EU member states. In 2011 the EU Commission has prepared the new economic recovery strategy (European Commission, 2011). It provides innovative, sustainable and inclusive economic growth based on improved member states and the EU policy coordination vision. The European Commission recommends to ensure an integrated active inclusion policies work, in order to effectively address multiple dimensions of poverty and social exclusion.

3. Lithuania’s active labour market policies

Welfare of state depends on its economic and labour market policies, the ability to per capital income. Employment is the most important way fully, actively and equally to participation in public life. The more people are participating in full-time or part-time labour market, the greater are their contribution to the availability of adequate social protection in that country. Market economy, certain sections of the population in employment are becoming more vulnerable to failure to adapt to changes in market relations. Growth of employment rates are the most efficient measure for economic growth and social inclusion, both to promote the economic protection for persons who cannot work. EU employment policy is focused on socially vulnerable groups (e.g. long-term unemployed, people with disabilities), problem solving and quality of employment services and increasing the availability of closer cooperation with employers and social partners in development (Lapinskinė, Tvaronavičienė 2009).

Analysing the Lithuanian Labour Exchange registered unemployed persons’ metric (see Figure 1) we could see the continued growth of it in 2008. It is also a growing number of registered people with disabilities employment office, which determined 0 to 40% work rate, the number of a relative decrease observed in 2008 and 2010 This indicates the need for more effective employment support measures.
Active labour market policies (ALMP) measures are increasingly subject to the broader macro-economic, employment and social policy objectives. ALMP must cover all the objectives of diversity: job creation, job reallocation of skills and human capital deepening, behaviour (with) change, overcoming the timidity of job-seekers and the alienation of labour income increase, the broader macro-economic objectives, such as the potential labour supply, structural reduction of unemployment.

ALMP program of the Lithuanian Labour Exchange are subject, from its earliest beginnings in 1991. These measures serve job-seekers of employment growth, unemployment reduction and mitigation of negative consequences of a labour demand and supply-side alignment to maintain balance in the labour market and job seekers through the working-age population in employment opportunities will be provided. ALMP measures and procedures in terms of specification (Dėl aktyvios..., 2009) provides the unemployed and those facing redundancy of working age employees in vocational training, supported employment, assistance for job creation and promotion of territorial mobility of the unemployed, the conditions and procedures. ALMP include: unemployed and those facing redundancy of working age workers vocational training; supported employment (employment subsidies, job skills promotion, job rotation, public works); support for job creation (job creation subsidies, local employment initiatives, projects, self-supported employment); unemployed territorial mobility support.

An active labour market policy effectiveness study (Aktyvios..., 2007) showed ALMP measures of economic performance indicators fluctuations from 19.7% to 48.1%. This showed that investment in ALMP measures is one of the most effective investments in labour market policy. However, dynamics of recruitment’s factors in Lithuania
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(see Figure 1) indicates the necessity of active labour market policies’ improvement. According to data from the Department of Statistics every year the number of employed persons differs just a little. Since 2005 designated by a growing unemployment insurance benefits, particularly noticeable in 2008 and 2009. At the same time, the steady decrease in active labour market policy number (the slight increase seen in 2009). From 1 October 2010 effect of active labour market policy in terms of the measures and procedures for inventory changes. It provides that the working-age people, who set up 25% of capacity or severe level of disability and level of working-age people who work the 30–40% level or average level of disability, no longer need to provide a bank guarantee or a warranty in writing prior to signing the grant agreement. It was decided, since the introduction of a requirement for a guarantee, it became clear that assurances and guarantees system is not flexible enough and willing to receive grants for disabled people had a lot of problems.

4. Small and Medium Business in Lithuania

Business policy and priorities of the European Union and national level are promoting entrepreneurship and skills. One of the main factors for growth of SMB is corporate development activities. Small and medium-sized businesses enterprises are the most mobile, constantly changing group of companies, whose existence and economic status is the one of the key market-based economic components, having a decisive impact on overall economic growth and social stability (Kumpikaitė, 2008). Analysing the EU and other developed countries, the experience can be seen that the market economy’s competitiveness and growth is largely determined by small-and medium-sized enterprises (SME) development. This economy sector quickest accrues to the market supply and demand changes to adapt them, create new work places in the areas where their products and services for a given period. Nearly 99.8% of all EU companies are companies with fewer than 250 employees. These companies employ the two-thirds of all EU workers and generate more than half of surplus value (57.3%) (Lietuvos Respublikos..., 2010). Lithuanian corporate structure of the workforce is similar to the structure of the EU.

Small and medium business development promotion is one of the largest Lithuanian Republic Government’s economic policies. Small and medium enterprises and the incorporation of increasing the competitiveness of the country’s economic growth are one of the main sources of job creation (Jakutis, Kazlovas, 2006). Lithuanian Small and Medium Enterprises Development Strategy emphasizes SMB—one of the main growth drivers, with a substantial impact on the development of Lithuanian economic development, job creation and social stability, and therefore its development is one of the most important Lithuania’s economic policies. Small and medium sized enterprises in Lithuania are constantly growing (see Figure 2).
Small and medium-sized enterprises are the most dynamic, constantly changing group of companies, the middle link in the economic structure, which has a decisive influence on economic growth and social stability of the relationship. It should be noted that the total number of SMEs from 2004 is continuously growing up. But it may be noted that in 2007-2009 the number of registered SMEs is steadily decreasing. The growing trend of total number of SMEs is supported exclusively from SMEs decline. It can be argued that the SMB is trying to maintain their positions, but we can’t speak about its development.

Economics are open systems. They receive inflows of energy and materials. Economics use that incoming energy to develop and build new structures. Social constraint reflects social aspect of system and added values that improve the quality of human life. *European technology platforms and industrial clusters in the national bureau of business conditions in Lithuania study* (Verslo…, 2007) identified factors that affect SME development in Lithuania and evaluation. *Human resources* factor, the average weight was 2.5 points out of fifth. Evaluation of difficulties in setting up business enterprise has shown that finding the right employees is one of the most important reasons not to start a business. According to the survey, the vast majority of SM managers believe that hinders the development of SMBs lack skilled workers (75.7%) (Efektyviai…). 

One of the key indicators for starting a business is the clarification of the business environment. With information about the business environment, factors influencing it can provide better opportunities for new business development and competitiveness of firms. Favourable business conditions are a key factor for competitiveness of the country to help achieve rapid economic growth rates and their maintenance, ensuring high standards of living together and competing in the international market. J. Worthington, C. Britton (2006), describing the business environment factors distributed it according to their nature in operational (affecting a particular company in a particular area) and...
general (affecting all businesses in the region-wide issue). The social environment and labour market figures are the business environment factors.

Lithuanian small and Medium Enterprises Development Strategy has provided small and medium business development by 2015 strategic direction of the majority of which are directly associated with the directions of entrepreneurship in Lithuania. The strategic relevance of the documents reflect the issues of entrepreneurship, which means that entrepreneurship is seen as an important phenomenon in today society, the State bears the responsibility for strengthening entrepreneurship, entrepreneurship has a vision, has set specific targets and specific measures envisaged to achieve those objectives (Viešųjų..., 2006).

Distribution of employees by firm size dynamics analysis shows that since 2006, increase in total private sector SMBs and decreasing the number of employees of such public sector undertakings of the workforce. In the private sector especially increasing the number of employees from companies with employees working up to nine (see Figure 3). In the public sector decreased the number of employees in small companies with up to 49 people. It can be argued that the SMB development conditions and ensuring a favourable environment encourages entrepreneurship.

Republic of Lithuania Small and Medium Enterprises Act IX–1142, provides for the granting of aid for small and medium-sized businesses reporting forms, tax incentives and fees, financial aid.

![Fig. 3. Dynamic of employees' distribution by the company size in public and private sectors (Source: Lithuanian Statistics under the Ministry of Social Security and Labour)](image)

5. Active employment policies in the SMB

In the most recent works on sustainable development, the social environment is looked upon as an absolutely equivalent factor, which influences social development to
the same extent as economic growth or environmental sustainability (Misiūnas, Balsytė 2008). ALMP aim at enhancing labour market mobility and adjustment, facilitating the redeployment of workers to productive activities, and generally enabling people to seize new job opportunities as they arise (Armingeon, 2007).

ALMP can not only improve the labour market situations, but also influence the dynamics of SMBs. While the significance of human resource development increases, the role of human resource development within the organisation decreases, because a part of the work is transferred to specialized organizations, managers and colleagues participating more actively in the human resource development work (Kumpikaitė 2008).

The unemployed and those facing redundancy working life of employees training goal – to qualify, or (and) to acquire skills, needed employment. The examination of the Department of Statistics data shows that people start working in the profession or occupation, number of dynamics coincides with the dynamics of vocational training (see Figure 4). It is the purpose of staff preparation is an important and useful. Business development – this is another opportunity employment. However, training does not affect the activities of the dynamics of a business license, do not encourage entrepreneurship. If the problem of inefficient management and insufficient institutional quality is not properly assessed, and no attempts to solve it are made, it may lead to a situation when it is impossible to achieve the general country’s sustainability either in the present or in the future (Misiūnas, Balsytė 2009).

![Fig. 4. Vocational training and activities according the business license dynamics.](image)

Persons started work in the profession or occupation dynamics
(Source: Lithuanian Statistics under the Ministry of Social Security and Labour)

Employment subsidies aim – to help the labour market, further supported by the persons registered in the employment exchange, enter the labour market or temporary employment, and individuals who set up the level of 40% of capacity or severe dis-
ability rates, create special conditions in the labour force. Job skills support goal – to provide opportunities for job seekers to acquire skills gaps directly in the workplace. It can be argued (see Figure 5) that vocational training is closely linked to job skills and employment promotion subsidies, because of their similar behaviour. All these factors are very important for SMB development, small business because it is important that the employee is prepared according to the program ordered by the employer, and that his employment would be based.

Job creation subsidy paid to employers who employ people on permanent contracts for these belong to the labour market, further supported by the different categories of persons with disabilities of working age, employment office registered job seekers, who set up 25% of capacity or severe level of disability, level of working-age people, registered with the Labour Exchange unemployed people who set the level of 30–55% of capacity or mild or moderate disability level.

![Fig. 5. Dynamics of job creation's support and the number of social enterprises.](image)

Dynamics of vocational training, job skills and employment promotion by subsidy (Source: Lithuanian Statistics under the Ministry of Social Security and Labour)

Self-employment promotion organized by job-seekers registered with the Labour Exchange in order to support the creation of jobs for themselves or for other unemployed. Subsidy for self-employment support would be granted if: the workplace itself up for the first time in the working-age people with disabilities who a person is up to 25% or severe level of disability, to register with the labour exchange and job seekers with disabilities, with 30–40% of the work or the average level of disability the level of registered unemployed with the Labour Exchange; workplace itself up for the first time a person whose dismissal are used to mitigate the effects of the European Globalisation Adjustment Fund, have been unemployed, who started his business, not later than 30 months since the last registration date of the Labour Exchange for the first time in a job setting up a working exchange directed unemployed.
Support for job creation subsidies is provided to the employers creating new jobs or adapting the existing ones to the disability needs and hiring unemployed people under open-ended employment contracts, to former unemployed people within 36 months of the date of company registration or to entities implementing local employment initiatives to create jobs for unemployed registered with territorial labour exchanges. Support for job creation set up since 2006 continuously decreasing (see Figure 5). However, it can be seen that at the same time steadily increasing number of social enterprises, social enterprises as well realizes the self-employment promotion and various tax incentives. Social belong to small and medium-sized group of companies. Number of social enterprises since 2006 similarly changes according the development of small and medium enterprises (see Figure 5). In summary, the analysis results suggest that active labour market policy implementation is beneficial for SMB development.

6. Conclusions

EU social policy is focused on improving the European social model. Social risk of social benefits is often the only one feasible mean of social protection, but active social policy helps to persons who want to work. European Employment Strategy provides to reach the full employment, quality and productivity and social cohesion of it. Active labour market policies could ensure the unemployed for people with disabilities to participate in the labour market.

Create the necessary productive employment opportunities and ensure continued livelihoods is one of the most important and difficult task of every society. EU employment policy is focused on improving the European social model. Lithuania active labour market policies are described as the domestic legislation provides for measures to help job seekers improve their employment opportunities and improve job and prepare a balance between the ratios of skilled workers.

Small and medium enterprises establishment and the incorporation of increasing the competitiveness of the country’s economic growth are one of the main sources of job creation. Small businesses enterprises more flexible adapt sudden changes in conditions of economic development, particularly those engaged in less dependent on the unfavourable situation in the labour market, the SMBs need to create favourable conditions for special attention.

ALMP Department of Statistics data shows that people start working in the profession or occupation, number of dynamics coincides with the dynamics of training and preparation of the target employees is an important and useful. However, training does not affect the activities of the dynamics of a business license, do not encourage entrepreneurship.

Vocational training is closely linked to job skills and employment promotion subsidies, similar to their behaviour. All these factors are very important for SMB development, for small business it is important because that the employee is prepared according to the program ordered by the employer, and that his employment would be supported.
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Lithuania supports the establishment of jobs since 2006 steadily declined. But at the same time, steadily increasing the number of social enterprise as a social enterprise sells a broad support for self-employment and various tax incentives. Number of social enterprises since 2006 similar changes in small and medium-sized enterprises the number of trends. In summary, the analysis results suggest that active labour market policy implementation is beneficial for SMB development.

References


**AKTYVIOSIOS SOCIALINĖS POLITIKOS ĮTAKA SMULKIAJAM IR VIDUTINIAM VERSLUI**

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