

## Social Entrepreneurs and Innovation for the Unemployment

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### Abstract

This research explored the social entrepreneurship factors to reduce the rate of unemployment in North Sumatra Indonesia. Social entrepreneurship is built through four main elements, namely *social value, civil society, innovation, and economic activity*. Through the element of innovation, a new form of social entrepreneurship was discovered. Theoretical reviews of social entrepreneurship practices that have been applied in various elements of civil society show innovation elements. An effort to overcome unemployment in Medan Municipality many forms of Social Entrepreneurships were analyzed. Social entrepreneurship that is most appropriately adopted in the city of Medan to reduce unemployment is to empower young women. It concluded that the synergic forms of Social Entrepreneurship with universities, banking institutions and the government, elements of social entrepreneurship including social value, civil society, innovation and economic activity.

**Keywords:** Social Entrepreneurship, Elements of Innovation, Unemployment.

### 1. Introduction

One of the national problems of Indonesia that has to be fully addressed is the unemployment that causes low income of the people and ultimately results in poverty. Unemployment also causes other social problems, such as increased crime, drug abuse, etc. Unemployment rate refers to the percentage of people who unemployed, but are available to work and seeking the jobs (Nasser et al., 2017). There is also a high unemployment rate in Indonesia, which is approaching 5.94 percent in 2014 (Rahim et al., 2017) and increased to 6.18 percent in August 2015 (Utami, 2017). Data from the Central Bureau of Statistics shows that in August 2016, the total workforce was 125.44 million people, up by 3.06 million compared to August 2015. It increased 3.59 million. The number of unemployed people was dropped by 530 thousand people. According to BPS (2017) records, almost all sectors experienced an increase in employment, except for the Construction Sector which dropped by 230 thousand people (2.80 percent). The increasing the number of workers, especially in the Social Services Sector as much as 1.52 million people (8.47 percent), the Trade Sector as much as 1.01 million people (3.93 percent), and the Transportation, Warehousing and Communication Sector as many as 500 thousand people (9.78 percent).

An interesting phenomenon of this study was dealing with the number of unemployed people in Indonesia in 2016 considered to reach the lowest point since 1998. The Ministry of Manpower noted that the number of unemployed in 2016 reached 5.5 percent or around 7.02 million people or lower than in 2015 at 5.81 or equivalent to 7.45 million people (www.tirto.id, 2016).

Minister of Manpower of Indonesia, M Hanif Dhakiri, presented the data at the Presidential Staff Office, Jakarta, Monday (10/24/2016) when delivering a presentation of the Two-Year Jokowi-Jusuf Kalla Government along with a number of Working Cabinet Ministers moderated by the Chief of Presidential Office, Teten Masduki, and Indonesian President's Staff, Johan Budi. According to Minister, the decline in unemployment rate was due to the government's intense efforts to improve the quality of human resources, by involving the business world in Human Resources investment through work education and training.

As of today there are 2,650 companies involved in vocational education, he explained. This formation is one of the applications of social entrepreneurship from the company. Many solutions made to overcome the problem of unemployment; one of them is by promoting social entrepreneurship. Gorgievski and Stephan (2016) argued that entrepreneurs are defined to include the self-employed and business owner manager as opposed to being employed

by others or unemployed. Thus, entrepreneurship entails the combination of ownership and control (i.e. being the main manager of a business).

Hulgard (2010) defines social entrepreneurship as *"the creation of social values that are collaborative with people who are engaged in social innovation that usually imply an economic activity"*. This definition is based on four elements, namely: Social Value, Civil Society, Innovation and Economic Activity. Social entrepreneurship built through innovation elements to be applied in an effort to overcome unemployment in Medan Municipality is the focus of this report. Many parties with various efforts made to reduce unemployment. By looking at the characteristics of unemployment in Medan Municipality, and from the literature review conducted on other forms of social entrepreneurship that have been implemented, this paper tries to discuss the proper form of social entrepreneurship to minimize unemployment in Medan Municipality seen from the element of innovation.

## **2. Theoretical Reviews**

### **Definition of innovation**

Innovation is an idea, idea, practice or object / object that is realized and accepted as something new by a person or group to be adopted (Evert M. Rogers in Suwarno, 2008), while Kuniyoshi Urabe defines Innovation as not a one-time phenomenon, but rather a long and cumulative process that includes many decision-making processes in and by organizations from the discovery of ideas until its implementation on the market. Van de Ven (1986), innovation is the development and implementation of new ideas by people in which certain periods of time carry out transactions with others in an organizational order.

In Law No. 18 of 2002 the notion of Innovation is a research, development and / or engineering activity that aims to develop practical application of new scientific values and contexts, or new ways to apply existing science and technology into products or production processes. Stephen Robbins (1994) argued that innovation is an idea, idea, practice or object / object that is realized and accepted as something new by a person or group to be adopted.

West & Far (Ancok, 2012: 34) said that innovation is the introduction and deliberate application of new ideas, processes, products and procedures to the units that implement them, which are designed to benefit individuals, groups, organizations and the wider community. (<http://www.sumberpengertian.com>, accessed January 2018). Whereas according to De Meyer and Garg (2005) in Pasaribu (2016), Innovation is the introduction of a new technology that works economically or a new combination of existing technologies to create drastic changes in terms of *value price relationships* offered to customers or users.

### **Social Innovation and Cooperatives**

We find many social innovations around us, carried out by individuals, groups or organizations. Social innovation, commonly defined as new solutions that meet a social need, has become an important concept in nonprofit management and public administration (de Wit et al., 2017). Baker and Mehmood (2015) view social innovation as a process turns attention to the organizational and social processes that produce innovation, such as individual creativity, organizational structures and environmental context.

Cooperatives as business institutions that are oriented to *service motives* and *profit motives* are an ideal social institution in overcoming social problems at the time until now. While, social innovation can be seen in the fields of finance, production sector, agro, media sector, information, voluntary sector.

Social Innovation Process:

1. Identify problems.
2. Discuss problems in discussion activities (FGD).
3. Mapping the capacity of one-self to solve the problem.
4. Collaboration with relations in various fields.
5. The creation of innovations that impacts the community.

Examples of social innovation in various fields:

1. Micro Hydro Indonesia.

Tri Mumpuni developed the concept of community independence in remote areas with the provision of hydropower or micro hydro power plants (PLTMH).

2. Farmer Bank.

Masril Koto, with the Agribusiness Microfinance Institution (LKMA) Prima Tani founded in 2003, helped create farmers' independence in developing their agricultural businesses with easy access to capital.

3. Cooperative.

4. Foundation.

An NGO founded in 1997 by Ambrose Ruwin drijarto and Silverius Osca Unggul, by educating the public about the importance of conserving tropical forests and coordinating targeted logging.

### **Types of Innovation**

Innovation is a tool in entrepreneurship; and it is a spirit that is able to drive innovation in organizations (Pasaribu, 2016). Innovation is seen as an activity that is within the control of a firm which management can control or manipulate (Prajogo, 2016). Thus, De Vries et al. (2015) agree that innovation as a process of creative destruction in which new combinations of existing resources are achieved; entrepreneurship is inherently connected to innovation as this is all about the will and ability of individuals to achieve new combinations. Conversely, without entrepreneurship, innovation is only a tool. In Pasaribu (2016) also explained that, Innovation is divided into two:

1. Incremental Innovation.

Innovations are improved continuously. Incremental innovations are usually associated with minor changes or modifications in terms of technology or market positioning (Fernandez et al., 2017).

2. Radical Innovation.

Radical Innovation, according to Pasaribu (2016) has three levels in its implementation, namely: an activity, ability and the last level is innovation as a system. At the level of an activity, it begins to find new ideas, it can be done by making idea competition in the company; at the second level, it begins to implement new ideas, so that the company becomes more advanced and sophisticated. At the third level, the innovation environment of the company is already embedded in every line of the organization, members of the organization not only innovate in solving company problems, but members of the organization at all times and activities continue to experience changes, such as improvements in products, processes and organizations. At this stage exponential value added is created.

**Table 1.** Evolution of Innovation

Since 1930, the development of innovation has changed, Rothwell (1994) divided the evolution of innovation in 5 generations, namely:	
1. First Generation Innovation (1G)	<ul style="list-style-type: none"> <li>• Pressure on technology.</li> <li>• Industrial Revolution.</li> </ul>
2. Second Generation Innovation (2G)	<ul style="list-style-type: none"> <li>• Pressure on need</li> <li>• From market to customer focus</li> </ul>
3. Third Generation	<ul style="list-style-type: none"> <li>• Couping Model (Pressure on technology and need)</li> </ul>
4. Fourth Generation	<ul style="list-style-type: none"> <li>• Integrated Model (a tight coupling of marketing, R &amp; D activity, supplier and customer)</li> </ul>
5. Fifth Generation Innovation (5G)	<ul style="list-style-type: none"> <li>• System integration dan networking model (SNI)</li> <li>• Strategic partnership with supplier and customer, Using expert systems.</li> <li>• Using collaborative marketing and research</li> <li>• Faster, more efficient product development.</li> </ul>

Source: Pasaribu, (2016: 199).

Innovations carried out always have a risk, the problem that arises is how to deal with these risks, the first step taken is to calculate the risk, then motivate employees to be able to deal with these risks, it takes a leader who chooses the spirit of innovative leadership. Entrepreneurship is a process of building a business, the process as a result of an entrepreneur's ability to see business opportunities, these opportunities are linked to knowledge and motivation to produce business, this is where an entrepreneur plays a role, with his ability, an entrepreneur can make a decision to take or ignore an opportunity business by utilizing existing resources.

### **Unemployment in Medan Municipality**

Mahalli (2008) stated in his writing that unemployment in the Medan Municipality is very broad and complex. Broad because it involves large numbers reaching millions of lives and explained again that unemployment is complex because it is influenced and affects many factors. Mahalli (2008) describes in depth the profile of employment in Medan Municipality and how broad employment opportunities in Medan are resulting from economic growth. He also explained that the qualifications of the workforce needed by the market include age qualifications, education and experience, the market also indicates the need for other additional qualifications for workers who wish to enter the labor market, namely the ability to operate computers and foreign language skills (English and Hokkien). Additionally, Mahalli (2008) suggested that new policies be made regarding the new workforce, such as providing a vocational education institution whose purpose was to add skills to training activities in various fields.

### **3. Results and Discussion**

Theoretical Reviews show some figures who have been working to uplift the economic life of communities based on the social entrepreneurship; namely:

- a. Muhammad Yunus; Grameen Bank (Dhewanto et al, 2013). Collateral loans for the poor are actually not feasible for banks. Grameen Bank has been duplicated by many countries to overcome the problem of poverty. With the banking system that provides micro-credit, the *vicious circle poverty* can be terminated. With the addition of capital, businesses will develop and create new jobs.
- b. Bill Dryton 1980: Ashoka Fellows. Ashoka's friends connect with successful entrepreneurs to help these people successfully implement their social ideas. Ashoka's friends are expected to regularly participate in meetings with other fellow Ashoka. In the end, Ashoka's colleagues are expected to turn innovative solutions into independent institutions. Ashoka Fellows helps Ashoka's other friends to realize social ideas, in the end, Ashoka's friends are expected to turn innovative solutions into independent institutions.

- c. Masril Koto: Bank Petani Lembaga Keuangan Mikro Agribisnis (LKMA) was established in 2003 Adopting a system implemented by cooperatives, where each member of the LKMA participates in buying shares in the farmer's bank. If a new LKMA is formed then employment will open. Every LKMA that is built has a minimum of 5 employees who are usually taken from farmers' children, especially those who drop out of school. This is intended to reduce unemployment.
- d. Ambrose Ruwin drijarto and Silverius Osca Unggul: NGO Foundation (Dhewanto et al, 2013). Collaborate with various parties to create solutions for the creation of food productivity and resilience of the community around the forest without destroying the forest. Food security is created, the society is prosperous, poverty is overcome without damage to the surrounding environment.
- e. Tri Mumpuni Wiyatno: Mikro Hidro Indonesia. Hydroelectric power or micro hydro power plants (MHP). Through the microhydro power plant the potential of disadvantaged villages will be dug up so that it is economically empowered. Unemployment will be absorbed.
- f. Bina Swadaya (Firdaus: 2014, www. Binaswadaya.org). Build the economy of farmers through the establishment of businesses engaged in agriculture as well as education and training. Constraints faced by farmers were overcome, the agricultural sector developed, labor was absorbed and unemployment was reduced.
- g. Bali Partners (Firdaus: 2014). The implementation of the fair trade business model in the trade of handicraft craftsmen obtains market information, and can market the products produced, capital assistance is obtained, cooperation networks are established, craft businesses will develop and open employment, absorbed labor and unemployment decreases.
- h. Goris Mustaqim's young entrepreneur, Asgar Muda. Youth as community-based business drivers that have got partnering with companies through CSR programs. Open employment with the opening of new businesses as a result of profits from other businesses that have been running is reinvested for the opening of other new businesses. Labor is absorbed and unemployment will decrease, young women earn money and avoid unemployment(Palesangi: 2012).
- i. Elang Gumilang's young entrepreneur, (Elang Group). It built many subsidized mini-house. The housing finance model partners with BTN Bank. There are a lot of low-cost housing enthusiasts, the business of housing developers is growing rapidly, development projects are creating jobs, middle-income people are helped by cheap home ownership with low installments (Palesangi: 2012).
- j. Young Wise Entrepreneur M. Junerosano, or Greeneration Indonesia (GI), Integrating products and programs to campaign for environmental preservation. Preserving Indonesia through waste management, adequate water, energy saving and clear skies will certainly have a direct impact on the health of the Indonesian people and the sustainability of natural resources in Indonesia. Healthy communities and adequate resources are development capital. Indirectly it will also provide employment through the opening of businesses that produce environmentally friendly products (Palesangi: 2012).
- k. Center for the study of social entrepreneurship development at STAI Al-Yasini Pasuruan. Group and Institutional Approaches. With capital of technical skills, it can be used as an independent working capital, unemployed Muslim youth are empowered. In the end they will create jobs and will absorb labor and unemployment will decrease (Muniri: 2016).
- l. *Socio-preneur* Shelter in Jambi Province (Christina: 2018). It has got synergy with the government in terms of providing shelter facilities and infrastructure, budget funds for the practice of business development groups that have been fostered and overseeing ongoing businesses. In alleviating unemployment, through this program, if in one business group can recruit 5 employees every month from the unemployed, at least it can reduce 600 unemployed people each year for one training period. If the government holds training at a *socio-preneur* shelter for two months once, then there will be 6 trainings that will produce 60 work teams capable of absorbing a workforce of 3600 unemployed each year.

From all forms of social entrepreneurship above, there is an innovation in efforts to overcome unemployment and poverty.

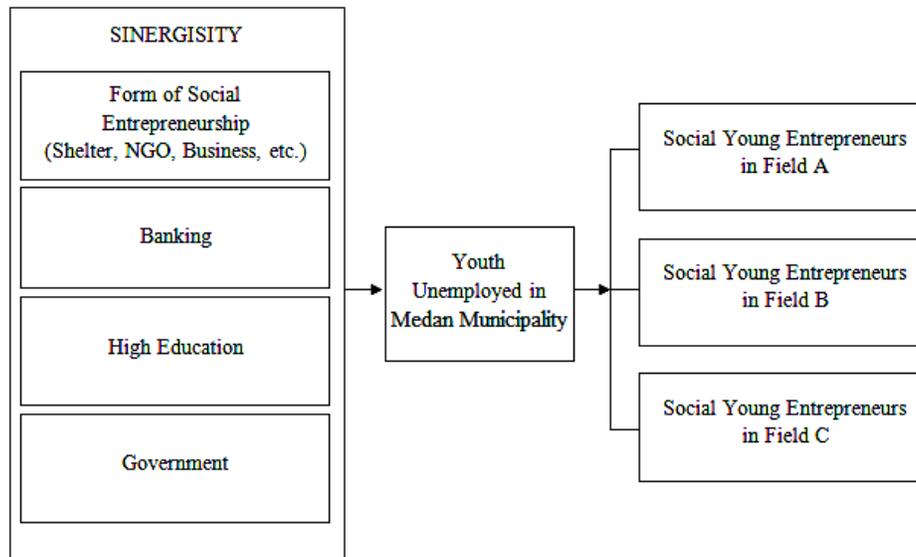
Mahalli's explanation (2008) above, it is clearly seen that the composition of the population of Medan Municipality is at a young age, where the dominant age group in Medan is the age group 20-24 and 25-29 years and the dominant age group in the workforce The city of Medan is the age group of 25-29 years. With the composition of the population the most appropriate form of social entrepreneurship applied in the city of Medan to reduce unemployment is by empowering young women, as was done by the Center for the study of social entrepreneurship development at STAI Al-Yasini Pasuruan. (Muniri: 2016).

Seen from the social element of social entrepreneurship values applied to unemployed Muslim youth, this can be adopted by applying social entrepreneurship not only to Muslim youth in Medan but to the youth as a whole, to get potential young women who can apply a recruitment system for prospective entrepreneurial youth candidates socially, with a group and institutional approach, youth are given knowledge and technical skills. Elements of innovation in overcoming the problem of unemployment in the city of Medan by making an empowerment model involving many parties involved, including the local government, as applied by the *Socio-preneur* Shelter House in Jambi Province (Christina: 2018), with social value elements, halfway houses *Socio-preneur* training unemployed people in Jambi City, sewing, sculpting and swinging, with elements of Civil Society educated unemployed in Jambi City, in groups, then passing innovation elements in synergy with the government in terms of providing shelter facilities and infrastructure, budget funds for group practice business development that has been fostered and oversees the ongoing business.

The parties providing training can be empowered by lecturers from universities around Medan, both public universities such as the University of North Sumatra (USU), State University of Medan (Unimed), State Polytechnic of Medan (Polmed) or private universities under the Coordinator of Higher Education (Kopertis) Region I, such as Universitas Harapan Medan (Medan Unhar), Universitas Islam Sumatera Utara, Universitas Muhammadiyah Sumatera Utara and others, which in the Three Services (Tri Dharma ) of Higher Education. With the community service activities, empowering lecturers as trainers and resource persons in training activities, universities might involve several lecturers from different faculties and study programs, so training materials could be presented more complex in all fields of business. Starting from developing interest in social entrepreneurship for the youth of Medan, training in business management, production technical training, production machinery, information systems, business legality permits, establishment of legal entities and others the social entrepreneurship model growing. On one side the lecturers obtained credit numbers for the sake of promotion and on the other hand young women had the opportunity to receive training to increase their knowledge and technical skills.

After youth and unemployed women are given the necessary knowledge and skills, they need capital to realize ideas that emerge from the training activities carried out, they need capital, it is necessary to involve banking institutions in this activity. There are many banking institutions in the city of Medan, just to find out which bank is suitable to be empowered in this social entrepreneurship activity. Bank Sumut is a bank that adopts the system implemented by Grameen Bank with the micro and small businesses of the Empress (formerly SS1 and SS2).

**Figure 1.** Form of Social Entrepreneurship to Minimize Unemployment in Medan Municipality.



Source: Literature Review (processed), 2018.

#### 4. Conclusions

1. The form of social entrepreneurship to reduce the unemployment rate in Medan can be organized by the NGOs, Shelter Houses, individual businesses where the forms of Social Entrepreneurship would be synergized with efforts made by universities, banks and the government to foster unemployed youth in Medan to produce young social entrepreneurs in various fields.
2. By synergizing the forms of Social Entrepreneurship with universities, banking institutions and the government, elements of social entrepreneurship including social value, civil society, innovation and economic activity can build a complete and comprehensive form of social entrepreneurship.

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