

Section IV
STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP

**SOCIAL ECONOMY - A SOLUTION FOR ENTREPRENEURSHIP
DEVELOPMENT**

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Abstract:

The social economy has emerged from the need to offer fresh, innovative solutions to older social, economic and environmental problems. Known as the "solidarity economy" or "third sector of the economy", it can help meet the needs of certain categories of people that are either ignored or inadequately resolved by public and private sectors, who do not find effective solutions.

Compared with the market economy, whose main goal is the profit, social economy aims to improve the living conditions of disadvantaged people or belonging to vulnerable groups, to provide opportunities for a decent living. Compared with the public sector, this occurs through reciprocity and solidarity to help resolve situations that the government can't effectively manage: poverty, exclusion, inequality and differentiation between people and so on, problems generated and deepened by this inability.

The paper aims to highlight the achievements made so far in Romania, also proposing many models to increase the concern of the authorities and entrepreneurs.

Keywords: *social economy, enterprises, life conditions, business, economic sector.*

The social economy has emerged from the need to offer fresh, innovative solutions to older social, economic and environmental problems. Known as the "solidarity economy" or "third sector of the economy", it can help meet the needs of certain categories of people that are either ignored or inadequately resolved by public and private sectors, who do not find effective solutions.

With more than a decade ago, in 2002, at the Permanent European Conference of Cooperatives, Mutuality, Associations and Foundations has been suggested the following definition of the social economy: „Social economy organizations are economic and social players active in all areas which are mainly characterized by their goals and specific form of entrepreneurship. The social economy includes organizations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in areas such as social protection, social services, health, banking, insurance, agricultural production, local services, education and training, culture, sport and recreation.” (<http://www.alternativesociale.ro>).

Muhammad Yunus, Nobel Peace Prize winner, addresses this issue and shows that: „The definition of social enterprise is very wide. A social enterprise can be any initiative to help people. The initiative could be economic, non-economic, that aims profitable or not. Distribution of free medicines to the poor people can be a form of social enterprise. On the other hand, a social business is a very special kind of deal. It is a business with a social purpose, not a monetary one. It can be said that social affairs are a subset of social enterprises”. (<http://economie-sociala.org>).

1. History

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1.1. The origins of the social economy concept

The contemporary social economy has roots into socio-philosophical concepts specific to the 19th century, with reference to three directions of ideological thinking: socialism, liberalism and Christian solidarity.

The concept is reflected in the pursuits of French and English thinkers of that period, when the economies of the two countries were the most advanced. We can mention Charles Fourier, „the utopian socialist” known for the „falansteres idea” and Robert Owen who considered that the main aim of all social actions were „the new man” from „Owen’s villages”, created through a total reconstruction of human consciousness and cooperation of all individuals in economic and social life areas.

The liberals promoted the idea that sustainable economic cooperation development between individuals is more advantageous than conflicts. An organization created for this purpose was the cooperative, its founder being F.W. Raiffeisen. The goal was saving and credit for the population of the poorest rural areas, based on a strong solidarity between members, on mutual trust, on mutual self-help ideas and voluntary work in the benefit of all.

The church, in turn, appreciated the cooperative as an entity based on Christian solidarity, which involved physical and spiritual aspects of the human and the family as the fundamental unit of social organization.

These three concepts that lead to the same social purposes are presented in contemporary European cooperative movement.

1.2. Meanings

Buying decision has mostly remained based on price, loyalty, habit etc. But the specialists detect a growing consumer shift towards to products of those companies that prove socially responsible, however noting that there is not a general trend. And not just the consumers are concerned about this issue but, also, the investors. The origin of responsible investment was in the 19th century, related to religious movements.

For example, the 1900’ American Methodist Church made investments on the stock market, but intentionally avoiding the companies involved in the production of alcohol, weapons, tobacco, pornography and gambling. Specific to the 20th century, when decided on an investment, the organizations (companies, universities, hospitals, foundations, private or public investment funds, non-profit organizations, religious institutions, etc.) and also the individuals increasingly appreciated the criteria of an ethical, social and environmental aspect. According to statistics, currently in the USA, the most advanced state in this regard, responsible investments are worth about \$ 3 trillion of the 25 trillion of the capital market (<http://www.actionamresponsabil.ro/responsabilitatea-sociala-a-investitiilor-rsi/8043>). The most investment versions are: **screening** - evaluation of a portfolio or a mutual fund based on social, environmental and good corporate governance criteria, together with researches of experts in the field; **advocacy among shareholders** - the responsible investor initiates a dialogue with companies on issues related to social, environmental and corporate governance, by obtaining the views of others on these issues and subjecting them to vote. Such an initiative draws media attention and educates the public on social, environmental and working conditions; **community investments** - the capital, to which under normal circumstances would not have access, is directed to disadvantaged communities.

Compared with the market economy, whose essence is profit and efficiency, the social economy aimed to improve the living conditions of disadvantaged individuals or belonging to vulnerable groups, providing opportunities for a decent living. Compared with the public sector, the social economy intervenes through reciprocity and solidarity to help solving the situations that it can not effectively manage: poverty, exclusion, inequality and differentiation between people and so on, in fact, the problems generated and deepened precisely by that inability.

The social economy gives priority to the model called **social economy enterprise**, whose main characteristics are not related to the size or the sector in which they operate, but to the respect for the common values of Europe.

Among these are:

- the activity is based on the principles of solidarity and responsibility;
- the interests of the staff, users members and the general interest are convergent, help solving some local problems;
- the capital is harnessed in the interest of social actors, people with various problems and social objectives;
- the most part of the surplus is dedicated to achieving the above objectives, in accordance with the general interest and the sustainable development of the local economy;
- there are respected management autonomy and independence from public authorities; even if it solves social problems, however, there are private initiatives;
- participation is voluntary and open;
- the enterprise members can exercise democratic control;
- it contributes to increase the productivity and competitiveness, the living standards, to implement the European concepts of inclusion, cohesion and participation in co-operation;
- it provides jobs;
- it aims to fight against poverty;
- new formed mentality contributes to a higher social consciousness.

From the point of view of legal forms it may take, there are differences from one country to another. It seems that practical aspects overtook the theoretical, scientific and even the legislative ones. In real terms, the social economy exists in fact but not in law, the enactments being more of a fiscal or public policy nature. There are a variety of national and regional approaches, both within the EU and beyond, and however, the field is booming, takes a growing scale.

2. The social economy today

According to information published in particular in the online environment, the social economy consists of about two million enterprises, currently holds about 10% of the total of the national economies and provides 11 million jobs, 6% respectively of total employment in EU. Pierre Delsax, Deputy Director for Internal Market General Directorate of the European Commission believes that „around one in four business started in Europe, is a social enterprise” (<http://economie-sociala.org>).

Promoting social economy is an objective of the United Nations through UNDP (United Nations Development Programme). Together with developing the concept of CSR (Corporate Social Responsibility) it wants to change the attitude of private sector actors towards social public institutions, regarded as inefficient and transparency lacking.

In turn, the EU pays greater attention to this kind of business - social enterprises, considering that in a world based on the gain, but who does not solve the acute problems of society, should be promoted, supported, strengthened and encouraged the model of a pluralist and inclusive economy, because such businesses will be involved in building a new society, more „friendly” and socially responsible, more democratic, where the man is really the most important capital. In this context, it has been developed the legal and administrative framework, specific to the social economy, it has been improved the quality of legal structures regarding foundations, mutual societies and cooperatives which operates in a European context, they have been proposed “social business initiatives” and it was facilitated the access to relevant Union financial programs. The “Europe 2020” Strategy aims among others, to combat poverty and to create jobs, therefore the European Commission focuses on

the role that can be played by the social economy in providing mechanisms generating jobs, products, services and satisfaction. In turn, The European Parliament supports social economy model and adopted specific documents in this regard, such as the Resolution of February, 19th 2009. The Governments of some member states (e.g. the UK) included the social economy in their crisis programs or government programs.

Why this great interest? Explanations are offered right by the activities of social enterprises:

- provide construction of the infrastructure and services necessary for the establishment of small companies or initiate income generating projects for local communities;
- offer community and commercial services that satisfy the local needs;
- are engaged in trade activities abandoned by the private sector because there were not quite profitable;
- provide some of the services that were formerly provided by the public sector;
- create direct jobs, indirect jobs (in companies or entities that depend on the social economy) and induced jobs (outside of social economy enterprises, by using the services provided by them);
- create jobs especially for the low skilled or disabled persons;
- use locally available human resources to develop local projects;
- provide good practice models in social responsibility and social auditing of enterprises;
- provide a more stable environment than the traditional enterprise, employees have greater security of employment and share their resources, skills, competencies and even the capital etc.

There is a better regulation of the social economy in Europe, which reinforces concerns for this type of activity. The newest legislative initiative at EU level dates from April 2013 and this is the Regulation (EU) no. 346/2013 of the European Parliament and of the Council on social entrepreneurship European funds. The document intended to raise capital called "EuSEF" and is designed to facilitate the activity of the investors interested in achieving social objectives and which does not only seeking a financial profit. (<http://www.ies.org.ro/info-stiri/vrs/IDstire/624/t/eusef-sub-aceasta-denumire-vom-intalni>).

3. Social economy in Romania

3.1. Legislation

The social economy has made great steps in the national economy, but the results are not sufficiently known. Analyzing different statistical sources, it is noted the progress. In 2009 (<http://www.ies.org.ro/economia-sociala-in-romania>), the social economy became a major employer, providing 159,847 jobs, up from 3% in 2007 to 3.3% of all employees in Romania. Since 2011, experts appreciate it as an important sector of the national economic and social environment, which can not and must not be neglected. The latest information about the social economy, income, staff, functional entities and their fields of activity in Romania, the positive dynamics of the recent years can be found in the Social Economy Atlas, the 2012 edition, which can be accessed on the website of the Institute of Social Economy (<http://www.ies.org.ro/resurse/cercetari/cercetari-ies/atlasul-economiei-sociale-1>).

Romania has no legislation dedicated especially to this third sector, but there is a regulatory framework and public policies defined by a series of regulations governing the establishment and operation of the social economy (cooperatives, associations and foundations, credit unions); regulations governing enterprises activity in general (Tax Code, the Public Procurement Law etc.); regulations governing specific fields as social and employment services - insertion into employment of people with disabilities or, more generally, of disadvantaged groups (sub-contracting, outsourcing procedures); measures specified in regulations dedicated to the social economy or to the new types of social enterprises (insertion businesses, social cooperatives etc.).

Yet, we can mention two failed initiatives, namely The Social Entrepreneur Law adopted by the Senate on May 16th, 2011, but rejected by the Chamber of Deputies, as decisional forum on March 12th, 2013 and The Framework of the Social Economy Law initiated by the Ministry of Labour since 2011, whereof we can do not find updated references.

Moreover, we appreciate that the same Ministry introduced in 2011 a new occupation appropriate to the social economy in the Classification of Occupations in Romania. It is about **entrepreneur in the social economy - 112 032 code**, and in 2012, supplemented with **social enterprise manager - code 112 036** and **specialist in social economy - 341 206 code**.

The Social Assistance Law No 292/2011 contains the first legal definition of the social economy in Romania. Thus, „*social economy*” is a sector that includes economic activities which, in subsidiary and if it is maintained economic performance, include on their turn, social objectives. In the 53(4) Article the law mentions the social economy among integrated social assistance measures: „In the multidimensional actions of the social inclusion process enroll the activities from the social economy field, geared towards generating and providing employment for persons referred to in para. (1). Organizing and functioning of the social economy sector is regulated by a special law.”

Since 2012, Romania has started training programs that will receive EU funding in 2014-2020. While respecting the European partnership principle, there have been involved in consultations the representatives of all responsible. Were established consultative partnership structures: Inter-institutional Committee for drafting the partnership agreement (CIAP) and 12 advisory committees organized as sections of the CIAP, the Technical Working Group “Entrepreneurship and the social economy” of the thematic Committee (CCT) “Employment, social inclusion and social services”.

3.2. The Knowledge needs

The social economy needs support and a lot of information. If at international level stands out among other CIRIEC International - International Centre for Research and Information on the Public, Social and Cooperative Economy, from Liege, Belgium, in Romania the most important organizations with relevant activities in this regard are:

- **Institute of Social Economy**, center of excellence and training in this area, which is the most important result of the “PROMETEUS Project - Promoting social economy in Romania through research, education and training at European standards”. Other activities of the project are: development of eight national studies based on field research with comparable data at European level on the various types of organizations and fields, publication of “The Social Economy in Romania” volume; development of higher professional education by preparing teachers and developing some dedicated course materials, adapted to the European and national context; eight public debates with leaders from the social economy, specialists, political and administrative decision-makers at local and central; training program for 20 trainers - consultants for social enterprises; editing of the social enterprise “Manager's Guide”; organization of ten regional and national fairs for social enterprises and two editions of the Annual National Conference of Social Economy in Romania in 2011 and 2012.

- **Resources Center for Social Economy (CERES)** (<http://www.economiesociala.net/m1-130-0-ro-Concept-CERES>), part of the Project named „Social Economy - a new challenge in the labor market insertion of prisoners”. It has online resources platform www.economiesociala.net, the first one in Romania dedicated to active organizations in the social economy and beneficiaries of this project.

- NGOs, among which we mention **Social Alternatives**, created in 1997 (<http://www.alternativesociale.ro>), **Europa Association for Human Development (EADU)**, founded in 2009 which has achieved **RIES Project - Network of Social Economy Incubators - Strategic Approach for Human Resource Development** (<http://economie-sociala.org/despre-ries>).

- **RIES – Project** which has the objective to create the **Network of Social Economy Incubators in four Development Regions**, namely South-Muntenia, South-East, Bucharest-Ilfov and South-West Oltenia. These structures provide facilities both “hard” and “soft”, i.e. infrastructure and know-how for the benefit of vulnerable/disadvantaged people target group. For the development and coordination of the practice community type interregional network (SPC) and the Social Economy Incubators (IES), under the project was established the **Interregional Social Economy Centre** (Centre for Human Resource Development and Social Entrepreneurship) and **Interregional Network “Practice Community”** type, a virtual space for communication, information and debate.

Dissemination of information is achieved by:

- **Social Economy Academic Review** (<http://revistadeeconomiesociala.ro>), which aims to promote and support on the public, academic and political agenda the concept of social economy, in order to identify “that socioeconomic antidote against perverse effects of neoliberalism, being particularly concerned about the needs of individuals and the community interests rather than maximization and distribution of the profit among a small number of shareholders.”

- **Social Economy Review** (<http://profitpentruoameni.ro/revista-de-economie-sociala>) under the Project “Profit for the People” has the same purpose as the previous one being a promotional, reflection and debate topics of interest to the social economy framework. It supports those inter and transdisciplinary innovative approaches to social economy development, bringing together theoretical perspectives from academia and research with practical perspectives of the organizations, experts in social enterprises and government.

Organizations and reviews listed above are parts of **projects financed by the European Social Fund and national contribution**. Such examples are numerous, of which mention: “**Social and on the labor market inclusion through social enterprises**” held in Alba County, or “**Well Factory**”, developed in five of eight development regions from our country and which ends with providing jobs for 150 persons with disabilities or who have the minimum guaranteed income.

The involved institutions organize and support:

- **Events** organized to disseminate news in the field and exchange best practices. As recognized initiators we mention Intercommunity Development Associations, cooperative structures with legal personality, under private law, created in legal conditions by the territorial administrative units for the joint development of projects of regional or local interest or joint offering of public services (The local public administration Law no. 215/2001). Their efforts are numerous; we only mention the type of empowerment and involvement of local communities on social inclusion seminars, waste management and social economy. There are all over the country, from Tulcea - in April 2013, organized within the project „Social Economy, a solution for the environment”, initiated and coordinated by the „Save the Danube Delta” Association, in partnership with Eco-Rom Ambalaje, until Pitești - June 2013 for documenting all those interested in the project of common public interest „Integrated Management of solid waste in Argeș” development etc.

- Creation of the **protected units** by the Ministry of Labour, in collaboration with the National Association of People with Disabilities, aimed to integrate people with disabilities into the labor market from our country.

- **Ideas of social affairs**, financed by competition, initiated by different organizations. The latest initiative well known by the public is the project „Made in Andrei’s Country” (www.taraluiandrei.ro) dedicated to local communities, with total financing of 350,000 euro, with two major objectives: creating jobs and solving local social problems. Examples of good practice tend to be known more and more in Romania.

All the initiatives listed above have spaces in the traditional and on-line media, dedicated to promote the results, which can become a source of inspiration for future business. An example is **AMURTEL Garden** from Poieni Village, Buzău County. Local consumers pay a subscription fee of 1,600 lei for 2013 season and receive a weekly basket of organic vegetables grown transparently, 36 times during the season (April to December); The first edition of the **Easter Fair of Social Affairs – „Gifts from the Good”**, held in Bucharest in March 2013, with the participation of social enterprises across the country, that offered a wide range of products, from cakes, gifts and hand-made jewelry, or even leather goods and decorations etc.

4. The future of the social economy

The Global crisis requires more effective economic solutions, including the labor market insertion.

The traditional solutions designed to increase employment for the disadvantaged are no more viable, they have only short-time effect and they are no longer attractive to employers. Reintegration or insertion of the vulnerable persons in the labor market is more difficult, even less possible, with a higher probability of remaining trapped in the social assistance system. Thus, arises the opportunity that the social economy to respond more viable for reducing social exclusion, including Romania. In our country, the number of private organizations that can activate in the social economy has grown considerably during the transition period: 2,000 cooperatives, 3,000 employees and pensioners credit unions and other 20,000 non-governmental organizations active in all areas of the national economy. Of these, according to experts, more than 3,000 performed in steady economic activities, accomplishing the criteria to be classified as social economy enterprises, many of them have created workshops or protected units for employment of persons with disabilities and around 2,000 provide employment and social services, including the employment integration of disadvantaged people in Romania.

The future belongs, also, to the idea of corporate social responsibility – CSR, which refers to the economic success of a business as a result of incorporating the social and environmental issues in its work, to the simultaneously solve of several aspects about customer satisfaction, on one hand, and about the expectations of other groups: employees, suppliers and community residents in general, on the other hand.

Our country European Funds Ministry sent, since June this year, to the European Commission, the first version of the consultative document to develop the Partnership Advisory 2014-2020, during the preparation for the using of funds allocated to Romania (www.fonduri-ue.ro). It proposes 11 thematic objectives and the social economy can be found as one of the four priorities in Objective 9: Promoting social inclusion and combating poverty. Under this objective Romania has set a target to reduce by 580,000 the number of people in poverty in the 2008-2020 period. Indicative financial allocation for this purpose amounts to 2.74 billion euros, of which 0.7 from ERDF, 0.78 from ESF and 1.26 from EAFRD. It has the following priorities: Development of social assistance system; Integration of vulnerable groups and communities, including gypsies; Support the social economy and social enterprises; Promote and support the national health system reform.

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