

ASPECTS REGARDING THE NEED OF DEVELOPING ROMANIA'S SOCIAL ECONOMY

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Abstract: : Starting from the premise that, under the circumstances of the present economic crisis, the understanding and capitalization of social economy are essential, the hereby paper attempts at emphasizing the need of developing this field, mainly owing to its capacity of creating and providing jobs.

Relying on the hypothesis according to which social economy has strengthened its position of alternative form of economic development founded upon social and economic values and principles (volunteering, democracy, non-patrimonial goals, professional development of its members, and autonomy before the State), we consider that this field both displays a manner of developing businesses according to the principles of social equity and responsibility and represents an important source of jobs and a significant contributor to the GDP. At the same time, we should notice the fact that the forms of social economy play an important part in settling economic and social issues, providing a range of activities and services whose demand is not always properly covered by private or public entities.

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1. INTRODUCTION

Social economy is a complex and relatively new concept for the Romanian economic and social environment which is still highly debated. Social economy may be characterized as representing that part of the economy which carries out economic activities for the benefit of local communities and especially of vulnerable groups and which targets the getting of profits which are not going to enter the possession of the owners but will be employed in order to settle certain specific social or environment needs.

Accordingly, one may consider that social economy represents the meeting point of two seemingly antagonist worlds: non governmental organizations (dealing with the social coordinate) and companies (dealing with the economic coordinate).

According to article 2 of the legislative project dealing with social economy, “it represents the part of the economic field independently organized, apart from the public field, whose goal is the supporting of the general interest of the community, the increase of the degree of employment of those persons belonging to vulnerable groups, and the manufacturing of goods and/or services performing.”

2. HYPOTHESIS

After the economic and financial crisis that affected a large part of the European countries, among which one should also mention Romania, we consider that a mere returning to the previous circumstances is no longer possible; It is necessary to identify alternatives of economic and social recovery and development. From this point of view, social economy, owing to its own definition, represents a reality relying upon production and services at a community scale and freed from any speculative tendencies due to the non-distribution of its possible profit. Moreover, this type of economy mainly relies on the social capital of the community it operates within and on the natural resources which are not capitalized at their maximum potential rather than on the financial capital whose excessive speculation determined the 2009 economic failure.

3. THE NEED OF DEVELOPING SOCIAL ECONOMY IN ROMANIA

According to a research undergone by the Romanian Institute of Evaluation and Strategy, dated March 2012, most Romanians tend to consider themselves poor due to the fact that, when asked to place themselves on a 1 to 10 scale, where 1 means “poor” and 10 means “rich”, the resulting average represents 4.73. Moreover, a tremendous percent of those who responded the evaluation declare that their opinion is that, in Romania, most people are poor – 90%. At the same time, more than three thirds of the persons who took part in the interview perceive inequality among people as high or very high, in Romania. The same research also asked the respondents to evaluate the importance of certain aspects whose settling is targeted by the *Millennium’s Objectives of Development*. The most important aspects, according to the respondents, are the following ones: poverty (61%), lack of education (48%), environment pollution (36%), discrimination against girls and women (28%) as well as misery and infectious diseases (24%).⁴²

Under such circumstances, one of the principles upon which social economy relies is exactly the struggling against poverty and the support of less favored communities through developing businesses within such communities that have as business partners (clients, suppliers) poor people.

A series of premises that support the idea of the necessity of developing social economy may be outlined in Romania:

- High level of poverty of rural population and, mainly, of the population belonging to the North-Eastern, South-eastern, and South-Western regions (poor people are mostly exposed to the risk of exclusion on the labor market, to the lack of adequate incomes, and to the decreased access to education and health);
- High risk of poverty in case of the elders, unemployed persons, farmers;
- Salary inequality;
- Decreased percent of employment in rural environment;
- Diminished rate of employment in case of young people (15-24 years old) and women;
- Existence of various vulnerable groups, such as: young people, rural population, gypsy population, women, people having a decreased level of education and qualification, etc.;

⁴² Romanian Institute for Evaluation and Strategy, *Bogați și săraci. Percepții și atitudini ale populației României privind sărăcia și incluziunea socială*, March 2012

- Deficiencies of the Romanian educational system that determine powerful negative effects upon the school results of the pupils belonging to poor families or to gypsy families, of those requiring special educational needs or of those AIDS infected. Such people are most often marginalized, segregated, and, sometimes, even excluded from schools in Romania.

According to the previously displayed data, we consider that the classic business models that have proved to be functional and performing should not be replaced; instead, they should only be adapted in order to meet the issues of poverty and social exclusion. Consequently, companies should not give up their objectives dealing with maximizing profit; yet, they should add certain objectives that regard their development owing to investments on poor markets as well as long term sustainable development in accordance with the interests of local communities.

In other words, social economy, owing to its structures (social enterprise, social franchise, cooperatives, etc.) has as an objective the finding out of the balance between profit and social benefits; reality shows that a large number of companies are in fact inspired by the challenges social dimension imposes on economic activities.

Although, at present, in Romania, there are no legislative settlements regarding the implementation of the concept of *social economy*, and the only social economy structure acknowledged by Romanian legislation is the authorized protected unit (Law no. 448/2006 with its further modifications and completions belonging to OUG no. 86/2008, Law no. 207/02.06.2009, and Order no. 60/2007), we consider that the organizations of civil society should obviously develop social enterprises according to a professional manner and that part of such activities change into full rights enterprises providing a significant financial and social impact.

The best way of understanding social enterprises is to consider them as a group of organizations that are close to the border of the private profit field, accordingly reaching out their social objective, at least, through carrying out commercial activities on the market. The term of social enterprise has an American origin and designates the non-profit organizations that have moved off the traditional forms of income (financial aids, donations) and have approached manners that are much closer to the business field in order to get incomes.

There are a series of criteria, both economic and social, upon which the activity of such social enterprises relies and which recommend them owing to their contribution to the struggle against poverty and to the economic and social development of Romania:

- *Uninterrupted activity of manufacturing goods and/or selling services.* Social enterprises are directly and continually involved in the production of goods and/or services, this being one of the main reasons of their existence.

- *A high degree of autonomy.* Social enterprises are voluntarily founded by a group of people and are administered by them according to an autonomous project. Although they may rely on public subsidies, on public authorities or on other organizations (federations, private companies, etc.), such entities do not administer them directly or indirectly (they have the right to “enter and get out”, namely to adopt their position and to terminate their activity).

- *A significant level of economic risk.* The development group that founds a social enterprise involves, integrally or partially, a risk for the initiative. Its financial viability depends on the efforts of its members and employees capable of guaranteeing sufficient resources.

- *A minimal amount of paid labor (a high level of volunteering)*. As in case of most non-profit traditional associations, social enterprises may mix monetary and non-monetary resources, volunteering and paid labor.

- *An explicit objective for the benefit of the community*. One of their main objectives is the one that serves the community or a specific group of persons. Accordingly, a characteristic of social enterprises is their wish to promote a sense of responsibility at a local level.

- *An initiative launched by a group of citizens*. Social enterprises are the result of a collective dynamics that involves people belonging to a certain community or to a group which shares a particular need or goal.

Carlos Borzaga and Jacques Defourny, both well known for their works in the field of social economy (such as *The Emergence of Social Enterprises* - 2001), consider that social enterprises promote an innovative behavior targeting the foundation of new forms of organization and new services and relying upon a more varied mix of resources; accordingly, they rather rely on incomes determined by commercial activities than on donations/subsidies from public authorities. They have a more pronounced entrepreneurial character displaying an evident bent towards risk assuming characteristics.

Consequently, social enterprises are meant to settle critical social issues and do such a thing according to a financially sustainable manner in order to create long term benefits for communities. More specifically, under certain circumstances, social enterprises offer jobs for their beneficiaries or services and products for marginalized or small incomes communities; quite often their social impact manifests through the manner resulting profits are used. Owing to social enterprises, non-profit organizations succeed in delineating themselves as providers of products and services; as a consequence, they determine incomes both in order to be added to funds raising activities and to increase local and national budgets.

One may notice that Romania possesses official measures clearly assumed by the State in order to develop this field, yet only regarding social economy as a device of social inclusion and fight against poverty. Social economy activities that do not meet this objective – and which are nevertheless acknowledged at a European level – are not necessarily mentioned by normative standards nor forbidden or restraint by existing stipulations. The result of such a condition is that such activities may be carried out while observing the other legal stipulations, but are not promoted, supported and explicitly encouraged, at present, by the documents or mechanisms that sustain Romania's social economy. Accordingly, the need of completing legal stipulations in force is required so that one may extend the definition of social economy in order to include other forms that differ from those that directly contribute to social inclusion, according to the principles accepted at a European level representing the basic grounds of social economy in the context of coordinating the social and economic fields, becomes increasingly obvious.

At the same time, one should also notice that the concept of social economy covers a large range of fields where it can exert its power; it should not be considered as being relevant only for the social field or for that of social inclusion. Moreover, the beneficiaries of the forms of social economy include, besides the groups exposed to the exclusion risk from labor market, various categories of persons or groups, such as farmers.

The activities social economy may cover are the following ones:

- All collective and individual services of taking care of human beings;

- The small scale development of certain forms of high quality proximity agriculture;
- Activities of recycling textile stuff, wrappings, electronic equipments;
- Building and rehabilitating dwelling-places with a view of their long-lasting development;
- Solidarity and micro-crediting funds in order to support individual initiatives;
- Solidarity tourism with a view of maintaining rural areas jobs and preserving local traditions;
- All production or services activities developed in rural areas which capitalize a local potential and/or contribute to labor employment in the rural community finally determining its development.

Under Romania's present day circumstances, one may notice that the economic and social crisis has determined two contrary tendencies in the field of social economy:

- Of increasing the demand of services and activities specific for social economy supporting the protection of vulnerable persons. The decrease of incomes has induced the increase of poverty; hence, the tendency of increasing the demand for partial or total assistance, in all its forms, beginning with unemployment aids, guaranteeing minimum incomes, etc. up to volunteering relying services for individualized social assistance;

- Of decreasing financing sources, including volunteering. In order to survive, organizations require financing innovation: new fiscal instruments and facilities as well as financial support (financing, providing work capital, assimilation of technological and non-technological progress, professional training for change adapting and stimulation).

The support of the need of developing social economy is also emphasized by the opinions of Prahalad and Hart according to which "companies have to re-evaluate the relation between price and performance regarding the products and services they offer. Attaining new capital profitability and identifying new manners of measuring financial success are also required. Companies are going to be forced to re-evaluate the range of their operations shifting from the ideal *bigger is better* to a strategy that involves both the development of small scale operations having a high potential of spreading and an operational capacity at a global level". [1]

Accordingly, the previously mentioned authors consider that business environment is able to fix the issue of poverty determining both profit and social benefits owing to investments in social impact innovations and to developing the products and services required and accessible for the communities lacking in such opportunities.

5. CONCLUSIONS

Although the concept of social economy is relatively new, it is increasingly known due to its economic and social potential targeting both national economies and the inclusion coordinates of less favored groups.

The development of social economy in Romania should include:

- The clear delineation of legislative framework;
- Policies supporting local innovative policies which determine social inclusion;
- Supporting and promoting social enterprises;

- Development of a positive framework, especially of financial institutions and of the entities helping the foundation of business initiatives;
- Supporting the manufacturing of products and services by the forms of social economy and providing the training of entrepreneurs;
- Development of a system of results measuring and evaluation and of determining the impact upon target groups and, indirectly, upon the economic and social environment, local and macroeconomic status of balance.

Accordingly, all these elements are going to determine:

- Sustainable jobs;
- Providing services adapted to the needs of vulnerable groups;
- Planning and manufacturing products adapted to the buying force of poor areas;
- The increase of the degree of social inclusion of those persons belonging to vulnerable groups;
- The increase of the life quality of the persons belonging to poor communities;
- The increase of the degree of the citizens' responsibility assuming and an active involvement into social life.

The social issues determined by poverty and exclusion do have real, sustainable solutions that do not belong to the governmental area nor to private philanthropic activities, but to the field of private businesses, more specifically to private initiative on the free market. In other words, the needs of the communities lacking in opportunities and of vulnerable groups cannot be met on a long term owing to governmental programs of social assistance or to charity activities, but owing to private initiative that sets forth social impact innovation and that trade goods and services required by those who are less favored.

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