

## **Social economy: going local to achieve the Strategy Europe 2020. Romania Case.**

Cristina Barna<sup>1 +</sup>

<sup>1</sup> University of Bucharest, Romania

Pro Global Science Association, Romania

**Abstract.** *Social economy could be considered a response to the crisis in Europe, a new European economic system able to unlock social innovation, growth and jobs and to achieve the set of ambitious objectives to be reached by 2020 in the five main areas: employment, innovation, climate change, education and poverty. Its role is recognized at EU level: in April 2011 the European Commission delivered the final text of “Single Market Act – Twelve levers to boost growth and strengthen confidence”, where lever 8 is “social business” with the goal to encourage social entrepreneurship, so all the actors of the single market who have chosen to pursue not only financial profits as a goal, but also social, environmental or ethical progress. Moreover, social economy is present in draft regulations regarding EU Cohesion policy 2014 – 2020. Support to social entrepreneurship figures among the future investment priorities of the Regulation of ESF and of the Regulation of ERDF. In this very supportive European context, in 2011 Romania begins to do the first steps towards the social economy, thanks to the SOP HRD 2007-2013 projects financed by ESF, Key Area of Intervention 6.1- “Developing Social Economy”. This paper presents also an overview of the conceptual framework of social economy, focusing on the emergence of social enterprise - an alternative model to the profit maximizing firm, not regulated yet in Romania, but more viable in the current socio-economic context: changes in the demand for and supply of welfare services, bottom-up mobilization, emergence of new types of enterprises and concepts. In the last part, the paper analyses in details the Romania case – the history of social economy in Romania, key-actors at present, the first statistics on social economy from “Atlas of Social Economy – Romania 2011”, the present challenges and the future directions.*

**Keywords:** social economy, social entrepreneurship, social enterprise, Strategy Europe 2020

**JEL Codes:** L30, L31

### **1. Social Economy at EU-level**

More and more, social economy could be considered a response to the current eco-socio-economic crisis. Social economy is able to unlock social innovation, growth and jobs and to achieve the set of ambitious objectives to be reached by 2020 in the five main areas: employment, innovation, climate change, education and poverty. Developing social economy could mean sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, and territorial cohesion. Considering these positive effects, years 2010 and 2011 represented for EU years of efforts’ acceleration towards a highly competitive social economy (See Fig.1).

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<sup>+</sup> Assoc. Prof. Ph.D. at University of Bucharest, Romania; Vice – President of Pro Global Science Association, Romania  
Tel.: + 004-0723263677  
E-mail address: [cristina\\_barna1412@yahoo.com](mailto:cristina_barna1412@yahoo.com)

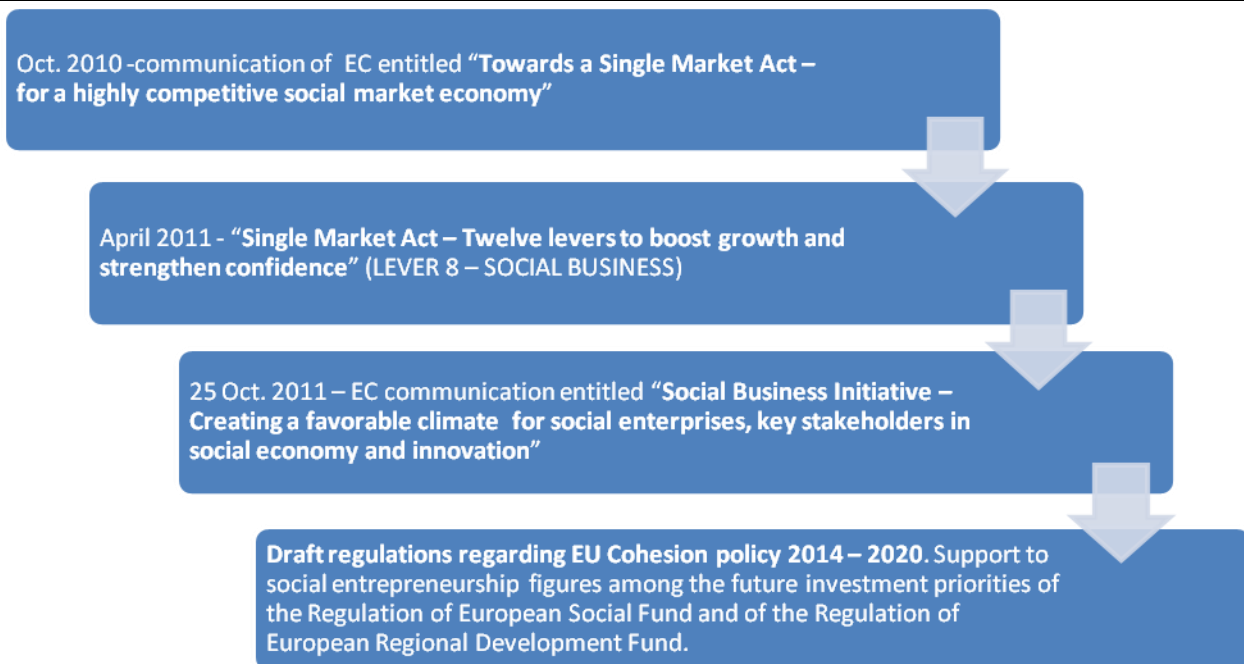


Fig.1 – The EU's most recent steps towards social economy

Regarding Lever 8 “Social Business” of “Single Market Act”, it has the goal to encourage *social entrepreneurship*, that is to say all the actors of the single market who have chosen to pursue not only financial profits as a goal, but also social, environmental or ethical progress. It can be a real source of more jobs and social inclusion. This goal will be attained by helping the development of *ethical investment funds* by taking advantage of the financial leverage of the European assets industry. Also, there are proposed complementary actions such as: legislative proposals on the transparency of the social and environmental information provided by businesses; development of a European legal status for foundations; associations, cooperatives; initiative for social entrepreneurship; communication on corporate social responsibility.

In 2010, the social economy in Europe employed 11 million people, i.e. 6% of the active population of the European Union. The non-profit sector in Europe contributed to 5% of the GDP and about 40 million employees, i.e. 20% more than the transportation industry for example (but this was structured around a variety of different type of legal status).

The future of social economy in Europe depends on the involvement of a lot of institutional stakeholders, mainly: EC – DG Enterprise and Industry, Unit Crafts, Small Businesses, Cooperatives and Mutuels, EC – DG Employment, Social Affairs and Equal Opportunities, Social Economy Europe, International Association of Mutual Benefit Societies, Cooperatives Europe, European Council of Associations of General Interest (CEDAG), European Network of Cities and Regions for the Social Economy (REVES). The future of social economy in Europe begins with an Action Plan to support social entrepreneurship in Europe (eleven key actions to be launched before the end of 2012) which focuses on improving access to funding, increasing the visibility of social entrepreneurship and improving the legal environment. Only by achieving these priorities, Europe can reach social innovation - meeting the unmet social needs and improving social outcomes.

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## 2. Conceptual framework: social economy, social entrepreneurship and the emergence of social enterprise

**Social economy**, known also as a **non-profit sector** or **third sector** represents a sector which plays a crucial role in providing many goods and services, in supporting sustainable socio-economic development, and in reducing poverty and marginality. The concept of social economy, French in origin, refers to organizations sharing certain features, like aim to benefit members or community. More precisely, social economy refers to entities with a wide range of organisational forms, such as cooperatives, mutual aid societies, associations, foundations, and also organizations that play non-economic roles, including advocacy and participation. Jacques Defourny proposed for European Research Network the following definition of social economy, accepted as a working definition by the academic and research world: *“the social economy gathers enterprises of the co-operative movements, mutual benefit and insurance societies, foundations and all other types of non-profit organizations which all share some principles making them correspond to the “third sector” of modern economies”*.

The concept of **social entrepreneurship** covers a broad range of activities and initiatives: social initiatives in for-profit businesses, institutional entities pursuing a social goal, relations and practices that yield social benefits, entrepreneurial trends in non-profit organizations ventures developed within the public sector (according to Johnson, 2000; Roper and Cheney, 2005; Mair and Marti, 2006, quoted from Borzaga, Galera – EURICSE paper). Also, EURICSE researchers Borzaga C. and Galera G., proposed two definitions for social entrepreneurship:

- Broad definition: social entrepreneurship is a mindset that can have a place in any business and setting (Roberts and Wood, 2000), in the for-profit, non-profit, public sector or across sectors, such as hybrid organizations, which mix for-profit and non-profit approaches (Austin, Stevenson, and Wei-Skillern, 2006).
- Narrow definition: social entrepreneurship is located strictly in the nonprofit sector and it refers to the adoption of entrepreneurial approaches in order to earn income.

The emergence of **social enterprise** is argued by the current socio-economic context: changes in the demand for and supply of welfare services, bottom-up mobilization, emergence of new types of enterprises and concepts. As Joseph Stiglitz, Nobel Prize for Economics, said in 2009: *“we ...have focused too long on one particular model, the profit maximizing firm, and in particular a variant of that model, the unfettered market. We have seen that the model does not work, and it is clear that we need alternative models.”* Social enterprise could be an alternative model. Generally, social enterprise refers to ‘different way’ of doing business and providing general – interest services. It is a specific type of institution that is supposed to perform in addition to public and for profit enterprises. It encompasses the entrepreneurial component of non-profit sector and the most innovative component of the cooperative movement. More clearly, social enterprise represents a new entrepreneurial form combining a social aim with business management.

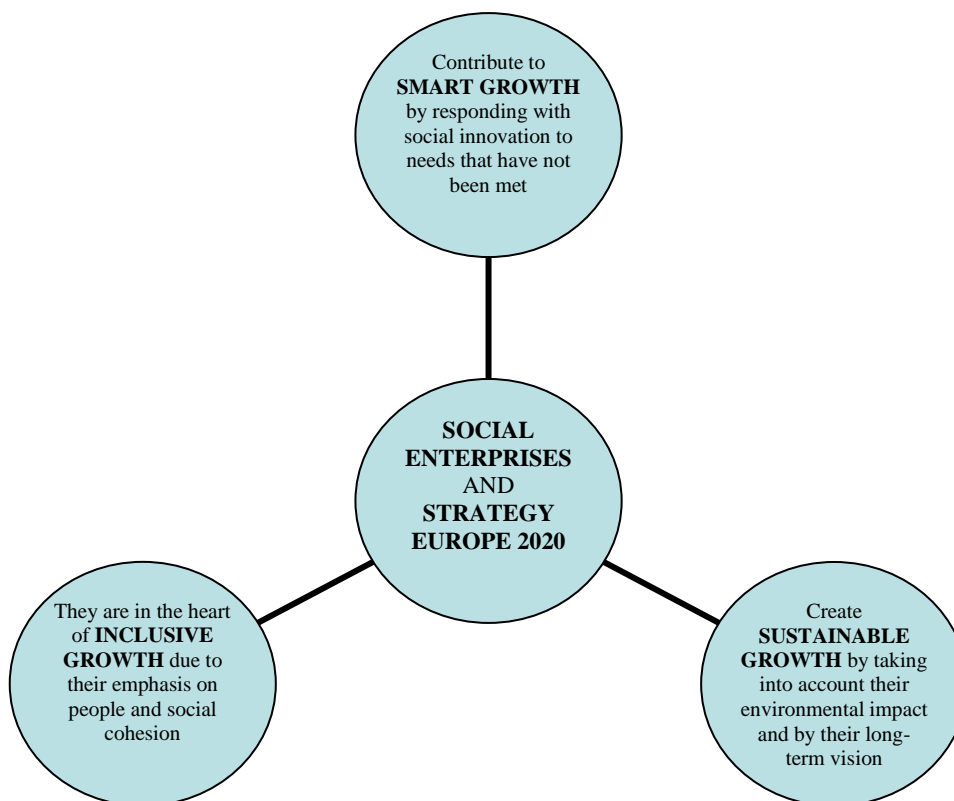
The most recent definition of social enterprise is proposed in Social Business Initiative Brussels, 25.10.2011, COM (2011) 682 final: *“a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.”*

According to EC, DG Enterprise and Industry, 2011, the features of social enterprises can be divided in two categories:

### 1. Economic and entrepreneurial nature of initiatives:

- Continuous activity of producing goods and/or selling services
- High degree of autonomy

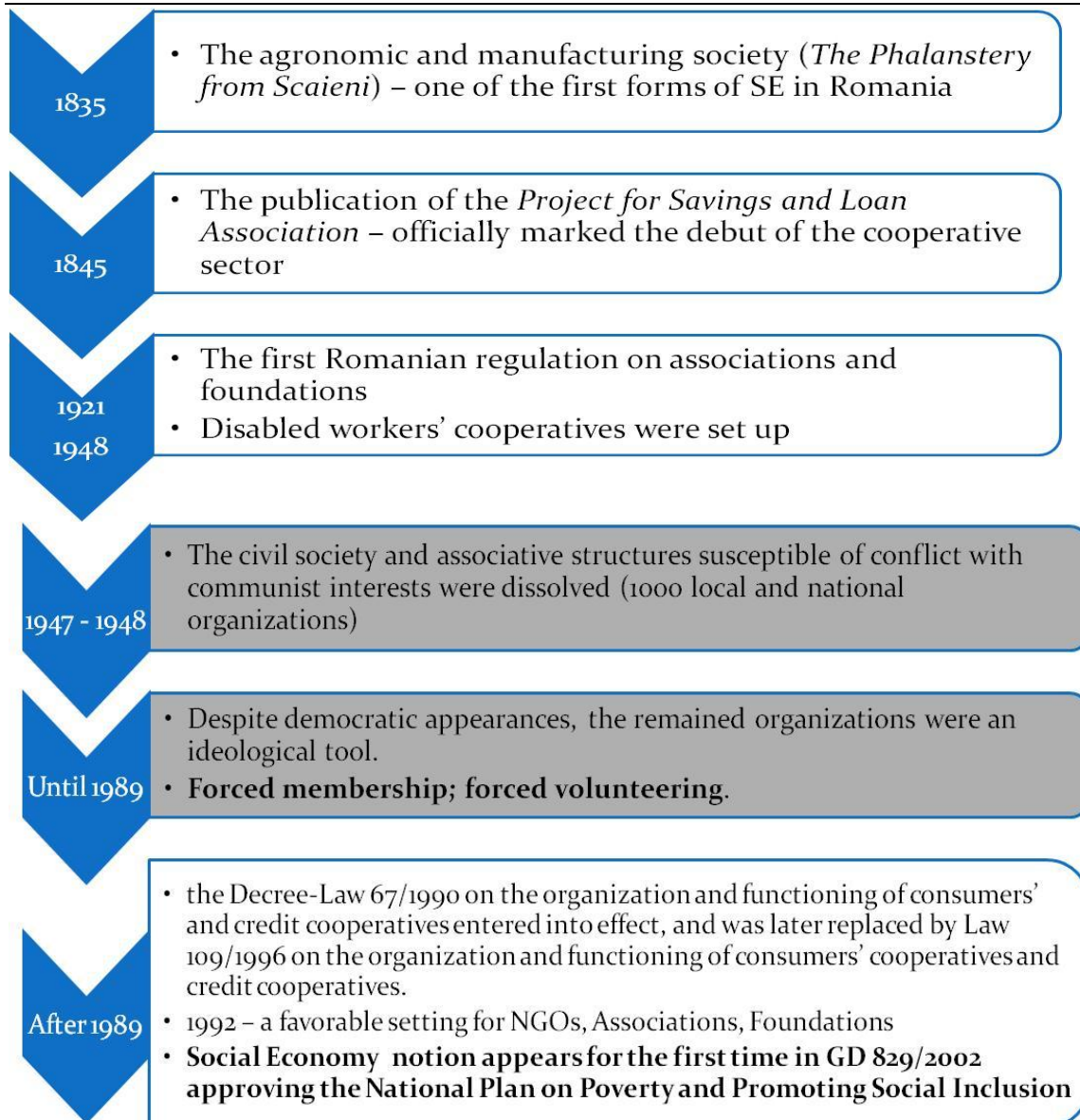
- Significant level of economic risk
  - Minimum amount of paid work
2. Social dimension of the initiatives:
- An initiative launched by a group of citizens
  - A decision-making power not based on capital ownership
  - A participatory nature, which involves the persons affected by the activity
  - Limited profit distribution
  - An explicit aim to benefit the community
- But why social enterprise becomes so important in the context of the Strategy Europe 2020?



*Fig. 2 Social enterprises and Strategy Europe 2020*

### 3. Social economy in Romania

In Romania we can speak about social economy starting with the year 1835 (see Fig.3).



*Fig.3 History of social economy in Romania*

(in base of *Research Report on Social Economy in Romania from a Compared European Perspective*, MLFSP, Bucharest 2011, p.35)

Romania begins to really consider social economy as a viable alternative, thanks to SOP HRD 2007-2013 financed by European Social Fund, Key Area of Intervention 6.1. Developing Social Economy. As example, first statistics about social economy – in *Atlas of Social Economy - Romania 2011* were collected and made available to the public in the framework of a SOP HRD project implemented by Civil Society Development Foundation. In October 2011, it was issued the *Research Report on Social Economy in Romania from a comparative European perspective*, in the framework of another strategic SOP HRD project implemented by Ministry of Labor, Family and Social Protection. In December 2011, the project of the *Social Economy Law* and the *Strategy for the development of social economy in Romania on medium term* were in public debate.

At present, the main key actors of Romanian social economy are: associations and foundations (with interest for organizations with economic activities or which deliver services), cooperatives (craftsmen's cooperatives, consumers' cooperatives, credit cooperatives) and mutual societies (mutual aid societies for employees and for retired people). Romania has other forms of social economy entities too, such as authorized protected units and commercial companies of NGOs, and new forms in debate: work integration enterprise, social cooperative (Law of Social Economy) or social entrepreneur (Law of Social Entrepreneur). According to the *Atlas of Social Economy – Romania 2011* elaborated in the project SOP – HRD “PROMETEUS – Promoting social economy in Romania by research, education and training at European standards”, social economy in Romania includes a number of approximately 70,000 registered organizations, from which a number of 25,744 have been identified as active, being in Romanian NIS statistics. In 2009, social economy represented 3.3% of total Romanian remunerated labour force (163,000 jobs); it grew from 3% in 2007 to 3.3% in 2009, which demonstrated the resistance of social economy in front of the economic crisis. As the data from Table 1 show, the highest values of the relation total income / total employees – were registered for cooperatives and NGOs.

*Table 1: The relation total income/total employees for Romanian social economy entities*

<b>Fiscal Year 2009</b>	<b>Total Employees</b>	<b>Total Income/ Total Employees (Lei)</b>
<b>Associations and Foundations</b>	109,982	39,266
<b>Mutual Aid Societies</b>	18,999	12,155
<b>Cooperatives</b>	34,373	43,192

Source: *Atlas of Social Economy – Romania 2011*

In 2009, the most representative fields for NGOs were social/charity and sport, followed by educational field, agricultural associations/communities, culture and religious organizations.

*Table 2: Diversity of activity fields of Romanian NGOs*

<b>Main activity fields of NGOs</b>	<b>2009 (total NGOs)</b>	<b>2009 (% of total NGOs)</b>
<b>Social and Charity</b>	5522	<b>23.9%</b>
<b>Sport and hobby activities</b>	4103	<b>17.8%</b>
<b>Education, Research and Professional Training</b>	2456	<b>10.6%</b>
<b>Agricultural Associations/Communities</b>	2278	9.9%
<b>Culture</b>	2133	9.2%
<b>Religious organizations</b>	1852	8.0%

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Source: *Atlas of Social Economy – Romania 2011*

The development of social economy in Romania in the next years could have positive consequences: local development and social cohesion, linking economic activities to the local needs, sustaining activities at risks (e.g. crafts) and generating social capital, social services of general interest, social innovation and the rectification of the three major labor market imbalances: unemployment, job instability, social and labor market exclusion of unemployed people.

As **conclusions**, I propose for reflection a paragraph by Mohammad Junus, Founder, Grameen Bank; Nobel Peace Prize Laureate in 2006: *“The wonderful promise of social business makes it all the more important that we redefine and broaden our present economic framework to create the world that we all want. We don't want to see our economic framework continue to pull us backwards. We need a new architecture of economics that will free us once and for all from the crises that surround us. Now is the time for bold and creative action--and we need to move fast, because the world is changing fast. The first piece of this new framework must be to accommodate social business as an integral part of the economic structure. In just a few short years, social business has developed from a mere idea into a living, rapidly growing reality. It is already bringing improvements into the lives of many people and is now on the verge of exploding into one of the world's most important social and economic trends.”*

#### 4. Acknowledgements

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