

## ASPECTS ON SOCIAL ECONOMY DEVELOPMENT IN ROMANIA

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Social economy has developed from the need to identify new innovative solutions to some economic, social or environmental problems as well as to meet the requirements of community members, requirements which are often ignored or unsatisfactorily covered by the public or private sector. Social economy is a sector with a major contribution to creating new jobs, sustainable economic growth and optimal income and social welfare distribution. The paper points out certain aspects that can contribute to the increase, promotion and strengthening of this sector of activity in order to become a genuine element of national economy.

**Key words:** sustainable economic growth, social economy, social services, social enterprises, social actors.

**JEL classification:** O1; O4; M20; M21.

### 1. Introduction

Economic crises, dynamism of demographic phenomena, diversity of needs and social expectations have had a great impact upon statist systems of social protection and have shown the need for diversification and creativity. In this context, social economy has become increasingly relevant, as an innovative and creative solution that can contribute to the social issues approach[9].

Over the last decades, social economy has proved its capacity to contribute efficiently to social issues solving and consolidated its position as an indispensable institution for sustainable economic growth, for an equitable distribution of income. This sector has the ability to adapt its services to social needs, to increase the value of economic activities that meets those needs, to reduce the imbalances existing on the labour market and to strengthen economic and social democracy.

In the current dynamics context which points out the accentuated diversity of national realities regarding concepts and social economy recognition, priority has been given to a certain model of enterprise, i.e. the social economy enterprise that cannot be characterized by size or sectors in which it performs its activity, but by adherence to common values such as: supremacy of social actors involvement, of the body and social objectives of the capital; protection and application of the principle of solidarity and social responsibility; harmonizing community members' interests with general interests, etc. Moreover, the purpose of social economy is not to make a profit but to improve the living conditions and to provide new opportunities for disadvantaged people that belong to vulnerable groups.

In the European contemporary society, social economy has positioned itself as a pole of social utility, being made up of a wide range of actors. However its identity is permanently strengthened by the emergence of a wide and diverse group of voluntary identities, created by the civil society in order to meet all social needs. Enterprises within social economy, in its various forms, play an important part in increasing competitiveness and efficiency of European economy, mainly by: removing labour market rigidities, making labour markets more flexible, mobilizing local resources, strengthening entrepreneurial culture, etc.

### 2. Analysis of social economy in Romania

In Romania, social economy is still in its early stage, being less visible and relatively limited in point of understanding its running mechanisms. Nevertheless the practical experience over the last years has revealed that various forms of social economy do exist, these have been developing and gaining ground despite the lack of legislative framework in this area.

In countries in which social economy development has occurred recently, such as Romania, social economy organisations are relatively young and smaller, with low employment level, compared with countries enjoying a high degree of institutionalization of social economy organizations. Moreover these depend on private funding such as grants, donations, sponsorships that have a high degree of stability and low degree of predictability and which do not encourage high employment.

In Romania, social economy organisations are mainly service-oriented i.e. social, educational, professional development services, more than half of workplaces created in social economy belong to the tertiary sector[1]. Another characteristic is provided by the service orientation for groups with a high risk of social exclusion (2/3 of organisations are involved one way or another, in providing services to those in need).

Social economy is a major employer, accounting for 3.3% of total employees in Romania in 2009, social economy providing 159.847 jobs. The contribution of social economy to employment is significant, and its weight as employer in Romania increased from 3% in 2007 to 3.3% in 2009 of total employees[11].

In 2010, Romanian social economy recorded more than 31.000 organisations, about € 2 billion in income and 100.000 employees that submitted their balance sheet, according to the data provided by the Social Economy Institute from the Social Economy Atlas 2012.

**Table no. 1 Evolution of employment (total employees) in social economy on types of organizations between 2000 and 2010**

SE \ Year	2000	2005	2007	2009	2010
Associations and foundations	19.173	48.238	51.912	48.633	60.947
Cooperatives	91.519	60.200	44.526	43.361	34.843
Mutual Aid Association for Pensioners	-----	2.345	2.368	2.724	2.510

Source: *Atlasul Economiei Sociale din România, 2012*

In Romania there are approximately 25.000 active organisations, out of which associations and foundations are increasing both in number of employees and in income, mutual aid associations are stagnating (but succeeding in maintaining an impressive number of members – 1.5 million of pensioners and 1 million employees). Consumers' co-operatives, co-operatives of handicraft and credit unions are decreasing in Romania, both in number of members and employees. The evolution of these key actors of social economy is alarming in the circumstances in which every third European citizen is a member of a co-operative. Instead in agriculture there has been recorded cooperation dynamics, generated both by the need to develop common distribution channels of semi-subsistence producers, among the most numerous in Europe and some provisions of the Rural Development Programme and community policies that support producers. In 2011, social economy in Romania provided approximately 100.000 jobs, i.e. more than 2.3% of workplaces in Romania[10].

In Romania, the following social economy specific forms of organization were recorded in 2010: 2.983 mutual aid associations, 2017 co-operative societies (out of which 958 consumer cooperatives, 857 cooperatives of handicraft, 127 agricultural cooperatives and 75 credit unions, to which 12 housing cooperatives are added. Among cooperative societies, consumer cooperatives and handicraft cooperative societies are best represented[3].

**Table no.2. Dynamic forms of social economy organization in 2010**

2010	Number of organizations	Fixed Assets (mii lei)	Income (mii lei)	Employees	Members (mii)
Associations and foundations	26.332	5.800.096	5.674.974	60.947	-
Cooperatives:	2.017	975.050	1.620.129	34.843	-
cooperatives of handicraft	857	592.123	749.972	25.109	30
consumer cooperatives	958	199.204	565.039	7.485	20
credit unions	5	115.723	185.118	2.003	-
agricultural cooperatives	127	68.000	120.000	246	-
Mutual Aid Association:	2.985	3.142.642	426.263	4.801	3.237
for Pensioners	205	674.163	81.574	2.510	2.000
for Employees	2.780	2.468.479	344.589	2.291	1.237
<b>TOTAL</b>	-	9.917.788	7.721.366	100.591	-

Source: *Institutul de Economie Socială, [www.ies.ro](http://www.ies.ro)*

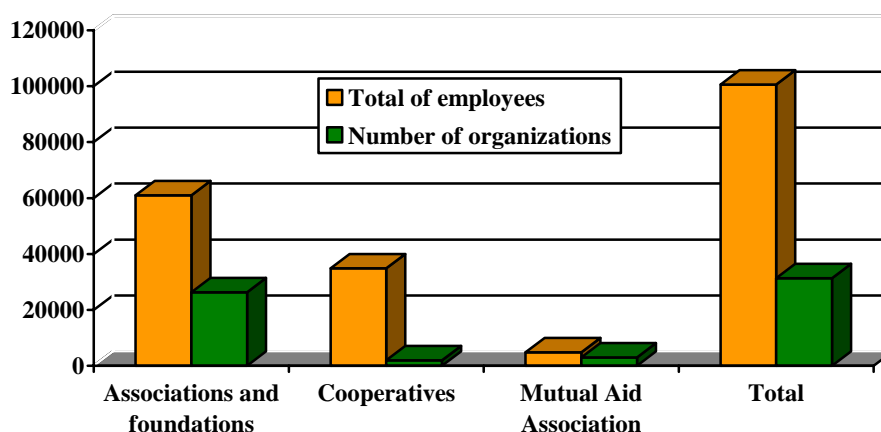
In addition to the increasing number of employees within associations and foundations – approximately 61.000 employees in 2010, a decrease of the social weight is also recorded, for the benefit

of sport, agricultural and educational organizations; associations and foundations that carry out economic activities recorded a constant increasing trend, reaching 760 million lei at the end of 2010, 18.4% more than in 2009.

**Table no.3. Social economy employment on types of organizations in 2010**

Specific forms of social economy	Total of employees	Number of organizations
Associations and foundations	60.947	26.322
Cooperatives	34.843	2.017
Mutual Aid Association	4.801	2.983
Total	100.591	31.322

Source: Institutul de Economie Socială, [www.ies.ro](http://www.ies.ro)



**Fig.no.1. Social economy employment on types of organizations in 2010**

On the opposite side there are mutual aid association for pensioners that recorded an increasing number of members but a 29% decrease in income was recorded compared to 2009. On the other hand, mutual aid association for employees are decreasing in number of members but regarding their assets and income, these recorded an approximately 10% increase in 2010 compared to 2009[13].

At the end of 2010, there were more than 2000 cooperatives, a slight increase as compared to 2009, 9% increase in assets as compared to 2009, 4% increase in income but 20% decrease in employment.

The data processed by Social Economy Institute show that associations are the most common form of social economy in Romania, displaying an ascending trend on all economic indicators and all analysed years (associations' income and assets increasing by 3% in 2010, whereas employment by 25%).

**Table no. 4 Employees share in main social economy organizations**

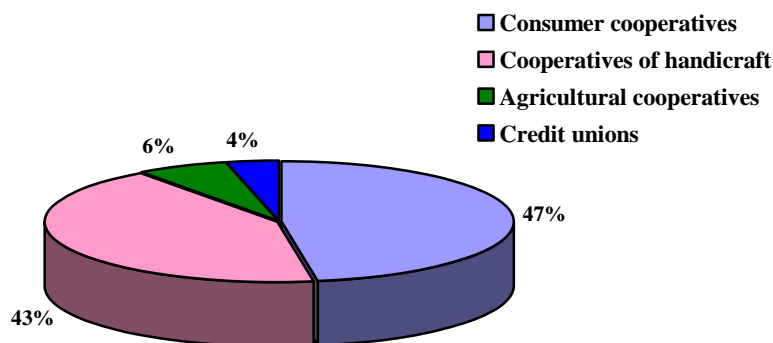
SE \ Year	2009	2010
Associations and foundations	52,86%	63,63%
Cooperatives	47,14%	36,37%

Source: Institutul de Economie Socială, [www.ies.ro](http://www.ies.ro)

Associations and foundations are the most representative segment of social economy in Romania both in number – 93% of organizations recorded between 1990 and 2010 and 89.7% of active organizations in 2009, and in income, fixed assets and employees.

The other social economy organizations, such as cooperatives and mutual aid associations have also reacted well economically speaking and continuing their strengthening and even increasing trend[6].

The number of jobs in social economy recorded a positive evolution in the last two years, after a significant fall caused by the 58.9% job decrease in cooperatives between 2000 and 2009, from 91.519 in 2000 to 43.361 in 2009. Cooperatives are facing an accentuated decline both as employers and concerning the involvement of members in cooperative activity.



**Fig.no.2. Share of employment by types of cooperatives in 2010**

### 3. Initiatives and measures to promote social economy in Romania

Social economy is not just an important pillar concerning employment and social cohesion on European level, but it is also a key element in achieving the objectives of Europe 2020 Strategy, taking into account the fact that this sector withstood economic crisis much better than the other sectors of activity, gaining increasing recognition on the European level[7]. Social economy in Europe has set up numerous organizations that act as its representatives, organizations through which this sector has been involved in development and implementation of E.U. national policies.

Social economy potential (estimates show that the share of this sector exceeds 5% of GDP in many countries and employs more than 8% of total labour) is much higher and could provide new solutions for the extended unemployment crisis EU has been facing and also social challenges to which European countries must respond. In European countries there are no perfect models, but there is the practical experience from which Romania can learn, provided that social economy is included as distinct field both for economic and social activity[9].

The way and intensity with which social economy organizations contribute to increasing employment represent the core of public policies regarding status and role of social economy in current societies. Social economy organizations must be regarded as viable instruments for revitalizing local economies facing difficulties due to their capacity to activate endogenous development process from and for the community.

Over the last years, an important part in resurgence of social economy various forms, has been played by active public policies of employment and social inclusion. In 2013, the United Nations Development Programme (UNDP) for Romania, within "The social economy model in Romania" published a report on the development of this sector in Romania based on the results provided by the analysis of the current financial, legal, institutional and social environment of social economy[2]. The report presents scenarios and recommendations for sustainable development of social economy which are meant for social economy actors both locally and centrally and which provide the scientific base for public policies development that aim both at social economy and social inclusion of disadvantaged groups[12]. Among the **recommendations** provided by this report we mention the following:

- assessment of regulations efficiency on running social enterprises and involvement of disadvantaged groups;
- development of National strategy for social economy development and an action plan with objectives that enable the assessment of social enterprises performance;
- promotion of programs of volunteering and identification and adoption of financial support and incentives mechanisms of social enterprises and of all categories of social actors involved in this sector;
- social enterprises should form federations recognized nationally and internationally in order to better represent their interests;
- continuation of entrepreneurship and management training and finalizing the implementation by Romania of European qualifications framework;
- organizing information and increasing awareness campaigns regularly in order to create opportunities for information on social economy and counselling aiming at setting up new social enterprises.

Between 2007 and 2013, in Romania, within POSDRU projects, social economy was a priority area of intervention, namely key area of intervention 6.1., with a total budget of € 400 million, i.e. approximately 9% of the POSDRU budget.

The POSDRU strategy on social economy was rather limited, mainly due to the restrictions within programming framework of that period – the Lisbon Agenda – whose objectives focussed on employment, social economy being limited to social enterprises dealing with social integration of vulnerable groups[8].

Even if this program encountered certain difficulties related to project management, it however enabled different **approaches**: projects initiated by NGOs, local public authorities, municipalities, public social services or central public authorities dealing with exclusion (Roma, women, disabled people, prisoners, drug-addicted people) as well as research and disseminating information, data collection and promoting key concepts. Thus 15% of NGOs in Romania earn income from social economy activities, whereas 40% do not exclude the possibility of carrying out economic or financial activities in sectors such as crediting, rural development, forestry (Mihaela Lambru, Ancuța Vameșu, Mircea Kivu – Romania 2010 – "Sectorul nonguvernamental-sectorul guvernamental: profil, tendințe, provocări"[4].

A study conducted in June 2013 shows that 88% of NGOs believe that social entrepreneurship is an opportunity for development and self-support of their activity, even if the investment in social enterprises can be extremely risky, and therefore the business plan and its adaptation to the economic reality are equally important, as important as the social need to which the social enterprise responds.

The period between 2014 and 2020 seems to be a better one concerning European orientations towards social economy, taking into account the following **initiatives**:

- in 2011, the European Commission promotes the Initiative for Social Entrepreneurship that includes a comprehensive set of measures on the EU level to promote social enterprises;
- financing promotion programs of active social inclusion, social services and social economy, setting a minimum amount of 20% allocated by the European Social Fund (ESF); the European Commission included in 2020 Agenda indicators of combating poverty and social exclusion, phenomena with which many EU member states have been facing as a result of the economic and financial crisis;
- the European Commission aims at supporting social entrepreneurship both through micro-credit development programs and other programs such as those designed to combat youth unemployment[4].

The way and extent to which social economy is supported in order to develop depends on its visibility degree, and implicitly on how its advantages are recognized on the political, administrative level or within communities[5].

The development of social economy, its specific forms of activity and employment degree within them is highly influenced by an adequate legal framework and by favourable public policies, their necessity being justified by the multitude of economic and social advantages this particular sector generates on the entire society.

#### 4. Conclusions

European countries must therefore try to provide a new identity to this sector despite its multiple dimensions, to strengthen its profile, pointing out its economic and social potential as a solution to the current economic and social crisis as well as an instrument for positive changes both nationally and regionally.

In this context, social economy enterprises play an important part in supporting the objectives set through governmental policies: contribute to productivity and competitiveness increase, to the development of an inclusive and participatory society, encourage community members to get involved in solving local problems, offer new ways of providing public services, etc. Taking into account all these above-mentioned aspects, the Social Economy Institute believes that this social economy sector emerged as a reaction to the market and state failures to comply with current economic and social challenges.

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