

SOCIAL ECONOMY EFFICIENCY

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The social economy combines profitability with social inclusion. Social innovation is the first step in the creation of a social enterprise. Social economy development is a process underway, innovative in terms of relating the individual to the production processes, the concept of citizenship, production areas and modalities. The concern for sustainable development, analysis of economic and financial crisis, the issue of the relationship between the individual and the production process open up many opportunities for development that can influence public policies on employment and social cohesion.

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Introduction

Social Economy is the generic term used to refer to a individual or legal entities who come together to take an active economic role in the social inclusion process. In the European System of National and Regional Accounts, the social economy is found in three of the five institutional sectors: partial in sector 11th (financial corporations) and 12th (financial) and total 15th sector (non-profit institutions serving households). (Barna, C.,2014) Efficiency means the ability to work well and produce good results by using the available time, money, supplies in the most effective way.

At the European level, social enterprises are considered very important for the success of the "Strategy Europe 2020" for a smart growth, they contribute to social innovation in response to social needs, they create sustainable growth through their positive impact on the environment and their long-term vision, and while they are at the heart of inclusive growth due to the emphasis on people and social cohesion. In this regard, we considered appropriate to analyze the social economy efficiency, starting from the delimitation of the concept of social efficiency.

The definition of the social economy, have significant difference between the European sense of the term and the US sense. US approach became dominant international model, for the third sector in the definition of the nonprofit sector or "the third sector". Nonprofit sector is composed of different organizations with the following characteristics: legal entities (companies) or social, formally organized, independent and private structures in that they own rules and mechanisms of decision making in order to produce goods or services, but the whose status does not permit them to be a source of income, profit or other financial gain to generate. It involves voluntary.

The European approach is more analytical and emphasizes the development social economy, how to generate and development of various structures, mode of action and transformation over time. Is useful distinction European Research Network between economic indicators and the social indicators. The economic criteria are: the ongoing work of production or marketing of goods and services, the high degree of autonomy, high economic risk and the minimum level of paid employment. Relevant social indicators include: the aim (aims of community), the quality of an initiative launched by a group of citizens, the principle of "one man, one voice" as a way of establishing the power of decision regardless of capital ownership and participation in profit distribution, also limited distribution of profits.

Definition of Social efficiency - This is the optimal distribution of resources in society, taking into account all external costs and benefits as well as internal costs and benefits.

Social benefit = private benefit + external benefit

Social Cost = private cost + external cost

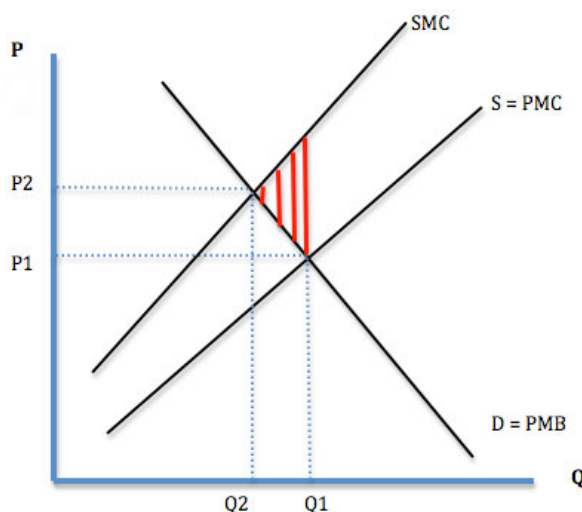
Social efficiency occurs at an output where Marginal Social Benefit (MSB) = Marginal Social Cost (MSC).

**Fig. no 1 Point of Social Efficiency***Source: Performed by the author*

In a free market, consumers ignore the external costs of consumption. Therefore, free market equilibrium is at Q_1 (where $S=D$). However, at Q_1 the Marginal Social Cost is greater than the Marginal Social Benefit.

Therefore by consuming at this point, the cost to society is greater than benefit (e.g. think of traffic jams and pollution because too many people drive at once).

We say there is a deadweight welfare loss – indicated by red triangle. If output is less than is equilibrium. The MSB is greater than MSC. If we increase output, the addition to social welfare (MSB) is greater than the cost of an extra unit, therefore, net social welfare increases.

**Fig. no 2 Efficiency of social economy***Source: (DG Enterprise & Industry, 2013)*

Social Efficiency occurs at an output where Marginal Social Benefit (MSB) = Marginal Social Cost (MSC). Social efficiency is closely related to the concept of Pareto efficiency – A point where it is impossible to make anyone better off without making someone worse off. The social economy combines profitability with social inclusion. Social innovation is the first step in the creation of a social enterprise. (ERYİĞİT P., CURA S., ZUNGUN D., ORTANCA M., 2014)

1. Indicators for measuring the efficiency of social economy

Forms of social economy, with their social and economic efficiency, can take some activities services belong to the public sector, they developing the successful local project. In the major concerns related to employment policies, the EU considers the social economy, with its tradition for over a century, as an effective means in the occupational integration of vulnerable people. It appears not only as a viable alternative to modern market as a social response to the problems of the current crisis, but also as a serious partner civil society and the state.

Although social farming initiatives are non-profit mainly, it is obvious that social farming seeks and requires good management to ensure that activities are economically viable. Costs and revenues are more or less balanced on about half of social farming initiatives in all countries, while for the other

half, this ratio does not apply – costs are rather high and revenues are rather low. Investments in green care activities (facilities, equipment, tools for the service-users) depend not only on the economic situation but also on role of such services in the portfolio of the social farming initiative, as well as on the objectives in this field.

SE competitiveness is measured in two global directions similar to market, respectively, of non-market sub-domains:

a) market competitiveness includes:

- promotion of business incubators to initiate and develop new social and economic initiatives adapted to local conditions, with the use of the natural resources available, including human resource;
- social inclusion through paid employment (in associations, foundations, social enterprises etc.), which reduces the risk of poverty, determines personal independence and stimulates participation in society, accessing the opportunity to use services and facilities for social development. Social inclusion through employment is supported through professional education, skills development and change of personal development culture, contributing to the inclusion in a group (ethnic minorities, immigrants, etc.) and local development, reducing the exclusion connected to access to services and activities, to funding and consumption schemes.
- financial inclusion through microfinance system further reduces the risk of poverty and self-supporting small businesses generating social comfort and standard of living, reducing marginalization, minimizing disparities and avoiding social polarization;
- local revitalization through ES activities that allow involvement of endogenous potential: ES forms of organization can be a support for economic recovery at relatively lower costs, reconsidering competitive advantages, reduction of local imbalances;
- Supporting innovation and development of new niche areas, including the potential for (voluntary) work of citizens - support services for vulnerable dependent people by exploiting technological innovation, where ES finds organizational or functional resources of modernization (Research Report on the Social Economy in Romania in comparative European perspective, 2010)

b) competitiveness in non-market sphere, which is defined by developing packages of services directly destined for social environment - care for the elderly, disabled and children, health and cultural services, assistance provided to refugees and other disadvantaged groups. Employment as a form of active inclusion remains the most competitive form of promotion of ES: it helps to create jobs, allows the restructuring of activities in crisis through reoccupation and / or retraining, contributes to the surfacing of the underground economy (through tax incentives), generates new occupations (social trainer) from assisting vulnerable groups and promoting actions of active social inclusion, perpetuates artisanal crafts and art, preserves skills, labor traditions and local mutual aid.

Financial indicators are general, when defining the total financial effort (volume, dynamic allocation structure on destinations and time periods) and specific for categories of social services (usually when measuring the cost and efficiency for specific activities or persons assisted).

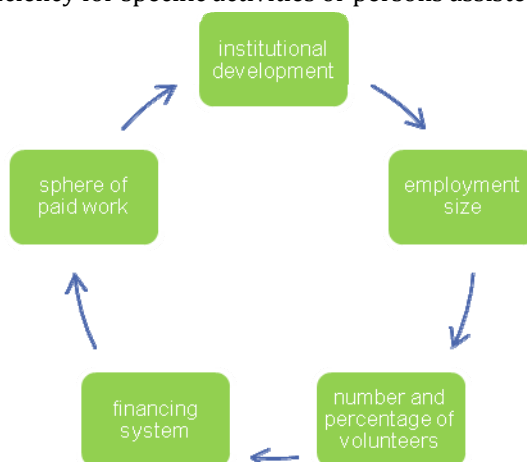


Fig.no 3 The system of indicators used at EU level to define SE targets

Source: Performed by the author

The system of indicators used at EU level to define SE targets (Research Report on the Social Economy in Romania in comparative European perspective, 2010):

- ✓ financing system or operational sustainability of SE organizations; sources and types of financing, size and structure of financing, timing and dynamics of funding sources, the redeemability rate of the amounts borrowed, the cost of financing, efficiency ratio of total consumed funds and by sources of funding or financing etc..
- ✓ institutional development: the number of organizations, companies, in the two sub-sectors defined above; governmental bodies with expertise in ES; the dynamics of creation or dissolution; lifespan (1 year, 3 years, over 5 years)
- ✓ employment size: number of persons employed in ES (total of persons time equivalent to full time, extending part- time activities, the number of members of the organization, the number of volunteers, including structural analysis based on significant criteria for the areas and respectively for the ES activities etc.);
- ✓ sphere of paid work: the number of people employed and remunerated in cooperatives, mutual societies and associations; percentage of the remunerated workforce from the total employment; number and percentage of employees in ES organizations etc.;
- ✓ scope of volunteer work: number and percentage of volunteers (total persons and full-time equivalent) in the economically active population, the percentage of the volunteers in the adult population.

These indicators reflect a steady development sector size, visibility becoming better every year, and may also be, along with social missions of many organizations already internalized the general public arguments to support and budget allocations and European funds next important areas of social economy sector and social services, micro-credit, that may certainly a multiplier effect at the macroeconomic level, leading to a process of sustainable socio-economic development and reducing disparities between regions development.

Table no 1: Indicators of social economy organizations in Romania (2011 – 2013)

	2011	2012	2013
Active organizations (no)	31.322	34.536	39.347
Assets (thousand)	9.917.788	11.033.699	13.917.508
Income (thousand)	7.721.366	9.346.766	12.298.111
Employees (no)	100.591	108.145	131.127

Source: INS 2011 - 2013, Atlasul economiei sociale, 2014

Accelerated growth trends overall sector, however, are largely the result positive developments in all forms of social economy within 2012 - 2013: associations and foundations had in 2013 compared to 2012 growth of about 10% active both as and income and employees; unions have seen an increase in assets 7.31% in 2013 compared to 2012 and revenue of 4.06%; The cooperative has also had a positive trend, and remember especially agricultural cooperatives galloping growth in the last three years of analysis: + 180% increase in agricultural cooperatives in 2012 compared to 2010, + 152.62% asset growth in agricultural cooperatives 2012 compared to 2011, + 164.39% revenue growth of agricultural cooperatives in 2012 compared to 2011.(Atlasul economiei sociale, 2014)

2. The efficiency of social economy

The social economy focuses precisely on community members' ability to clot and to constitute a form of economic organization, identifying and using the potential of human, financial and material available to the members or the community can be found in which it is based.

Social economy entity, community members built such activity production and sale especially within it, can be a positive emanation center locally. Given the local nature of social economy, human resources, financial and material resources are generally limited and entrepreneurial skills are low, especially among small communities. In that situation, the lack of sufficient resources to an end, any form of association, especially in the economic one, remains only at project level. In this context, the solution is to be identified on an additional contribution - human, financial and material - outside the community, which may be an investor.

The efficiency of SE is measured through indicators of economic efficiency of the potential and outcomes: financial resource allocation, cost for categories of activity; by indicators to measure the impact of SE on the application of social services, demand reduction; reducing the duration of the assistance; ratio between cases resolved and cases that require permanent services; Cost Index of assistance for categories of activity; optimal funding necessary for categories of needs; by parameters specific to economic and financial efficiency for the financing component of profit from trading activities; by qualitative parametric or non-parametric indicators defining gross and net social benefit of resource consumption: financing capacity (ratio between current funding and financing need); percentage of the active financed measures in the total need or demand. (Constantinescu S., 2013)

The system of indicators which measure the effectiveness of SE financing develops and improves constantly and include both financial indicators frequently resorted to define financial sustainability of any agent market organizations and specific SE indicators.

Operational sustainability of the institution is regarded as one of the main indicators in assessing the cost effectiveness of microfinance interventions by donors, significant investors. Focus on sustainability of the institution as a precondition to ensure long-term financial services for disadvantaged entrepreneurs is no longer the exclusive approach for performance evaluation. It is completed and often exceeded in importance by assessing the sustainability of the beneficiaries and, more recently, environmental impact. The average cost per borrower is considered to be a measure of efficiency of the institution. Measures to reduce costs and effects are highlighted by a system of indicators (including: improving the portfolio structure, credit score, etc.) and by evaluating the incidence of adjustment costs using modern methodologies of management of associated activities to ensure the financing. (European Commission, DG Enterprise & Industry, 2014)

Associated indicators are linked not only to the stability of the institution, but also reflect the extent to which the external environment influences the intended beneficiaries and indirectly, the financing units. The rapid development in terms of portfolio, coverage and staff, the wider range of products, new industries, new methodologies, new services etc. introduced without suitable training lead to deterioration of the quality of the portfolio. There is a significant difference as regards the sources employed to finance portfolio: SME banks rely on deposits, private sector investors and commercial debt, while the IFN are based on earned income, profits and capital reinvestment originally donated, as well as specialized programs financed by the Romanian government. The ability to generate value. All SE organizations generate value consisting of value components: economic, social and environmental - and investors (whether they do it at the market rate, or charity, or by a combination of the two) simultaneously generate all three types of value by providing capital for organizations. The result of this activity is the creation of value, which itself is indivisible and therefore, is a combination of three elements. Statistical measurement is done by combined indicators: (non) parametric measures highlighting the direct effects and externalities. Measuring social impact is costly if performed with analytical rigor. At the same time, financiers require evaluation, but are aware that this involves significant costs. (European Commission, DG Enterprise & Industry, 2013)

Estimating the size and sector trend by periodic surveys which aim to: assess the impact on the economy and the community; update number and dimensional characteristics of ES organizations; monitoring sector development; identify constraints and opportunities.

Among the restrictions considered there are included: finance, entrepreneurial skills and training, government policy and legislative framework, business partners, location etc. We emphasize that the system of financing and funding sources represents the most important restriction, involves the highest risk for social work (its realization and efficiency obtained), but it is also the greatest opportunity for the development of SE.

Conclusions

The presence of duality socio-economic objectives of organization, is an important feature of social economy entities. Also, the social objective should dominate the economic objective. Social innovation is the first step in the creation of a social enterprise.

Social efficiency occurs at an output where marginal social benefit is at the same level with marginal social cost. Social efficiency is closely related to the concept of Pareto efficiency – A point where it is impossible to make anyone better off without making someone worse off. The social economy combines profitability with social inclusion.

The main features of the social economy derives from the very its name: economic and social. Economic characteristics of the social economy is the main distinction between this and various social services or social work services normally free. From the examples found in practice, we see that the

social economy was one of the ways to bring more financial support private social services, but they are delimited in clearly mediated by economic purpose. Such a distinction is defining for the social economy entities that differentiate boundary that provide social services only, without assumed economic purpose.

Economic characteristics do, in fact, the social economy to become a third segment of economy, focusing on integration in society and not on social assistance. In this context, social economy entities themselves are oriented towards achieving profit, distinguished from other economic entities in the distribution thereof.

The fulfillment of the social mission of social economy enterprise as a result of economic activity is carried out by distributing a portion of the profit to social enterprise members, on the one hand and the community, on the other. In this regard, the initiation and conduct community service projects as is done by consulting its members to support and achieve the objectives corresponding to the real interests of the community.

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