

## The Social Economy Enterprises in Romania

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### Abstract

*The social economy plays an important role at every country and globally. It provides an economic development alternative based on ethical principles - solidarity, democracy, professional and personal development, functioning according to the market economy and independent of the state. The European Parliament attaches great importance to the social economy; through the adoption of a resolution on the social economy, the parliamentarians had in mind both the recognition of organizations in this sector and the promotion of a new economic model centered on social needs. In the context of the social economy, social enterprises are considered to promote innovative behavior in creating new forms of organization and new services, relying on a diverse mix of resources. Social enterprises receive income mainly from commercial activities and less as a result of public funding.*

**Key words:** social economy, social economy enterprises, non-profit sector

**J.E.L. classification:** A12, A13, A19

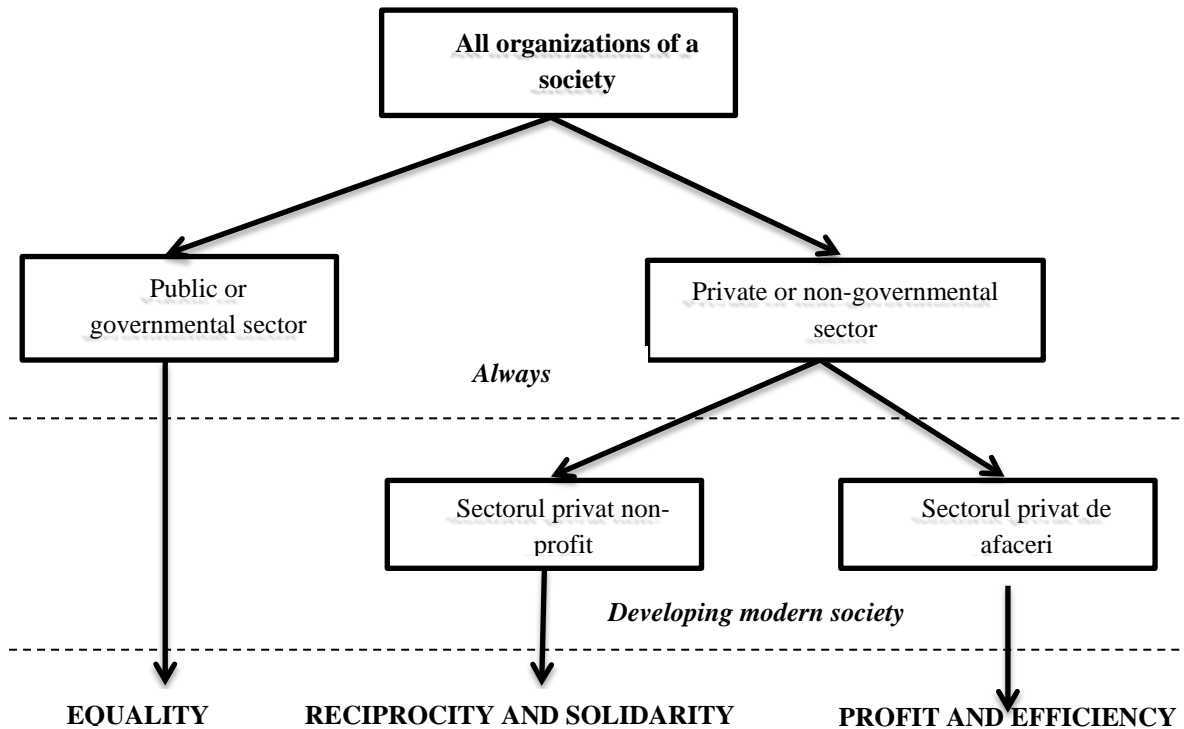
### 1. Introduction

It is known that over time the society has been divided into two sectors, namely the private sector represented by all the companies and organizations carrying out an activity for the purpose of obtaining a benefit, and the public sector represented by the state bodies, which are organized and operating for the benefit of citizens, through the provision of public services. With the passage of time and with the development of modern society, the private sector began a reform of division of activity, thus creating two different private sectors: the first represented by the private business sector operating for profit, second, the non-profit private sector with the aim of obtaining resources then distributed to the members of the society.

It can be seen from the figure below that "a fundamental criterion for differentiating the organizations is the public-private axis" (Vlăsceanu, 2002, p. 56). The public or governmental sector, owned and / or managed by the state, local, county or regional, national or European / international public authorities, seeks to ensure equality among the citizens of a society. We see that the public sector belongs to the people, it is administered by the state and refers to "public goods" offered to the population in order to serve the "public interest." However, the private or non-governmental sector has the mission to carry out activities that will add value to organizations which fall within it. It forms within the general framework of the market by creating with the own efforts of a good or service that will later generate, through the sale-purchase process, profit-making. It is clear that the results obtained, and here we refer to the favourable ones, will be used distinctly by the two sectors of the private sector. The private business sector is represented by commercial companies (SMEs, multinationals, large companies) owned by one or more shareholders and targeting efficiency and profit (used at the discretion of employers) while the non-profit private sector is represented cooperatives, mutual aid houses, associations and foundations, which are based on the pursuit of activities on the basis of reciprocity and solidarity among the members of society.

Even if it appears as a separate sector within the national economy system, the non-profit sector lends features both from the public and private sectors. Non-profit organizations are based on private actions undertaken for the public good compared to the public sector that initiates public actions for the public good or with the private sector based on private equity to secure private gains (Heyman, 2011, p. 33).

Figure no. 1: The National Economy System in the Modern Economy



Source: own construction

Organizations belonging to the private non-profit sector are subject to the principle of "non-profit distribution", which means that the favourable results obtained from the activities are invested in efficient and qualitative activities of covering the "public good" (Vlăsceanu, 2002, p. 56). Therefore, the intersection between the public sector and the private sector leads to the emergence of non-profit organizations, as they are private (in the case of property and profit) but public through the purposes they produce (here is the provision of collective goods at company level). It can be noticed that non-profit organizations are at the intersection of the public and private sectors.

It is true that the private non-profit sector has different names according to the characteristics and the aspects that each author who deals with the subject (Salamon and Anheier, 1992; Vlăsceanu, 2010) wants to highlight. The authors Salamon and Anheier (1992, p. 4) capture in their work seven concepts relating to the third sector: the charitable sector, the independent sector, the voluntary sector, tax exempt sector, non-governmental organizations, the social economy and the non-profit sector but asserts that the list can continue. At the same time, the authors warn that all of these identified concepts are "partially misleading" because they ignore or undermine other relevant aspects of the sector. At present, the term social economy is the most used and is beginning to be adopted and well-regulated both in Romania and in Europe.

The social economy includes various organizational and / or legal forms such as: cooperatives, mutual societies, associations, foundations, etc. Although there are differences from country to country, there are comparable entities throughout the European Union that share the same characteristics, even though they are not described as being part of the "social economy" and are not legally regulated in all Member States.

## 2. Social economy and social economy enterprises

**The social economy**, called informally and the third sector, is defined as the set of activities organized independently of the public sector, whose purpose is to serve the general interest, the interests of a community and / or personal non-patrimonial interests by:

- increasing the employment of the vulnerable group;
- production and supply of goods;
- provision of services;
- execution of works.

In Romania, the legal framework of the social economy is represented by Law no. 219/2015 on the social economy, the provisions of which are applied according to the Methodological Norms (Decision No. 585/2016).

The social economy is based on private, voluntary and solidarity initiative, with a high degree of autonomy and responsibility, as well as limited distribution of profits to associates.

**The main purpose** of the social economy compared to the purpose of market economy is not profit-making but consists in improving living conditions and providing new opportunities for disadvantaged or vulnerable people.

The social economy is based on the following **principles** ('Legea nr. 219/2015 privind economia socială'):

- priority given to the individual and to the social objectives in relation to the increase of the profit;
- solidarity and collective responsibility;
- convergence between the interests of associate members and the general interest and / or interests of a community;
- democratic control of the members, exercised over the activities carried out;
- voluntary and free association in organizational forms specific to the social economy;
- distinct legal personality, autonomy of management and independence from public authorities;
- the allocation of the largest part of the financial profit / surplus to achieve the objectives of general interest, of a collectivist or non-patrimonial personal interest of the members.

The social economy gives **priority** to a model of enterprise (social economy enterprise) that cannot be characterized by the dimensions or the sectors in which it operates, but by respecting some common values, including:

- the supremacy of the participation of social actors, the person and social objectives on capital;
- defending and applying the principle of solidarity and responsibility;
- sharing the interests of user members and the general interest;
- the democratic control exercised by members of the organization / enterprise;
- voluntary and open adhesion;
- autonomy of management and independence from public authorities;
- allocating the largest proportion of the surplus to achieving the objectives of sustainable development and providing service to members in accordance with the general interest.

At the same time, social economy enterprises play an important role in supporting the objectives set by government policies, as follows:

- helping to increase productivity and competitiveness;
- contributing to the development of an inclusive and participatory society;
- encouraging and empowering community members to participate in solving local problems;
- offering a new way of delivering public services.

The term Social Enterprise (IS) designates nonprofit organizations that have replaced traditional forms of income with approaches closer to the business to obtain financial resources. Social enterprises appeared in Europe around World War II, focusing on the systematic collection of clothes and furniture. In the 1970s and 1980s, active environmental organizations contributed to IS efforts, particularly small scale, in local communities. Their activities focused on waste sorting, repair / resale and material recovery. In the 1990s, in addition to resale activities, repair and

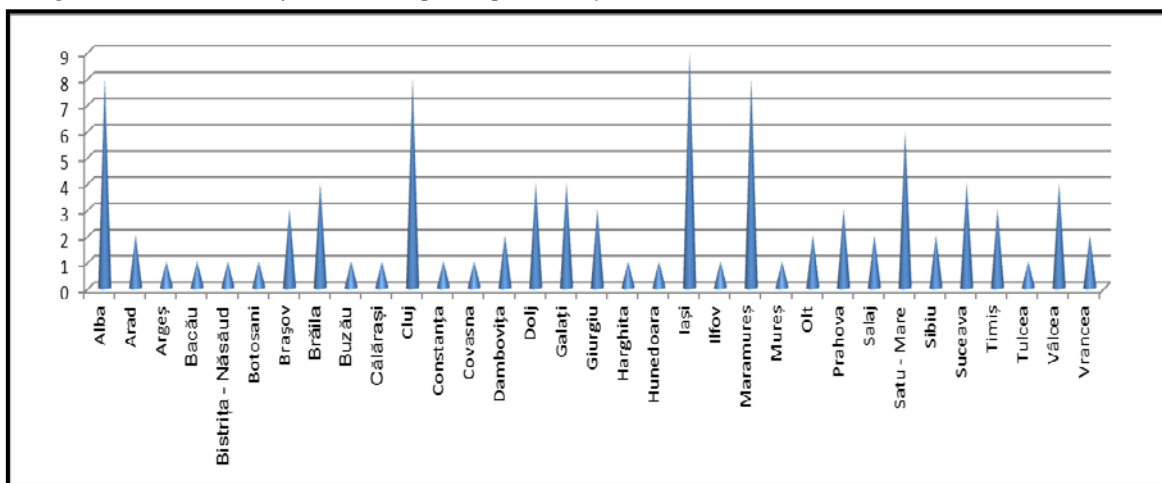
recycling activities also took place. As a result of the worsening of the problems caused by local and regional waste management, the economic crisis and the recognition of the social economy sector as a stand-alone sector, some social enterprises have begun to reorganize to capitalize on market opportunities.

According to Law no. 219/2015 on the social economy, the social enterprise is the private legal entity that carries out social economy activities, which has a certificate of social enterprise and respects the principles of the social economy.

### 3. Analysis of social economy enterprises in Romania

At the level of Romania, in November 2017 there were 96 social enterprises according to the information published by ANOFM (National Agency for Employment). The figure below shows the current situation of the number of social enterprises per county.

Figure no. 2: Number of social enterprises per county



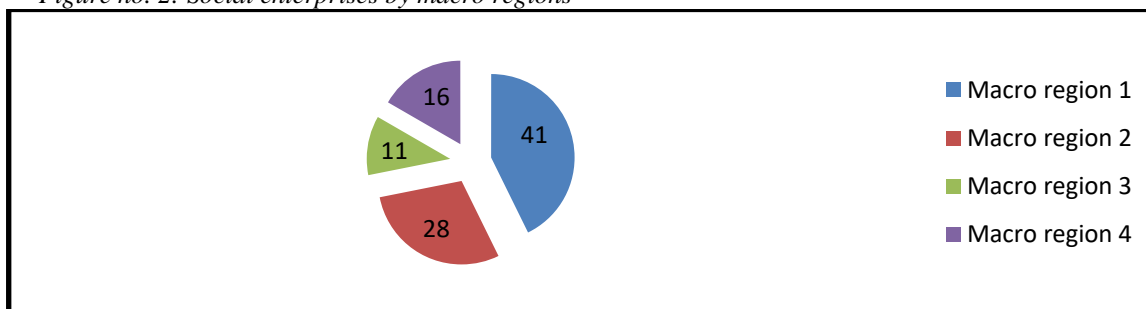
Source: own construction

From the above figure it is noticed that only in 33 counties of Romania were recorded and declared social enterprises. According to the data published by ANOFM, the counties of Bihor, Caras Severin, Gorj, Ialomita, Mehedinti, Neamt, Teleorman and Vaslui are not evidenced even with a declared social enterprise to carry out activity.

Most social enterprises are declared at the level of Iasi County (9 enterprises) and at the opposite side, with only one registration being the counties of Arges, Bacau, Bistrita-Nasaud, Botosani, Buzau, Calarasi, Constanta, Covasna, Harghita, Hunedoara, Ilfov, Mures and Tulcea.

From the analysis we can see that most social enterprises are in Macro region 1 with 41 records (42.71% of the total), followed by Macro region 2 with 28 records (29.17% of the total), then Macro region 4 with 16 records (16.67% of the total) and the last being Macro region 3 with 11 records (11.46% of the total).

Figure no. 2: Social enterprises by macro regions



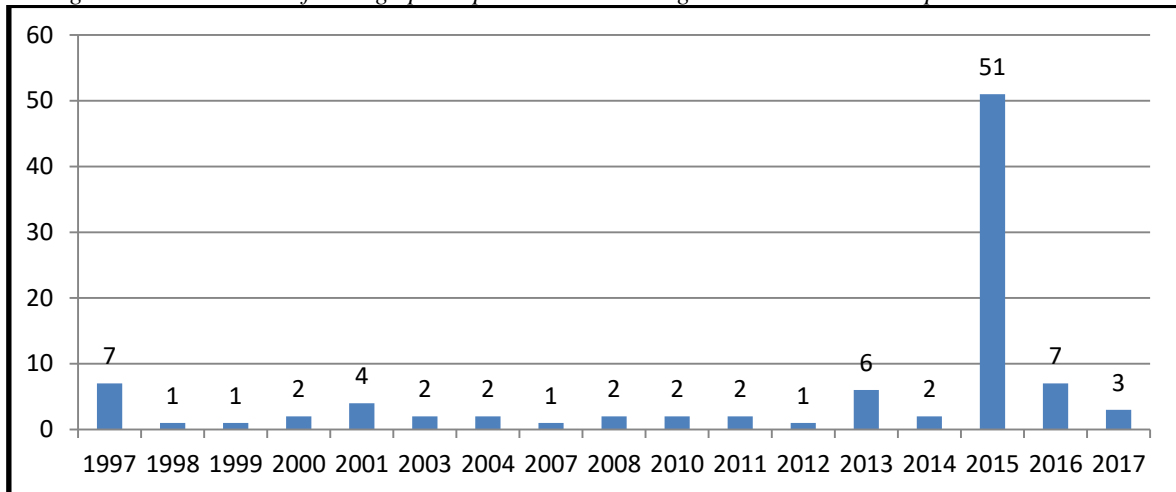
Source: own construction

This ranking is due to the counties of Arad, Cluj and Maramures located in Macro region 1 of Romania, which register every 8 social enterprises, i.e. 24 in total, respectively 25% of the total of 96 existing in the country. It should be mentioned that Bucharest is also part of Macro region 3, for which ANOFM has not published any records regarding the existence and functioning of social enterprises.

It is necessary to make a presentation of the organizational forms that are registered as social enterprises in Romania because it is a new concept that is being consolidated starting with the year 2015 when the law of the social economy was regulated.

Thus, from the figure below, it can be seen that legal entities registered as social enterprises in Romania are established between 1997 and 2017 inclusive, with a boom in 2015 when the social economy law entered into force in Romania, i.e. a registration of 51 of social enterprises out of a total of 96 existing in the country. It is possible that this major occurrence is the result of advantageous tax policies regarding the organization and functioning of social enterprises or, in a more optimistic manner, the increase of corporate social responsibility at the level of the Romanian companies. It cannot be disputed, however, that some of these social enterprises have not developed over time actions that are both for their own benefit and for the benefit of society.

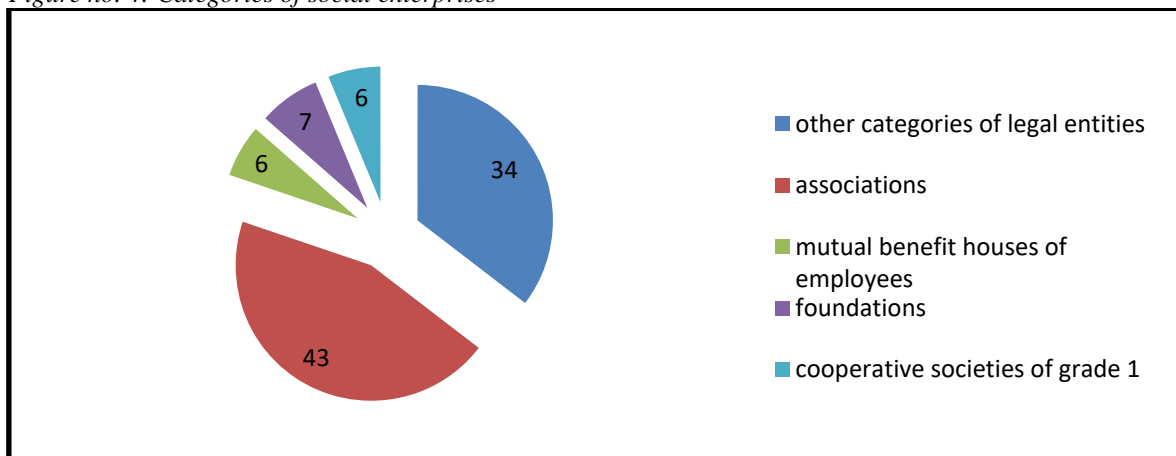
Figure no. 3: The rate of setting up companies that have registered as social enterprises



Source: own construction

Regarding the type of company that has registered as a social enterprise in Romania, ANOFM presents five main categories: other categories of legal entities, associations, foundations, mutual benefit houses of employees and cooperative societies of grade 1. It is worth mentioning as with other categories of legal entities there are 34 companies with limited liability.

Figure no. 4: Categories of social enterprises



Source: own construction

From the above figure it can be seen that the highest share is held by the associations with a number of 43 registrations (i.e. 44.79%) followed by other categories of legal entities with 34 registrations (i.e. 35.42%), foundations - 7 records (i.e. 7.29%) and the same number, respectively 6 records (i.e. 6.25%), the mutual benefit houses of employees and the cooperative societies of grade 1.

#### 4. Conclusions

Upon joining the European Union, Romania has experienced a special effervescence in terms of the concept of social enterprise, with numerous public debates on this issue as well as numerous initiatives to develop such structures. This trend is supported by European funds through Priority Axis 6 "Promoting Social Inclusion" aimed at attracting and reintegrating people facing the risk of marginalization and social exclusion into the labor market, such as: persons with disabilities, Roma population, young people over 18 who leave the system child protection, women, families with more than two children, including single parents, convicted persons, drug addicts, victims of domestic violence, homeless people, etc.

The social economy is acknowledged in the European Employment Strategy, despite the different perceptions of social enterprises in different countries. These businesses are present on the market, but their competitiveness is influenced by additional social objectives. They often encourage the reintegration of risk groups into the labor market through training and employment. Social businesses facilitate access for low-income households to goods or services with guaranteed quality at lower costs. From an economic point of view, they offer jobs in the proximity of people for whom moving or moving to another locality is not a desirable solution.

Even though there are only 96 social enterprises in Romania, the number of organizations that promote the public good is much higher. If we relate to the number of non-profit organizations registered in Romania, we can conclude that civic spirit and social responsibility are being developed and expanding.

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