

THE SOCIAL ECONOMY IN ROMANIA: OPPORTUNITIES, VULNERABILITIES AND ALTERNATIVE SOLUTIONS

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Abstract: *This article presents the results of the research activity carried out within the Project entitled “Alternative policies in the social economy”, implemented between 27.04.2018 - 26.11.2019 by Uniunea Generală a Industriașilor din România (UGIR 1903), filiala Dolj / The General Union of Industrialists of Romania (UGIR 1903), Dolj Branch. The project was financed from the Operational Program Administrative Capacity 2014-2020 and had as purpose the elaboration of an alternative public policy proposal in the field of social economy in Romania. We will discuss, for a start, the methodological benchmarks and theoretical premises that guided the investigative approach. We will delimit the sphere of the concept of “social economy”, as it is understood in the scientific literature and in the European and national documents of public policy, after which we will review the most important trends that have characterized the evolution of the third sector at international level in the last ones decades. During the research, study visits were undertaken to the social enterprises in Trieste, Italy, considered a successful model and, at the same time, a concrete example of the functionality and sustainability of the social economy systems. After presenting the Triestian system as a model of good practice, we will operate a retrospective on the emergence and implementation of the social economy in Romania, both under institutional and legal report, in order to be able to make a correct diagnosis on the current state of affairs. Finally, starting with the public policy proposal, we will propose a series of concrete solutions for the consolidation and development of the social economy in Romania.*

Key words: *social economy; structure of social economy; social enterprise; third sector; Trieste; Romania;*

Introduction

Between 27.04.2018 - 26.11.2019, Uniunea Generală a Industriașilor din România (UGIR 1903), filiala Dolj / The General Union of Industrialists of Romania (UGIR 1903), Dolj Branch, as beneficiary, implemented the project entitled *Alternative policies in the social economy*, financed from the Operational Program Administrative Capacity 2014-2020. The project has achieved two results, respectively:

- increasing the capacity of UGIR 1903, Dolj branch, to get involved in the formulation and promotion of alternative proposals to the public policies formulated by the Government;
- elaborating and accepting an alternative public policy proposal in the field of social economy.

Both results, achieved in the implementation phase of the project, were materialized in the alternative public policy proposal in the field of social economy, elaborated in accordance with the provisions of the *Regulation on procedures, at the Government level, for the elaboration, approval and presentation of the draft policy documents. public, of the draft normative acts, as well as of other documents, for the adoption / approval*, approved by GD no. 561 of 10.05.2009, and which is based on a research activity.

Subsequent to the elaboration of the alternative public policy proposal in the field of social economy, the document was sent to the relevant ministry for the purpose of valorization, an entity that communicated to UGIR 1903, Dolj Branch that "the public policy proposal and its foundation will be forwarded to the attribution department. on the elaboration, promotion and implementation of public employment policies".

Currently, the project entitled *Alternative policies in the social economy* is in the sustainability stage. Thus, through this article we aim to disseminate the results of the research activity, carried out within the project entitled *Alternative policies in the social economy*, which had as purpose the elaboration of an alternative public policy proposal in the field of social economy.

1. Research methodology

The first stage of the research involved a sustained documentation effort, which consisted of studying the scientific literature relevant to the field of social economy, analyzing the systems of social economy performing at European level, studying the international and national legislation, the registers and the available statistical databases. The purpose of the documentation phase was to identify and correctly define the problem and the causal chain that supports it. In the synthesis, the problem tree method was used to identify and analyze the problem, systematic statistical analysis, document analysis, secondary analysis.

Also, in order to obtain adequate documentation, the trends in the field at European and international level were identified. This activity was carried out by participating in the Annual European Conference on Social Economy Structures (CEFEC), organized in Trieste on June 18-20, 2019. Participation in this event included working visits to social economy enterprises in the city of Trieste, Italy.

Starting from the theoretical premises, the available empirical data and the information acquired during the working visit, the results of the research activity were materialized in the elaboration of the public policy document, which, in the form of a "project", was submitted to the public debate by promoting this in the online environment, as well as through a number of 5 public debates organized in 5 Development regions of the country, respectively South-West Oltenia Region, Bucharest-Ilfov Region, West Region, North-East Region and South-East Region .

Thus, the public policy document was finalized by involving a number of 190 persons, representing 228 entities from all 8 development regions of the country, out of which 146 entities representing civil society and 82 public institutions.

At the same time, the SWOT analysis was used to finalize the research, in order to formulate conclusions regarding the proposal formulated to increase the degree of development of the social economy.

2. The defining landmarks of the social economy

From the multitude of acceptances of the social economy, we have kept, as a starting point for carrying out the research, the following working definitions:

- "The social economy is the set of activities organized independently by the public sector, whose purpose is to serve the general interest, the interests of a community and / or the non-patrimonial personal interests, by increasing the employment rate of the persons belonging to the vulnerable group and / or the production and supply of goods, the provision of services and / or the execution of works. The social economy is based on the private, voluntary and solidarity initiative, with a high degree of autonomy and responsibility, as well as the limited distribution of the profit to the associates." (Legea nr. 219/2015 privind economia socială);
- "Private enterprises, formally organized, with decision-making autonomy and freedom of association, created to meet the needs of members through the market, through the production of goods and the provision of services, insurance and financing, in which the decision-making process and any distribution of profits or surpluses between members is not directly related to the capital contribution or the contributions paid by the members, each of them having one vote." (Avila, Campos, 2012).

The structures of social economy are characterized by commitment and perseverance in achieving the social purpose; through a formal, bureaucratic way of organization and functioning, without the social purpose excluding the obtaining of the profit, which occupies a secondary position in the priorities of the organization.

The legal forms of the social economy structures vary from state to state. However, regardless of the legal status, the social economy structures, in order to be included in this category, must operate according to seven principles, set out in the *Charter of the Principles of Social Economy* (Social Economy Europe - CEP-CMAF, 2001):

- not maximizing the profit, but the social purpose guides the activity of the organization;
- solidarity and collective responsibility;
- to complement the interests of the members associated with the social purpose;
- democratic mechanisms of management and control at the organizational level;
- the association is free and voluntary;
- the organization is autonomous and independent of the state authority;
- the profit is oriented, for the most part, in the direction of the social purpose.

By its *sui generis* character, the social economy sector is included by the specialized literature and European documents in the *third sector* sphere, which includes activities of public interest and enjoys the support of the state, but takes private forms of association and functioning (Salamon, Helmut, 1992: 267-309). In many countries of the European Union (since 2015 also in Romania), the social economy structures have a distinct legal status and can benefit from a series of fiscal or non-fiscal privileges (e.g. tax exemptions, seat insurance from the authorities, counseling legal, services for staff with disabilities etc.). The nature and forms of these facilities vary according to the legislation of each state, which makes it difficult to analyze the degree of development of the sector at international level or at the level of the European Union and to carry out comparative public policy studies.

Therefore, the social economy sector brings together those economic entities oriented in their activity towards the innovative, pragmatic and sustainable solution of the social problems of a certain community (companies with therapeutic purpose) or which seek the transformation of a community or of the global society in a desirable sense, without responding in a specific way to specific problems (companies that follow the social progress). Any enterprise that programmatically assumes one of these goals, operationalizing it into objectives and subsuming it a set of related and lasting activities, bears the name of *social economy structure (S.E.S.)* or, more specifically, of *social enterprise*.

Of scientific interest is the distinction between social economy and social entrepreneurship, the latter concept referring to "the process by which resources are used in various combinations in order to capitalize on existing opportunities, to create value by meeting social needs, to stimulate change. social organizations or to set up new organizations with social mission" (Mair, Marti, 2006: 36-44).

The social entrepreneur proposes the accomplishment of the social reform through the economic activity, starting from the following principles (Conferința Națională pentru Antreprenoriat Social, 2009: 11):

- assuming a mission by which not the individual advantage, but the creation and the support of a social value guides the economic activity;
- the mission, based axiologically on the social value, is systematically pursued through the recognition and capitalization of all the opportunities that have appeared;
- identifying innovative solutions to social problems, promoting lifelong learning and adapting to the alert pace of social change;
- the scarcity of resources does not limit the action, but encourages new opportunities for development and innovation and conversion of existing capital;
- the activity is guided by the principle of responsibility towards the beneficiaries and the devotion to the social value.

Social and economic life offers a wide range of fields that can be subject to social economy structures. These include, but are not limited to, services provided to persons with disabilities, children with parents abroad, renovation of housing in disadvantaged areas, environmental protection, community security, handicrafts, etc. (Ziomas et al., coord., 2012) An inventory of activities that fall within the sphere of functioning of the social economy, as they are understood at international level and which is not exhaustive is presented in *table 1*.

Table 1. Activities that can be the object of social economy structures

Sector of economic activity	New occupational specializations and services
1. <i>Domestic services: - old people - persons with disabilities - families with working parents</i>	Domestic help for the elderly Domestic help for people with disabilities Domestic workers People for the maintenance of domestic equipment Financial advisors for families
2. <i>Child care</i>	Preschool care Creative work for preschoolers Therapeutic teaching for children with learning problems Operation of mobile units for early education Entertainers of cultural activities and sports for children
3. <i>New information and communication technologies</i>	Telematics (for remote areas) Internet operators Organization and operation of infocampus and multimedia operators Operation of regional networks and databases for local governance Advisers using multimedia simulation
4. <i>Supporting disadvantaged young people (with poor qualifications,</i>	Entertainers for disadvantaged young people Consultants before training, literacy Guidance counselors Consultation for social integration Consultants for teaching instruction and remediation

Sector of economic activity	New occupational specializations and services
<i>social reintegration)</i>	
5. <i>Maintenance, renovation, improvement of buildings</i>	Maintenance operators for residential buildings Maintenance operators for industrial buildings Renovations of buildings Interior design designer Restoration and rehabilitation of traditional buildings
6. <i>Security services</i>	Technicians in electrical protection technology Protection and guard for domestic, commercial or industrial complexes Provision of financial protection in high risk activities Car transport for children Organization of school meetings
7. <i>Local transport service</i>	Dispatch operators Organization of public transport service by local government Officials of the transport agencies Local multifunctional public transport operators Maintenance of vehicles
8. <i>Adjustment of the urban environment</i>	Configuration and maintenance of sidewalks, public markets etc. Renovation and maintenance of common areas Recreational places Community room arrangements The arrangement and maintenance of recreational spaces
9. <i>Management and operation of shops and businesses locally</i>	Promotion and marketing of local products Community operating rooms Packaging and labeling of local products Crafts and rural tourism development Entertainment
10. <i>Local tourism services</i>	Director of tourism Director of cultural tourism Director of sports tourism Director of health tourism Entertainment
11. <i>Audio-visual and technical</i>	Sound technicians for local radio stations Advertising agencies Radio producers Media producers in audio-visual Producers of television or video information shows
12. <i>Cultural heritage protection and conservation services</i>	Traditional craftsmen of wood Traditional pottery - pottery Traditional knitting materials - textiles Traditional painters Traditional musicians
13. <i>Development of local culture</i>	Promotion and marketing of local folk art products. Organization and operation of local dance clubs Organization and functioning of the local music school Organization and operation of themed local museums
14. <i>Waste management</i>	Management and recycling Management and recycling of waste and wastewater Promotion and marketing of recycled products and materials Manufacture of products from recycled materials
15. <i>Water management</i>	Maintenance of urban water supply networks Development and maintenance of water supply in rural areas Measurement and monitoring of water consumption

Sector of economic activity	New occupational specializations and services
	Maintenance, cleaning and construction of wells and tanks Computer programs for water resources management
16. <i>Protection and preservation of green spaces</i>	Public parks and green spaces Forestry - exploitation of forest products Tourist routes - construction of forest roads and paths Protection of forests against fire Use of aromatic plants
17. <i>Environmental quality control regulations</i>	Controllers for vehicles with emissions Greenhouse gas emission controllers Directors of wastewater quality and sewerage quality control Managers of vehicles and other vehicles with atmospheric emission Administrators for burners (boilers)

Source: Ziomas, Dimitris et al.. coord., 2012.

Some authors (The Danish Commerce and Companies Agency, 2009) point out that the *objective goals* of the enterprise (solving the social problem, improving the target group's condition, increasing the quality of life in the target community etc.) prevail before the *formal goals* of the enterprise (obtaining the profit, covering the costs). As not covering the expenses or obtaining the profit are the priority goals pursued by the company in its activity, the intervention of the competent public authorities, central and local, is imperative for the good functioning of the organization and for increasing the competitiveness in the medium and long term.

The relationship of support should not be subordinated to a relationship of dependency: social enterprises cannot operate exclusively on the basis of subsidies. These having only the role of increasing the competitiveness and the capacity to obtain the profit at certain specific moments in the life cycle of the company (The Danish Commerce and Companies Agency, 2009). In international practice, financial support is given as a priority during the establishment of the enterprise, in times of crisis or when the management of the company assumes an extension of the objectives (social mission) aimed at the economic activity.

3. International trends in the field of social economy

Despite the support given to the social economy sector by the governments of the developed states, the economic crisis of a decade ago has revealed the difficulties that these structures face in achieving the social goals and obtaining decent incomes for the employees' lives. The economic and legal status under which they operate make these economic structures less attractive for large private sector investors, motivated by profit maximization.

The German model encouraged, through specific legislative measures, the transformation of large investors into "venture capital providers" for social enterprises since 2003 (the so-called *Social Venturing*), obtaining excellent results

for ensuring a relative financial stability of social enterprises (Die Stiftung, 2014). Also specific to the German system is the allocation of subsidies from the state budget, in order to set up social economy structures in disadvantaged communities.

Another example is **the French system** of social economy, where the law "Law Barloo", adopted in 2005, has radically modified the system of social assistance in general and that of social economy in particular (Ziomas et al., coord. 2012: 46-47). The aforementioned law resorted to a tax exemption, certain legal obligations and a VAT reduction of 5% for the participating companies (enterprise sharing). Fiscal and legal facilities, coupled with extensive campaigns to increase the attractiveness of the sector, have resulted in the spectacular development of these enterprises, which have become particularly competitive in markets such as: preparing meals, making purchases on order, supervising children, caring for the elderly, traveling. company, meditations for children, fruit picking, lawn mowing, help in agricultural activities and gardening, etc. (Ziomas et al., coord., 2012).

In the areas in which they operate, these companies have actively contributed to community development, understood both in economic acceptance, by creating employment and social opportunities, by supporting vulnerable groups (European Commission, 2012). Therefore, the French model of social economy is based on participatory philosophy, fiscal and legal facilities, campaigns to promote the sector and cover some gaps in the market, which mainly focus on domestic needs. Some of these were also considered in the elaboration of the law of social economy in Romania.

Greece is also a state of social innovation. Klimax Plus, a renowned social enterprise in Greece, is offered as a good practice model by Eurostat, the European Mobility Portal for Employment (EURES, 2018) and most of the social economy research reports. Established in 2005, the organization aims to meet two objectives of general interest: an ecological objective, to protect the environment, and a social objective, for social and professional integration of people with mental problems and vulnerable groups in general.

Klimax Plus "generates revenue by providing paper collection and recycling services to private sector companies (for example, healthcare companies, hospitals, banking groups) and public bodies. It also offers catering services and manages a restaurant" (EURES, 2018). The Organizing Center, Porfyra, offers employees and all those who wish to participate in debates on social issues, including providing specialized advice for people in difficulty. The center is also placed at the disposal of other civil society organizations, who wish to carry out activities for vulnerable groups. For the same groups, the organization also launched a radio station, where information of interest to them, cultural shows, entertainment, educational programs, general culture competitions etc. are constantly presented (Klimax Plus - <https://koispe.wordpress.com>).

4. Case study on the city of Trieste: a center of social economy

The most promoted social enterprises operating in the Italian city are the following:

- **San Giovanni Cultural Park** (formerly mental hospital): it is the result of the transformation of a total institution, with maximum safety regime (a hospital destined for psychiatric pathologies) in a cultural park, which subsumes structures of social economy that function independently, but correlated, with a view to social integration of persons with psychiatric disabilities and not only. The basis of the project has been laid by Franco Basaglia since 1978.
- **Il Roselo**: garden with over 5000 varieties of roses brought from Europe, America and Japan. Dozens of people with disabilities were involved in the planting and care of flowers. Currently, the rose garden is one of the most important tourist attractions of the city. The main element of social innovation is the tourist development of the area, starting from a social economy activity.
- **Lister Sartoria Sociale**: structure of social economy having as object of activity the tailoring and the manual work. The company presents itself as a space of social innovation. For example, with the help of people with disabilities, old broken objects (umbrellas, ties, newspapers, etc.) are reconditioned into functional products for everyday use (shopping nets, feathers, gift nets, wallets, backpacks, etc.), the company being, from this point of view, an example of good practice for how the positive social impact can be combined with the positive impact on the environment, by practicing recycling. The discussion with the representative of the social economy structure turned into a real study meeting. He related, among other things, the support he enjoys from the local public administration, materialized by the exemption from the payment of the rent, but also by the help received for paying the utilities.
- **Trieste la Bora**: set up on the basis of a public-private partnership, the social enterprise, located in the old center of the city, collects and sells handicraft products to support people belonging to vulnerable groups in the city. The company operates under the aegis and with the financing of the Social Service of the Municipality of Trieste and includes, besides the store, an exhibition of completely new handmade objects, some being auctioned. In the workshops (belonging to several private companies) people with and without disabilities work. All the products are collected and transported to the showroom in the old center and most of the income is redistributed to employees with disabilities and reinvested in order to extend the project and to consolidate a wider network of partner workshops.
- **Caffè Teatro Verdi**: structure of the social economy that operates in the field of public food and the organization of socio-cultural events. The revenues collected from the provision of services are redistributed for the

remuneration of the disadvantaged and for the current financing of the activity.

- **Consorzio Ausonia:** the region represented, historically, the main beach of the city. After a history of great popularity between 1940-1990, the area was in a state of complete abandonment in the early 2000s. Local authorities pleaded lack of funds for the rehabilitation of the area and the economic effects were not delayed - the local budget receipts, the quotation of the city to the travel agencies, with the collapse of the most important beach, also fell. In 2005, a civic action group started rehabilitating the area and set up the AUSONIA consortium, which today has 9 social economy structures, capable of fulfilling all the functions necessary for the coast to function as it once did. Also in this case the relationship of complementarity between the development of tourism and the encouragement of the social economy is highlighted.

5. The social economy in Romania: retrospective and current situation

Referring to the situation of Romania, we must take into account the following data, which justify the need for a social economy system in our country:

- Bulgaria (38.9%) and Romania (35.7%) are in the first places in the European Union in terms of the percentage of the population exposed to the risk of poverty and social exclusion. On the opposite side are Norway (16%), Finland (15.6%) and Czech Republic (12.2%), recognized for the systems developed by the social economy (Eurostat, 2017).
- As of March 31, 2019, the total number of persons with disabilities communicated to the National Authority for Persons with Disabilities within the Ministry of Labor and Social Protection, through the general directions of social assistance and the protection of the county child, respectively local of the sectors of the municipality of Bucharest, was 826.197 persons, triple compared to the number of registered unemployed (254.631 in May 2019, according to the National Agency for Employment (Ministerul Muncii și Protecției Sociale, 2019).

By Law no. 219/2015 regarding the social economy, important steps have been taken in organizing the social economy sector in Romania at institutional¹, legal and fiscal level. Continuing and consolidating these steps would have a direct positive impact on vulnerable groups, as defined in the Law on social assistance (Law no. 292/2011, updated, in two ways:

¹ We mention as an example the establishment of the Social Economy Department within the National Agency for Employment.

- by setting up social enterprises that have as object of activity the provision of services intended to cover the needs of vulnerable groups;
- by creating working opportunities adapted to the specific needs of vulnerable people, which would lead to:
 - developing the skills and knowledge, self-esteem, social adaptability and experience of the poor in the labor market. of people from disadvantaged backgrounds, of people with disabilities;
 - increasing the employment rate of people belonging to vulnerable groups.

According to the law of the social economy, the status of social enterprise is recognized by obtaining a certificate of social enterprise. Legal persons under private law, in accordance with the provisions of Law no. 219/2015 regarding the social economy, can request a certificate of social enterprise, if the establishment and functioning documents contain provisions that demonstrate that the activity carried out has a social purpose, respects the principles of the social economy and meets the following criteria:

- a) "acts for social purpose and / or in the general interest of the community;
- b) allocates at least 90% of the profit realized to the social purpose and to the statutory reserve;
- c) it commits itself to transmit the goods left after the liquidation to one or more social enterprises;
- d) apply the principle of social equity to employees, ensuring equitable pay levels, between which there can be no differences that exceed the ratio of 1 to 8."

According to the law, social enterprises can be the first degree cooperative societies, the credit cooperatives, the associations and the foundations, the mutual aid houses of the employees, the mutual aid houses of the pensioners, the agricultural societies, the federations, the unions of the legal persons and any legal category that respects the principles of social economy.

It should be noted that the legal entities listed above, although they can perform social functions, are not recognized as social enterprises and therefore social economy structures if they do not meet the requirements stipulated by law and have not been accredited.

The recognition of the status of social enterprise is achieved by virtue of a certificate, at the request of the legal entities, based on the acts of establishment and functioning. The certificate of social enterprise is issued by the territorial structures of the National Agency for the Employment (A.N.O.F.M.) of. It has a validity of five years, with the possibility of extension, if it is proved that the conditions that were the basis for granting it are met. The social enterprises of insertion are certified by the social mark, with a validity of three years, and by a specific element of visual identity.

In addition to the above criteria, the social enterprises of insertion fulfill the following conditions, regulated by Law no. 219/2015 on the social economy:

- "permanently has at least 30% of the personnel employed belonging to the vulnerable group, so that the cumulative working time of these employees represents at least 30% of the total working time of all employees;
- aims to fight against exclusion, discrimination and unemployment through the socio-professional insertion of disadvantaged persons;
- provides accompanying measures in order to integrate the employees belonging to vulnerable groups (eg counseling, information, working conditions adapted to the needs);
- collaborates with public and private organizations offering social assistance services at local and county level and with the county employment agency in order to integrate the employees belonging to vulnerable groups."

Law no. 219/2015 on the social economy recognizes the following means of financing the social enterprises of insertion:

- "the attribution of spaces and / or lands in the public domain of the administrative-territorial units / subdivisions, in compliance with the provisions of the Law on local public administration no. 215/2001, republished, with the subsequent modifications and completions, in order to carry out the activities for which the social mark was granted to them;
- support in promoting the products made and / or supplied, the services provided or the works performed in the community, as well as in identifying markets for their sale;
- support in promoting tourism and its related activities, by capitalizing on the local historical and cultural heritage;
- other facilities and exemptions of taxes and taxes granted by the local public administration authorities, according to the law."

Also, the social enterprises of insertion can benefit from advantages in the public procurement of goods, services, in accordance with Law 98/2016.²

An important stage in the implementation and development of the social economy in Romania brings to the fore the financing granted to the structures of social economy in the period 2007-2013 through the POSDRU program - Development of the social economy, Priority axis 6 - Promotion of social inclusion, DMI 6.1 Development of the social economy. During 2014-2020, social enterprises

² The advantages are widely exposed in *Avantaje pentru întreprinderile sociale de inserție în derularea achizițiilor publice de bunuri, servicii și lucrări în condiții de eficiență economică și socială/Advantages for the social enterprises of insertion in the public procurement of goods, services and works under conditions of economic and social efficiency*, 2016, document elaborated by the Ministry of Labor, Family, Social Protection and Old People (MMFSPV) with the support of the National Agency for Public Procurement, available at <http://www.mmuncii.ro/j33/images/Documents/Munca/2016/2016-10-21-Achizitii-vantaje-pentru-public-intreprise-sociale.pdf>, accessed on 14.06.2019.

are funded through the Human Capital Operational Program (POCU), Priority Axis 4 - Social inclusion and poverty alleviation.

According to the *Registrul Unic de Evidență al Întreprinderilor Sociale/ Register of Social Enterprise Records*³, updated in October 2018, the situation at national level was as follows:

- 120 certificates were issued of social enterprises, of which 30 were suspended and 19 were withdrawn;
- 12 certificates of social enterprises of insertion were issued, of which 3 were suspended.

Therefore, at the end of 2018, the Romanian social economy sector comprised 80 active social economy structures (S.E.S.), recognized according to the law as social enterprises and social insertion enterprises. By comparison, in Spain there are about 43,000 social enterprises that have created 2.2 million direct and indirect jobs and a turnover of the social economy sector, which reaches 10% of the national GDP, according to a study commissioned by the European Commission (EURES, 2018). In Luxembourg, almost 10% of all employees work in this sector, according to Eurostat. The following positions rank the Netherlands, France and Belgium, where the percentage exceeds 9%. In the last places, with a percentage below 2%, Romania, Malta, Slovenia, Croatia and Lithuania are registered.

Based on the research conducted, the following **causes** were identified that could explain the very small number of social economy structures in Romania, despite the existing legislative framework and the mentioned funding opportunities:

a) deficient knowledge regarding the social economy at the level of the general population

Following a quantitative research conducted on a sample of 965 respondents, who were asked to define the phrase social economy, the following findings were highlighted (Nicolae, 2017: 170):

- “the social economy and its representative organizations are little known in Romania;
- there is a gap in addressing the problem of social economy enterprises;
- there is a big gap in terms of approaches to economic collaboration at the level of Romanian local communities.”

³ The procedure for organizing, updating and using the *Register of Social Enterprises* is regulated by Order no. 2034/2016 of the Minister of Labor, Family, Social Protection and the Elderly, published in the Official Gazette no. 895/2016. The regulation of the register was made following the provisions provided by Law no. 219/2015 regarding the social economy. The register, established in order to provide the necessary information regarding the situation and the evolution of the field of social economy at national level, is administered by the National Agency for Employment through the *Department of social economy*. It is accessible at

<http://193.169.6.21/files/EXTRAS%20Registru%20octombrie%202018.pdf>, accessed on 12.05.2019.

b) reduced self-organization capacity at the level of local communities

The basis of any system of social economy is - according to prof. Dr. Ludger Kolhoff from the University of Ostfalia, Germany, and one of the founders of the German social economy system - two cardinal values: *trust* and *solidarity*.⁴ Social enterprises must grow from the bottom up, not from top to bottom, so from the base of the social structure and not from the level of the state apparatus. According to him, the biggest challenge is the reduced social capital in Romania and, in general, in the former communist countries. The policies in this field must lead to an increase in the capacity of spontaneous association of individuals, knowing that, at European level, the most performing social enterprises appeared at the initiative of the citizens, who joined in order to solve some community problems. He also points to the social economy gaps between the western and eastern parts of Germany: citizens are much more difficult to form associative structures in the former communist areas.

At the base of the low capacity of self-organization are:

- the reluctance of the target groups, caused by the perpetuation of outdated cultural models, by the distrust of authorities and, in general, in any form of association;
- low influence of civil society structures in small local communities;
- developing dependency relationships through the guaranteed minimum income.⁵

c) difficult administrative procedures that potential entrepreneurs hit in obtaining the attestation / social mark or financing social economy activities through structural funds (Fundăția Centrul Național pentru Dezvoltare Durabilă, 2015: 17).

d) lack of knowledge among potential entrepreneurs: the lack of training and counseling programs makes it difficult for leaders in communities to have the skills and knowledge necessary to establish social economy structures.

e) low competitiveness of social economy structures, which resides in:

- *few financing opportunities*, in the context of unfair competition (for example, social enterprises are forced to compete with companies having the same object of activity, but which do not employ disadvantaged people). *The National Report on Social Entrepreneurship* (ASHOKA Romania, 2018), carried out by Ashoka Romania, presents the results of a survey based on a

⁴ Information recorded as a result of the study visit in the city of Trieste, Italy.

⁵ According to ANPIS, in October 2018, 50.12 million RON were spent for social assistance (minimum guaranteed income), the average value being 267.66 RON. Also, according to the *Report on social assistance (minimum guaranteed income)*, presented by the Ministry of Labor and Social Justice in March 2017, in Romania there were a total number of 248.477 social workers (1.12% of the total population). The social economy presents itself as a viable alternative for the beneficiaries of minimum guaranteed income, in order to be included in the labor market, social integration and the development of the communities of which they are part.

questionnaire, applied to 40 social entrepreneurs in the country. The results highlight the main challenges and barriers they faced in the effort to develop the social economy sector and, in general, the social innovation spheres. The main problem, which was discussed by more than half of the survey participants, is the lack of access to funding. This is followed by the lack of a legislative framework conducive to the development of the sector.

- *difficult access on national and international markets;*
- *the specificity of social economy activities* (for example, many are seasonal or exclusively local).

Performing an eloquent analysis, on the basis of which conclusions can be drawn, requires identifying the **effects** of perpetuating the current state of fact:

a) unmet social needs, which attract:

- high costs with social aid and social assistance services in general;
- encouraging the “culture of poverty” (Zamfir, Zamfir, coord., 1995), by transmitting to descendants of values and behavioral models contrary to the entrepreneurial spirit (lack of individual initiative, low resistance to frustration, avoidance of risk taking, collectivist-paternalistic mentalities, etc.);
- the perpetuation of the delinquent behaviors: school dropout, criminality, encouraging parallel economies (black work).

b) poorly developed local communities:

- the local potential remains unused;
- reduced employment opportunities;
- high rate of emigration.

6. Proposed solutions

Following the research, three variants of action were identified to increase the degree of implementation of the social economy in Romania, respectively:

6.1. Variant 1: Maintaining the *status quo* (the non-action variant), the variant that is based on the principle of non-intervention and intends to maintain the current state of affairs.

6.2. Variant 2: Correlation and harmonization of the legislative framework in order to increase the opportunities for financing, development and promotion of social enterprises and social enterprises of insertion at the level of local communities. This variant aims to facilitate access to finance and to encourage the establishment and development of social enterprises and social insertion companies within local communities by correlating and harmonizing the legislative framework in the field of social economy.

6.3. Variant 3: Implementation of a package of measures to increase the degree of information and education of the population on the social economy, keeping the current legislative framework in the field of social economy. Through this variant, it is proposed to implement a package of measures to increase the

degree of information and education of the population on the social economy, without interfering with the current legislative framework in the field of social economy. We discussed three dimensions of the "education-information" dyad: the formal dimension, the non-formal dimension and the informal dimension. The option also includes the creation of a collaborative social economy network.

To select the most appropriate variant, we used SWOT analysis for each of the identified variants. Following the SWOT analysis and the public consultation, we concluded that **Variant 2** satisfies the needs of the beneficiaries and provides reliable premises for solving the problem, as it was identified and defined. In the following, we present, in a synthetic form, the conclusions of the SWOT analysis of the recommended variant, which contains aspects regarding the correlation with the objectives of the proposal, the benefits and risks of the implementation, costs, recommended sources of financing assurance and estimated impact.

A. Strengths and opportunities:

- According to the *National Report on Social Entrepreneurship in Romania*, made by ASHOKA Romania (2018), the biggest problem faced by the social entrepreneurs in Romania is the lack of access to financing. This option focuses primarily on solving this problem, felt as the most pressing.
- In line with good European practices, the state has the obligation to support the social economy sector, including through adequate financing opportunities. The Expert Group of the Commission on Social Entrepreneurship (European Commission, 2016) recommends increasing the opportunities for financing social enterprises: "Public funding should continue to be directed to social enterprises and should also be used to mobilize private capital, through investments in the financing of social enterprises and by reducing the risks associated with this financing, as well as by introducing appropriate governance structures. [...] The European Commission and the Member States should allocate increased resources to training programs, incubators and intermediaries that provide tailored support to strengthen the capacities of social enterprises, necessary to develop their managerial skills and to encourage their financial viability."
- **Variant 2** offers an alternative financing to structural funds, which is currently the only real source of financing for these activities, but which most entrepreneurs are discouraged due to difficult bureaucratic mechanisms. For example, within the financing of POSDRU, "most of the efforts to operate the social economy structures focused on the implementation efforts of the project and not on the managerial efforts to launch and develop a social economy initiative." (Fundatia Centrul Național pentru Dezvoltare Durabilă, 2015)
- **Variant 2** proposes solving the problem on the grass, encouraging the collaboration between local public authorities and citizens in order to solve the specific problems of each community and for the social integration of disadvantaged people.

B. Weaknesses and risks:

- **Option 2** cannot guarantee the sustainability of the social enterprises established on the basis of the financial support granted. To improve this problem, rigorous prior analysis of opportunity and sustainability is required for each business, the financing of sound business plans and the establishment of a set of indicators to monitor the company after setting up and strengthening its functioning in a self-sustaining manner.
- **Variante 2** does not solve all the problems that social enterprises face (e.g. difficult access to retail markets). However, being only a solution, this is limited to a single dimension of the general problem identified - the lack of access to financing - and does not propose to solve all the dysfunctions of the social economy sector. A comprehensive approach would require the transition from public policy to national strategy.
- In the short term, **Variante 2** involves increased financial costs in order to finance the new social economy structures. The total cost estimation is not possible at the moment, given the lack of financial data on the existing S.E.S., as well as the multiple variables to be taken into consideration. It is certain that at the level of each local public administration a budget should be allocated to finance the social economy activities, which vary according to the number of inhabitants, the specific problems, the degree of development of the social economy sector in the respective locality, the number of potential entrepreneurs etc. For a realistic estimate of the costs of implementation, a point-by-point analysis is required at the level of each local community, in order to subsequently anticipate the total cost.

To cover the expenses:

(1) a certain percentage (e.g. 0.1%) of the income tax could be redirected to the social economy sector or

(2) a national budget could be drawn up to support the social economy by directly allocating a sum of GDP.

In the medium and long term, the costs will be amortized by reducing the expenses necessary for the social assistance system. According to the National Agency for Payments and Social Inspection, in March 2018 they benefited from a minimum guaranteed income of just over 216.000 people. 275 RON was, on average, the value of the aid granted by the state. The expansion of the social economy structures from 80 to 8000, with an average number of only 2 employees who previously benefited from the minimum guaranteed income / enterprise, would be equivalent to the insertion in the labor market of 16.000 of them and the reduction of the expenses related to social aid by about 4.400.000 RON.

Concluding remarks

- Adopted after more than four years of debates, the law 219/2015 laid the foundations of the normative framework for the functioning of the social economy sector in Romania. Through the law 219/2015, important steps were taken in organizing the social economy sector in Romania at institutional, legal and fiscal level.
- Law 219/2015 takes over the principles of social economy from the *Charter of the principles of social economy*, being compatible, from this point of view, with the European practices in the field.
- The financing lines granted through POSDRU and POCU facilitated the development of the social economy sector in Romania as well.⁶
- The national legislative framework for regulating social economy activities is relatively recent: the methodological norms for implementing the law 219/2015 were approved in 2016 by DECISION no. 285/2016. It can be argued that the horizon of two years is too narrow for the current policy in the field of social economy to have produced its beneficial effects. Thus, at the end of 2018, only 80 social economy structures were operating in Romania.
- Although it recognizes the possibility for local authorities to financially support social enterprises, the current legislation does not clarify the institutional and normative mechanisms necessary for the allocation of resources. Taking into account the weak legislative correlation, social enterprises are classified in the more general category of small and medium-sized enterprises, without recognizing their social functions by which they are individualized and which confer a distinct status. We consider it necessary to correlate and harmonize the legislative framework in order to increase the opportunities for financing, development and promotion of social enterprises at the level of local communities, which we proposed by **Variant 2** of the public policy proposal, representing the recommended variant. Also, the financing opportunities apply, at present, only to the social enterprises of insertion, losing sight of the social enterprises themselves.

⁶ Following the development of the POSDRU program, the objective of 1,392 social economy structures set up was reached, according to the *Annual Report for the implementation of the Sectoral Operational Program Human Resources Development 2007-2013*, available at <http://www.fonduri-ue.ro/images/files/programs/OLD/POSDRU/rai.posdru.30.06.2015.pdf>, accessed on 14.06.2019. A year ago, AM POCU launched the call for projects "Support for setting up social enterprises" AP 4 / PI 9.v / OS 4.16, with a budget of 323,666,000 RON, for which 307 projects were submitted (<http://www.fonduri-ue.ro/apeluri/details/2/148/apeluri-pocu-ap-4-pi-9-v-os-4-16-consolidarea-capacitatii-83%9Bii-%C3%AEntreprinderilor-social-economy-of-83%9Bof-function-9Biona-83%9BEntr-a-manner-83%9Bself-sustainable-83%9Bsprijin-fon-83%9Befin-83%9Bde-83%9BSocial-Enterprises>, accessed on 14.06.2019).

- Although it has really contributed to the development of the social economy sector in Romania, the financing received through the Structural Funds has been and continues to be discontinuous and cannot be a sustainable medium and long-term means of financing. Moreover, in a study conducted as a result of the implementation of the POSDRU financing program, it was concluded that “the difficulties in meeting the bureaucratic requirements of project implementation and reporting were felt with an increased intensity, being the most important challenge. A challenge appreciated as being much more complex and more difficult than setting up and operating a social economy structure. [...] This tendency is justified by the fact that most of the efforts of operating the social economy structures have focused on the efforts of project implementation and not on the managerial efforts of launching and developing a social economy initiative.” (Fundația Centrul Național pentru Dezvoltare Durabilă, 2015: 12) Another problem was the short life span of the social economy structures set up through the Structural Funds, which did not impose the obligation to continue the activity after the project has been carried out. (Nicolae, 2017: 39)

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