The social enterprise and the social entrepreneurship – instruments of local development. A comparative study for Romania

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Abstract

The paper examines the evolution of the social enterprise and the social entrepreneurship in Romania, as solutions of local development, as instruments of cooperation among citizens, organizations and the bodies of local, regional, national and European representation. The study takes into consideration the theoretical and normative framework in view to present the characteristics of the forms of organisation of social economy, achieving a comparative study which uses comparative items: conceptual system, normative system, participation to the field of activity, integration on the labour market, etc. The development regions in Romania represent the sample for the comparative study. The comparative study is accomplished according to the methodology of similar studies from the field literature, highlighting the trends and development of social entrepreneurship and enterprise in the EU Member States.

Keywords: social enterprise, social economy, local development

1. Introduction

The shock of the financial and economic crisis has also influenced the economies of the European states, all sectors of activity, it has increased the unemployment, poverty has enlarged, the purchasing power of millions of consumers has decreased, imbalances have occurred on the labour market, social exclusion has emerged, etc. All the above realities have represented arguments in formulating by national governments, transnational bodies and actors – UN, OECD, EU, World Bank – strategies and public policies specific for the social economy sector, recognising also the role of social enterprise and social entrepreneurship as vectors of change. We speak about social enterprise in the context of social economy and social entrepreneurship (Figure 1).

The social enterprise "creature of social context" (Amin et al., 2002) and social entrepreneurship should be situated in the field of promotion policies for the social economy "... economic phenomenon with a social dimension, as well as any social phenomenon with an economic dimension" (Defourny and Develtere, 1999), recognising the features specific for every region, state. The social economy represents 10% of total European enterprises and it ensures 6% of total employment.

The associations and foundations, cooperatives, social enterprises, mutual assistance houses etc. represent the forms of organisation specific to the social economy in Europe. They provide services and products, which cannot be supplied by the public and traditional private sector and they cover the social needs of a distinct segment of population. The social enterprises are "at the crossroads of market, public policies and civil society" (EMES, 2008),

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create new social value, play a significant role in local development and regenerate the communities, promoting a new economic, social accountable mechanism (Kerlin, 2009).

![Diagram of social entrepreneurship]

In the last decade they have registered a positive trend, with a small growth rate, but with a high degree of recognising the major objective of activity, aimed at social inclusion (GEM, 2009 Global Report).

2. Framework for development of the forms of organisation of social economy in Romania

In Romania, the associations and foundations (best represented), the cooperative companies (SE), the cooperative banks (BK), the mutual assistance houses (CAR), the authorised protected units (UPA) (Matei, L., Sandu, C., 2011) represent the most frequent forms of organisation of the social economy. In 2011, they ensured 3.3% of total employment, respectively 159847 jobs.

The promotion of the concept of social economy is mentioned in the National Strategic Report on Social Protection and Social Inclusion, 2008-2010 of the Ministry of Labour, Family and Social Protection.

The Romanian legislative framework has been developed mainly during the last decade, stipulating the description and legal definition, principles of organisation and operation, beneficiaries in the field of social inclusion, mechanisms to support the financial or logistic activities. It has been developed according to the best practices identified in other European states.

Institutionally, the central authorities’ involvement ensures the general guidance, guaranteeing the respect of the fundamental principles of social economy. At local level, the autonomy to manage initiative in the social field belongs to the local authorities, citizens, through the forms of association and representation. The citizens become the sine qua non condition for achieving the social mission.

3. Analysis of the forms of organisation of social economy

Taking into account the fact that there is no unitary accepted definition for the social enterprise, which should correspond to realities in every state, region or local community, and in Romania the legislative framework is not still shaped concerning the social enterprise, we shall consider the following hypotheses in the paper:

I1: we consider as a social enterprise, with a social mission, any commercial or non-commercial activity, developed by an organisation with legal status in view to meet the social needs which cannot be ensured by the traditional private sector or by the public sector.

I2: we frame the analysed forms of organisation of social economy in Romania by extension of their theoretical borders in social enterprises.

The cooperative companies represent the traditional forms of organisation of social economy in Romania. They might be craft cooperative companies, consumer cooperative companies, agricultural cooperative companies. The cooperatives ensure 31% jobs in the social economy.

Concerning the fields and groups of products achieved in the framework of the craft cooperatives, we distinguish: textile products, footwear, leather goods and items, furniture and other wood products, metal products and other materials and services for population and companies.
In Romania, the highest weight in total social enterprises belongs to the segment of mutual assistance houses - 53.56%, followed by cooperative companies - 38.03% (Table 1), which are considered traditional forms, adaptable to the changes of the economic and financial environment as well as to the effects of the actual crisis.

| Development Region      | Social enterprise [physical units] | Population of the region | No. large municipalities/ population of municipalities | Unemployment rate in 2010 [%] | ToE per 1000 inhabitants |
|-------------------------|-----------------------------------|--------------------------|-------------------------------------------------------|-----------------------------|------------------------|
|                         | SE M BK M CAR M UPA M ToE M       | total urban rural        |                                                       |                             |                        |
| North-West Center       | 299 7 363 51 720                  | 2719719 1449855 1269864 | 1/307215                                              | 6.8                         | 26.47                  |
| North-East              | 443 12 523 48 1026               | 3712396 1601968 2110428 | 1/308663                                              | 5.8                         | 27.63                  |
| South-East              | 329 7 365 60 761                 | 2811218 1548320 1262898 | 3/803579                                              | 8.8                         | 27.07                  |
| South Muntenia          | 266 7 559 44 876                 | 3267270 1354092 1913178 | 1/227981                                              | 8.3                         | 26.81                  |
| Bucharest - Ilfov       | 95 2 155 66 318                  | 2261698 2080013 181685  | 1/1944451                                             | 4.6                         | 14.06                  |
| South-West Oltenia      | 188 4 368 33 593                 | 2246033 1075897 1170136 | 1/299579                                              | 7.5                         | 26.40                  |
| West                    | 205 5 238 55 503                 | 1919434 1209245 710189  | 1/311440                                              | 6.0                         | 26.20                  |
| Romania                 | 2128 51 2997 419 5595            | 21462186 11818670 9643516 | 10/4480477                                            | 7.3                         | 26.06                  |

At country level, the territorial distribution reveals a concentration of all forms of social enterprises in the North-East Region (18.33% of 5595 total enterprises (ToE)), for three forms exceeding the average on the region, respectively 443 cooperative companies (SE) related to the average of 266, 12 cooperative banks (BK), related to 6 and 523 mutual assistance houses related to 374. The above situation represents the outcome of the powerful industrial development during the communist period, of the different socio-economic development of the counties inside the regions as well as of the differences between the urban and rural environment, the rural population representing 56.8% of total population of the county.

Most cooperative companies are registered in the North-East Region, 20.81% of the total at national level, as it is a region affected by poverty. Bacau county has the highest number of companies, 157 of the 443 total companies in the region, while Vaslui county registers the lowest number, 21 companies, ranking it on the last place at the country level. The minimum of 0.9% and maximum of 7.3% of 2128 total cooperative companies in Romania is registered in the North-East Region. In the ranking of regions, Bucharest-Ilfov Region with 95 companies records the lowest number of cooperative companies, being the last at national level, holding an index of specialization of 0.117, the minimum in the ranking of regions related to the maximum index of specialization of 0.547 at the level of North-East Region.

The craft cooperative companies are powerful represented in the North, East and South of Romania, respectively in North-East Region (123 in Bacau county. 51 companies in Iasi county), South – East Region (69 companies in Constanta county) and Bucharest-Ilfov Region (56 companies in Bucharest Municipality). It is worth to mention that Ilfov county, mainly a rural structure, holds the smallest number of craft cooperative companies. This fact is due to the high degree of activity performed by the private sector and the increase of the development index. The population of Ilfov county represents only 12.44% in the population of the region, the rest being situated in Bucharest Municipality.
The consumer cooperative companies are best represented in Suceava and Timis counties, respectively North-East and West Regions, each recording 48 companies and Harghita county, belonging to the Center Region with 47 companies. This type of company is weakest represented in Bucharest – Ilfov Region, with 4 companies in Bucharest Municipality and with 9 companies in Vaslui county, in the North-East Region.

The agricultural cooperatives are situated in the South-East Region, in Constanta (19) and Buzau (17) counties, area favourable to the development of such form of social enterprise. We mention the counties with no company of this type: Cluj (North-West Region), Neamt and Vaslui (North -East Region), Tulcea (South-East Region) and Hunedoara (West Region).

The mutual assistance houses (CAR) represent one of the traditional forms of social enterprise known in Romania, representative for the forms of social economy also in Europe, relevant for the field in general and for the categories of vulnerable persons. South-Muntenia Region comprises the highest number, 559, representing 18.65% of the mutual assistance houses at country level (2997). This form of organisation is best represented in all development regions, the figures indicating a small difference between regions: 12.27% for South-West Oltenia Region, 12.17% for South-East Region and 12.11% for North-West Region. Prahova county with 164 is on the first rank in the hierarchy of counties and regions in Romania, respectively South-Muntenia Region with 18.65%, followed by Bucharest Municipality with 141.

The authorised protected units (UPA) represent another form, employing handicapped persons. The main activities are as follows: manufacturing cartons, brushes and brooms, tailoring, carpentry, tapestry for furniture, processing the glass, activities of secretariat and accounting, manufacturing modular prosthesis, wheelchairs, legal assistance. In two counties there are no UPA: Giurgiu (South-Muntenia Region) and Maramures (North-West Region).

The analysis of the statistic situations reveals that the number of handicapped employees is small, due to weak vocational training and the fact that a large share of qualifications are not required by the labour market.

4. Empirical comparative analysis at the development regions level in Romania

The quantitative analysis for the eight development regions and 42 counties reveals the following:

A. General characteristics:

- The economic-social profile of the analysed development regions is relatively homogenous, except Bucharest-Ilfov Development Region, ranking above the level of the other seven regions concerning GDP/capita, revenues, economic performance, fact reflected in our analysis through the inferior positions held by Bucharest-Ilfov Development Region concerning the number of legal organisations specific to the social economy, their breakdown per 1000 inhabitants, the unemployment rate.

- Taking into consideration the decrease of the poverty rate in Romania, i.e. from 43.9% in 2007 to 41.4% in 2010, related to the European average of 23.4%, Romania is classified on the second place in the European ranking (Europe 27) after Bulgaria. The territorial distribution of poverty shows that poverty is higher in the North-East Region (8.5%), region ranked first in the hierarchy of number of social enterprises (1026) and South-East and South Regions (7.1%). The smallest risk of poverty is in Bucharest (1.1%), reality explaining the small number of social enterprises (318).

B. Specific characteristics

- At national level, differences among the development regions are registered, related quite different to the average of the country of 26 social enterprises per 1000 inhabitants. Three regions are situated around the average, respectively 26 enterprises per 1000 inhabitants, North-West, South-West Oltenia and West Regions. At extreme, the Center Region registers 32 enterprises per 1000 inhabitants and the minimum of 14 enterprises per 1000 inhabitants is in Bucharest-Ilfov Development Region. The distribution reflects a direct relation with the unemployment rate and degree of poverty in rural areas.

- There is a direct dependency between the number of unemployed persons (UN), population of the region (No Citizen), number of administrative units in the region (NoAU) and total number of social enterprises (ToE), as well as an indirect dependency with GDP.

\[
\text{logToE} = -3.136 - 0.128 \times \text{logGDP} + 0.927 \times \text{logNo_Citizen} + 0.206 \times \text{logNoAU} + 0.014 \times \text{UN}\]

\[
\begin{align*}
0.599 & \quad 0.138 \\
0.217 & \quad 0.084 \\
0.007 &
\end{align*}
\]
Pearson coefficient highlights a powerful correlation between the social enterprises: CAR, SE, BK and UPA and the population of the region, ranging from 0.999 and 0.991, on the one hand, and a mean correlation with the evolution of the unemployment in the region, where the influence is obvious for CAR (0.503), while practically there is no correlation for the others (Table 2).

Table 2: Pearson statistic correlations

| SE_REG | BK_REG | CAR_REG | UPA_REG | No_Citizen | UN | ToE  |
|--------|--------|---------|---------|------------|----|------|
| 1      | .999(**) | .994(**) | .983(**) | .995(**)   | .289 | .998(**) |
| .999(**) | 1      | .994(**) | .978(**) | .993(**)   | .187 | .997(**) |
| .994(**) | .994(**) | 1      | .981(**) | .996(**)   | .503 | .999(**) |
| .983(**) | .978(**) | .981(**) | 1      | .991(**)   | -.047 | .985(**) |
| .995(**) | .993(**) | .996(**) | .991(**) | 1          | .081 | .998(**) |
| .289   | .187   | .503    | -.047   | .081       | 1   | .439 |
| .998(**) | .997(**) | .999(**) | .985(**) | .998(**)   | .439 | 1    |

Concerning the professional insertion of groups, we appreciate the fact that vulnerable groups are weakly integrated on labour market and in the forms of organisation of social economy (North-East Regions), in spite of an enhancement of active measures on labour market.

The beneficiaries of the activities specific to the social economy are as follows: members in cooperative companies, vulnerable groups represented by less-favoured persons with disabilities, social excluded persons or subject to the risk of social exclusion (roma population, adults with disabilities, young persons aged above 18, who left the child protection system, single-parent families with small income and beneficiaries of minimum guaranteed income, unemployed persons etc.

5. Research methodology
The research was achieved on a sample comprising eight development regions of Romania and (42) related counties. The analysis was accomplished for the forms of organisation common to the European states: cooperative companies, cooperative banks, mutual assistance houses, authorised protected units. Statistic data concerning the population, public administration have been used. The research has been based on quantitative analyses, socio-economic indicators, GDP, employment rate and qualitative data. The data available to our analysis refer to 2008-2010 period.

Conclusions
The analysis aimed to highlight the contributions of the social enterprises to the development of social entrepreneurship and in general of the social economy.

The empirical researches were focused on Romania, and similar to other states, in Romania the social enterprises are less developed, their evolution being associated with the evolution of the traditional forms of organisation of social economy.

However, under the impetus of the European regulations, Romania benefits now of normative substantiation of the social economy, and key objectives focused on ensuring the operational framework for the social economy, human resource development in the field of social economy, supporting the social entrepreneurship and creating concrete support mechanisms for the social enterprise.

The need to develop a culture specific to social entrepreneurship represents another conclusion of the paper. The lack is justified by the weak development of the private initiative in the social sphere, as well as the insufficient economic and financial levers for stimulating the social entrepreneurship.

Finally, it is worth to remark the increasing trend, even a timid one, of social entrepreneurship and enterprise according to the European developments.

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