

**DYNAMICS OF SOCIAL ENTERPRISES IN ROMANIA. THE FUNDAMENTAL
ROLE IN THE SOCIAL ECONOMY****Lecturer PhD. Eugenia Gabriela LEUCIUC***Stefan cel Mare University of Suceava, 720229, Romania***Associate Professor PhD. Ștefăniță SUSU***Stefan cel Mare University of Suceava, 720229, Romania***Abstract**

In Romania, the field of social economy is relatively new. The concern for social enterprises has acquired a more pronounced character only in recent years. From our point of view, social enterprises can be characterized as a mechanism aimed at solving the social and environmental problems in an innovative way, in a transparent manner. They are aimed at achieving a sustained impact on the society itself. The objectives of the social enterprises refer to the identification of practical solutions to social problems by using the resources in order to validate opportunities based on identifying the social problems and on turning them into business opportunities especially by identifying those innovative methods in order to generate a social impact.

Keywords: *social economy; social enterprise; single register of social enterprises; vulnerable group*

JEL Classification: *B55; C61; L31; K22*

I. INTRODUCTION

The main objective of the topic under discussion is to evaluate both the structure and the dynamics of the Romanian social economy. Thus, we intend to analyze the social enterprises that are registered and operate in the eight regions of Romania.

The operational objectives will closely focus on highlighting the current state of knowledge of the terms of social economy and of social enterprise. The evaluation of the structure of the social enterprises in Romania from the point of view of their legal status as well as the assessment of the dynamics of the social economy from the point of view of the sustainability and the viability of social enterprises made up of those employees that are part of the vulnerable groups.

II. LITERATURE REVIEW

Initially, the concept of “social enterprise” was debated in correlation with the “social entrepreneurship”. When discussed in connection to one another, both the social enterprise and the social entrepreneurship were considered “a set of strategic answers to the environmental turbulence and the situational challenges that non-profit organizations face nowadays” (Dart, 2004). Recent studies have revealed the need to approach the two concepts separately due to the fact that “social businesses that want to change society do not necessarily involve innovation at the organizational level” (Luke & Chu, 2013).

The authors, (Heckl & Pecher, 2007), define “the social enterprises as having the following characteristics: they have an income that originates from commercial activities; they address a population in need; they can operate in a variety of legal forms; they involve a voluntary work; they have a non-profit type of activity or reinvest the obtained profit, respectively they can obtain public financing”. Despite the fact that the “social enterprises are generally considered to be the suppliers of goods and services, their mission remains predominantly a social one” (Floyd, 2012). At the same time, (Dees, 1998) considers that the “social economy sector is not very well defined as it can be made up of the innovative non-profit organizations, the social businesses and the hybrid organizations which carry out both the lucrative and the non-profit activities”.

One of the leading organizations within the social entrepreneurship research, the European Research Network - EMES (Defourny & Nyssens, 2012) has “developed a number of economic and social criteria that can be used to assess whether an organization belongs or not to the social entrepreneurship sector. The economic criteria include: a continuous activity of production of goods and / or provision of services, a high degree of autonomy, a significant level of economic risk, a minimum use of paid work. In terms of the social dimension, a social enterprise should meet the following criteria: an initiative launched by a group of citizens, the decision-making power which is not based on the ownership of capital, a participatory nature, a limited distribution of profit, an explicit purpose of benefits to the community. In terms of their legal status, the social enterprises have traditionally taken the form of the non-profit organizations”. However, recent developments show that “the social enterprises are on a fine line between the lucrative and non-profit sectors with some entities exploiting opportunities for social innovation even as part of the lucrative private sector” (Defourny & Nyssens, 2010). This view is supported by the (European Commission, 2013) which considers “the social enterprises as organizations emerging either from private business or civil society and social economy organizations. They can take on completely new legal forms by combining the social and social dimensions entrepreneurship in a different institutional framework” (Barna, 2014).

In the past years, “a number of countries have tried to develop an appropriate legal framework to support and stimulate the development of the social enterprise” (Tiponel & Agapitova, 2016).

In Romania, Law no. 219/2015 on the social economy which is the most recent law in the field of the social economy was published in the “Official Gazette Part I, no. 561 of July 28, 2015. Its provisions entered into force on August 27th, 2015”. The methodological norms for its implementation entered into force one year later “i.e. the Official Gazette No. 660/2016”. It stands for the secondary regulatory framework which allows the application of law no. 219/2015.

According to the legislative document, the status of the social enterprise is recognized based on a state.

The social enterprise is distinct from other economic operators due to the following: “a) it acts for social purposes and / or in the general interest of the community; b) it allocates a minimum of 90% of the profit made to the corporate purpose and the statutory reserve; c) it undertakes to transfer the assets remaining after the liquidation to one or more social enterprises; d) it applies the principle of social equity to employees, thus ensuring fair pay levels in which there can be no differences exceeding the ratio of 1 to 8” (Law no. 219/2015).

However, the social insertion enterprise is the social enterprise which: has permanently at least 30% of the employed personnel belonging to the vulnerable group “i.e. the vulnerable group designates those persons or families who are at risk of losing their ability to meet daily their living needs due to circumstances such as illness, disability, poverty, drug or alcohol addiction or other situations that lead to an economic and social vulnerability, thus, the cumulative working time of these employees represents at least 30% of the total working time of all employees; items at combating exclusion, discrimination and unemployment through the socio-professional integration of the disadvantaged people” (Law no. 219/2015).

III. RESEARCH STRATEGY

The sample which was the subject of our research was those companies that were registered in March 2019 and in March 2020 in the *Register of the social enterprises Romanian record*. The first objective of the empirical research was to identify to what extent the legislation in force regarding the registration of the social economy operators in the register produced effects. This fact was rated based on the level of compliance of the social workers to the new legal framework.

The second objective was to sketch an image of the Romanian social economy based on its relationship with the legal status of the social enterprises.

From this point of view we analyzed the information provided by the Romanian register of social enterprises referring to the name of the legal entity, the territorial structure which it is part of, the date of its foundation, the main field of activity, the category of that social enterprise, the date of issue and the expiration date of the social enterprise.

The third assumed objective was to evaluate the dynamics of the social economy from the perspective of the viability and sustainability of the activity of social enterprises.

IV. RESULTS AND DISCUSSION

Based on the fact that they are different from other economic operators, the social enterprises benefit from facilities such as: free of charge insurance of the social trademark and registration in the Register of Social Companies in Romania; free advice when starting and / or developing a business; certain advantages in the allocation of public space and / or land; the support for the promotion of products / services every year “the month

of May is dedicated to organizing various events or actions in order to promote the social economy”; the support for identifying outlets; the tax exemptions granted by the local and the government authorities; the subsidies for employers who employ young people who are at risk of social marginalization.

The sample that was the subject of our research was represented by those social enterprises that are registered in the Romanian Register of social enterprises. Thus, among the legal forms of organizations that have the status of a social enterprise, we have included the limited liability companies, the associations, the foundations, the mutual aid houses, the cooperative societies, the craft cooperatives, and the cultural scientific societies. The largest group is represented by the association that is 81.66% of the total registered social enterprises which is followed by the limited liability companies that represent 68.33%. The last place in the preferences of the social entrepreneurs is occupied by the cooperative societies and the cultural scientific societies.

The social enterprises in Romania that are grouped on the 8 Development Regions are highlighted in the Table 1:

Table 1. The social enterprises group in the developed regions in Romania

| Developed region | | North-East | South-East | South-Muntenia | South-West | West | North-West | Center | Bucharest-Ilfov |
|------------------------------|------------|------------|------------|----------------|------------|--------|------------|--------|-----------------|
| Number of social enterprises | March 2019 | 17 | 17 | 12 | 12 | 7 | 33 | 18 | 4 |
| | March 2020 | 19 | 18 | 17 | 12 | 8 | 35 | 20 | 4 |
| Evolution (%) | | 111.76 | 105.88 | 141.67 | 100.00 | 114.29 | 106.06 | 111.11 | 100.00 |

Source: Authors' own interpretation respectively Enterprise Records (March 2019, 2020)

As it shown by the Single Register of Social Enterprises (March 2019 , March 2020), in Romania these entities were identified in the following legal forms of organization: the limited liability companies, the associations, the mutual aid houses, the foundations, the cooperative units, the cultural-scientific companies, the craft cooperatives.

Table 1, shows that most of the social enterprises are found in the North-West Development Region (i.e. 33 social enterprises in 2019, 35 social enterprises in 2020), followed by the Center regions (i.e. 18 social enterprises in 2019, 20social enterprises in 2020), North-East (i.e.17social enterprises in 2019 ,19 social enterprises in 2020), South-East (i.e. 17 social enterprises in 2019 , 18 social enterprises in 2020), the top position being occupied by the Bucharest-Ilfov region with 4 enterprises in both analyzed periods of time .

At the national level, the number of social enterprises increased in 2020 in comparison with the previous year by 13 (i.e. from 120 social enterprises in 2019 to 133 in 2020). This represents a 10.83%increase.

Graphically, the distribution of the social enterprises on regions is shown below:

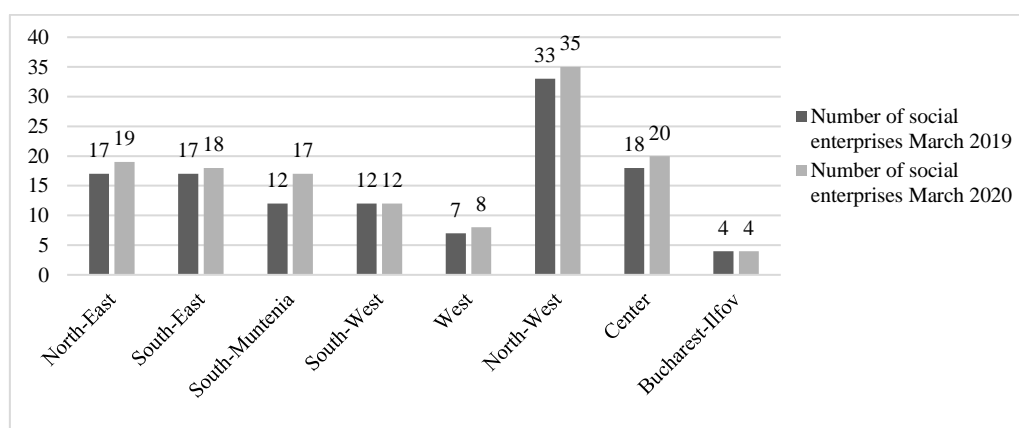


Figure 1 – Social enterprises grouped on Developed Regions in Romania

Source: Authors' own interpretation

The total number of employees in the social enterprises in Romania that was grouped on the 8 Development Regions is highlighted in the Table 2:

Table 2. The total number of employees in the social enterprises in the developed regions in Romania

| Developed region | | North-East | South-East | South-Muntenia | South-West | West | North-West | Center | Bucharest-Ilfov |
|---|------------|------------|------------|----------------|------------|--------|------------|--------|-----------------|
| The total number of employees in the social enterprises | March 2019 | 60 | 128 | 51 | 57 | 15 | 20 | 96 | 0 |
| | March 2020 | 55 | 132 | 50 | 68 | 49 | 21 | 84 | 0 |
| Evolution (%) | | 91.67 | 103.13 | 98.04 | 119.30 | 326.67 | 105.00 | 87.50 | - |

Source: Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019, 2020)

Despite the fact that most social enterprises are registered in the North-Western region (i.e. 33 social enterprises in 2019, 35 in 2020), in this region only 20 people worked in 2019 (this fact represents 4.68% of the total of 427 employees at national level), respectively 21 people in 2020 (representing 4.58% of the total of 459 employees at the national level).

Most employees are registered in the South-Eastern region (i.e. 128 people in 2019 and 132 people in 2020), followed by the Central regions (i.e. 96 employees in 2019 and 84 employees in 2020). The fewest employees in the social enterprises are registered in the North-Western regions (i.e.20 employees in 2019, 21 employees in 2020), Western (i.e. 15 employees in 2019, 49 employees in 2020) and Bucharest-Ilfov with 0 employees.

The distribution of the employees working in social enterprises in Romania is shown in the Figure 2:

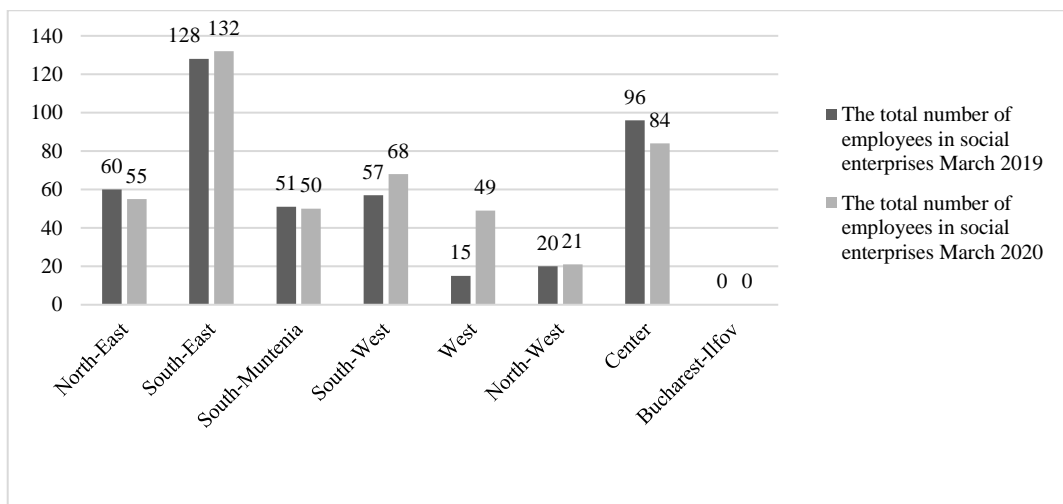


Figure 2 – Total number of employees in the social enterprises

Source: Authors' own interpretation

The total number of employees from the vulnerable groups on development regions in Romania is presented in the Table 3:

Table 3. The total number of employees from the vulnerable groups in the developed regions in Romania

| Developed region | | North-East | South-East | South-Muntenia | South-West | West | North-West | Center | Bucharest-Ilfov |
|--|------------|------------|------------|----------------|------------|--------|------------|--------|-----------------|
| The total number of employees in vulnerable groups | March 2019 | 27 | 3 | 13 | 0 | 8 | 11 | 18 | 0 |
| | March 2020 | 24 | 3 | 16 | 0 | 8 | 14 | 22 | 0 |
| Evolution (%) | | 88.89 | 100.00 | 123.08 | - | 100.00 | 127.27 | 122.22 | - |

Source: Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019, 2020)

In spite of the fact that most employees in the social enterprises are registered in the South-Eastern region (i.e. 128 people in 2019, 132 people in 2020), in terms of the number of employees in the vulnerable groups occupy

a top place in the North-Eastern region (i.e. 27 employees out of a total of 80 vulnerable people in 2019, 24 employees out of a total of 87 vulnerable people in 2020), followed by the Central regions (i.e.18 employees in 2019 and 22 employees in 2020), South-Muntenia (i.e.13 employees in 2019, 16 employees in 2020), and the North-Western region (i.e.11 employees in 2019, 14 employees in 2020).

The fewer employees from the vulnerable groups are registered in the Western, the Southeastern and the South-Western parts and Bucharest-Ilfov, as shown and in the Figure 3:

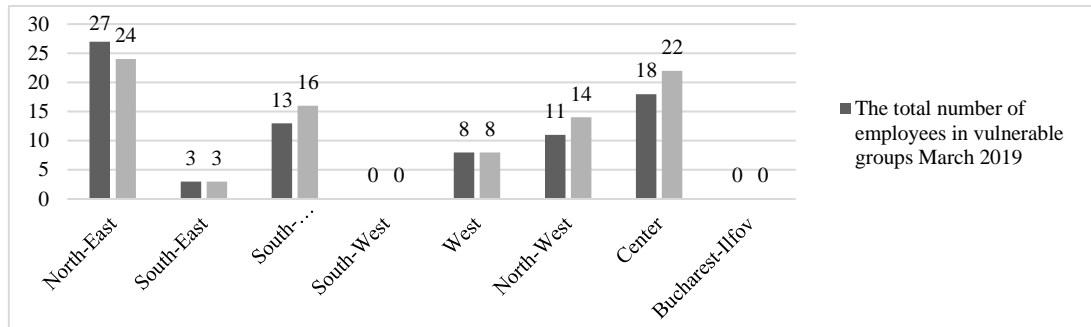


Figure 3 – Total number of employees in the vulnerable groups

Source: Authors' own interpretation

The level of the insertion rate based on the development Regions in Romania is presented in the Table 4:

Table 4. The insertion rate based on the developed regions in Romania

| Developed region | | North-East | South-East | South-Muntenia | South-West | West | North-West | Center | Bucharest-Ilfov |
|--------------------|------------|------------|------------|----------------|------------|-------|------------|--------|-----------------|
| Insertion rate (%) | March 2019 | 45.00 | 2.34 | 25.49 | 0.00 | 53.33 | 55.00 | 18.75 | - |
| | March 2020 | 43.64 | 2.27 | 32.00 | 0.00 | 16.33 | 66.67 | 26.19 | - |

Source: Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019, 2020)

The information presented in the Table 4 shows that the highest insertion rate is registered in the North-Western region (i.e.55% in 2019, 66.67% in 2020)which is well above the national average (i.e.18.74% in 2019, 18, 95% in 2020).

In 2019, the North-Western region is followed by the Western (i.e.53.33%), North-Eastern (45%), South-Muntenia (25.49%), Central (18.75%) regions. The lowest insertion rates are registered in the South-Eastern (2.34%) and South-Western (0.00%) regions.

In 2020, the North-Western region is followed by the North-Eastern (43.64%), South-Muntenia (32%), Central (26.19 %) and Western (13.33%) regions. The lowest insertion rates are registered in the South-Eastern (2.27%) and South-Western (0.00%) regions.

The levels of the insertion rate, based on the development regions in Romania, are highlighted in the Figure 4:

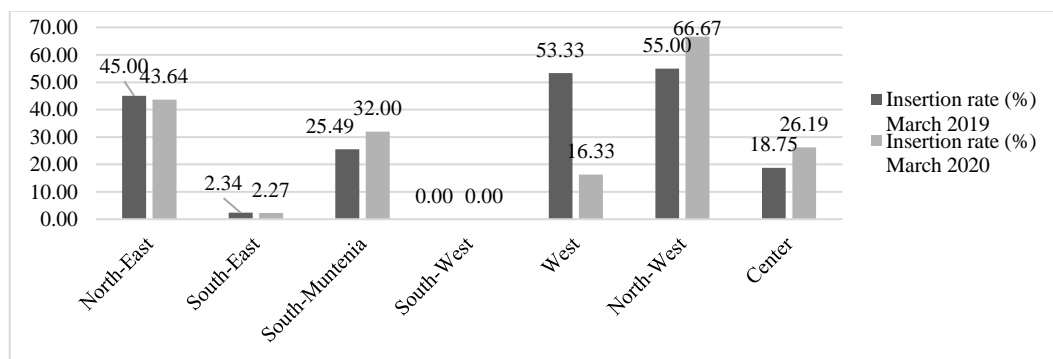


Figure 4 – Insertion rate by Developed Regions in Romania

Source: Authors' own interpretation

In the context of a lower demand for the workforce, the employment incentives can be an attractive tool for supporting the employment rate while improving the employability of the specific vulnerable groups. Consequently, the competent authorities should consider taking measures in terms of using the well-targeted and well-designed subsidies for wages and employment, the concentration of the financial incentives to support the integration of the labor market, for example through employment subsidies and the reduction of contributions. However, if they are not well designed, the employment incentives can lead to unnecessary spending of public money, especially if the subsidized jobs were created or maintained anyway (i.e. the so-called "social losses") or whether the subsidies simply cause employers to hire or retain certain workers instead of the others (i.e. the so-called "replacement effects"). They can also reduce productivity by creating incentives for companies to replace more productive workers with less productive workers. If jobs are created only for the duration of the grant, the measure increases the chances of employment of the workers involved, yet the net social benefit is much more limited or even negative.

V. CONCLUSION

The study aims at presenting the real dimension of the Romanian social economy in the light of new law in the field, law no. 219/2015. The results show that five years following the legal framework of the social enterprise and three years after the regulation of the Register of Social Societies in Romania few operators within the social economy have taken the necessary steps regarding the official registration in the category of social enterprises. By analyzing the profile of the certified social enterprises, we showed that they are vulnerable from at least two points of view: their viability "i.e. only 19% of the more than three years old certified social enterprises have developed certain activities that are based on a sustainable basis" and efficiency "i.e. more one third of social enterprises go through financial difficulties after the first year of operation". However, the analysis of the output indicator which measures the evolution of the average number of employees in the social enterprises have registered a modest increase.

VI. ACKNOWLEDGEMENT

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