

EVOLUTION OF MAIN STRUCTURES OF SOCIAL ECONOMY IN ROMANIA

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Abstract:

Social economy represents the third sector of the economy being the intermediate domain between the private sector and the public sector. There are differences between the three sectors, so from the point of view of the aims pursued, the targeting criteria of success, of how making decisions as well as in terms of sources of funding. Thus, this sector has grown from the need to find the necessary solutions to some problems of social, economic or environmental community as well as meeting the needs of the community was comprised of image are ignored or insufficient services covered by public or private sector.

Keywords: social economy, accountability, vulnerability, volunteering

1. The importance of the social economy in modern society

The social economy appeared and developed in response to the failure of the market and of the State in solving social or economic needs of founders. According to the definition given by the International Center for research on Public Policy, Social Economy and Cooperatives (CIRIEC) social economy is *the private organizations formally organized, endowed with autonomy and freedom of association, created to meet the needs of members through the market, through the production of goods and provision of services, insurance and financethe decision-making process and any distribution of profits or surpluses among members is not directly related to the capital contribution or membership fees paid by members, each of whom one vote. Social economy includes private organizations formally organized, endowed with autonomy and freedom of association, providing non-market services for households and whose surpluses, if any, cannot be appropriated by economic operators which they create, control or finance [3].*

As opposed to the market economy, the social economy is not gaining profit, it consists in improving the living conditions of disadvantaged people or belonging to vulnerable categories. According to the legislation in force from vulnerable groups are part the following categories of persons in a situation of economic and social difficulty and/or in risk of social exclusion: people with physical disabilities and/or mental; people from families or parents; people without education or training; pharmaco-dependent persons, after rehab treatment; victims of domestic violence; people affected by diseases that affects the social and professional life; immigrants, refugees; people receiving welfare under the provisions of the law on the guaranteed minimum income; elderly; people who have exceeded a certain age; people living in isolated communities; roma people; victims of trafficking in human beings; persons affected by occupational diseases; young people over 18 who are leaving an institutionalised system of child protection; persons released from detention; homeless persons; long-term unemployed, registered at the territorial employment agencies.

In the legislation of our country, the concept of social economy appears for the first time in HG 829/2002 approving the national anti-poverty Plan and promoting social inclusion. The social economy is a new discovery thingy, being cut off of the Communist Party, and in 2011 we can already notice that an important sector of economic and social life. On 11 December 2013, the Government approved draft law on social economy. The next time the bill will come into legislative procedure being submitted to Parliament for debate and adoption

The social economy is divided into 3 subsectors: community sector, the voluntary sector and social enterprise sector and submit the following forms recognized at european level: cooperatives, mutual societies, foundations, social enterprises and associations. Cooperatives, mutual societies and non-governmental organizations are also known under the name of enterprises of the social economy, they form *the traditional social economy*. Social enterprises are new types of social economy organisations in the past 20 years and forming what some call *the new social economy* [4]. The organizations in this sector are characterized by a relative degree of institutionalization, the autonomy of the public and private sectors and by restrictions in terms of redistribution of income.

The social economy is the type of economy that combines individual responsibility effectively to the collective for the production of goods and/or provision of services, pursuing economic and social development of a

community and whose primary purpose is the social benefit. The social economy is based on the following principles:

- *The priority of the individual and the social objective to increase profits* Social economy promotes a model of scrolling economic activities more equitably and to meet social and economic needs of the community.
- *Free and voluntary association.* Social economy organizations are created by a group of people using the principle of volunteering, people who exercise control and management.
- *Equal voting right of members.* The right to vote in the case of management is not distributed or weighted according to the contribution to capital, each member shall be entitled to one vote
- *Autonomy.* Members have the right to express their opinion on important decisions that the organization can decide to take them and termination.
- *Independence from the public domain.* Social economy organizations are governed by the rules of private law, legal personality of its own and the public institutions.
- *Regulations on the distribution of profit.* The defining element is the exclusion of entities aimed at maximizing profits.

Thus, we can say that the social economy based on the principles of solidarity and individual involvement in the process of active citizenship and volunteerism. Also, aims at generating quality jobs and a better standard of living.

2. Structures of social economy in Romania

Place and form of organization of social economy in the economic sector can be seen in Figure 1. While the private sector aims at increasing efficiency and profits, the public sector seeks equality, social economy and the third sector and volunteerism feature.

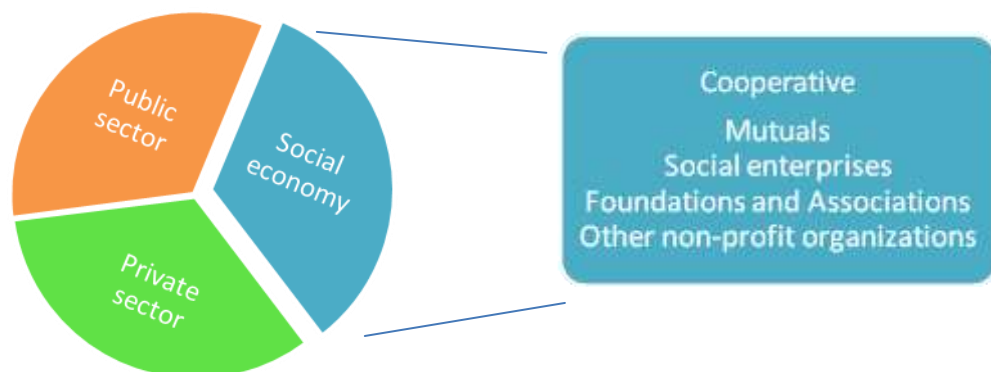


Figure No. 1 Place and forms of social economy

Cooperatives are autonomous individuals, associations and voluntary, which follow the common purposes of members, particularly of an economic nature, in areas such as agriculture, commerce, handicraft, housing, utilities and social services. In Romania, artisan cooperatives, consumer, agricultural and credit accounts for 95% of the total; other fields of cooperation, such as housing, utilities and social services are almost non-existent.

Evolution of the number of craft cooperatives and in the period 2007-2010

Tabel nr.1

Organizations	2007	2008	2009	2010
Craft Cooperative	799	819	788	857
Consumer Cooperative	927	922	894	958

Source: INS 2013

The INS data, shown in table no. 1 indicates a slight increase in the number of craft and consumer cooperatives in the period 2007-2010.

Mutual societies are autonomous and voluntary associations whose primary purpose is to meet the needs of members, mainly in insurance, offer services that can cover all kinds of risks: properties, health and private pension schemes. Currently in Romania, mutual aid are the only forms of social economy that can be placed in the category of mutual societies with the role to raise funds and offer low interest loans to members.

Analyzing the period 2007-2013, based on data taken from the register of non-banking Financial Institutions, it is found that the number of active mutual aid increased compared to 2007 with a share of about 10%. The importance of mutual aid occurs against the backdrop of the economic crisis in 2008, as a Variant easier to get availability of fund employees and retirees, less expensive than those obtained from the banking system. This may explain their growth during the period under review in table no. 2

**Evolution of the number of active mutual aid and removed from Romania
in the period 2007-2013***

Tabelul nr. 2

Organizations	2007	2008	2009	2010	2011	2012	2013
Active mutual aid	2.014	2.089	2.123	2.149	2.177	2.202	2.218
Radiated mutual aid	297	299	-	-	-	-	-

Source: www.bnr.ro, Registrul de evidență; * the date of 18.10.2013

Associations and foundations are private, voluntary and independent organizations that provide a wide range of private and public character of persons households, distinct social groups or the general public, in the most diverse areas of activity, having as its main functions: representation and promotion of the interests of members (civic associations, professional, political parties, trade unions, etc.); redistributing funding streams (donor foundations, philanthropic organizations); providing goods and services in economic activities.

At the end of 2010, social economy in Romania had a number of 66.804 associations and foundations registered (table no. 3), in which approx. 39% were current and created annual revenues of 7.7 billion lei (about 2 billion euro). They employed a total of over 100 thousand, equivalent to 1.64% of employment and 1.1% of the employed population.

**Evolution of the number of associations and foundations registered
in the period 2007-2010**

Table no. 3

Type of organization	2007	2008	2009	2010
Associations and foundations registered (Register of Non-Governmental Organizations)	55.454	58.852	62.734	66.804
Active associations and foundations	19.354	20.478	22.589	26.322

Source: INS 2013

In traditional forms of social economy organization (associations, foundations, cooperatives) are established protected units, which are classified in the category of *social enterprises*. A major area of intervention of social enterprises is the professional and social integration of vulnerable social groups in the permanent exclusion from the labor market.

Regardless of social economy organizations, they are initiated for social and environmental purposes (not just for profit-making); have unpaid leadership; have a lot of participation in the community; reinvest the profit and not give it to shareholders.

Analysis of non-profit entities registered in the National Register of Non-Governmental Organizations of the Ministry of Justice from 2013 (figure no. 2) highlights the fact that most of the organizations represented in Romania are associations and foundations at the rate of 98%, followed a big difference from other forms of organization 2%. The number of associations (82%) is considered an indicator of associativity, of solidarity and self help spirit, while the number of foundations (16%) is an indicator of philanthropy, the desire to do well, to help others, but also of the existence of the necessary financial resources.

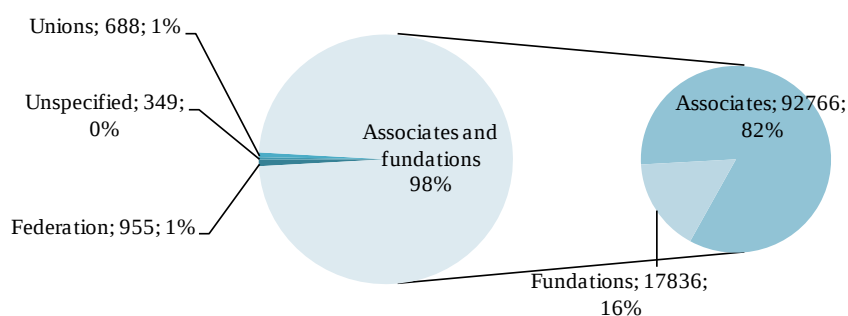


Figure no. 2. The share of associations and foundations in the social economy organizations in 2013

Source: <http://www.just.ro/MinisterulJust%C8%9Biei/RegistrulNa%C5%A3ionalONG/tabid/91/Default.aspx>

3. The role of the social economy in supporting social inclusion

Social economy refers to those forms of economic activity that are active in the social field. These activities have social objectives and focus less on the profit motive. Gain is not ignored; it always follows its growth, but is considered important only after the social criterion is met. A business community is an economic activity, facilitated and developed by an organization or community group that mobilizes resources and values the community, contributing to the social integration of disadvantaged groups, reinvesting profits in the community. Also, profit from such an economic structure is reinvested in the organization in the interest of supporting its direct beneficiaries, people at risk of social marginalization.

The moment for introducing the term social inclusion is the European Council in Lisbon in 2000, where His trial was launched Lisbon Strategy. In Romania the concept of inclusion and social development came into use since 2001 with GD no. 829/2002 on the National Plan against poverty and social inclusion - PNAinc [12]. Normative act defines strategic objectives immediate but also medium and long term (2002-2012). Within the objectives set, the social economy is mentioned as one of the principles that show building an inclusive society. Inclusion was defined in Law no. 47/2006 on the national social assistance [13] as the set of measures and actions multidimensional in areas of social protection, employment, housing, education, health, information, communication, mobility, security, justice and culture, to combat social exclusion.

The social inclusion aims that everyone can participate in social life, access to rights, goods and services, and decision making on actions of common interest. For inclusion process can be materialized, must facilitate a number of endogenous and exogenous factors that are part of the social structure and administrative and actively involving community participation [14]. The only structure recognized by the Romanian Social Economy is authorized protected units (Law no. 448/2006 [15], Law no. 207/02.06.2009 [16], Order no. 60/2007 [17]). The only category of socially disadvantaged persons who is a beneficiary of the legislation in force with reference to the concept and forms of social economy represents disabled.

According to the Joint Inclusion Memorandum and other position papers ratified by Romania (JIM) [18], there are other categories of socially disadvantaged people who need legal support regarding social and professional integration: former prisoners, single mothers, former drug users, people, victims of domestic violence, roms people, abused children and children whose rights are violated, people aged over 18 who leave institutionalized people with HIV / AIDS.

European Commission created the European Semester which determines the needed to guide and monitor the economic and social reforms must implement EU countries to achieve the Europe 2020 objectives. For Romania, the National Reform Plan for smart, sustainable and inclusive growth aims to reduce by 580,000 people at risk of poverty or social exclusion [19].

The pillars of the social economy in Romania are:

- grade 1 cooperative societies and credit unions;
- associations and foundations;
- unions and
- other types of businesses.

In 2010, the social economy in Romania included a total of over 31,000 organizations that held non-current assets worth about 10 billion lei (equivalent to 2.5 billion Euros), achieving annual revenues of 7.7 billion lei (about 2 billion). [4] The evolution of economic indicators shows that in general, social economy organizations have responded well in the early years of difficult economic crisis, (2009 and 2010), both incomes and non-current assets continued its growth trend or stabilization. Only pensioners unions reported declining incomes in 2010 compared to 2009, probably due to lower interest rates and lower investment rates incurred.

Associations and foundations in 2010 show a steady trend of growth in all economic indicators for all years analyzed, with a predominant contribution in incomes (74% of total), assets (58%) and employees (61%). Compared with 2009, 2010, incomes and assets AF (associations and foundations) increased by 51% and 48%, while staff increased by 25%. Social economy employed a total of over 100,000 people at the end of 2010, 1.1% of the total employed population and about 1.7% of the salaried population [23].

4. The level of European funds granted for social economy

An important feature of social economy is given by the role it has in local development and social cohesion as well as in the promotion of social inclusion and responsibility. This sector corresponds to the European Union's priorities and the allocation of funds.

The debate about the social economy started in Romania in 2007-2013 powered by “POSDRU”, because under this program the social economy was a priority area of intervention by major area of intervention 6.1 “Social Economy”, with a total budget of over € 400 billion, accounting for about 9% of the total budget of the “POSDRU”.

Analyzing in terms of administrative intervention in this field was launched 5 calls for projects, of which 2 grants and 3 strategic projects.

In the context of these appeals were filed 2112 projects, 92% of grant. For projects presented only 14% (296) were evaluated. Contracted projects were worth a total of 630 million lei around 150 million euros. These were used in the proportion of 35% of the total budget allocated. Organizations that have made these projects were represented by: associations (38%), foundations (27%), Federation (5%), public institutions (27%) and research institutions (3%) (figure. no. 3).

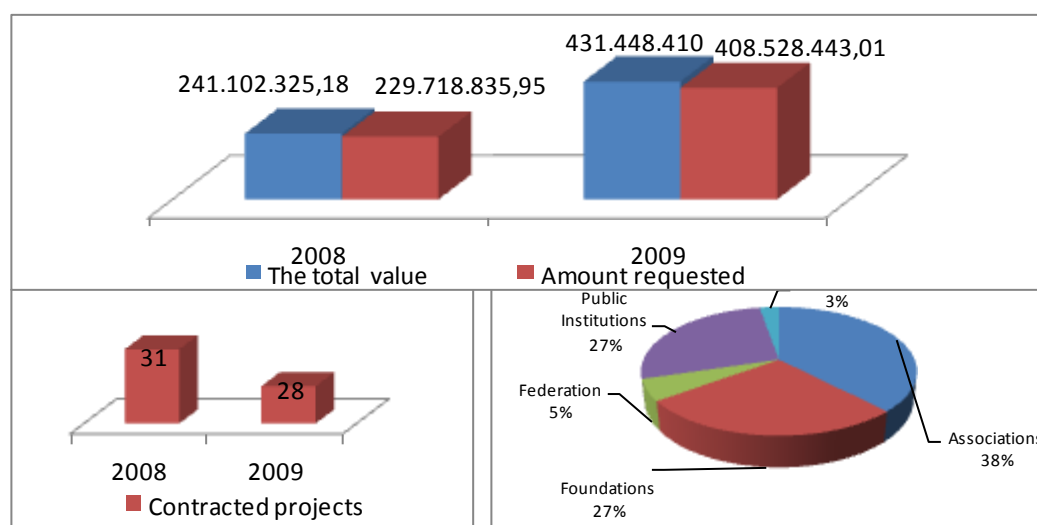


Figure no. 3. Projects funded through „POSDRU” 6 axis “Social economy” in 2007-2013

Source: www.fseromania.ro

These funding programs allowed experimentation of several projects initiated by Non-Governmental Organizations, local authorities, social services, public or central authorities with mandate in the exclusion (roms women, people with disabilities, prisoners and other disadvantaged), and popularization of the first data collection and discussion of key concepts.

The Social Economy Partnership Agreement 2014-2020 can be found in several sections: Competitiveness, People and Society, Resources and Governance:

➤ In the section on *Competitiveness*, the social economy can be found indirectly in the thematic objective: Competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector, being referred to as needed.

➤ In the *People and society*, social economy is underlined by the potential models provided for labour market integration, support social inclusion and combating poverty. This area is found in section Needs development, Promotion of social economy and social enterprises. These needs can be found in the thematic objective: Promoting social inclusion and combating poverty.

➤ In the *Resources* section, is referred to create a need for new markets for Small and Medium Enterprises and social enterprises, this need is identified in several thematic objectives: Supporting the transition to a low carbon economy carbon dioxide in all sectors, Promoting climate change adaptation, risk prevention and management, Protecting the environment and promoting resource efficiency.

➤ The *Governance* section is referred to as priority by funding social enterprises as a solution to support the consolidation of public services alongside other private sector entities, need identified in the thematic objective: Strengthening institutional capacity and efficient public administration.

4. Conclusions

The role of the social economy is essential in solving economic and social problems, because it provides appropriate solutions application services that are not covered by private or public sectors. Social organizations aimed at promoting social inclusion of mainly distressed by increasing employment opportunities, offering personalized service to ensure the transition from a state of vulnerability in the open labor market. As a result of the socio-economic situation in Europe is spoken and increasingly promote the idea of Social Economy, social entrepreneurship and microfinance, being and objectives for 2014-2020. Social economy begins to occupy an important place in the development of social inclusion policies in Romania. The objective is to create jobs for the

benefit of disadvantaged people in order to find answers to social needs identified which can not easily solve [14]. There are many legal and practical impediments stop its effective development:

- lack of a legal framework at EU and national level;
- limited knowledge of social entrepreneurship;
- limited access to financing due to rigid financial system, bureaucracy and lack of information.

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