

THE FORTUNES OF SOCIAL ECONOMY

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Abstract

The paper describes the economical context of the emergence of the social economy, its main characteristics and dimensions; it identifies the similarities and the differences amid the social economy and the liberal economy in particular. As a descriptive-explanatory paper, it develops on the technical literature in order to highlight the importance of this sector within the ensemble of the market economy, the difficulties that it confronts with as a competitive actor and the chances of insuring the sustainability of social enterprises. The conclusions of the paper point to the idea that, despite the obstacles it confronts with, the sector of social economy has availability of development by itself representing an opportunity of increasing the occupational degree by inserting the disadvantaged groups on the labour market.

Key words: social economy, apparition and evolution, competition

JEL Classification: L31, L33

Short introduction to the economical evolution

The economical evolution has over time been sinuous, growing, coming to a stand and on downturn, on long term nevertheless recording a constant improvement. This was on the one hand possible due to the evolution of the society and implicitly of the technology, on the other hand necessary, given the needs of continuous growth and diversity of each new generation.

The economic growth and development have sometimes been slow and of lower dimensions, some other times sudden and spectacular; the latter have been stimulated by real "revolutions" which produced essential changes to the organizational and functional modes of the economic life. Such "economical revolutions" were: the Neolithic revolution, determined by the discovery of fire and manufacture of metal tools, a revolution that transformed the man from being a mere harvester and consumer to a producer of goods that are necessary for ensuring the existence and who put the basis of the agricultural sector; the industrial revolution (although we can discuss about industrial revolutions related to several remarkable technical discoveries), based on the discovery and use of steam, the machine construction, a revolution that propels the industry to a main

economic sector; the informational revolution, generated by the informational technologies, a revolution that places the third economic sector on the stand of the biggest consumer of manpower.

The effects of these revolutions are found within the increase of human well-being, of their standard of living: the former will bring people more and better food, the second will transfer a great part of the human physical effort to machines, giving way to a more intense intellectual effort, and the latter will facilitate the almost infinite access of people to information and services. At the same time, it can be ascertained that the effects of each economical "revolution" create the premises for transiting to the following one.

The economical evolution has been explained by the use of various factors: natural, social, political, demographical, technological, management, etc. In time, the theories regarding the economic growth have become numerous and enriched regarding the content, the methods of analysis and approach, the presumed solutions, as well as regarding conceptual rigorousness, indicators of use and highlight of interdependencies amid these aspects and other connected aspects. To John Stuart Mill, "there exists a progressive movement which has been transmitted without historical interruption from year to year, from a generation to another, an increase of wealth, an increase of what is named material prosperity. The main factors of the efficient improvement of material and human resources have been and still are the free initiative of capitalist entrepreneurs, of micro economical actors and of the competitive market" (Mill, John Stuart; *Principiile economiei politice*, in Mark Blaug, 1992, p. 254).

There have been created models of economic growth, deriving from the imperatives of the economic development context. Thus, the raw material and energy crises, and more importantly the petroleum crisis in the past century 70s has generated models such as that of "zero growth" (Forrester-Meadows model, 1972), the global model integrated on several levels ("organic growth" model, Mesarovici, Pestel, 1975) or the "Latin-American global model" ("Bariloche model", Herrera, Scolnik, Chichilnisky, 1981).

The explanation and, more importantly, the prevention and identification of solutions, in the case of some crises such as the great economic crisis in 1929-1933, have become the object of the studies of J.M. Keynes, whose model, based on deep interdependencies amid the tendency towards consumerism, marginal efficiency of the capital share and the evolution of interest rate (Keynes, 1936), have and still represent an action frame in the case of some economic crises. On their turns, Roy F. Harrod (1948), Robert Solow (1956), E.D.Domar (1957), Simon Kuznetz (1959), G.Becker and Th. W. Schultz (1961), Romer (1986, 1990), R.J. Barro (1990), Model R. J. Barro and X. Sala-I-Martin (1995), and others, have created models of economic growth that were to follow up the instauration or, as the case, the reestablishment of the economical balance. At the same time, these theories have turned the highlight from quantitative aspects to the qualitative ones (from economic growth to economic development and progress), from material factors to the human ones (from economic development to social-economic development, human development, and more recently, sustainable development). In other words, the economic development is not anymore a purpose as to itself,

but it is rather regarded in terms of its consequences upon the standard of living of the actual and future population.

Apparition and evolution of social economy

Beyond obvious benefits, industrialization has brought to society a series of deficiencies regarding the more vulnerable areas of society: the poor to whom education, professional training have been inaccessible and who met difficulties in finding a job within the new economy, people with deficiencies, women. This situation has generated practical concerns regarding the creation of entities (cooperative, associations, mutual companies) that should meet the needs of these social categories, as well as theories of some economists regarding the necessity of a moral dimension of the economic activity (John Stuart Mill, Max Weber, socialist orientation economists).

The beginnings of social economy and, implicitly, the apparition of the social economy terminology can be situated in France, XIX at its beginnings, and later it spreads all over Europe and later beyond the ocean, in the two Americas, as well as in Asia. Social enterprises find inspiration in the purposes and finalities of benefaction associates, respectively the charity purposes for supporting those with limited financial possibilities. However, unlike traditional or charity associations, social enterprises do not depend on subventions or donations; they obtain income from a production process that implies resources and that aims to obtain consumerism goods and services, having an entrepreneurial and commercial dimension. Therefore, in Sweden, the UK, and Spain, sales and/or fees were clearly the most important source of capital, (followed by grant finance (UK and Spain) or investors' capital (Sweden). In Hungary, sales and/or fees and grant finance were nearly of equal importance (38% versus 36%). In Romania, by contrast, the most significant share of liquidity hailed from grant finance (52%), followed by sales and/or fees (28.2%) and private donations" (SELUSI, 2011).

Currently, despite the growth of created richness, there is a growth of social inequality, as a side effect to the deterioration of the quality of poor life, which generates social exclusion.

To this context, the documents of the European Union refer explicitly to the modernization of the European social model, investment in people and fight against social exclusion (Lisbon Agenda, 2000), respectively to turning Europe "into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion" (Europe 2020, p.10)

The difference between the two mentioned documents is that, while Lisbon Agenda has followed up the adaptation of the European development model to the new context by modernizing the same instruments, a model that has proven its limits on the occasion of the 2008-2011 crisis, The 2020 Europe Strategy proposes the institution of a new social economic model which that should offer solutions to the new challenges of the beginning of the millennium: "the globalization of the economy, the low rates of economic growth, the complexity of society, and growing demands for new services" (European Commission, 2013, p.15).

Currently the social economy enterprises diversify their activities and they become present in new fields such as: " the provision of new forms of educational, cultural, environmental, and public utility services, as well as food production, distribution and consumption" (European Commission, 2013, p.41), depending on the needs and interests of the community and of the society.

It is concomitantly ascertained that there are essential changes in the behavior and perception of the population, as well as of the entrepreneurs, in what concerns the social economy (European Commission, 2013, pp.60-61). Therefore, it is ascertained an obvious inclination of those who develop their activity within social enterprises to altruist motivations (support of disadvantaged groups, position utility), intrinsic motivations (common ideals and values, social visibility of work, autonomy, variety and creativity of work place) and less to altruist motivations (salary, position stability, schedule flexibility).

In Romania, the preoccupations for social economical sustainability and development are quite recent despite the fact that there exists a tradition of over a century in this field (Arpinte, Cace, Scoican, 2010). Therefore, including during the communist period in Romania, there functioned artisan cooperatives, credit or production cooperatives, CARs, NGOs, protected enterprises (eg. The work of disabled people), respectively jobs with monopole within disabled people (eg. masseur, destined almost exclusively to the blind), even if they actually were under the tutelage of the state; that is why the purpose and the manner of organization and development of the activity were pervertible (Oşvat, Ştefănescu, Jurj, 2012).

In comparison to EU where the social economical sector "sums 2 millions of units (meaning 10% of the total of European businesses) and where there are used over 14.5 million paid employees (the equivalent of 6.5% of the EU working population)" (www.monitor.coop), recording significant growth between 2002-2003 and 2009-2010, the Romanian social economy segment comprises over 67.000 social enterprises offering over 159.847 jobs that represent 3.3% of the total of employees (Institute of social economy, YEAR), and therefore a quite important difference and, implicitly, supplementary development possibilities of this sector. In addition, the financial economic crisis in 2008-2011 has affected this third sector, and particularly the cooperatives by resulting in the decrease of the number of social enterprises, of obtained income and of employed personnel.

Nevertheless, after elaborating the social economy law in 2015, there have existed perspectives for the development of these enterprises and, implicitly, for a better insertion of disadvantaged groups to the labour market, directly impacting the increase of the standard of life of the same.

Social Economy vs Liberal Economy

The social economy has been initially constituted and functioned as adjective to the liberal economy, performing several functions, partially incompatible to the latter; a prominent social function consisting of cooperation, reciprocal help, an ethical function representing orientation to employees, beneficiaries, collectivity for choice, and less to profit, as well as an economical function - that of occupational growth of disadvantaged groups (women, gypsies, people with disabilities, etc.).

There is also added the charity and solidarity function, because often the income from social economy enterprises is used to this purpose.

Given the fact that the definitions of the social economy, also entitled by scholars or national, European or global specialized organisms as “solidary economy” (Eme, Laville, 2006), “social and solidary economy” (Canfin, 2008), “the third sector” (Defourny, 2004), are considered perfectible, we suggest a definition of the same by reference to the liberal economy.

Münkner distinguished between the two types of economy by using five dimensions: the engine of economic development, the decision makers, the prevailing factor, the role of the capital and the intended purpose (Münkner, 2010, p.57). However there can be identified other criteria that distinguish between social and liberal economy and that allow formulating a coherent and gradated definition:

Table no.1 Criteria that differentiate between social and liberal economy

<i>Criteria</i>	<i>Social economy</i>	<i>Liberal economy</i>
Goals	Social goal	Economical goal
Means of decision making	By the participation of all members	The power of decision depends on the invested capital
Employees	Disadvantaged groups	Selected people depending on the enterprise's needs
Means of constitution	By free adhesion	By private initiative
Form of organization	Cooperatives, associations, mutual companies	Trading companies, limited liability companies
Means of obtaining and use of profit	Non-profit activity, use of profit for development	Activities of profit maximization, grant of dividends, reinvestment of profit
Field of activity	social protection and social services, health, banks and insurances, agriculture, handicraft, proximity services, education and formation, culture, sports and leisure (Charte Européenne de l'Economie Sociale, 2002); 75% of the activity is found in social services, possession, environment, education, economic, social and community development (SELUSI, 2011)	Industry, agriculture, commercial, touristic, banking activities, etc.
Founding principles	Self-promotion, democracy,	Predominantly economic

and values	freedom, solidarity, equality, equity, honesty, transparency, social responsibility, care for the others (Résolution de l'Alliance ... Manchester, 1995).	principles and values: low costs, high productivity and profit, competitiveness through quality and price, as well as social responsibility
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Source: Own adaptation, European Commission (2013).

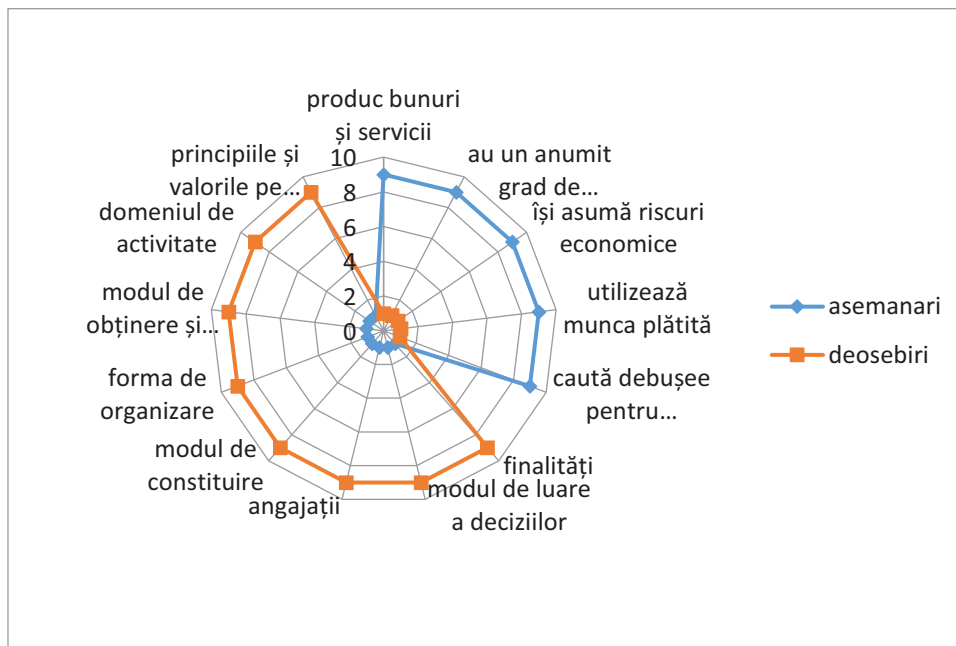
Given all these criteria, we could define social economy as being the economical form of organization and functioning having a social goal, oriented towards non-profit, social cultural, educational and mutual help activities and towards disadvantaged groups, resulted in cooperatives, associations, mutual companies constituted by the free adhesion of its members which participate directly in decision making, founded on moral principles and values.

Despite certain facilities provided by the legislation that regulates the organization and functioning of social economy enterprises, today it competes with the liberal economy in terms of the same resources and the same market. They both produce goods and services, they have a certain degree of autonomy, they assume economical risks, they use paid labour, they seek market openings for product sale; all of the above represent similarities between the two types of economy.

Under these conditions, the entrepreneurs within the social economy field must have the education necessary to any economic agent in order to organize, develop and sale production, to understand the market, the pricing system, the marketing of resources and quality assurance. To these competences must however be added those indispensable to the purposes specific to the social economy and, in particular, those of integration into labour of disabled persons and of capitalization of the labour potential of those people.

In conclusion, the charter below illustrates the similarities and differences between the social and liberal economy.

Charter no.1 Similarities and differences between ES (social economy) and EL (liberal economy).



Source: Own adaptations

The chart shows the existence of a greater number of differences compared to the similarities between the two types of economy organization and functioning. Furthermore, there can be observed that the similarities mostly refer to the economic aspects, while the differences refer to the social aspects, values, employees, the organization and functioning manner.

Conclusions

The social economy appeared and developed complementarily to the liberal economy, or as a response to the permanent trials of the same to maximize profit and to marginalize the human factor and the social dimension of economy. Given these conditions, the social economy has gained specific characteristics that differentiate it from the liberal economy, which consist of social goals, work training of disadvantaged groups, turning the highlight from profit to real needs, promotion of moral values within the economic life.

Despite this aspect, they compete on the same market in terms of resources, market shares, financing. This is the reason for which the social economy is regulated specifically and supported by the state.

The sector of social economy has availability of development by itself representing an opportunity of increasing the occupational degree by inserting the disadvantaged groups on the labour market. For that matter, this sector has extended its activity in many more fields, proving its capacity of being engaged economically and being innovative, concomitantly with the increase of the acknowledgement degree of social issues, from the side of the population.

In Romania, there exists the need and possibility of social economy development because there exist unmet needs within the disadvantaged groups, in particular regarding the insertion to the market, and because there exists a legislative frame that regulates these activities, sustains and facilitates the social entrepreneurship, creation and development of social economy enterprises. Impediments are still present: lack of visibility (including in the media, Oșvat, Ștefănescu, Jurj, 2012), and, implicitly, of the capitalization of social economy, lack of training and education specific to this type of economy, lack of support networks and adequate infrastructure, legal regulations, public policies, access to financing (European Commission, 2013, pp. 81-90)

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