



Empowering Romanian Entrepreneurs to Develop Social Business

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Abstract: *Social economy is essential for local or regional development. In Romania, social business is trying to scale, promoting the development of an alternative model of social inclusion for vulnerable groups. The establishment of a social enterprise represents a benefit both for the area in which it will carry out its activity and for the national economy as well, developing along with increasing the level of education and living of the population. Globally, in April 2023, the United Nations General Assembly adopted the resolution "Promoting the Social and Solidarity Economy for Sustainable Development" (A/77/L.60) which provides an official definition of social and solidarity economy and it can contribute to the achievement and localization of sustainable development goals. Therefore, this paper aims to come up with proposals to empower Romanian entrepreneurs to develop social businesses in order to carry out activities that will represent a real gain for the community and an important step in solving various problems.*

1. SOCIAL BUSINESS IN ROMANIA

In Romania, social enterprises are recognized and regulated by [Law No. 219/2015 on the social economy](#) which defines social enterprises as organizations that operate in an organized and continuous manner, with the aim of obtaining social benefits, such as the integration of disadvantaged people into the labor market or the development of local communities. There are also organizations and associations that support and promote the development of social enterprises in Romania, such as the possibility of providing information and support for social enterprises in the country. Regardless of the form of legal organization, each of these types of social enterprises has an important role in the social economy and supporting communities, the social programs implemented and the social services offered contribute to the increase in the standard of living by satisfying the needs of the respective community. The contribution of these social enterprises can be realized through various support measures for vulnerable groups, such as ([Popescu, 2011, p. 20](#)):

- integration on the labor market and combating discrimination;
- improving access and participation in initial and continuing education for vulnerable groups;
- promoting gender equality and combating the social exclusion of women;
- developing an efficient system of social services aimed at reducing the risk of marginalization and social exclusion;
- transnational initiatives in inclusive education and transnational initiatives on the labor market.

It is also important to mention that social enterprises in Romania can benefit from certain facilities through a support and encouragement mechanism that considers: financing from public and/or private, national or international sources; free of charge for the issuance of the certificate,

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the social brand and the registration in the single record register of social enterprises; premiums and subsidies for the employment of young people at risk of social marginalization, unemployed over 45 years old, unemployed who are sole breadwinners of single-parent families, long-term unemployed or NEET youth; 50% of the expenses with professional training services for the settlement of professional training programs for own employees who belong to the vulnerable group. In addition, social insertion enterprises can benefit from the following facilities provided by the local public administration authorities (Law no. 219 on social economy, 2015):

- a) allocation of spaces and/or lands located in the public domain of administrative-territorial units/subdivisions, in compliance with the provisions of Government Emergency Ordinance no. 57/2019 on the Administrative Code, with subsequent amendments and additions, in order to carry out the activities for which the social brand was granted;
- b) support in promoting the products made and/or supplied, the services provided, or the works performed in the community, as well as in the identification of their sales markets;
- c) other facilities and tax exemptions granted by local public administration authorities, under the law.

At the same time, social insertion enterprises can also benefit from free advice from the state authorities that have powers in this field, both at the time of establishment and during the activity. In reality, this does not happen, either because social entrepreneurs do not use these counseling services, or because the state authorities do not offer this type of assistance, it only exists at a theoretical (legislative) level. Being a real incentive for community development and for raising the standard of living by integrating vulnerable people into work, the state authorities should give increased interest to social insertion enterprises. Also, through its central and local administrative authorities, the Romanian state can and should provide continuous support programs for social enterprises.

However, managing a social enterprise in Romania is a real challenge, especially when financial aspects are involved. On the one hand, the government faces challenges in ensuring a favorable environment for the development of social enterprises, and on the other hand lack of "information", "managerial skills" and "a predictable environment that emulates the development of such initiatives" (Lambriu & Petrescu, 2019, p. 77).

Even if it exists, the legal framework applicable to the social economy is quite fragile compared to the importance and particularities of the field, and the lack of involvement of central and local public authorities is obvious. Then, once established, social enterprises are on their own, having to look for support anywhere but public authorities, with all the responsibilities they assume towards the community. Part of these reasons and poor financial support are aspects that justify the small number of social entrepreneurs, who give up the idea of getting involved considering the effort they would have to make and the few benefits they would get. Given the fact that entrepreneurs are focused on the social mission they have assumed, before starting such a project, they must analyze the real possibilities to contribute to the development of the community and the solution of various problems, precisely to avoid the occurrence of situations that lead to the failure to fulfill the assumed social goal.

Taking into account the challenges encountered in practical activity, the number of Romanian social enterprises is not very large compared to other European countries. According to the data available from the Unique Register of Social Enterprises - extracted - updated June 2023 (Romanian National Agency for Employment, 2023) out of the total of 2904 social enterprises that were

registered in Romania, only 2623 have a valid certificate, and listed as active. The remaining 281 social enterprises appear in the national database with the certificate withdrawn, expired, or suspended. The indicators discussed can be seen in the table below.

Table 1. The current situation of social enterprise certificates in Romania

Certified Romanian certificate 30.06.2023	Social enterprises registered in the Unique Register of Social Enterprises
Valid	2623
Withdrawn	248
Expired	26
Suspended	7
Total	2904

Source: Own processing from [Romanian National Agency for Employment, 2023](#)

Considering the data collected from the Romanian National Agency for Employment, a detailed analysis was carried out on the situation of existing social enterprises at the level of each county in Romania, as can be seen in Figure 1.

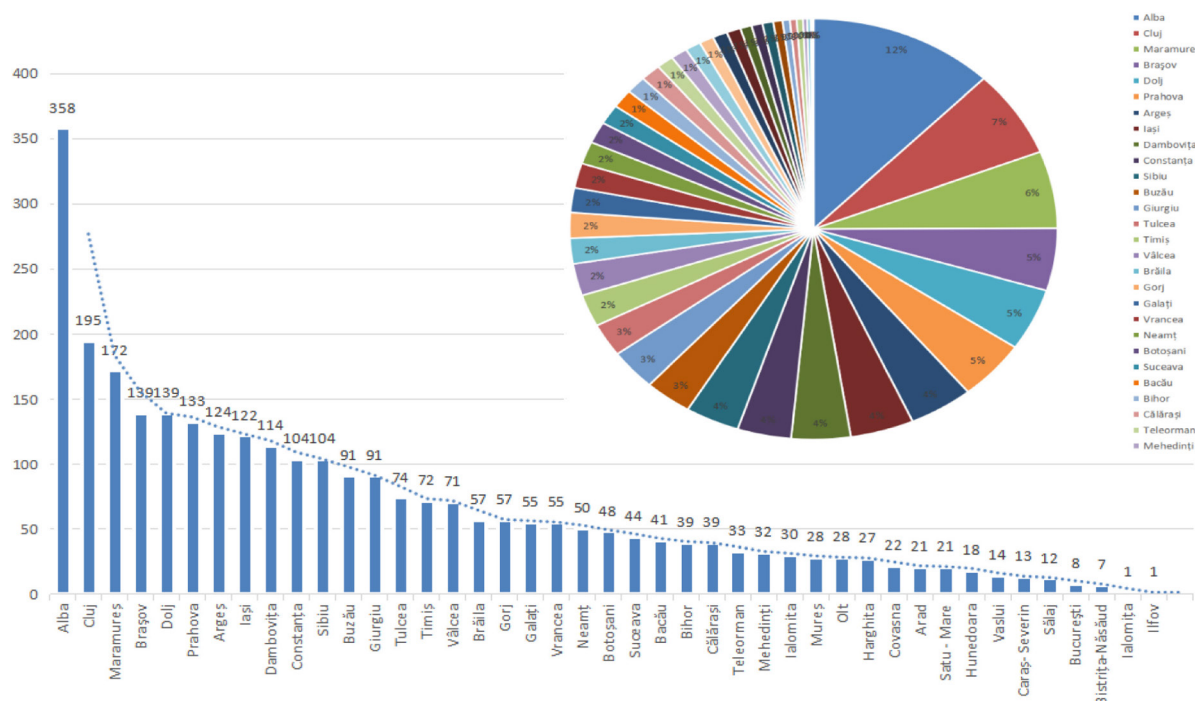


Figure 1. Distribution of social enterprises in Romania by county

Source: Own processing from [Romanian National Agency for Employment, 2023](#)

Therefore, the centralization number of social enterprises in the Romanian counties shows the fact that in some areas is a greater interest in doing this type of business. Figure 1 shows that Alba is the county with the largest number of registered social enterprises, namely 358, then Cluj with 195, Maramureș with 172, and the counties of Brașov and Dolj with 139. At the opposite pole are the counties of Ilfov and Ialomița with only one social enterprise, Bistrița-Năsăud with 7, and Sălaj with 12. It is amazing that in the capital of Romania, Bucharest, there are only 8 registered social enterprises until June 30, 2023. It should also be mentioned that out of the total number of 2904 existing social enterprises in Romania, only 185 are active insertion social enterprises and have a social brand according to the legislation.

2. EMPOWERING ROMANIAN SOCIAL BUSINESS

Empowering Romanian social business can be quite a difficult operation. However, public authorities should have a more notable involvement in the sphere of businesses whose benefits return to the local communities they belong to. For these reasons, the following can be considered:

- provide financial support and resources specifically tailored for social businesses, including grants, loans, and investment opportunities. This can help social entrepreneurs start or scale their ventures and address the financial challenges they often face;
- offering training programs and mentorship opportunities to social entrepreneurs, such as: business development, financial management, marketing and other essential skills needed to run a successful social business;
- facilitate networking events, conferences and platforms where social entrepreneurs can connect with like-minded individuals, potential partners, and investors (in this way it can encourage collaboration among social businesses to share best practices and create a supportive ecosystem);
- advocate for policies that recognize and support social businesses (which can include tax incentives, simplified legal frameworks and procurement preferences for social enterprises). Engage with policymakers to ensure the creation of an enabling environment for social businesses to thrive;
- raise awareness about social entrepreneurship and its impact on society (educate the public, students, and aspiring entrepreneurs about the concept of social businesses, their mission and the potential they have in solving social and environmental challenges);
- encourage social businesses to measure and report their social and environmental impact (provide guidance and tools to help them assess their outcomes and communicate their impact to stakeholders effectively);
- develop and maintain a supportive infrastructure for social businesses, including incubators, co-working spaces, and business development centers (resources can provide access to office facilities, shared services, and a supportive community);
- promoting social public acquisitions through the development of tools such as (Vameşu & Achiței, 2021, p. 7): creating a specialized electronic platform, including in the electronic acquisitions catalog filters for quick registration and identification of social enterprises and providing examples of good practice regarding social public procurement from other states;
- foster collaboration between social businesses and research institutions (an initiative that can promote research on social entrepreneurship and provide valuable insights to improve the effectiveness and sustainability of social businesses).

By implementing these indications, Romania can create a more favorable environment for social businesses to grow and make a positive impact on society.

3. THE RESOLUTION “PROMOTING THE SOCIAL AND SOLIDARITY ECONOMY FOR SUSTAINABLE DEVELOPMENT”

In April 2023, the United Nations General Assembly adopted the resolution “Promoting the Social and Solidarity Economy for Sustainable Development” (A/77/L.60). The aim of this resolution is to recognize and promote the social and solidarity economy (SSE) as a means to achieve sustainable development goals (United Nations General Assembly, 2023). It calls for collective action and policy support to foster the growth and impact of SSE initiatives worldwide.



Figure 2. Importance of SSE as a means to achieve sustainable development

Source: Own processing

As can be seen from Figure 2 sustainable development can be achieved if social entrepreneurs take into account five important objectives:

- potential to address poverty and inequality by creating decent work opportunities, empowering marginalized groups, and promoting fair distribution of resources and wealth (the resolution recognizes the importance of SSE in achieving the goals related to poverty eradication);
- generating employment, particularly for vulnerable and marginalized groups: by supporting SSE initiatives, governments can stimulate job creation in sectors such as cooperatives, social enterprises, and community-based organizations.
- emphasizes local economic development, empowering communities to be self-reliant and resilient (the resolution recognizes the importance of SSE in fostering local entrepreneurship, enhancing community participation, and promoting sustainable production and consumption patterns);
- encourages innovative approaches to addressing social and environmental challenges (the resolution acknowledges the potential of SSE in promoting social innovation, supporting grassroots initiatives, and fostering collaboration between different stakeholders, including governments, civil society, and the private sector);
- the resolution calls for the development of supportive policies and frameworks to promote SSE in order to create an enabling environment to thrive and contribute to sustainable development (includes measures such as access to finance, capacity-building support, legal recognition, and favorable tax incentives).

Overall, the resolution adopted by the United Nations General Assembly highlights the importance of SSE as a means to achieve sustainable development, reduce poverty, create decent work, and foster inclusive and resilient communities promoting economic growth, social equity and environmental sustainability.

4. FUTURE RESEARCH DIRECTIONS

An important initiative for future research in social business could be focused on understanding the long-term impact and sustainability of social enterprises. This research could explore the factors that contribute to the success and longevity of social enterprises, as well as the

challenges they face in maintaining their social and environmental missions over time. The circular economy would also fall into the same area of interest because social businesses are increasingly adopting circular economy principles and models, such as upcycling, recycling, and sharing economy platforms in order to minimize waste, maximize resource efficiency, and promote sustainable production and consumption.

Another area of research could be examining the effectiveness of different business models and strategies employed by social enterprises. This research could help identify best practices and innovative approaches that can enhance the social impact and financial sustainability of social businesses.

Furthermore, studying the role of social enterprises in promoting inclusive economic development and reducing social inequalities could be a valuable research initiative. This would involve investigating how social enterprises can effectively address issues such as poverty, unemployment, and inequality, and contribute to the overall well-being of communities.

Additionally, research on the collaboration and partnerships between social enterprises, government agencies, and other stakeholders could provide insights into how these collaborations can be strengthened to create more impactful and sustainable solutions to social and environmental challenges. As society becomes more conscious of social and environmental issues, and as investors and consumers demand greater accountability and impact, these trends are likely to shape the future of social business.

Lastly, exploring the role of technology and digital innovation in social business could be an important area of research and can include: the use of digital platforms for crowdfunding, social impact measurement tools, and the application of artificial intelligence in order to enhance social impact and operational efficiency. Practically, this field of research could investigate how social enterprises can leverage digital tools, platforms, and technologies to increase their reach, efficiency, and impact.

Therefore, future research in social business should focus on understanding the factors that contribute to the success and sustainability of social enterprises, exploring innovative business models and strategies, examining the role of social enterprises in promoting inclusive development, investigating collaborations and partnerships, and exploring the impact of technology on social businesses.

5. CONCLUSION

X-raying the Romanian community would lead to the identification of a series of problems since each social category (whether we are talking about a vulnerable category or another) faces its difficulties, and therefore the branch of the social economy must enjoy special attention from the part of the state authorities. In the event that the state continues to focus only on investments in the general economy and to support mainly profit-oriented companies, this will never lead to general development, because the discrepancy between social class categories will continue to exist, and this discrepancy can only be reduced with the help of social enterprises, whose activity determines an increase in the level of education and living mainly among the disadvantaged categories. For this reason, social inclusion can be achieved through the collaboration between the general economy and the social economy so that the representatives of these disadvantaged categories have a real chance to engage and grow within the community they belong to.



Social enterprises in Romania face serious challenges that prevent their establishment and growth. That is why it would be necessary to develop and implement a reform in the field of social economy, by evaluating this branch, identifying legislative deficiencies, the needs of social enterprises, but also the problems of the community and by finding administrative solutions and ensuring the necessary support for the establishment of new social enterprises, as well as for their development and the implementation of various social programs to support the community. Also, from the perspective of active policies, the assessment of the impact of employment measures by disadvantaged and vulnerable people and the adoption of the necessary legislation to protect their rights and create optimal conditions for their integration into the labor field must be pursued.

At the same time, viable legislative solutions must be identified and adopted to stimulate and support social insertion enterprises, by granting financial aid in the case of hiring vulnerable people. Without financial support from the state authorities and in the absence of facilitating access to various financing programs, social enterprises cannot fulfill the social mission they have assumed. Moreover, the lack of funding sources is the main impediment to the development of social enterprises and the social economy, all the more so since these types of enterprises are not focused on profit, so they cannot support themselves exclusively, but need an economic involvement from the state authorities and various sponsors they find and convince to join their mission. No matter how much they would like to do so, no social entrepreneur can single-handedly support a social enterprise financially from the moment of its creation and throughout its existence, since its activity is not limited to a single action; a social enterprise must support the community continuously, by developing and implementing numerous programs of a social nature.

In this sense, public authorities should promote, first of all, the opportunities through which social enterprises can access intern or extern funds (public or private funds), respectively the stages they must follow in order to enroll in such financing programs. The promotion can be done by organizing courses for representatives of social enterprises that address the topic of funding sources offered to social enterprises, by establishing a department within the Ministry of Labor and Social Solidarity, which will be the contact point between the state and social enterprises, by organizing sessions of information before launching a financial support program, etc. The purpose of the promotion is to inform existing social entrepreneurs, but it can also lead other people to decide to establish social enterprises and get involved in solving community problems, with the guarantee that they will benefit from all the support from the state authorities after starting a business social. Among the most important aspects in the area of information are: the awareness of the population, the presentation of the types of enterprises that can operate in this field, the stages that must be followed in order to be established, the role of these enterprises in society, as well as the elaboration and presentation of the results of various surveys and studies regarding the categories of disadvantaged people and the measures that should be implemented to support them. At the same time, analyses can be carried out targeting existing social enterprises, in order to ascertain the problems they face and to submit them to debate, in order to identify, together with them, the appropriate solutions. Last but not least, it is necessary to develop a strategy by the state authorities with competences in the field of social economy, which has long-term objectives and which foresees two essential directions, namely the support given to social enterprises and the support given to disadvantaged communities. Just as national strategies can and are developed in many other fields, a strategy can also be developed for the development of the social economy, starting from the idea of its importance for society and the economy in general.

The importance of social business cannot be overstated. In today's rapidly changing world, businesses need to go beyond profit-making and focus on creating a positive impact on society and the environment. Social business provides a framework for businesses to address pressing social issues while still being financially sustainable and allows businesses to contribute to the well-being of communities and address societal challenges. By focusing on social impact, businesses can tackle issues such as poverty, inequality, and environmental degradation. This not only improves the lives of individuals and communities but also helps build a more equitable and sustainable society.

Furthermore, social business can enhance a company's reputation and brand image. Consumers are increasingly conscious of the social and environmental impact of the products and services they purchase. By engaging in social business activities, companies can differentiate themselves in the market, attract socially conscious consumers, and build customer loyalty. Social businesses can also attract and retain talented individuals who are passionate about making a positive impact. Lastly, social business can lead to long-term financial sustainability. By addressing social issues, businesses can create new market opportunities and tap into previously underserved markets. Additionally, social business initiatives can lead to cost savings through improved efficiency, innovation, and reduced risks. This, in turn, can contribute to the long-term success and profitability of the company.

In conclusion, social business is not just a moral imperative but also a strategic necessity. It allows businesses to address social challenges, enhance their reputation, attract top talent, and achieve long-term financial sustainability. By integrating social impact into their core business models, companies can contribute to a more inclusive, equitable, and sustainable world.

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