

The Sources of Social Economy

The Reasons for the Social Responsibility of Solidarity

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Abstract

For the preoccupations of the theoretical and practice community development, Social Economy is the domain that holds the most of attention, especially after the formulation and the general objectives of Europe Agenda 2020. Furthermore, in most of the European Union countries there is a diverse and socio-professional impact network that is specific to the socio economy structures. Yet, even if there are some preoccupations in this direction, it has not reached a consensus in regard with the ideological sources of these particular types of organizations. Social enterprises / societies that are the most outspreaded social economy instruments, like corporate associations, are the best known structures of social economy, as well as other instruments specific to the domain, and have a high and outspread rate of appreciation within the society, but without clearly pointing out their theoretical foundation of their presence. We suggest the approach of this aspect from the perspective of a concept that is newly (re)formulated, that of Social Responsibility of Solidarity.¹ This concept could explain the subtle mechanisms of the economical actors' actions in the profit sector, actors who do not have yet as a main target the profit making that is the very base of Social Economy. Because, in the end it must be an answer to the question: why the companies sometimes behave like donors / philanthropists? The present study brings elements to complete the explicative theoretical pattern regarding economic organizations in respect with their atypical behavior from the area of social solidarity.

Keywords: *Social Economy, Social Cohesion, Social Responsibility, Social Solidarity, Social Enterprises, Social Performance.*

The *Europe 2020* strategy is about delivering growth that is: [*smart*](#), through more effective investments in education, research and innovation; [*sustainable*](#),

¹ We suggest a new syntagma, *The Social Responsibility of Solidarity (SRS)*, on which we think it responds better to the needs of theoretical grounding of the economical mechanisms of Social Economy, beside to that of Corporatist Social Economy that is used in the specialised literature. This new syntagma will be explained and developed in a different study.

thanks to a decisive move towards a low-carbon economy; and *inclusive*, with a strong emphasis on job creation and poverty reduction. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate / energy.²

1. The Instruments of Social Economy

The concept of *social economy*³ includes diverse appellatives for different realities that are used in European Union countries and not only. The most well-known are: solidarity / cohesion economy or the third sector – CMAF (cooperative, mutual societies, associations and foundations).⁴ There are quite many organization types that are included in the *Social Economy* category: community benefit / provident society; friendly society; mutual society; consumer retail society; workers co-operative; community co-operative; community enterprise; neighborhood co-operative; community business; third sector enterprise; community trust; social business; community development trust; community development association; local development trust; community company; community development corporation; community benefit corporation; social enterprise; social firm; voluntary enterprise; credit union; community development finance initiative.⁵

Nowadays, at the European level, based on the official documents, social economy is considered to occupy approximately 8% from the total of the European companies and to represent 10% from the total number of employees. Altogether it is admitted that the evaluation of the social economy enterprises cannot envisage only the elements of economic performance, but also indicators belonging to other areas, like the development of the solidarity of the community, social cohesion and regional development. The preoccupations regarding the measurement of SE are – naturally – of a recent date. In 1995, European Commission developed a study that pointed out the fact that 50% of the population from different member states of the European Union was employed, one way or another, in Social Economy. In 1999 was organized another significant collective study, developed by CIRIEC –

² www.ec.europa.eu/europe2020.

³ *Social Economy – trend or necessity?* These were the auspices under which were developed the activities of an international conference in September 2012 at “Ștefan cel Mare” University from Suceava. See www.usv.ro.

⁴ G. Neamtu, *Tratat de asistență socială (Social Work Treatise)* (Iași: Polirom, 2011), 1232.

⁵ CESE - Comitetul Economic și Social European: *Les Organisations Cooperatives, Mutualistes et Associatives dans la Communauté Européenne* (Oficiul pentru Publicații Oficiale al Comunităților Europene – Editions Delta, Bruxelles, 1986).

International (“International Centre of Research and Information on the Collective Economy”) in the European member states of that time. The major objective of the study was to analyze the role of Social Economy on the labor market in order to determine its specific structure, identify the support public policies and to determine its contribution to economy in general and to community development in particular. The following information can be found in the study results: the instruments of Social Economy represent approximately 10% from the total European Union’s jobs (that is almost 9 million persons employed on full time) and SE contains approximately one million of enterprises. But, beyond the official figures, all the decisive factors know the fact that the jobs specific to Social Economy are many in reality, since the growth rate in this sector is higher than the medium rates of the national economies that were investigated. Usually, analyses and studies refer only to a single category of jobs: a *direct job held* in organizations and enterprises specific to Social Economy. If we analyze the other two categories (an *indirect job* – one created in the entities depending on the Social Economy; and an *induced job* – naming here different domains like industry, agriculture, transport, commerce, etc. that use upholding co-operative services) we discover a more wider range of economic organizations connected to the social economy. So, if we also add these elements, we’ll have a more precise image regarding the impact of social economy.⁶

In the East European countries, the new civil society that structures and represents the traditional Social Economy,⁷ it is adjusting to a quite virulent market economy, but which complies with “the rules of the market economy game”, in that of assuming the share of Social Responsibility in Solidarity and social cohesion actions that come from it.⁸ Further we shall synthesize the reasons or “the rules of the game”.

⁶ CIRIEC. *The Enterprises and Organizations of the Third System: A strategic challenge for employment*. CIRIEC (Centre International de Recherches et d’Information sur l’Economie Publique, Sociale et Coopérative) – (Direcția Generală V a Uniunii Europene, Liege, 2000).

⁷ Reaching over a century, Social Economy is a concomitant component of the modern economy that combines the economical values of the market competition with the political pluralism. This is the context on which the presence of Social Economy should be explained, that is as part of the European Union’s politics and strategies to build the social economic model/pattern of “2020 Agenda”.

⁸ S. Cojocaru, “Social Projectionism: A Vision For New Ethics In Social Welfare,” *Journal for the Study of Religion and Ideologies* (JSRI) Vol. 5, No. 13 (2006)

2. The Sources of the Social Responsibility of Solidarity (SRS)

The relationship between the Social Responsibility of Solidarity⁹ and the ethics of economic business, as well as the main correlations with the economic growth models are based and analyzed having as a starting point *the motivations of the private sector that support the economic activities – with the mention that all have a social finality*.¹⁰

a. The *Pragmatic or rational reason* that is encountered in the specific literature dedicated to business ethics under the name of the corporative “*enlightened self-interest*”. This resumes to the statement: the company *desires* to involve in SRS. This is the most visible reason in the decisional structure of the organization. All the companies intend the same thing that is to develop a visible social behavior. They are assuming projects with social responsibilities and get involved in social activities to build an image based on which they should develop on long term. Most often, as all the market research is stating, the organizations with a good social image are advantaged in the economic competition.

b. *The deontological or axiological reason* could be resumed as follows: the Company *considers itself compelled* to involve in SRS. In general, economic ideology begins with the utility premises of the company and the perspective of profit maximization, but also it makes reference to company’s utility for the society in general, and starting from here, it derives the community actions, philanthropic acts, charity (grants, awards, etc.) funding types. The economic reasoning is as follows: the profit making businesses develops in a society where needs are identified. That is way the company has the moral obligation to support at the minimal functionality of the society at list. Of course, from here up to the creation of an (artificially or not) oversized new need it is just a step. But, before of any marketing intentions, the company itself has a social solidarity and responsibility behavior.

c. *Social constrained motive* is when the Economic Organization *is forced* to involve in SRS. That is, any firm / company would take social responsibilities because its activity should correlate and answer to certain social exigencies of the

⁹ *Social Responsibility of Solidarity (SRS)* Syntagma covers an area even larger than the economical business domain. For now, the concerns and analyses make reference to the arguments regarding this quite limitative sector of economy. Yet, a more complex approach is about to be published.

¹⁰ R. P. Hill, Th. Ainscough, T. Shank and D. Manullang, “Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective,” *Journal of Business Ethics*, Vol. 70, No. 2, (2007): 165-174, Dordrecht: Springer Netherlands, Netherlands.

most pressing and accentuated type. The society at large has a clear politics to reject and sanction the companies that do not have a participative and responsible behavior in regard with the social issues that community faces at a certain moment and it rewards those that prove small and large social involvement and solidarity.

An empirical analysis of the global economic environment demonstrates that trans-national business organizations take social initiatives from *mixed reasons* that represent a combination of the three stated above. Though, the companies generally state that their social responsible actions are dictated by the deontological order rationalizations, in reality the rational or social constrained reason are the two active variants.

3. Social Responsibility of solidarity pro Social Economy

Bowie and Duska¹¹ established a synthesis of the most frequent *arguments that lead to the support of SRS pertinence*.

a. *The argument referring to citizenship:* in their quality of institutional members of the society, the companies are types of citizens and citizens have civic duties and responsibilities.

b. *The argument based on gratitude motivation:* the benefits that economic actors take from the society determine the companies to have certain gratitude duties.

c. *The argument of the power of the social responsibility:* any company has a social responsibility because it possesses an intrinsic social power, so it should participate to the settlement of certain social issues.

Due to objectivity reasons we are about to present bellow an inventory of the counter arguments regarding the social responsibilities of solidarity.

1. The obligations of the corporations to act for the greater good cannot be extended unlimited.

2. It is no established evaluating institution and procedures to define the criteria of SRS' results reaching.

3. The managers of the companies are not used to take decisions based on moral grounds. On the same time, they cannot substitute to the government, which has these duties on terms of office.

3. The relationship between ethics and business must be a realist one. Business does not have the moral responsibility to do general good. Ionescu¹² believes that

¹¹ N. Bowie and R. Duska, *Business ethics* (Michigan: Prentice Hall, 1990).

¹² Gh. Ionescu, *Cultura afacerilor: Modelul american (Business Culture: The American Model)* (Bucharest: Economică Publishing House, 1997), 177-178.

the *partisans of anti-social responsibility of solidarity* have solid elements in their argumentation.

First of all, it should be admitted the fact that a company / firm is a purely economical organization. It has responsibilities only towards its stakeholders and these refer to the making of profit and further more:

a. The system of the free market works effectively and realistic only when the organization focuses on the economic performance.

b. And for this purpose, the Economic organizations are specialized on profitability. Other objectives are subordinate.

c. Firms do not have necessarily to follow social objectives because these are proper tasks to the organizations of social protection. It would be unproductive to overlap these roles.

d. Any form of SRS could represent a misappropriate use of stakeholders' resources that could be ranged as illegal.

e. With the distribution of SRS towards the companies, the SRS would have an exaggerated and inappropriate influence in society. In the spirit of pluralism, such a concentration of power is not desirable.¹³

In terms of economical logics, the main obstacle for the support of SRS instruments in the politics of the big companies is the dispute between "financial performances versus social performances". Even so, some authors succeeded to reconcile different points of view as a single theory. For example, Marom¹⁴ investigated the relationship between the financial and social performance and proposed a unique theoretic frame while stating that there are no contradictory results. His theory is based on the dependence report between the business domain and that of social responsibilities. Starting from the dependent relation described below, he stated that on the relation SP (Social Performance) – FP (Financial Performance) should be applied the same report as between production growth and profit making. This sinusoidal model representing a backwards "U" could explain the empiric existence of certain positive, neutral, and negative correlations between SP and FP since different SP levels relate with different results on the business field.

¹³ On an empirical analysis, the SRS anti-argument transforms into a presence indicator: it is the sign that SRS manifests in the activity of the big companies. Quite often, in most of the countries, no matter the continent, within the pluralist structures of power can be encountered the large economic actors' interests. Sometimes this is argument in order to structure a programme or a political strategy.

¹⁴ Isaiah Yeshayahu Marom, "Toward a unified theory of CSP- CFP link," *Journal of Business Ethics*, vol. 67, Issue 2, (2006): 191-200, Springer Science-Business Media, Inc.

Marom's theory, ascertaining the importance of SRS for the growth of the corporative financial results, is based on the relation between the company and the stakeholders. The growth as profitability experienced by a company that provides social products is directly proportional to the utility experienced by different categories of de stakeholders as a result of the interaction with those "social products". Thus, from reasons of a pragmatic order, a company involved in social responsible actions must permanently maintain the equilibrium between the benefits / satisfaction to be won on the account of their "social products" and the costs to be carried in order to include in its products social responsibility characteristics. While analyzing the relation SP – SF from the point of corporative costs and benefits, the integrative theory gives a value of truth to both social impact as well as profitability hypothesis in concordance to the report between the marginal incomes and marginal costs, so that the relation between SP and SF can be either positive, negative or neutral.

Marom's integrative theory can be of a real use to the managers to whom it provides a useful instrument to determine the optimal level of social involvement and stakeholders' satisfaction, by positioning the firm in an area where the relation between SP and FP is a positive one.

The analyses come to confirm the strategic role played by the social responsibility politics of solidarity at the level of a company, as long as there are obeyed certain economic basic rules. The conclusion is that SP and FP are positively correlated, and the relation that manifests between them is a bi-univoque one.

The theory of the "virtuous circle" is the one that surprises the best the relation between these two variables: a high financial performance (FP1) leads to high social performance (SP1), a high social performance (SP1) leads to a higher financial performance (FP2), and the rationalization can continue in an analogical way; on the same time, the relation can be read as well as right to left, from where it results that a high social performance (SP1) can lead to a higher financial performance (FP2), and a high financial performance (FP2) can lead to a higher social performance (SP2), etc. In this way, SP and FP are, at a turn, a dependent variable and independent variables. This is an aspect that surpasses the economic theory that indicates that the correlation manifest in a unique way.

As a conclusion, the company can be considered as an organization with a multitude of responsibilities in respect with different groups and diverse social actors. Based on the context, these responsibilities could transform in economic activities, opportunities and risks. What so ever, the thesis stipulating the total non-

participation and non-responsibility of actors in the economical sphere of social solidarity cannot support itself to say at list because pure competition or pure economic activities do not exist? Even if it derives from a preponderant theoretical nature, the SRS is actually discussed in large circles. But, in the end, for any economical actor, SRS is a certificate that opens its way to the achievement of a functioning social license.

From this perspective, we could lunch the supposition that SRS is a visible and powerful source of the Social Economy. In order to make operational this concept for SE's structures, we identified a few more frequent SRS forms that present themselves as sources for the Social Economy, as follows:

1. The modification of the firm politics to respond to the society's demands but without immediate relevance for the company.

2. The external reporting of some internal procedures to provide consumers with information, like the consumers protection policies that became mandatory; and the account regarding the potential investors, like the public enlisting to the stock market.

3. The insurance of data confidentiality in regard with clients' identities;

4. The choice of suppliers and production locations based on trans-economic criteria.¹⁵

The main focus of this present approach is that social responsibility of solidarity is not a sterile philosophical subject without consistency and practical applicability, but it is a syllogism that holds together two statements. First, the functionality of the society in economic and social terms is a stake and also a purpose that any actor is ready to assume, beyond immediate costs and benefits. Secondly, the SRS mechanisms represent a form of adjusting the economic strategies that have as a result the variation of older economical mechanism for their improvement.

4. Why is Social Economy accepted by the big companies?

In the last 20 years, an attitude change regarding the way economic operators used the forms of SRS became more obvious. Additionally, it was reached a point when the big producers incorporated and integrated in their strategies, initiatives that solve issues before these take place, as well as the pressure manifested by

¹⁵ M. Bryane, "Corporate Social Responsibility in International Development: An Overview and Critique," *Corporate Social Responsibility and Environmental Management*, Vol. 10, No. 3, (2003): 115-128, Wiley InterScience, John Wiley & Sons Ltd., UK.

political groups or consumers.¹⁶ Among the factors that contributed to this approach change can be mentioned as well the economical elements like globalization, fierce competition, the diminishing of the traditional resources, employees' motivation. And, as well, arguments that result from SRS' mechanisms, like: social visibility, prestige and influence, the moral duty of being part of the society's issues solving. The survival chances of the present economic organization would quickly diminish on a contrary case. Maybe this last argument makes any company to stop behaving in a "social irresponsible way". In another word, the main benefit of the companies to SRS development is their own survival and that makes it enough.

Generally, it is supposed that economic organizations that promote forms of Social Economy like the ones that enroll in SRS politics would register financial results above the average because the capacity of a company to successfully deal with aspects of social and ecologic order becomes a credible proof for a quality management and concurs to the risks diminishing while anticipating and preventing crises that can affect firm's reputation and cause dramatic stock prices falls.¹⁷ This positive correlation between corporative social responsibility and financial performance – measurable by the stock price – is empirically supported by the example of the American, European, Asian, multinational companies. Thus, a research envisaging the domain pointed out that around half of the performances above the average registered by the social responsible companies must be attributed to their corporative social responsibility politics, while the other half is justified by the high performance registered in the specific activity sector.

In regard with the reasons for which the big economic operators support the structures of the social economy, their main benefits should be synthesized as follows:

- obtaining the social license of "good practice";
- the harmonization of the economic practices with the expectations of all social categories and the achievement of their acceptance;
- remain in a real competition structured in terms of social image, reputation, "brand", social admission, buyer's sensibleness etc.;
- the development of the business in new areas and the achievement of a

¹⁶ D. Cojocaru, "(Bio)Ethical and Social Reconstructions in Transmodernity," *Journal for the Study of Religion and Ideologie*, Vol. 10, No. 30 (2011).

¹⁷ Green Paper, Promoting a European framework for Corporate Social Responsibility, Brussels, 18.7.2001, COM(2001) 366 final. <http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/>.

comparative advantage in regard with the other competitors;

- influencing the employers' quality;
- the involvement of quality investors and business partners;
- the cooperation with local communities;
- the achievement of governmental support and the evasion of strict governmental regulations;
- political capital building and operationalisation.

The conclusion of this conceptual clarification approach confirms the existence of a positive relation between the social involvement of the economical operators and the positive effects they benefit of when they involve in actions that do not bring immediate and direct effects linked to the economic sphere. A policy of social responsibility of solidarity managed in a proper way could bring benefits for both the companies and the society at large.

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