The road towards a social circular economy in Romania

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Abstract. The present research is focused on the identification of the main needs of social organizations and the consolidation of circular economy principles in the sector of social enterprises. Also, it approaches the interest to contribute to removing the obstacles which prevent the transition towards a circular economy of the social enterprises, as well as the evaluation of understanding circular economy practices by the social enterprises in Romania. The research method used is the survey with a questionnaire as a research instrument. The questionnaire consists of eighteen questions, and it is drawn up to serve at achieving the above-mentioned objectives. The results show us the decisive role that plays the non-refundable funds in the emergence of social enterprise. The most preferred environmental practices to apply in social enterprises are recycling, the use of renewable energy and selective waste collection, being aware of the opportunities that bring us the circular economy. Special courses in fields related to the social economy like “Financing sources of social enterprises,” “Project management,” and “The structure and development of a business plan” are needed in order to facilitate the emergence of new social organizations.

Keywords: Circular Economy, Social Circular Economy, Social Economy

JEL Codes: L31, Q56, A13

1. Introduction

A European social economy is very important both in social and economic terms, and it equals about 6.3% of the working population of the European Union (EU). A Romanian social economy, like other recent EU member states, measures less than 2% of the total employment. For a long time, the concepts of social economy and social enterprise were not defined in legal or policy terms leading to confusion among Romania’s general population and making it difficult to be measured (European Commission, 2014). The recent adoption of the Law of Social Economy (2015) and Methodological Norms for applying the Law of the Social Economy (2016) established the legal framework of social economy and the methodology to be recognized as a social enterprise or social enterprise for insertion (The Romanian Parliament, 2015).

Activity within the limits of the 17 principles of sustainable development supposes maximum implication towards the diminishing ecological footprint, both regarding the extraction of raw materials, as making clean and sustainable energy and also remanufacturing the products for enlarging their life cycles and diminishing waste. This concept has implications in the long term, facilitating the transition towards a more friendly approach regarding the reintegration of vulnerable groups in the circular system; thus, environment protection and economic benefits would show a more prosperous facet (European Union, 2016).

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“Social economy businesses are situated at the intersection of the social economy and the private sector. These organizations earn either all or a sizable portion of their revenues from the marketplace and may compete with private sector businesses, but they are driven by social objectives. Although a private sector business might argue that it meets a social need and contributes to the community in various ways, such as through charitable donations, it is still primarily guided by a profit motive. Thus, a defining criterion for social economy businesses, as distinctive from private sector businesses, is that the prerogatives of capital (e.g., return on investment, capital valuation) do not dominate over the social objectives in the organization’s decision making” (Mook, Whitman, Quarter, & Armstrong, 2015).

“Over the past thirty years, the social economy has increasingly come to the forefront of discussions about job creation and work insertion, decentralization of social services, sustainable development, etc. Its size and scope have been growing in recent decades as it is playing an important role in responding to emerging social and economic needs as well as to new collective aspirations. Social economy organizations are increasingly involved in areas where the market or the public sectors seem to fail. The social economy is no longer a residual phenomenon but a veritable institutional pole of the economy” (Bercea & Bacali, 2016; Bouchard, 2009).

The notion of sustainable development (Harrisson, Széll, & Bourque, 2009) seems to emerge as a common reference, specific to the 21st century. Two terms are to be considered when we think of sustainable development. First, the notion of biocapacity: this refers to the capacity of ecosystems to produce biomass and to absorb the waste generated by human activity, indicating the limits of what the environment can provide to the development. The other notion is that of ecological footprint, measuring the pressure that human activity exerts on nature. The ecological footprint assesses the productive surface needed for a population to respond to its resource consumption and to its needs for waste absorption. Stated differently, it refers to the resources humans use for their development. These two measurements are expressed in the number of hectares per person. According to analyses, the earth’s biocapacity may be evaluated at 1.8 hectares per person, whereas humanity’s overall footprint reached in 2009, 2.2 hectares per person. So, despite the fact that a majority of the world’s people cannot properly meet the basic needs, the current model of production and consumption already exceeds its capacity to reproduce itself for future generations (Lin et al., 2018; Toderoiu, 2010).

Too often, the economy is reduced merely to buying and selling. However, turning to etymology, we see that the Greek notion of economy, namely oïkos or oïkonomia refers to “the art of supplying a home with the goods needed for life.” Despite the fact that the study of economics has turned it into a science of market efficiency, the economy still remains, in actual fact, a social activity focused on satisfying needs and on ways of doing this through the production, exchange, and consumption of goods and services.

In this context, the market economy remains one among many forms of organization and exchange that societies can use to coordinate economic activity. But seeking to make the market the sole mechanism for coordinating economic activities, or worse yet, the dominant mode of social relations shows total irresponsibility. In the area of general interest, such as money, labor, food, or the environment, the operation of the market is flawed. This is why we need to rethink the economy, turning to a model based on a plural economy, in which the market economy must fit within a set of rules and strengthen social standards to ensure its sustainability (Harrisson et al., 2009). The new economic paradigm is the social economy and circular economy.

All definitions given to the social economy can be divided into two groups: the Anglo-Saxon approach of non-profit organizations emphasizes the non-distribution of benefits, and the European and Québécois approach emphasizes the governance and democratic functioning of a “family” of organizations, including cooperatives, mutual societies and non-profit organizations that carry out an economic activity. The difference between these approaches is not profit-oriented versus nonprofit orientation, but rather the difference between capitalist and a-capitalist or “socio-economic” organizations that emphasize the generation of consolidated collective wealth rather than the profitability of the investment (Bouchard, Filho, & Zerdani, 2015).
“Circular economy is considered as a new industrial model which is opposed to the linear model of resource consumption based on the “take-make-dispose” triptych. Its objective is to eliminate waste that is harmful to the environment. It promotes the use of goods with natural components called “nutriments” which can be reabsorbed into the biosphere without damage, as well as the repurposing (via reuse, repair and recycling) of technical components not suited for the biosphere. The final consumption of goods must, in a circular economy, be based on a “functional service economy”; that is, the rental of goods and no longer on the sale of goods which generates waste” (E.S. Lakatos, O.A. Crișan, D.G. Lakatos, 2017; Gallaud & Laperche, 2016).

FIGURE 1. Circular economy according to the MacArthur Foundation (Ellen MacArthur Foundation, 2019)

The 2030 agenda for sustainable development - the transition to a circular economy will work together to meet the goals of the UN 2030 Agenda on 17 Global Sustainable Development Objectives. Global Goals guide us towards creating the future we want. A future where new models replace the old ones, leading to positive results for society, economy, and the environment. From the outset, the circular economy has been conceived as an economy not in its own right but in close connection with human activity in society and the environment. It is an economy that benefits people and the planet (Miola & Schiltz, 2019).

The Agenda consists of 17 Sustainable Development Goals and 169 targets, which must be fulfilled by 2030. The objectives have a broad scope as they will address the interconnected elements of sustainable development: economic growth, social inclusion, and environmental protection, they are addressed local first, aiming the development from the local, regional to global level (Bodini, R., Cicciarelli, L., Di Meglio, R., Franchini, B., Salvatori, 2017; United Nations Development Programme, 2018).
As we can see, the social economy and circular economy both are contouring around the three main pillars of sustainable development: economic, social, and environmental, and have more intersection points. Until recently, economic growth was the company’s aim, implicitly maximizing profit. It was recently understood the importance of society and the environment, so studies show that sustainable economic growth is not possible without the development of human capital and without including the protection of natural capital. Thus, appears the concept of social and solidarity economy, through which the economic growth determines social and community development (Bodini, R., Cicciarelli, L., Di Meglio, R., Franchini, B., Salvatori, 2017; European Economic Social Committee, 2018). UNSSE presents this concept as an umbrella concept, referring to the production and exchange of goods and services by a broad range of organizations and enterprises that pursue explicit social and often environmental objectives” (ILO – COOP Unit, 2017; Utting, 2019).

2. Research Elaboration

The research identifies individual interest in setting up or participating in a social enterprise by accessing funds for sustainable development and converting them into a circular economy in order to streamline resource consumption, reduce pollution, and adopt sustainable business strategies in line with the European Commission's policies on the circular economy.

This research focuses on identifying the main needs of individuals in order to set up a social enterprise and for strengthening the principles of the circular economy in the social sector. Identifying principles related to the circular economy and / or the interest in helping to remove the obstacles that hamper the transition to a circular economy of social enterprises, are aspects that will be detailed in this research, as well as the assessment of the understanding of circular economy practices by social organizations in Romania.

The overall objective of this research is to evaluate the understanding of the social economy and circular economy practices by social organizations in Romania. Therefore, the secondary objectives of the report aim to identify:

• OS1. The interest of social enterprises in accessing funds for sustainable development and their conversion to a circular economy, with a view to streamlining resource consumption.
• OS2. The interest of social enterprises in accessing funds for sustainable development and their conversion to a circular economy to reduce pollution.
• OS3. The interest of social enterprises in accessing funds for sustainable development and their conversion to a circular economy in order to adopt sustainable business strategies in line with the European Commission's policies on the circular economy.

As research method was used the survey, which is a quantitative method that helps us to confirm or inform the fixed hypotheses. The research started with a number of eleven assumptions that are presented in the next section as the instrument was designed in the form of a questionnaire with eighteen questions that are relevant to the research purpose. The questionnaire was implemented on-line, through social networks,
but also via email, and sampling is convenient. The target group consists of persons residing in Romania, especially in the North-West region, but the possibility of participation of persons residing in other regions of Romania has not been restricted. A number of 143 responses were obtained.

3. Results and Discussion

The first hypothesis is related to the matter of respondents' interest in starting a business, or how many of them are already involved in a business. The results showed us that this assumption is accepted, given the positive response of 23.78% of the respondents.

The second hypothesis is about opening a business in an urban area. In the Nord West region of Romania, there is interest in obtaining a grant for the establishment of a social enterprise in an urban area because the majority (50.35%) of the respondents answered positively and so the assumption is accepted.

The third assumption supposes that most respondents that would set up a social enterprise, would start a business as an association or foundation; this hypothesis is rejected because most respondents would open a limited liability company (44.76%) and then an association or foundation (35.66%).

The fourth hypothesis supposes that most of those who would set up a social business would make a production company, an assumption confirmed by results. Most of them, 16.08% of the respondents, would open a production business, 13.99% in education and training, leisure activities 9.79%, environmental protection 8.39%, and other fields.

The fifth assumption is about the environmental practices that would be used in the new business and set as the most frequent the selective collection. The hypothesis is rejected, with 25.87% use of renewable energies, 23.78% recycling, and only then selective collection by 18.88% of the respondents.

The sixth assumption supposes that most respondents would hire people from a vulnerable population, confirmed by a result of 72.03% of respondents hiring people from a vulnerable population.

The seventh assume that at least 30% of the respondents have practical experience/skills in the field in which they want to open the business and is accepted, the respondents having average skills and/or experience: 33.57%, respondents having skills in a large extent: 14.69% and respondents having skills to a very large extent: 6.99% of the respondents.

The eighth hypothesis stated that more than 30% of respondents have theoretical studies/training in the field they would like to set up in the social enterprise. - the assumption is accepted, with 42.66% of respondents who have theoretical studies/training in the field where they would like to set up the social enterprise.

The ninth hypothesis is about the main obstacle to the opening of a business, fixing the lack of funding sources as the first obstacle. The results confirmed it, 84.62% of the respondents consider that there is a lack of sources of financing on the market, followed by the lack of a business plan, 44.06% of the respondents, the lack of training courses - 41.96%, the lack of a working space - 26.57% and lack of qualified staff - 22.38%.

The next assumption, the tenth, is related to that more than 30% of respondents believe it would be useful to participate in an entrepreneurial training program specific to the social economy sector for setting up a social enterprise; the assumption is accepted, with 48.25% of the respondents who consider it very necessary and 25.87% of respondents who consider it necessary.

The eleventh and the last hypothesis is about the areas where respondents believe it would be useful to develop skills and abilities to set up a social enterprise are, considering the online marketing and funding sources for at least 30% of respondents, considerations confirmed by results. 50.35% of the respondents say that they need more skills regarding the sources of financing, 46.85% need project management courses, 45.45% need courses for developing a business plan, 33.57% need courses on circular economy practices, 35.66% need training in marketing and online promotion, and 33.57% practice with the circular economy.

Socio-demographic data:

1. Gender
The distribution of genders within the respondents is approximately 60% are females, and 40% are males.

TABLE 1. Distribution of gender among respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>60.14%</td>
</tr>
<tr>
<td>Male</td>
<td>39.86%</td>
</tr>
</tbody>
</table>

2. Age
The most part of the respondents is under 25 years old, followed by people between 25 and 54 years old.

TABLE 2. Distribution of age among respondents

<table>
<thead>
<tr>
<th>Age interval</th>
<th>% of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>55.80%</td>
</tr>
<tr>
<td>25-54 years</td>
<td>43.48%</td>
</tr>
<tr>
<td>Over 54 years</td>
<td>0.72%</td>
</tr>
</tbody>
</table>

3. Level of education
The majority of respondents have high education (57%), and 27% have ongoing studies.

TABLE 3. Distribution of education among respondents

<table>
<thead>
<tr>
<th>Completed studies</th>
<th>% of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school studies (without BAC diploma)</td>
<td>3.62%</td>
</tr>
<tr>
<td>Medium studies (completed with BAC diploma)</td>
<td>12.32%</td>
</tr>
<tr>
<td>Higher education</td>
<td>57.25%</td>
</tr>
<tr>
<td>Ongoing studies</td>
<td>26.81%</td>
</tr>
</tbody>
</table>

4. Status of respondents in the labor market – the majority of respondents are employed (29%), 10% are inactive persons, and 6.5% are self-employed.

TABLE 4. Distribution of type of employment among respondents

<table>
<thead>
<tr>
<th>Type of employment</th>
<th>% of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>59.42%</td>
</tr>
</tbody>
</table>
Self-employed | 6.52%
---|---
Unemployed | 3.62%
Long-term unemployed | 0.72%
An inactive person | 10.14%
Another category | 19.57%

5. Geographical location
40% of the respondents would start an enterprise in Cluj county and 29% in Bistrita-Nasaud.

**TABLE 5. Distribution of geographical area of the enterprises among respondents**

<table>
<thead>
<tr>
<th>County</th>
<th>% of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluj</td>
<td>39.20%</td>
</tr>
<tr>
<td>Bistrita-Nasaud</td>
<td>28.67%</td>
</tr>
<tr>
<td>Another location</td>
<td>28%</td>
</tr>
</tbody>
</table>

A. Profile of respondents who have already started a business or are involved in a business, by age groups. 17% of respondents up to 25 years already have a business or are involved in a business. 28% of respondents between 25 and 54 years of age started a business or are involved in a business.

**FIGURE 3. Profile of respondents who have already started a business or who are involved in a business, by age groups**

B. Regarding the profile of respondents who would be interested in hiring people from vulnerable groups, by gender, it is noticed that three-quarters of women would hire people from vulnerable groups, while only two-thirds of men would hire people from vulnerable groups.

**FIGURE 4. Profile of respondents who would be interested in hiring people from vulnerable groups, by gender**
C. Respondents’ profile in terms of studies / theoretical training in the field where they would like to set up a social enterprise. About 43% of the respondents affirm that they have a theoretical background in the field in which they would set up a social enterprise.

FIGURE 5. Profile of respondents with regard to the studies and theoretical background

D. Respondents’ profile regarding what extent they have skills / practical abilities in the field in which they want to open a social enterprise. From the respondents who have a theoretical background in the field in which they want to open a social enterprise, 41% also have practical abilities to a medium extent, 20% have skills to a great extent, and 5% have skills to a very great extent.
Respondents who have theoretical background are prevented from setting up a social enterprise from the following gaps, in percentages: 87% lack funding, 39% lack business plans, 28% lack training, 25% do not have a workspace, and 18% say they have a lack of qualified staff.

Respondents who stated that they have the theoretical skills needed to set up a social enterprise are of the opinion that it would be welcome to develop their abilities in the following areas to help them set up a social enterprise:

- Sources of financing of social enterprises - 51% of respondents with theoretical abilities
- Project Management - 48%
- Developing a business plan - 43%
- Marketing and online promotion - 39%
- Circular Economy Practices - 38%
- Partnerships in the circular economy - 25%
- The procedure for attesting social enterprises - 13%.
FIGURE 8. Profile of respondents with the theoretical background with regard to developing new skills

E. Respondents' profile by experience/practical skills in the field where they would like to set up the social enterprise and don’t have a theoretical background. 27% of the respondents say they have very good experience/skills in the field; 33% say they have these skills to a great extent, and 28% have such skills to a medium extent.

FIGURE 9. Profile of respondents without theoretical background with regard to practical skills in the field

F. Profile of respondents who say they don’t have studies/theoretical background in the field they would like to set up the social enterprise with regard to other shortcomings. Apart from the theoretical and practical skills, the shortcomings that prevent from opening a social business by respondents without theoretical abilities are as follows:

- Lack of sources of funding - 83% of these respondents
- Lack of training courses - 52% of these respondents
- Lack of a business plan - 48% of respondents
- Lack of workspace - 28% of respondents
- Lack of qualified staff - affects 26% of the respondents with theoretical abilities
All the above deficiencies affect more of the respondents who do not have the theoretical knowledge in the field in which they would like to start a business that those who have theoretical training in the respective field except for the sources of financing, which affects more respondents with theoretical abilities in the field.

Respondents who stated that they do not have the theoretical skills needed to set up a social enterprise are of the opinion that it would be welcome to develop their skills in the following areas to help them set up a social enterprise:

- Source of funding for social enterprises - 50%
- Developing a business plan - 48%
- Project Management - 46%
- Marketing and online promotion - 33%
- Circular economy practices - 30%
- Attestation procedure for social enterprises - 20%.

FIGURE 10. Profile of respondents without theoretical backgroud with regard to the shortcomings to set up a social enterprise

FIGURE 11. Profile of respondents without theoretical background with regard to the need for developing new skills for setting up a social enterprise

G. Profile of respondents interested in opening a social business, by gender and residence area of the headquarters. It is noted that both genders prefer to open a business in an urban area (48% of the women
respondents), but a rural environment is found to be appealing by also (31% of the women respondents). 44% of men would prefer to open a business in an urban area and 35% in a rural area.

FIGURE 12. Profile of respondents interested in obtaining a grant for setting up a social enterprise, by gender and by the environment

H. Profile of organizations to be set up by county. If respondents set up social enterprises, there will be: 29% in Bistrita-Nasaud county and 34% in Cluj county, so over 60% of the firms would be set up in these counties by the respondents. From the firms that there could be set up in Bistrita Nasaud, 27% would be an association or foundation, and 54% of them would be a Limited Liability Company. 15% would work in the field of production and 12% in education and training. From the firms that would be opened in Cluj, 33% would have the form of a foundation or association, and 45% of them would have the form of an LLC; 14% would be active in the production and 16% in education and training.

4. Conclusions

Only a quarter of respondents have already started a business or are involved in a business. Most of them are interested in obtaining grant funds for setting up a social business; at least 50% of respondents want to open a business in an urban area and one third in the rural area.

Most of those who would set up a social business would make a production company. Most respondents would hire people from a vulnerable population. At least 30% of the respondents have practical experience/skills in the field in which they want to open the business. More than 30% of respondents have theoretical studies/training in the field they would like to set up a social enterprise. Areas, where respondents believe it would be useful to develop skills and abilities to set up a social enterprise, are online marketing and funding sources for at least 30% of respondents.

 Undertaking a social activity within the 17 principles of sustainable development requires maximum commitment and dedication to reducing the environmental footprint, both in virgin raw materials extraction, in the production of clean and sustainable energy, in redesigning products to lengthen their life span and diminish waste disposal. This concept has long-term implications, both from the economic and environmental points of view.

It should also be stressed that such a project is a slow process that invests in the community without waiting for immediate benefits, but with some time limits as required by the Circular Economy Legislative Package drafted in May 2018.

In addition, an activity based on the principles of the circular economy is much more credible when it takes place in all its stages involving the employees of the respective company, making them responsible and thus disseminating the idea of circularity at the level of an individual, regardless of his social status.

As we can see, there is a big interest in setting up a social enterprise, but most of the respondents miss the funds. Another reason for what they don’t do it is because they don’t have a business plan. An
entrepreneurial training program specific to the social economy sector for setting up a social enterprise would be useful to participate in; this may be a future direction derived from this study. We recommend being implemented special training in this sector in the North-West Region of the country because it already exists the target group and interest. This would help the region to develop and bring benefits to the community.

5. References


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