THE EVOLUTION OF SOCIAL INDICATORS DEVELOPED AT THE LEVEL OF THE EUROPEAN UNION AND THE NEED TO STIMULATE THE ACTIVITY OF SOCIAL ENTERPRISES

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Abstract*. The current concerns related to the stimulation of the activities of social enterprises are connected with the current economic and social challenges, faced by the EU member countries. This paper presents the evolution of the social indicators developed at the level of the European Union, relative to the social objectives of the Europe 2020 Strategy.*

Keywords*: good governance; social indicators; social enterprises.*

JEL Classification Codes: C10, E61, I32, I38

1. INTRODUCTION

Throughout the 2001-2005 period, a special approach of the social policy based on the open method of coordination was defined at the level of the European Union. This is a mechanism of coordination of the social policies of the Member States aiming at orienting them towards common European objectives (European Commission, 2001, 2003, 2004, 2005). The objectives of the open method of coordination (OMC) for the social protection and social inclusion field clearly underlines the importance of promoting good governance, transparency and the involvement of all the stakeholders in the development, implementation and monitoring of policies. Furthermore, one of the specific objectives related to social inclusion specifies that the policies in this field should be well coordinated and should involve all the relevant governmental stakeholders from the for-profit organizations, including poor persons (Lambru, 2010). One of the main achievements of the social Open Method of Coordination has been the development of EU indicators in the areas of social inclusion and social protection. EU social indicators are used in various contexts:

- monitoring the Europe 2020 target on poverty and social exclusion;
- preparing the European semester and providing evidence for assessing specific social challenges facing EU countries through the Joint Assessment Framework;
- identifying the key social trends to watch in the EU through the Social Protection Performance Monitor;
- as part of EU countries' reporting on social policies in the National Reform Programmes, National Social Reports and country-specific/thematic surveys;
- preparing the Social Protection Committee's annual report;
- for thematic reports on relevant topics such as Pensions adequacy in the EU, Child poverty and well-being;
- for EU-level analytical work in the field of social policy.

The purpose of this paper is to analyze the evolution of a representative set of social indicators in order to provide reasons for the need to stimulate the activity of social enterprises in the European Union.

Due to the fact that they proved that they can represent a solution to the social problems of the communities, social enterprises finally recorded, at the end of the twentieth century and the beginning of the twenty-first century, a rapid and significant development (Hayllar and Wettenhall, 2013). The representatives of the political, economic and social environment welcomed the emergence of a new model of organization in the non-profit entities field (Phillips and Hebb, 2010). According to estimates published by the European Commission, the social economy in Europe employed in 2010 over 14.5 million of employees (growing by approximately 8% compared to 2003), representing 6.5% of the active population in 27 countries of the Union European (European Commission, 2013). In this context, we can say that there are prerequisites for a contribution of the social economy to the achievement of some of the measurable targets of the Europe 2020 Strategy: an employment rate of the labour force of 75% among the population aged between 20 and 64 years (by creating favourable conditions for professional insertion, especially for women, young people, elderly or unskilled people and legal immigrants) and the decrease by at least 20 million of the number of people suffering or likely to suffer from poverty and social exclusion**.**

Successful social enterprise models are described by international networks of social enterprises (Social Firms Europe CEFEC, European Networks of Cities & Regions for the Social Economy, The European Network for Social Integration Enterprises etc) or by international research and support networks for the social economy (International Centre of Research and Information on the Public, Social and Cooperative Economy – CIRIEC, EMES network, European Research Institute on Cooperative and Social Enterprises, Theoretical, empirical and policy foundations for social innovation in Europe etc). In the study "Social economy and social entrepreneurship. Social Europe guide", published in 2013, the European Commission highlights some successful social business models:

A. The model of the companies of community interest in the UK, designed to provide services to communities in areas such as childcare, provision of social housing, leisure facilities, local transport etc
B. The model of the social cooperatives in Italy, for the provision of services to the general community and the social integration of individuals (type A social cooperatives provide health and social protection and education services, while type B social cooperatives perform activities for the integration of disadvantaged people into the labour market).
C. The model of the cooperative societies of collective interest of France, producing all kinds of goods and services to satisfy the needs of collective interest in a particular community, ensuring the best mobilization of the economic and social resources of the community.

2. DEFINITIONS OF THE EU SOCIAL INDICATORS SELECTED FOR THE RESEARCH

The following social indicators representative for the research were selected with the purpose of carrying out the study:

1. **The material deprivation rate** is an indicator in EU statistics on income and living conditions, that expresses the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need

it. The indicator measures the percentage of the population that cannot afford at least three of the following nine items: (1) to pay their rent, mortgage or utility bills; (2) to keep their home adequately warm; (3) to face unexpected expenses; (4) to eat meat or proteins regularly; (5) to go on holiday; (6) a television set; (7) a washing machine; (8) a car; (9) a telephone.

2. **The severe material deprivation rate** is defined as the enforced inability to pay for at least four of the above-mentioned items.
3. **At-risk-of poverty rate** represent the share of persons aged 0+ with an equivalised disposable income below 60% of the national equivalised median income. Equivalised median income is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member. Equivalization is made on the basis of the OECD modified scale. This indicator does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.
4. **At-risk-of-poverty rate before social transfers** is calculated as the share of people having an equivalised disposable income before social transfers that is below the at-risk-of-poverty threshold calculated after social transfers. Pensions, such as old-age and survivors' (widows' and widowers') benefits, are counted as income (before social transfers) and not as social transfers. This indicator examines the hypothetical non-existence of social transfers.
5. **The persistent at-risk-of-poverty rate** shows the percentage of the population living in households where the equivalised disposable income was below the at-risk-of-poverty threshold for the current year and at least two out of the preceding three years. Its calculation requires a longitudinal instrument, through which the individuals are followed over four years.
6. **The relative median at-risk-of-poverty gap** is calculated as the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60 % of national median equivalised disposable income).

3. THE ANALYSIS OF THE EVOLUTION OF THE EU SOCIAL INDICATORS

In order to carry out the analysis of the evolution of EU social indicators, the member countries were grouped into socio-cultural regions, as follows: Nordic countries (Sweden, Denmark, Finland, Ireland, the UK), Western countries (Austria, Netherlands, France, Germany, Belgium Luxembourg), central-eastern European countries (Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia) eastern countries (the Baltic States, Romania and Bulgaria) and southern countries (Portugal, Spain, Italy, Greece, Malta, Cyprus).

The period of analysis was 2007-2012 because for 2013 information was only available for some of the Member States of the European Union.

A. Analysis of the at-risk-of poverty rate indicator

In 2012, the at-risk-of poverty rates in northern states are below the average level recorded in the European Union. In the analyzed period, the indicator increased in Sweden, Finland and Denmark and slightly decreased slightly in Ireland and the UK (figure 1).

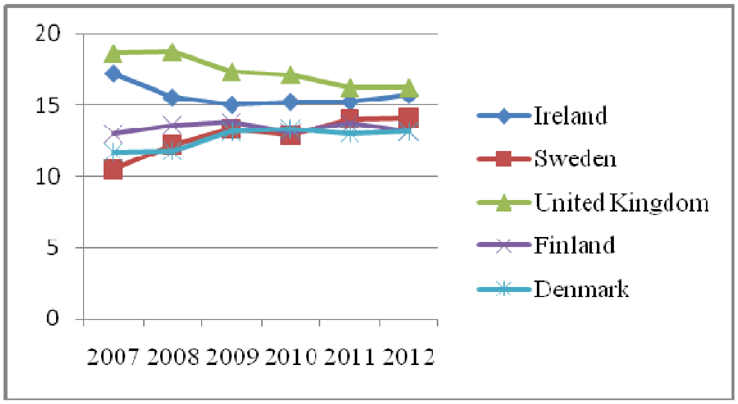

Figure 1. Evolution of at-risk-of poverty rate in the Nordic countries of the EU

With the exception of Belgium and the Netherlands, in the Western countries, the at-risk-of poverty rate increased, but remained below the average level recorded in the EU (figure 2).

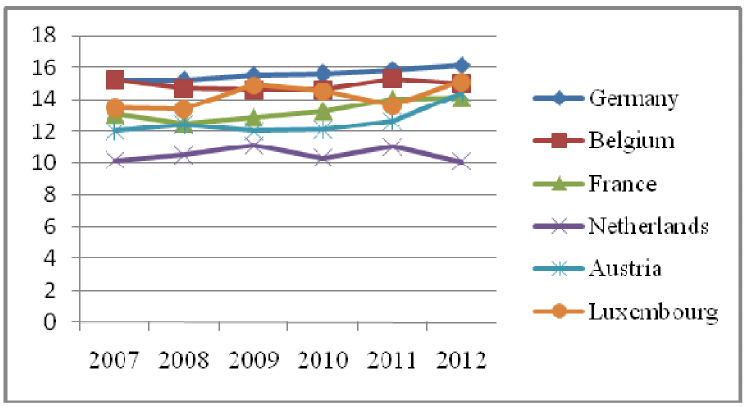

Figure 2. Evolution of at-risk-of poverty rate in the Western countries of the EU

In most Central and Eastern European countries (except Poland and Croatia), the at-risk-of poverty rate is below the average level recorded in the European Union. In these countries, the indicator had an uptrend during the analyzed period (figure 3).

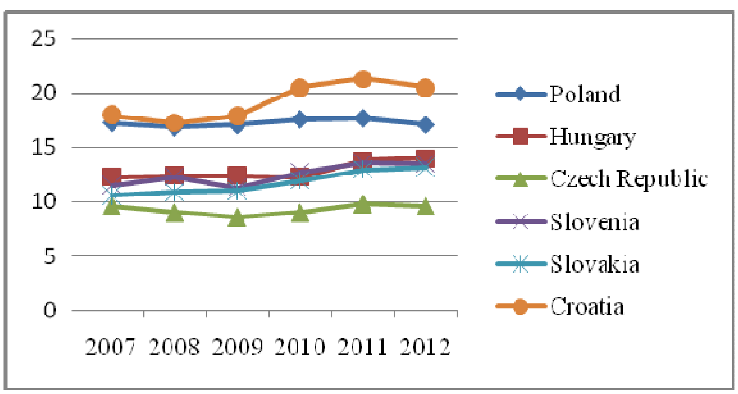

Figure 3. Evolution of at-risk-of poverty rate in the Central-Eastern countries of the EU

In all Eastern countries, the at-risk-of poverty rate has a higher value than the average level recorded in the European Union, registering, however, a decline during the analyzed period (figure 4).

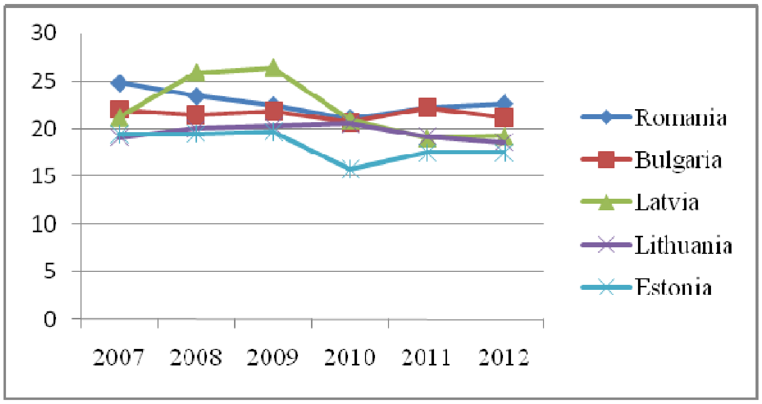

Figure 4. Evolution of at-risk-of poverty rate in the Eastern countries of the EU

With the exception of Cyprus and Malta, in the southern countries, the at-risk-of poverty rate has a higher value than the average level recorded in the European Union. In Greece and Spain, the value of the indicator increased (figure 5).

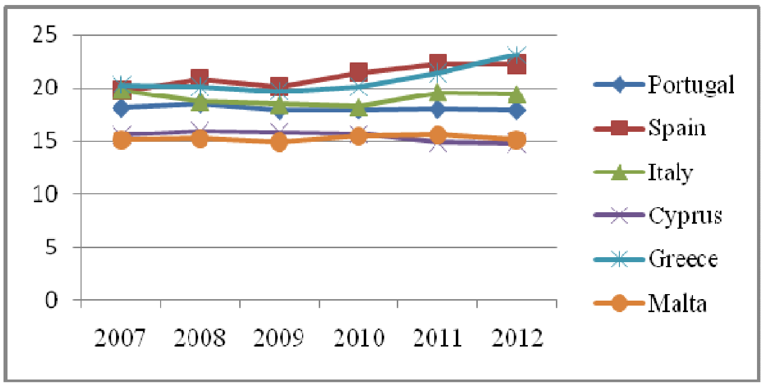

Figure 5. Evolution of at-risk-of poverty rate in the Southern countries of the EU

At EU level, the at-risk-of poverty rate increased from 16.5% in 2007 to 16.9% in 2012.

B. Analysis of the persistent at-risk-of poverty rate indicator

The data available on Eurostat do not provide information about the persistent at-risk-of poverty rates indicator in the case of Ireland, Croatia and Sweden.

At the level of the European Union, the persistent at-risk-of poverty rate rose more than at-risk-of poverty rate, from 8.6% in 2008 to 10.2% in 2012. In all EU member states except Cyprus, Luxembourg and Slovenia), the persistent at-risk-of poverty rate increased during the analysed period.

In 2012, the value of the persistent at-risk-of poverty rates ranged from the minimum value of 4.3% in the Czech Republic to a maximum value of 18.2% in Romania (figure 6).

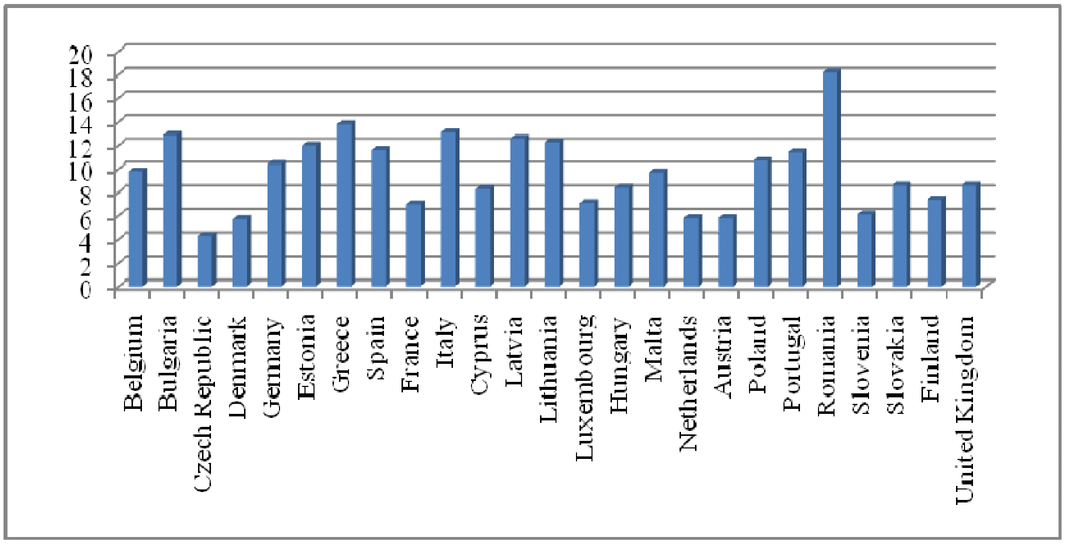

Figure 6. Persistent at-risk-of poverty rate in EU countries in 2012

The countries with the highest values of the persistent at-risk-of poverty rates are the Eastern countries (Romania, Bulgaria, Lithuania, Estonia and Latvia) and a number of countries where the economic crisis has had deep effects: Greece, Italy, and Spain.

C. Analysis of the relative median poverty risk gap indicator

In the EU Member States, the relative median poverty risk gap slightly increased, from 23.2% in 2007 to 22.4% in 2012. In 2012, the value of the persistent at-risk-of poverty rate ranged from a low of 15% in Luxembourg and Finland up to a maximum of 31.4% in Bulgaria (Figure 7).

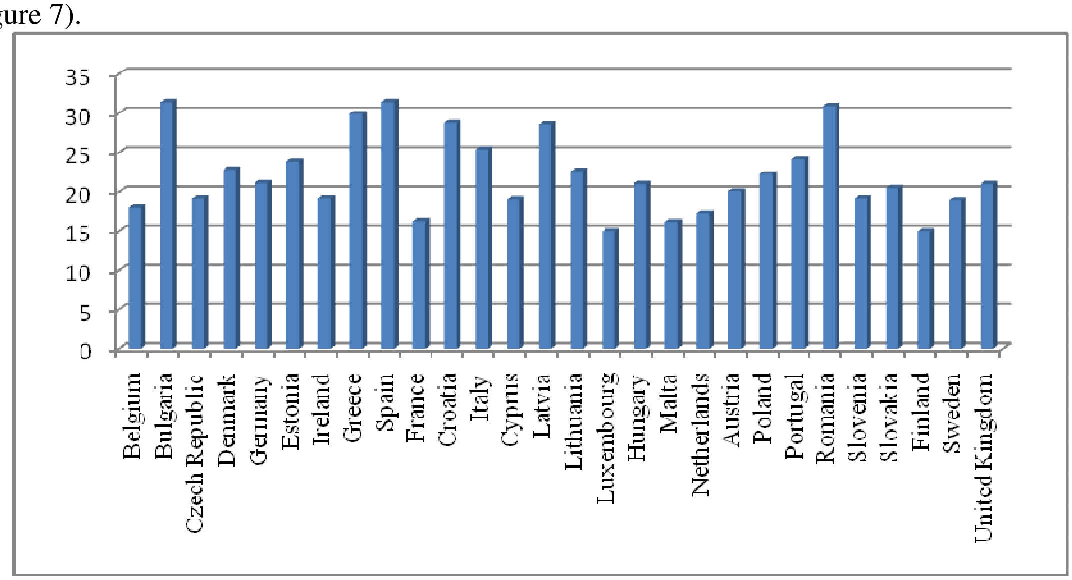

Figure 7. Relative median poverty risk gap in EU countries in 2012

D. Analysis of the at-risk-of-poverty rate before social transfers indicator

At EU level the value of the at-risk-of-poverty rate before social transfer indicators varied slightly during the years 2007-2012. The differences between the Member States in relation to the value of this indicator are much lower compared to the previous situations, which shows that social transfers significantly influence the risk of poverty in EU member countries (figure 8).

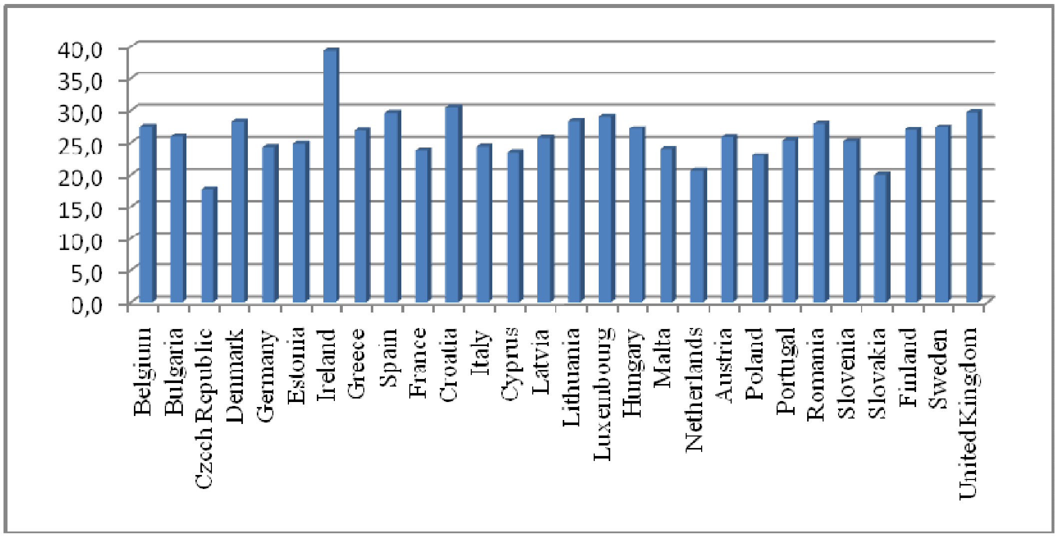

Figure 8. At-risk-of-poverty rate before social transfers in EU countries in 2012

E. Analysis of Material Deprivation rate indicator

In 20 of the EU Member States, the value of the Material Deprivation rate indicator increased in 2007-2012. The largest increases can be seen in Ireland and Greece (over 14, or 11 percentage points, respectively). In the EU Member States, Material Deprivation rate increased by 1.6 percentage points, from 18% in 2007 to 19.6% in 2012.

As seen in Figure 9, the Material Deprivation rate recorded the lowest values (below 9%) in the Nordic countries and the highest values in Bulgaria, Romania, Hungary and Latvia (40%).

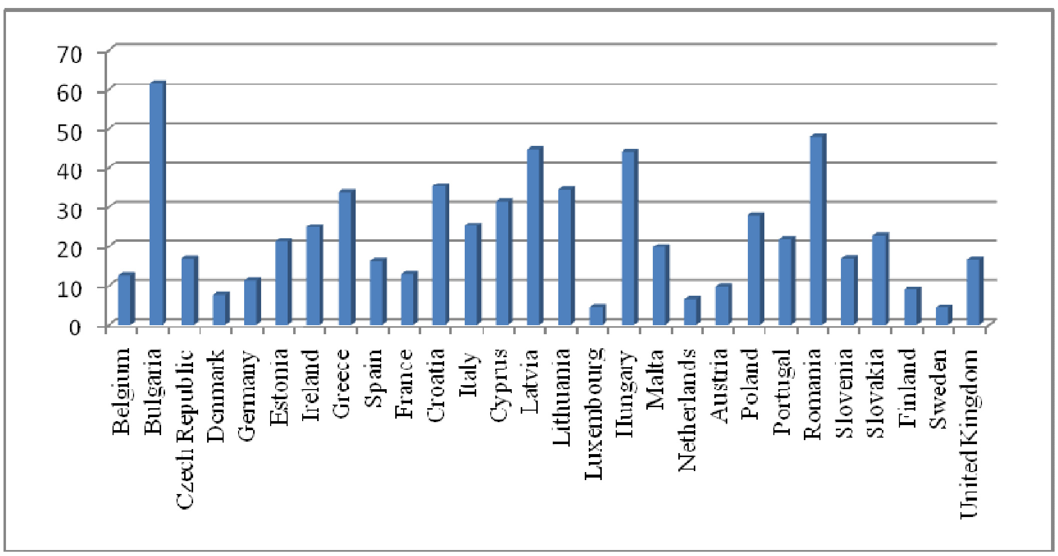

Figure 9. Material Deprivation rate in EU countries in 2012

F. Analysis of the Severe material deprivation rate indicator

At the level of the European Union, the severe material deprivation rate indicator increased slightly from 9.1% in 2007 to 9.9% in 2012. As shown in Figure 10, the values of this indicator recorded large differences (from 44.1% in Bulgaria to 1.3% in Sweden and Luxembourg).

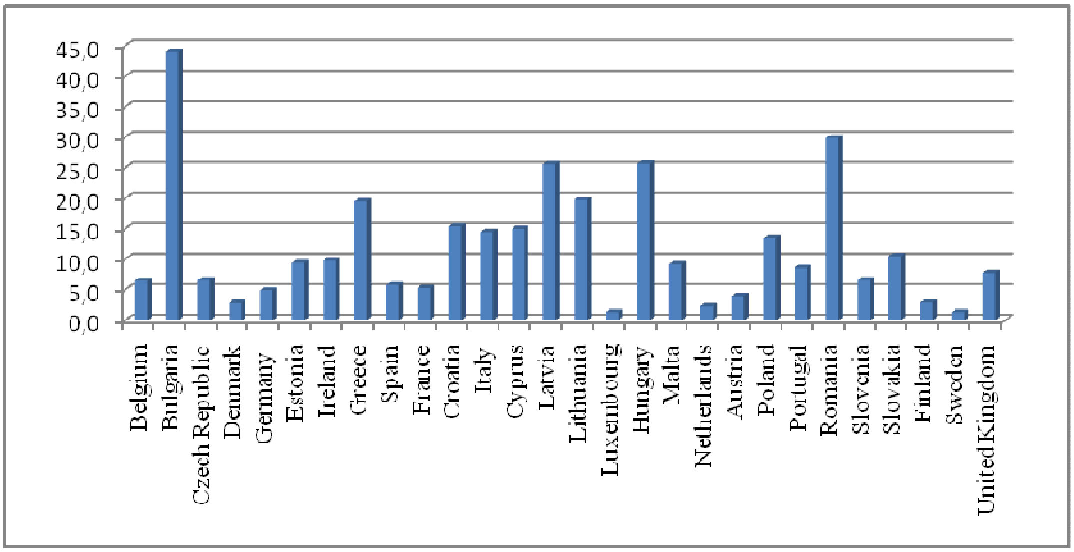

Figure 10. Severe material deprivation rate in EU countries in 2012

4. CONCLUSIONS

The development of social enterprises is a solution to solve social problems, especially those related to people in situations of distress, vulnerability and social exclusion. Taking into consideration their potential linked to the creation of new jobs, we can say that social enterprises can contribute to at least two important goals of the Europe 2020 Strategy:

- The increase to at least 75% of the employment rate among people aged between 20 and 64 years;
- The decrease by at least 20 million of the number of people at risk of poverty and social exclusion.

The need to stimulate the activity of social enterprises can be practically justified by the unfavourable evolutions of certain social indicators in recent years in the European Union. Thus, at the level of the European Union, the values of social indicators such as: the at-risk-of poverty rate, the persistent at-risk-of-poverty rate, the relative median at-risk-of-poverty gap, the material deprivation rate, the severe material deprivation rate have risen in recent years, the economic crisis that has affected all countries in different proportions. The citizens of the poorest countries in eastern European Union and of the countries that have experienced the largest decreases in the employment rate (such as Greece, Cyprus, Spain, Portugal, Ireland etc) are most at risk of suffering from poverty and social exclusion.

The need to stimulate the activity of social enterprises is also determined in the Balance of the Europe 2020 Strategy for a smart, sustainable and inclusive growth, by the evolutions according to which the EU is about to achieve or approach the goals of education or climate and energy, but the situation is different in the case of the objectives of employment, research and development or poverty reduction (European Commission, 2014).

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