

Social Economy in the Covid-19 Crisis

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ABSTRACT: The article introduces knowledge on historical concept of social economy as viewed by the international and Slovak documents mainly focusing on present times. At the beginning of the 21st century it has been shown that the world society still includes big marginalized groups of inhabitants that require special social and economic measures in order to improve their position and they are using social economy in order to do so. Based on the statistic indicators on employment in social economy within world society we also introduce a view on the current state in social economy. The measures aiming to support the improvement of the status of the entrepreneurial environment of national states within world society are being introduced and based on social economy. The proposition of measures to improve further education of small and middle sized companies when transforming their business activity into social enterprises and businesses with social impact, is also a part of the study.

KEYWORDS: social economy, social enterprise, disadvantaged person, vulnerable person, the COVID-19 crisis

I. INTRODUCTION

In the 2nd half of 20th century, the world economics composing of traditional private sector and state public sector have proven insufficiently functional when solving social problems of the society. The model of mixed economics also contains elements of social state, whereas reacting to recognized failures of the market and implementing economic measures that are being considered effective when treating failures of the market. Those are mainly distribution of the profit and costs and anti-cyclic measures. At the beginning of the 21st century, there still are marginalized groups of inhabitants who require specific social and economic regulatory measures in order to improve the social economy.

Social economy is a composition of economic production activities, distribution and consumption of the socially beneficial service for the society as such or for an unlimited group of

physical persons, mainly disadvantaged or vulnerable persons. Social economy as also being called solidarity economy.

The 20-ties of the 21st century are dented by the COVID-19 period. The fall of world economy, the frustration of inhabitants born from their health concerns and unclear state policies throughout the continents require functional measures

The aim of this article is to present the knowledge on the development of social economy in the international context and to disseminate knowledge on social economy and on possibilities of its implementation in the pandemic and post-pandemic time characterized by COVID-19. The further aim of the study is to propose measures aiming to improve the unfavourable status in the sector of economy, particularly regarding small and middle sized enterprises. The proposal of the measures is directed on the creation of the working system and on further education including the consulting services to physical and legal persons active in small and middle sized enterprises, while striving to transform their businesses into social economy.

[17]. The knowledge on dynamics of the development of new technologies of internet platforms and on innovation internet markets proves to be advantageous in comparison to conventional markets, if this segment of economics is considered. This knowledge creates a theoretical basis for the deployment of the proposals on the usage of internet platforms in the context of international and Slovak law and on the dissemination of the knowledge on social economy and social enterprises.

In the article, we rely on hypothesis that in the world, there is not enough information on social economy and on possibilities that it might provide to disadvantaged and vulnerable physical persons, but also to small and middle sized entrepreneurs, whose business activity requires saving or resuscitation. The research problem of this study is to define and propose a functional system of

measures aiming to improve the unfavourable status in the economy sector mainly in the area of small and middle sized businesses.

II. HISTORICAL CONCEPT OF THE SOCIAL ECONOMY

In the first third of the 20th century the interventions of social economy in Europe were relatively preferred. In the Western Europe states, in the period from 1945 to 1975, the economic model of the state composed mainly of the traditional private business sector and state public sector. This model was a basis for the social state that focused on the identified failures of the market and implemented economic measures that worked for the market failures being the distribution of the income and costs and the anti-cyclic measures. These resulted from the Keynesian economic model, in which the big social and economic partners were employer federations, trade unions and state was represented by the government.

In the states of Central and Eastern Europe with their centrally planned economies in the period from 1945 to 1989, the state was the only economic agent and did not render many possibilities for other economic subjects to implement the rules of social economy. The organizations having a legal form of cooperatives were relatively popular in these states. These were mainly cooperatives of agricultural nature or ones that were active in the housing fund administration. Some of the traditional rules of these cooperatives, e.g. voluntary and open membership and democratic organization have not applied. In the last two centuries, the Czech economists came with socio-economic approaches that did not lay the profit on the first place. Based on this tradition that reaches into 19th century, many non-profit organizations associating people have been founded during the 1st Czechoslovak republic (1918 to 1938)

The mixed economies have helped to create great portfolio of organizations, including cooperatives, mutual companies and associations that helped to solve socially important questions of general interest concerning cyclic unemployment, imbalance in the regional development and relationships between retailers and consumers.

[16]. In the last quarter of the 20th century, some of the European states have increased their interest in the social economy. This interest provides possibility to solve such social requirements of the inhabitants that the private business sector is not interested to solve and neither is the public sector. These are the long-term unemployment, social exclusion, increase of the

prosperity in laid-off regions, health care out of main settlements, social services for citizens, assistance to seniors, solution to environmental problems, environmental health of the citizens and further problems. A significant growth of the amount of social economy enterprises has been witnessed in the sphere of social innovations.

III. SOCIAL ECONOMY TODAY AND EUROPE

[18]. In the literature, the social economy has been often connected with the third sector organizations. Even thoughts on its development from the legal, economic and other point of view have been connected with the third sector what might be influenced by the historical development of the social economy organizations. The modern view on social economy is connected with its new task, where it has proven able to find solutions to current social problems and needs of citizens relating to failures of market and state.

[6]. The term « social economy » is not yet terminologically established in the foreign literature written in English. To describe social economy following terms are being used: social economy, solidarity-based economy, work integration social economy, market-oriented social economy. [9]. Furthermore, the terms: alternative economy, plural economy and intermediate economy are being used. [10]. In foreign literature written in French, often following terms are being used: économie solidaire, économie plurielle, l'autre économie.

[11]. The social innovation focus on novel solution of social problems of people. They emphasize active participation of social agents, development of the social capital and its networking, mobilization of local resources and bridging of organization, sector and specialization borders of the approaches and applications used until now. The strategic role of social innovations relies on reflection of market and state ability to react to social problems and needs of people to change the institutional structures to reflective and learning structures.

[13]. The significance of social economy in today's comprehension has started to be introduced in the second half of the 70-ties in France, after The National Liaison Committee for Mutual, Cooperative and Associative Activities – CNLAMCA has been established and associated organizations representing cooperatives, mutual companies and associations. Under the umbrella of The European Economic and Social Committee – EESC, the European conference of cooperatives, mutual companies and associations has been held

in 1977 and 1979. The National Liaison Committee for Mutual, Cooperative and Associative Activities has prepared and public the Social Economy Charter in 1980 that introduces the definition of social economy as a group of organization that do not belong into public sector, function democratically with their members having equal rights and duties and implement special regime of ownership and profit distribution, while using surpluses to extend organization and to improve its services for its members and for the society.

From the institutional point of view, the “social economy” includes the main cooperatives, mutual companies and associations, as well as foundations. The cooperatives, mutual companies, associations, foundations have rendered it inevitable to lead a stable dialogue on European policies of common interest. In November 2000, The European Standing Conference of Cooperatives, Mutual societies, Association and Foundations – CEP-CMAF was founded.

[1].Currently the most publically accepted definition is published in The Social Economy charter and goes as follows:

- Primacy of people and of the social objective over capital
- Voluntary and open membership
- Democratic control by the membership (does not apply to foundations, as these have no members)
- The combination of the interest of members, users or society general interest
- The defence and application of the principles of solidarity and responsibility
- Autonomous management and independence from public authorities
- Reinvestment of the essential surplus to carry out sustainable development objectives, services of interest to members or of general interest

The European Standing Conference of Cooperatives, Mutual societies, Associations and Foundations has been founded in 2000 and changed its name to The Social Economy Europe in 2008. Social Economy Europe works in fields of the general interest of its members and acts in compliance with the rule of subsidiarity, while securing added value by means of organizations’ measures.

[2].It pursues following values: primacy of people and of the social objective over capital, democratic control by the membership, the combination of the interest of members, users or society general interest, the defence and application of the principles of solidarity and responsibility, reinvestment of the essential surplus to carry out

sustainable development objectives, services of interest to members or of general interest, voluntary and open membership and autonomous management and independence from public authorities.

The significance of Social Economy is also being confirmed by the European Union states, the Legal Orders of which have Social Economy acts incorporated, e.g.: Belgium, Spain, Greece, Portugal, France, Romania, but also Slovak republic.

[4]. In 1989, the European Commission has published a Communication titled: Businesses in the “Economie Sociale” sector: Europe’s frontier-free market, where it has introduced the social and economic significance of Social Economy

In 1989, 1990, 1992, 1993 and 1995, the European Commission has participated on the organization of conferences on social economy in France (Paris), Italy (Rome), Portugal (Lisbon), Belgium (Brussels) and Spain (Sevilla). In 1997 the Extraordinary European Council meeting has been held in Luxembourg, known also as the Luxembourg jobs summit, where the social economy has been given a share on the local development and on the creation of the job vacations.

Since 1996, the important bearer of research activities on social economy has been become a European research network bearing the name of the first research project The Emergence of the social businesses in Europe in French (L’Emergence de l’Entreprise Sociale en Europe – EMES), which deals with following main topics: social businesses, social economy, solidarity economy and social entrepreneurship. It associates 14 research institutions, 330 individual members and the network of partners, who support EMES mission all over the world.

[11].In 2004, in Great Britain the support of social entrepreneurship, of so called Community Interest Company has been legally established. These organizations should develop entrepreneurial activities oriented on local development and integration of disadvantaged citizens in the working processes and were based on broad local and social partnerships. This model can be considered a hybrid between American and European. It uses collective social dynamics, but also significantly emphasizes regular entrepreneurial scope of social business that is a tool to sustain its social goals.

[5]. Furthermore, the European Council has approved the Resolution on the Promotion of Social Economy as a Key Driver of Economic and Social Development in Europe in 2006.

There is a parliamentary group called “The parliamentary Social Economy Intergroup of

European Parliament” active in the European Parliament since 1990. This parliamentary Intergroup has also asked the European commission to implement the Action plan for Social Economy in 2017.

[7].In 2013, the European parliament adopted the Report on the contribution of cooperatives to the overcome of the crisis. The creation of the document has been led by Patrizia Toia, in which the Social Economy has been recognized as social partner and as a key subject for the fulfilment of goals of Lisbon strategy and on contribution of cooperatives towards the overcome of the financial and economic crisis.

The European Economic and Social Committee, the Consulting Committee of European Union has been publishing numerous publications, reports and opinions on the contribution of social economy to the achievement of various public policy goals. The European Commission has recently adopted two important initiatives concerning social businesses, the group of companies that are an inseparable part of social economy: The Social Business Initiative of the European Commission – SBI and the Regulation on European social entrepreneurship funds.

IV. SOCIAL ECONOMY IN THE SYSTEM OF NATIONAL ACCOUNTS

In the field of social economy the national accounts systems play significant role for the statistic and registration purposes. These provide data enabling international comparison and also harmonization of legal documents in this area. Currently, there are two most important national accounts systems in place, being: The System of National Accounts – 2008 SNA, where the United Nations – UN have provided national accounting regulations for all of the accounting units in the states around the world and The European system of accounts – ESA 2010. The System of National Accounts provides national accounting regulation for all the states of the world. The European system of national and regional accounts only applies to European Union member states and is fully compliant with the System of National Accounts, except for small exceptions.

The organization performing production activities in economy of every state are associated in five groups: non-financial companies, financial corporations, public administration, households as consumers and as entrepreneurs and non-profit institutions serving households. The summary data on the employment in social economy are summed up in the following table.

Employment in social economy in the European Union member states

State	2002/2003	2009/2010	2014/2015	Growth 2015/10 v %
Austria	260,145	233,528	308,050	31.9%
Belgium	279,611	462,541	403,921	-12.7%
Bulgaria	n	121,300	82,050	-32.4%
Croatia	n	9,084	15,848	74.5%
Cyprus	4,491	5,067	6,984	37.8%
Czech republic	165,221	160,086	162,921	1.8%
Denmark	160,764	195,486	158,961	-18.7%
Estonia	23,250	37,850	38,036	0.5%
Finland	175,397	187,200	182,105	-2.7%
France	1,985,150	2,318,544	2,372,812	2.3%
Germany	2,031,837	2,458,584	2,635,980	7.2%
Greece	69,834	117,123	117,516	0.3%
Hungary	75,669	178,210	234,747	31.7%
Ireland	155,306	98,735	95,147	-3.6%
Italy	1,336,413	2,228,010	1,923,745	-13.7%
Latvia	300	440	19,341	n
Lithuania	7,700	8,971	7,332	-18.3%
Luxemburg	7,248	16,114	25,345	57.3%
Malta	238	1,677	2,404	43.4%
Netherlands	772,110	856,054	798,778	-6.7%
Poland	529,179	592,800	365,900	-38.3%
Portugal	210,950	251,098	215,963	-14.0%

Romania	n	163,354	136,385	-16.5%
Slovakia	98,212	44,906	51,611	14.9%
Slovenia	4,671	7,094	10,710	51.0%
Spain	872,214	1,243,153	1,358,401	9.3%

Source: [3]. Table 7.3.

Our own calculations.

Notice: n – unknown data

V. FUTURE OF THE SOCIAL ECONOMY AND THE COVID-19 CRISIS

The Social Economy in the European Union states includes almost 3 million of social economy subjects. The Social economy enterprises in European Union are the associations, cooperatives, foundations and mutual societies, as well as social businesses that not only create 6 % of the employment in the European Union states. During the current COVID-19 period they have also high integration influence in the economic field but also in the social sphere focused on social, educational or environmental goals that are important for citizens. The positive externalities of social economy are especially of great significance in rural, municipal, regional and other social communities of interest, to the time of decreased social contact among people.

[14]. According to the Social economy and COVID-19 crisis document: the current and future roles, the recommended politic actions of national and regional governments are as follows:

- Define a shared vision about the future to “build back better” and ensure that social economy organisations actively contribute.
- Develop an action plan to achieve a transition to a more sustainable and inclusive development model, with a clear role for the social economy
- Promote innovation practices and co-operation, including through funds to support experimentation and innovation as is done for technological innovation
- Continue to diversify the financial resources available to social economy organisations, through updates to legal frameworks and public programmes
- Create and share tools to provide data on social impact that are not onerous but can document progress and identify those with highest impact.

The current unfavourable state of the society and economy in the COVID-19 period requires strict measures that would mitigate negative consequences of the measures implemented by governing spheres on inhabitants, specifically on the entrepreneurs and small and middle-sized companies. The absence of coherent

economy management rules, contradictory and ever changing economic measures on all levels of economy, measures restricting and prohibiting entrepreneurial activity and often even low functionality of supportive measures increase entrepreneurial risks in these endangered groups of citizens as well as employers.

[16]. In order to support the improvement of the unfavourable state in the economy sector, where 99, 7% of business subjects in the economy of Slovak republic are active, the following is being proposed:

- Conduction of analysis of the impact of the COVID-19 period on the endangered groups of citizens, not only on disadvantaged persons and vulnerable persons in social economy, but also on physical and legal persons having small or middle-sized businesses that are currently losing their legal and material securities in their business,
- Conduction of analysis of the impacts of the COVID-19 period on community, regional and national level of economy management, in order to propose measures to improve the status on all levels of economy management,
- Conduction of the tendency prediction of the lasting of the impacts of COVID-19 period and prediction of potential legal amendments on social economy during so called: post-covid period after 2020
- Preparation of new legal version of the Social Economy act as well as on social businesses according to identified risks of the current COVID-19 period, applicable for selected groups of physical and legal persons.
- Proposal of measures that would increase awareness of social economy
- Proposal of measures aiming to improve further education and consultancy to endangered groups of citizens, mainly to physical and legal persons active in small and middle-sized businesses in order to achieve the transformation of their business into social economy,
- Proposal of measures aiming to support of the directed and systematic research of social, educational, legal, economic, social, psychological, medical and further impacts of the COVID-19 period,

- Proposal of measures to be implemented in order to increase financial support for social economy subjects in broader social economy sector.

In order to help the small and middle sized businesses, the following measures are being recommended to support social economy in national stated in the period of COVID-19:

- Easy and quick transformation of small and middle-sized businesses into generally beneficial companies is even currently serving to inhabitants (mainly public food industry etc.)
- Simplification of the rules for establishment and economy of the generally beneficiary businesses providing services directed on social, educational, cultural and health care field in given economic environment, whereas in the legal form it is necessary to respect the community, regional and national opinions,
- Simple and transparent information system about social economy subjects, especially about current support by financial tools of social economy

VI. EDUCATION FOR VULNERABLE PERSONS IN THE COVID-19 CRISIS

The national economies in the world society could have been helped by a creation of an useful further social economy education system including consultancy for physical and legal persons acting in small and middle sized businesses on how to transform these business in social economy ones in order to save them.

The effectivity of the modelling of further education in social economy for disadvantages and vulnerable persons in social economy, but also for physical and legal persons with small and middle-sized business in the period of COVID-19, which is dependent mainly on the following:

- Suppression of stereotypes in entrepreneurship and motivation of educated subjects to actively participate on gaining of the knowledge connected with the change of the way how businesses will be run and how their content will be in terms of social economy.
- The possibilities of educated subjects to master the learning techniques of new information online using modern and information technology preferred in the education process of the COVID-19 period, for educated subjects to gain self-educating skills, where the lecturer and the student use print media, books or software education to learn, but where they miss social contact and direct communication, so that they can verify learned information and their comprehension
- Abilities of the responsible and certified public administration authorities to provide broad scale of

education forms (courses, classes, consultations, excursions, conferences and other) for further education in the field of social economy in order to gain necessary knowledge and competencies by means of creative communication didactics using direct contact with the lecturer or using remote didactics working with virtual lecturer.

- The skill to use both formal and informal teaching processes for the field of social economy and topic-related distance schooling system, directed on disadvantaged persons and vulnerable persons, but also on physical and legal persons active in small and middle-sized business during COVID-19 period, while this education should be provided using all the methods (presence, distant and combined form of education) and as for informal teaching – adequate material and personal conditions should be created (TV courses and programmes).

In order to successfully pursue further education on social economy and social businesses working principles for endangered groups during the COVID-19 period it is necessary to:

- invoke the activity of the public administration bodies on all the levels of state and autonomous administration and on all the levels of communication, starting from massive commercials in print media and electronic media including personalized commercial, e.g. presentation of good practice,
- Communication pursued by the state on the possibilities of social economy and social enterprises should be oriented on the disadvantaged persons and vulnerable persons in the whole society,
- specifically in the massive information campaign it is necessary to focus on physical persons and legal persons active in small and middle sized businesses and inform those about particular processes of how to use the social economy and social business principles on their enterprises in order to sustain their business or to save it in the period of COVID-19.

[19] In the pandemic situation it would be very helpful to extend the social enterprises providing generally benefiting social services e.g. personal assistance, family and social consultancy, legal consultancy, psychologic consultancy for persons depending on assistance of others. The physically disabled citizens could herewith sustain their mental balance, gain the feeling of self-assertion and social necessity, but also professionalism. By improving their mental status, also their physical status will get improved. In Europe the real emphasis is laid on the working activity of a person

and its significance for the close kinship e.g. family up to the region, or even the country. By the effect of the work on the quality of life of the individual, the social enterprises and subjects of social economy should comply with certain criteria e.g.:

- the organization must not be dependent on state
- the activities that would help the production and sale of the products and services on the market
- social goal directed on the disadvantages group of citizens
- Investment of the profit into the fulfilment of goals and of social enterprise development

The target oriented social economy is focused mainly on dealing with social needs and services, the importance of which grows mainly during the COVID-19 pandemics time and they are irreplaceable. The term of “social economy” contains various entrepreneurial approaches and social innovations. It is being described as the third pillar of economy that is being formed on the interface of public and market economy.

VII. CONCLUSION

The social economy constantly provides new possibilities of organizations to implement innovations in economy with influence of the state. These social innovations in economy are usually being positively accepted by citizens, mainly those of middle and lower class. Social economy for these classes means above all fair trade, ecologic groceries or ethical financing. Correctly implemented social innovations change how people think about economy, society and contribute to bigger all-society solidarity that is necessary in current COVID-19 period and the period that is to come afterwards – the post-covid era. The social economy businesses have in the current period of more or less closed economy also significant integration function, where they are in a position to impact marginalized group of inhabitants by their activities, even more so now than any time before.

In the world society it is necessary to increase the awareness of people about social economy system and about opportunities this system provides not only to disadvantaged and vulnerable physical persons, but also to small and middle-sized entrepreneurs in order to save or resuscitate their businesses. Small and middle-sized businesses are currently suffering, because of the world, European and national economy crisis, as well as because of incorrect economic measures that were implemented by the governing spheres, while receiving only small state support in order to

mitigate part of the economic impacts mainly on small and middle sized entrepreneurs.

[15] The media campaign and the usage of dynamics of the new technology development in the field of internet platforms and innovation internet markets might directly provide enough information requested by business sphere. These information on creation, implementation and practicing of social economy when establishing new social companies or when transforming existing small and middle-sized businesses into social economy businesses are inevitable to support the small and middle-sized businesses in the world economy.

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