Social Innovation and Social Economy, key tools for a functioning Social Risks Management System

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Abstract: Under the realm of the overarching objective of sustainable development, the configuration, structure, relationships and dynamics of the traditional systems of social protection have undergone a process of transformation towards a more tenable architecture, referred to, hereafter, as the system of social risks management. Drawing on theoretical argumentation, as well as on success stories, this paper aims to evince that social economy and social innovation stand out as instrumental tools for sustainably addressing social vulnerabilities and risks, as they synergetically interconnect social actors with different interests and capitalize upon various sources of human, financial and material resources.

Keywords: Social Risks Management System, Social Innovation, Social Economy

JEL Classification: I30, I39

1. Introduction

Global socio-economic, demographic and climate changes raise major challenges to traditional social protection systems. Demographic ageing, globalisation, international labour force migration flows, deindustrialisation and tertiarisation, economic instability intensification, etc. have threatened the stability and viability of the economic, social and demographic structures at local and global level.

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Given unprecedentedly high frequency and variety of social risks, increasing heterogeneity and scale of vulnerable groups, as well as the expanding multidimensional character of the risk’s potential impact – at generational, temporal, geographic and social levels, the hitherto employed instruments for addressing social risks have proved their limits. Hence, the effectiveness, viability and sustainability of public schemes of protection against social risks through social insurance and social assistance of exposed and affected individuals are in jeopardy, together with the welfare of current and, especially, future generations. [Vasile (2012a), Brunori and O’Reilly (2010), Draxler (2006), etc.]

Challenged with budgetary and logistic constraints in addressing issues that go beyond the government capacity to manage risks and their consequences, the responsible central and local public institutions afford no longer to undertake the paternalist role of sole creators and administrators of social risks management instruments and resources. Consequently, in the literature as well as policy, a new paradigm over social protection system is emerging, with enriched set of objectives, functions and instruments, adapted to the current and forthcoming social, economic, demographic, climatic, social and political context.

The functionality and performance of the social risks management system rely on new perspectives over social responsibility sharing, role distribution and social and economic policy design and goals, as well as on new forms and dimensions of interactions among all social actors involved.

Based on a thorough literature review and following an argumentative discourse, this paper highlights the special role that social economy and social innovation play within the model of strategic social risks management, along the strategic stages of alternatives formulation, selection and implementation. On one hand, they may stimulate innovative approaches in finding more efficient and integrative solutions to social challenges, while mediating the multiplication of individual, community and societal instruments of ex-ante and ex-post social risks and vulnerabilities, on the other.

2. Social Risks Management – a new outlook on social protection

The Social Risks Management (SRM) may be defined as the complex system gathering various social actors under the coordination of public institutions, pursuing the efficient exploitation of available social and individual resources for optimal social risks management. It involves instruments and strategies of risk exposure and probability abatement, of ex-ante or ex-post reduction of the impact and consequences associated with various shocks. The methodology tailors the risk strategic management model to the area of social risks, of social policy.
The main defining features of the new paradigm derive from:

(1) responsibility sharing for SRM, through expanding responsibility undertaking, capacity and instruments beyond the narrow spectrum of public institutions and interventions, towards private – formal or informal – and market areas [Holzmann and Jorgensen (2000), Brunori amd O'Reilly (2010), UN (2001), Garcia Bonilla and Gruat (2003), Devereux and Sabates-Wheeler (2004)]. Given market failures, collective covariate risks, adverse selection, etc., the state is still granted the main role in the construction, functionality and administration of the social risks management. Public institutions still represent the central pillar and responsible, duty-bearer actor.

(2) a broader perspective over risk and vulnerability, which are the central elements of social risk management. If, previously, the social risks covered by social security schemes were few and precisely identified in the context of economically developed societies - such as, illness, maternity, work accident, invalidity, death the range of risks addressed by social risk management is widened and generically defined through their impact on individual and societal welfare. [Esping-Andersen et al (2001), Draxler (2006)]

(3) extended objectives, functions and instruments of social protection, following enlarged conceptual and operational premises. Alongside the objective of ensuring a minimal living standard to each individual through granted access to basic goods and services, to education, health care services, to opportunities for professional development, the social risks management system endeavours to adapt and adopt proactive strategies and policies that would preventively protect individuals, households and communities. This would conjoin the traditional predominantly reactive character of social protection instruments, of coping with and mitigating risk. Another core objective for social risk management, that would potentate and support all strategies and instruments of SRM, be they ex-ante or ex-post, of preventive, mitigating or coping nature is the promotion and development of individual and societal potential and opportunities. These objectives are interdependent and abet each other in preventing and managing the negative impact of shocks as well as in amplifying the positive events in the individual and societal existence.

Beside the conventional functions of protection and support, social protection undertakes other functions, as well, such as:

- promotive and developmental function that involves building individual and collective capacities, aptitudes and attitudes towards diminishing vulnerability and risk exposure;
empowering function that means enabling vulnerable individuals and households to improve and enrich their own informal or formal strategies of managing social risks and income fluctuations;

social equity preservation which supports social solidarity

preventive function through ex-ante measures concerning the exposed subject or risk factors;

transformative function that convert and stabilize societal attitudes and behaviours towards social vulnerable groups;

and adaptive function that is activated especially in the context of a high exposure level to natural risks associated with low capacity of managing impact. It leads to increased adaptability of vulnerable households to negative climate phenomena. [Holzmann and Jorgensen (2000), Norton et al (2001), UN (2001), Garcia Bonilla and Gruat (2003), EC (2010), Barrientos and Hulme (2008), Stern (2008), etc.]

Following the risk management and strategic management methodological coordinates the formulation and selection of strategic alternatives should comply with core principles of SRM. Even though underlining specific prerequisites, these core principles are correlated, mutually reinforcing and converging to the same ultimate goals:

a) The principle of Integrated management of social risks derives from the systemic nature of SRM and expresses the imperative of a systemic approach and vision at each stage, dimension and decisional level of the social risks management process. Within this complex system, the social risks management should integrate intersectoral policies as well as different social actors with specific interests, influence and resources, different social protection programmes, while capitalizing on potential synergies among all systemic elements;

b) The principle of person-centred social risks management refers to the necessity of shifting the spotlight from risks to risk-bearers. They should be holistically evaluated concerning vulnerabilities and simultaneous exposure to multiple, various – independent or correlated – risks. This principle grows in importance as the heterogeneity within vulnerable groups increases, because it can mediate the maximisation of the effectiveness of social risks management instruments and measures. By focusing not on one risk but on the social unit exposed to multiple risks and strong negative impact due to specific vulnerabilities, the SRM would benefit also the efficiency of the SRM initiatives and programmes;
c) The principle of vulnerability-focused SRM requires a careful analysis of causal linkages upstream the risk materialization that would reveal risk factors as well as vulnerability roots. The social risks impact is a function of the level and content of the vulnerabilities of the exposed individuals, households and communities. Eliminating or diminishing vulnerabilities represent, thus, a priority for SRM.

d) The analysis of risk factors and of the vulnerabilities confronting exposed individuals and socio-demographic groups sets the stage for the principle of anticipative management. This involves developing and implementing primarily ex-ante strategies which would protect each dimension of the individual and household welfare, be it income, resources, assets, capacities and opportunities; they brings forth higher efficiency and better results than the ex-post strategies which mostly mitigate and cope with the shock aftermath.

e) The principle of empowering all social actors and of rendering them responsible towards meeting SRM goals emphasizes the need for inter-institutional cooperation for collectively addressing the needs and vulnerabilities of at-risk social groups. The redistribution of responsibility envisages all social stakeholders. It refers to the vulnerable and exposed individual, whose right to social protection is acknowledged along with their responsibility and duties regarding optimal resources valorisation for self, yet assisted, risk management; as well as to the household, local community, market, NGOs and public institutions. All these actors play their important, unique role in replenishing the set of SRM instrumentation. Public institutions maintain the critical function of ensuring the functionality of the SRM system which involves, beside providing a minimum welfare standard to each inhabitant, the task of coordinating initiatives and synergies and, most of all, the task of empowering each actor, through integrated multisectoral policies and measures. Capitalising upon resources and experience available in the inner or outer environment, the state should coordinate and potentate each social actor’s contribution.

Considering the above-mentioned characteristics that should shape the social protection system, it is necessary that new instruments and solutions be designed that may take into account the specific challenges and maximise the capitalisation on resources available at different social actors’ level.

The new model of SRM system may be graphically represented as in the figure 1.

The above mentioned coordinates delineate the framework of the social risks management paradigm which stands as a pertinent and reliable answer to the challenges of sustainable development and of the demographic, social and economic trends.
The instruments that may be employed are numerous, combining levers from various public policy areas, such as social assistance and insurance, education, public health, labour market, financial market, environment protection policies, macroeconomic policies, and from different economic sectors, private, public or of social economy.
Among them, considering the high variety of participating social actors, the diversified and consistent available resources, social economy and innovation stand out as highly effective tools – socially innovative, themselves – for the stability and development of the social risks management system.

3. Social economy and innovation – catalysts and mediators for the SRM system

Compared against the SRM objectives, functions and principles, especially in the context of the mentioned multidimensional challenges that confront the objective of sustainable development at institutional, economic, social and environmental level, the development of, and support for, social economy, on one hand and the stimulation of the initiatives and potential for social innovation, on the other, represent increasingly important instruments for the management of social risks that threaten the individual and the society. Even if social innovation does not occur exclusively within the realm of social economy, social enterprises are the major designers and initiators of social innovation and represent a critical source of human resources, of knowledge and innovative ideas for present but mostly for the future.

As mentioned before, social economy stands out through its swelling importance under the emergence of new risks and social needs induced by demographic and economic evolution and under the imperative of new social models. About 2 million European social economy entities, that is about 10% of all European enterprises, account for 10% of GDP and provide 6% of European jobs (11 million). But beyond those employed in social economy sector, there are still many more others – up to, maybe, 160 million people - somehow positively affected by social businesses. Social enterprises activate in most of the economic sectors, from banking, insurance, agriculture and crafts to social and health services. Their premises have been delineated between the public sector and the private economic sector. Even if they operate on the market as full economic entities, even if they undertake profit-oriented economic activities, the businesses in social economy sector differentiate themselves from the typical companies of the private business sector through their specific vision, mission and objectives. These are not centered on maximizing profits on behalf of capital owners, but on achieving the desired social impact, for the shared benefit of all their members or of their target disadvantaged, vulnerable socio-demographic

1http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/
group. The main general traits that define a social economy organization are: their motivation springs from social mission and objectives; they are oriented towards socio-demographic groups with special needs; they employ voluntary work; the profit generated – if there is profit at all – is quasi-exclusively reinvested for the same social impact goal or is allotted for supporting other social projects and objectives; they are entitled to public funding. [Heckl et al (2007), EC and OECD (2013)]

In Romania, the long standing tradition in the development of specific social economy institutions has been considerably restrained given the communist experiences (Dragotoiu et al, 2010). Yet, along the last decade, various forms of social economy organisations have been thriving, despite the lack of specific political fiscal and non-fiscal instruments and incentives for supporting social economy activities.

As far as the social risks management system is concerned, social economy occupies a special place in the context of the global aspiration for sustainable development. A short review of the characteristics previously enumerated may suggest that the activity of this sector represents a most appropriate and comprehensive answer to the specific requirements of SRM, in terms of principles and objectives, on one hand, and to the major requirements of economic, social and institutional sustainability, on the other. At the same time, most of the SRM functions are exerted through the social economy initiatives.

Foremost, social economy sector acts as an effective lever for empowering and distributing responsibility among all stakeholders of social protection and social risks management. It intrinsically entwines individual with collective responsibility so effectively that, through the economic activity of producing economic goods and services, it brings forth the social and economic development of a given community while addressing the specific needs and vulnerabilities of socio-demographic groups highly exposed to risks and their potential impact. [Stănescu et al. (2013)]

Drawing and capitalizing on other human and financial resources than public, the entities of social economy actively and participatorily involve the vulnerable persons and their families. Instead of being passive receivers of insufficient and, most often, inadequate help, they become self-supporting individuals which, harnessing specially designed opportunities, build their own welfare and contribute to the welfare of the society they belong to. On the long run, at multigenerational and societal level, the positive outcomes would disseminate, dragging along other collateral gains. Thus, a sound, dynamic and developing
social economy sector may easily mediate, on one hand, the transfer of responsibility for SRM from public institutions to market, community, household and individual and effective close cooperation among all these stakeholders, on the other.

Secondly, as social economy is person-centered and not risk-focused, it addresses firstly the individual vulnerabilities. Also, social enterprises provide social risks management instruments of an anticipative-preventive, as well as of a coping-reactive nature. Especially those targeting creating and securing jobs for vulnerable groups diminish their vulnerability and exposure to multiple social risks. They also, concurrently, address those people already affected by substantiated risks, because of high vulnerability and exposure.

As they create stable jobs due to valuing human resources more than capital and to placing social objectives above raising productivity, competitiveness and profit, the social enterprises’ role in the management of risks like unemployment or non-integration on the labour market of vulnerable groups is unique [Dragotoiu et al, (2011)].

At the same time, social economy harvests more deep, sustainable and long-term effective social outcomes than the non-governmental humanitarian organizations organized as exclusively providers of social services and assistance, because it offers solutions for the consolidation, growth or resilience of welfare through multiplying opportunities and endowing with capacities, aptitudes and attitudes. Hence, the long-term impact on welfare is multiplied and intensified, with significant externalities for family, community and society of the present and of the future.

Moreover, activating socially assisted individuals on the labour market means improving activity and employment rates, qualitative and quantitative increase in human capital conducive to higher productivity rates and economic progress. Further on, the abatement of dependency rates, of social exclusion and poverty incidence, of the number and volume of applications for social aid and assistance would directly lead to higher social cohesion and institutional sustainability.

Therefore, the risk of insufficient post-retirement income for older generations [Vasile et al, (2012b)], the risk of youth unemployment [(Vasile and Angel, (2014); Vasile et al, (2014)] the risk of non-occupation or of low-quality employment for disabled people and other disadvantaged and at-risk groups (such as ethnic minorities, people in the penitentiary system or those who have just left the penitentiary, etc.) [Zaman and Vasile, (2014); Vasile and Boboc,
(2014)] may be effectively addressed by social economy. [Stănescu et al, (2014); Dragotoiu et al, (2011)].

Thirdly, being inherently oriented towards vulnerabilities, social economy enterprises stand as effective and powerful levers for ex-post, as well as ex-ante social risks management.

Staying within the Romanian economy borders, we would mention some cases of social entrepreneurship actively supporting SRM system, as described above:

- The **Social Restaurant & Catering** is a profitable economic establishment of the Non-governmental Professional Association of Social Assistance (ASSOC). Together with the social enterprises ASSOC-Packing and Sheltered Unit ASSOC (which includes handcraft, carpentry, painting, tailoring, gardening workshops, a bakery and pastry shop, a poultry and domestic animals farm, etc) it provides secure employment adapted to the needs and possibilities of retired and disabled people. (www.assoc.ro)

- The National Trade Union Bloc conducts the European funded project, **Social Enterprises Incubators for Bucharest-Ilfov region**, setting up 4 SMEs that offered employment to people belonging to vulnerable social groups (long-term unemployed, people with disabilities, close-to-retirement people, ethnically discriminated persons, etc): Bistro&Catering, Call-center, Cleaning center, Office and Stationery Shop) (www.intreprindereasociala.ro)

- **RURES Project** (the Rural Area and Social Economy in Romania), conducted by Soros Foundation together with Pestalozzi Foundation and Forda Association, aims at developing the Romanian rural area through social economy activities oriented to vulnerable groups within selected communities (www.rures.ro)

- Other entrepreneurial initiatives with social content and impact for the benefit of older than 18 young people leaving the institutional child protection system: “Felix Home” (Caminul Felix) that set up a farm, a tailoring center, an agrotouristical hostel and several car and carpentry workshops that hire the young people raised in the Foundation’s social houses; the “Children’s Joy” company (Bucura Copiilor) belonging to Children Association Sfanta Maria, which has set up carpentry workshop, foto-copying center and a mini-market; Concordia Humanitarian Organisation which, together with other private companies provide professional training in bakery and pastry and employment opportunities to their graduates; Social Assistance Community
Association Agape that, together with another NGO, has established a handmade postcards and art workshop to be commercialised abroad

- Last, but among the most important, we would mention the mutual associations that offer a wide range of social risk management tools for more than 1300000 exposed retired people¹, as well as the over 330 Authorized Sheltered Units where at least 30% of employees are disabled people [Fundăția Alături de Voi (2011)]

Most of the projects mentioned above have benefitted from the European funds allotted through the Human Resources Development SOP, European Social Fund (Investing in people).

The social economy sector, formed mostly of SMEs, stimulates and encourages finding and applying innovative solutions to social, economic and environmental challenges that confront society on its way to sustainable development. The governmental intervention area has been increasingly shrunk by budgetary and infrastructural constraints induced by the recent economic trend. The public and private sectors are mostly helpless in front of many market failures, resources rarity, climate change, globalisation and massive urbanisation that bring forth new and amplified individual and societal risks. At the same time, the non-profit and civil sectors are also hindered by excessive fragmentation and the predominantly SME character of their entities. In this context, social innovation, an intersectoral phenomenon equally engaging economic agents and social actors, stands out as one of the few effective and viable answers to the current acute societal needs [CE (2009); Murray et al. (2010), CE (2013) etc.].

According to the definition proposed by Caulier-Grice et al (2012) which integrates most of the fundamental defining features acknowledged in the reference literature, social innovation represents the new solutions (products, services, models, markets, processes) that answer to a social need more effectively than existing solutions and that lead to improving or creating capacities and relationships, and to the optimisation of societal assets and resources exploitation. In other words, social innovation serves the needs of society while improving its capacity to respond. It enables an on-going and sustainable innovative process which actively involves all social actors, from solution creation to implementation.

Relevant to the framework of social risk management system are the following specific traits of social innovation: the integrative intersectoral nature of the

¹ http://www.ies.org.ro/casele-de-ajutor-reciproc
innovative process that draws in actors from the public and private sectors, from social economy and informal economy sectors; its function of creating new relationships and cooperation linkages (such as pro-sumption, co-production, open innovation, collaborative innovation) which activate unused resources, capacities and synergies; the function of developing the social and individual assets and resources bases and of improving their exploitation. [Caulier-Grice et al. (2012), EC and OECD (2013), EC (2011), EC (2009), Neumeier (2012); Pol and Ville (2008), Moulaert et al. (2005), etc]. These specific functions of social innovation potentate the functions of SRM itself. Generating new relationships in which the recipient is, simultaneously or subsequently, the benefactor and contributor has a transformative power over the attitudes, perspective and behaviour of society and individuals. As we have mentioned before, social innovation empowers social actors responsible for SRM, develops capacity to prevent, anticipate or cope with risks and their consequences, and strengthens social equity.

Via its direct or indirect results, through the innovative process itself which engages, motivates and holds responsible all the social actors of SRM system in identifying and implementing the best solution to individual and societal needs and vulnerabilities, social innovation brings forth a positive social impact that may – and is – higher, deeper and wider than the outcomes that the public, business, social economy or non-profit sector might separately reach.

Through innovation process, means and methods, through the synergies following the interactions facilitated among the SRM actors, social innovation plays a unique role in mapping, selecting and implementing the best alternative options for each causal knot ex-ante and ex-post social risk materialisation. It presents an intrinsic process of empowering users, beneficiaries and whole society to better manage their risks and provide for their needs, through activating and developing social networks of mutual support, dormant resources, unused assets and potential capacities.

4. Conclusions
This paper has proposed a model of social protection system, where the effectiveness, functionality and activation of the social risks management instruments and strategies rely, to a significant extent, on social innovation and social economy, due to their unique effectiveness and potential of resources mobilisation, their ability to provide local answers to complex challenges, their function of integrating stakeholders bearing distinct and even divergent interests,
their capacity to address manifold current needs of individuals and society as a whole. The main limitation of our research stands in the theoretical approach which needs further empirical substantiation, based on coherent systems of appropriate indicators. But this is meant to be the subject of future research work.

Concluding, social economy and social innovation are instrumental and strategic for the activation and functionality of social risks management system. They have been acknowledged at all policy levels as critical for reaching each of the five targets established for the priority areas of Europe 2020 strategy [EC and OECD (2013); Dragotoiu et al].

It is, therefore, an imperative to integrate incentive policies for social economy and innovation within various sectors of public policies, and to achieve commitment to applying social innovation at all levels of public administration. In the context of rising budgetary constraints, accentuated disequilibrium between the demand and offer of social services, of increasingly limited traditional fiscal instruments, the development of a stimulating environment for social innovation and favourable for social entrepreneurship is one of the most important challenge for the public sector policy architects and implementers. This does not mean narrowing the states’ role, but its transformation and augmentation. The public sector becomes the promoter and facilitator of a broad and diversified range of social risks management strategies and instruments instead of the sole provider of social protection solutions and means. Its mission is that of optimally combining the potential and strengths of the various sectors and actors, of harnessing the corporate responsibility initiatives, the energy and creativity of voluntary workforce and the motivation and commitment of the social economy sector with the final aim of diminishing vulnerabilities, risk probability and of enlarging and improving the set of social risk management instruments available at every social actors’ level.

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