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Local entrepreneurship and social services in Romania. Territorial analysis

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ABSTRACT

The density and typology of existing social services in a given country are dependent on a set of factors including the social model, cultural, social and legal traditions, the general regulatory framework and those specific to the labour market, protection and social assistance, demo-economic structures of the population, the general level of income and the proportions of the incomes of various economic and social categories, the strategic priorities and the financial resources available to the central and local authorities, the propensity of private operators and non-governmental organizations for involvement in the sphere of social services, the levers that society uses to increase this propensity, etc.

An important element in the decision to start a business in a certain area taken by the categories of entrepreneurs in situations of vulnerability or with family members in such situations, the social services experience an uneven territorial distribution in Romania.

The analyses performed in Romania, based on 2016 data, reveal the existence of important differences in the typology and density of the social services both by residential area (urban, rural) and the region of development, in correlation with the level of development of the county/region and the wealth of the population.

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1. Literature review

The two-way relationship between the level of development of social infrastructure and economic growth has been the subject of many researches, leading to conclusions that support its complexity and multidimensionality.

Infrastructure in its broadest sense (water and sanitation, road and rail transport, and health, education and social services) is considered by some authors as "the prerequisite for the development of any economy" (Srinivasu & Srinivasa, 2013) with an important role in reducing the territorial development gaps (Goschin, Constantin, & Danciu, 2010), but also a mirror of the level of economic development of a community region (Goschin, 2015); the social and cultural environment is identified as decisive and directly dependent on the actions of local authorities in "determining the location of a company in a specific area" (Skica, Bem, & Daszyńska-Żygadło, 2013).

Other authors are concerned about the need for "pro-active and deliberate strategy to link social grant beneficiaries to opportunities for economic activity" (Lombard & Strydom, 2011, p. 328), including measures to support the development of local entrepreneurship as a basis "for economic development through which vulnerable people can become empowered to have a voice in their own development and live with human dignity" (Lombard & Strydom, 2011, p. 339).

Entrepreneurship is considered to be "critical to the vitality of the local economy" (Gruidl, Brock, & Deborah, 2015, p. 278) and "an entrepreneurial ecosystem requires four elements, human capital, culture, support system, and momentum, to function optimally". (Gruidl et al., 2015, p. 287), and entrepreneurial social infrastructure is considered to be a necessary ingredient for successfully linking physical resources to leadership for community development. (Butler Flora & Flora, 1993)

In an attempt to identify the best solutions, new innovative approaches arise, including from the perspective of "interdisciplinary community development", which require the support of "scrutinies from myriad professional and community groups including social work" (Korazim-Kõrösy et al., 2007) and new models of local entrepreneurship development "based on community interaction field theory have been proposed" (Korsching & Allen, 2004).

From the perspective of management practices of local authorities, the necessary social infrastructure is the one with a social significance which "appoints the availability of basic amenities

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for the population, the ability of self-fulfilment of individuals, the development of their professional, entrepreneurial activity, transformational and transactional cost savings for business units. Effective development of social infrastructure provides a pledge of social security and political stability." (Frolova, Vinichenko, Kirillov, Rogach, & Kabanova, 2016, p. 7422); social infrastructure is one of the major pillars of quality of life and a significant role from the perspective of social inclusion (Cace, Arpinte, Tomescu, Baboi, & Stănescu, 2008; Zamfir et al., 2016).

The decision to start a local business should be based on an economic and social diagnosis of the area in which it is to be located.

In the contents of this analysis – depending on the specific features of the activity to be carried out – in addition to the assessments regarding the general level of development of the locality/region and the elements related to the availability of the space/building/necessary land, the access to the airline, railway, road transport facilities, public or private utilities (electricity, heating, gas, water, sewerage), information technology and communication facilities, we find those related to the existence of economic and social business support institutions for the future entrepreneur and the members of his/her family (financial-banking units, health care units, education and training establishments, social service providers, etc.).

Among these elements, social services are those that provide support to the future entrepreneur and his/her family members in situations of vulnerability, i.e., when they have in their families dependent elderly people and/or disabled persons who require permanent care, in case of domestic violence, in situations of risk of poverty and social exclusion, etc.(Teşliuc, Grigoraş, and Stănculescu, 2015). In these cases, the existence of such services may be fundamental in taking a decision to place the new business in that location.

In this context, our approach consists of a brief presentation of the local entrepreneurial units in Romania, an analysis of the typology and density of existing social services in Romania in 2016, at local administrative units' level, and of the correlation between this density and the general level of development of the region/county.

2. Estimates of local entrepreneurial units in Romania

In general, the start of new business is correlated with a relatively high level of regional development and/or economic growth trends in the region.

In an attempt to present a picture of the size of local entrepreneurship in Romania, we identified the following relevant categories:

- Family business (legally defined as an economic enterprise without legal personality, organized by an individual entrepreneur together with his/her family).
- Authorized natural person (legally defined as natural person authorized to carry out any form of economic activity permitted by law, mainly using his/her labour force), and
- Economic enterprise with less than 9 employees (legally defined as the organized economic activity, carried out permanently and systematically, by combining financial resources, attracted labour, raw materials, logistics and information at the risk of the entrepreneur).

The information provided by the National Institute of Statistics (INS) reveals that in Romania, in 2016, on average, per 10,000 inhabitants there were 10 family enterprises, 120 authorized natural persons and 211 economic enterprises with less than 9 employees.

According to NUTS 2 development regions,[1] the average number of family businesses per 10,000 inhabitants varies from 4 (Bucharest-Ilfov Region) to 13 (North-East Region), the number of authorized individuals from 97/10,000 (South-East Region) to 155/10,000 (North-West Region) and the average number of enterprises with less than 9 employees ranges from 126/10,000 (North-East) to 472/10,000 inhabitants (Bucharest-Ilfov).

The highest density of family businesses is recorded in the region with the lowest level of economic development (North-East), while authorized individuals and enterprises with fewer than 9 employees show a higher density in medium and high developed regions (Centre, North-West, West, Bucharest-Ilfov).

The analysis of the total number of local entrepreneurship units per 10,000 inhabitants by development regions and counties reveals, with some exceptions, a direct correlation between this indicator and the average gross domestic product per capita (Fig. 1).

The data reveals for the Bucharest-Ilfov Region, with the highest level of development, also the highest density of local entrepreneurial units (600/10,000 inhabitants), while the North-East Region, with the lowest GDP level/inhabitant, shows the lowest density (243/10,000 inhabitants).

A similar situation is revealed when we analyze the data at county level: in Bucharest, with a gross domestic product (GDP) of 22,909 euro/inhabitant, there were 601 local entrepreneurship units per 10,000 inhabitants, while in Vaslui, with a GDP per capita of 3878 euro on average per 10,000 inhabitants, there were 190 local entrepreneurial units.

3. Analysis of data on existing social services at the national level

The density and typology of existing social services at any given time in a given country are dependent on a set of factors including the social model, cultural, social and legal traditions, the general regulatory framework and those specific to the labour market, protection and social assistance, demo-economic structures of the population, the general level of income and the proportions of the incomes of the various economic and social categories, the strategic priorities and the financial resources available to the central and local authorities, the propensity of private operators and non-governmental organizations for involvement in the sphere of social services, the levers that the society uses to increase this propensity, etc.

These complex interdependencies outline and define the main vulnerable groups in that society, prioritize their needs, identify, define and regulate legal levers and specific instruments related to the ability of the entire economic and social system to meet to these needs (Cace, 2018).

Synthetically, in our analytical approach we have developed a matrix of identified vulnerable groups and existing social service categories (Matrix 1).[2]

[1] According to the Nomenclature of Territorial Units for Statistics (NUTS), the administrative territorial units are structured in Romania by: Level I: 4 Macroregions – NUTS 1; Level II: 8 Statistical regions of development – NUTS 2; Level III: 41 counties and Bucharest Municipality – NUTS 3; Below the NUTS level: Local Administrative Units (LAU): 3186 local administrative units, i.e., towns, cities and communes.

[2] *Acknowledgement*: The information and data regarding social services were obtained as result of the project SIPOCA 4: "Implementation of a public policy design system in the field of social inclusion for the Romanian Ministry of Labour and Social Justice, Project selected on Operational Programme Administrative Capacity, co-financed by the European Union from European Social Fund, Beneficiary: Ministry of Labour and Social Justice; Partner: "Costin C. KirițescuŃational Institute for Economic Research of the Romanian Academy; Implementation period: 30.03.2016–31.04.2018.

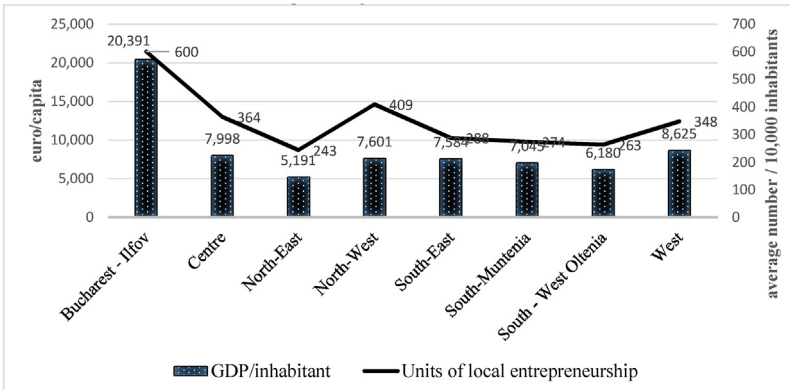


Fig. 1. GDP per capita and average number of local entrepreneurship units per 10,000 inhabitants by development regions in Romania in 2016.
Source: INS data processing, Tempo online.

Table 1
Density of existing social services in relation to the population and number of LAUs by region – NUTS 2.

	Total population	Number of local administrative units (LAU)	Social services	Persons/Social service	LAU/Social service	Social services/LAU
Centre	2,634,337	414	638	4129	0.6	1.5
North-West	2,826,625	446	614	4604	0.7	1.4
West	2,013,548	323	383	5257	0.8	1.2
South-West Oltenia	2,200,411	448	316	6963	1.4	0.7
South-Muntenia	3,252,112	567	384	8469	1.5	0.7
South-East	2,865,838	390	384	7463	1.0	1.0
North-East	3,932,740	552	487	8075	1.1	0.9
Bucharest-Ilfov	2,502,200	41	353	7088	0.1	8.6
Total	22,227,811	3181	3559	6254	0.9	1.1

Source: Own SIPOCA 4 data processing.

By attaching (in the matrix) to each type of social service the quantitative information available, we found out a total of 3559 social service providers, structured by vulnerable groups: 804 for elderly people (22.6%), 522 for disabled persons (14, 7%), 37 for young people in difficulty (1.0%), 64 for homeless people (1.8%), 47 for dependents (1.3%), 1828 for children in families (51.4%), 112 for people at risk of poverty (3.1%) and 145 for other categories of vulnerable groups (4.1%).

For each of the vulnerable groups identified, important information is provided by the analysis of the correlation between the share of the groups identified as the most vulnerable ones from a socio-economic point of view and the share of social services specific to these vulnerable groups in total existing social services (Teşliuc, Grigoraş, & Stănculescu, 2016) (Fig. 2).

The analysis of this correlation, especially in cases of major discrepancies between the two variables analyzed, needs to be done with caution, given that, for example, in the case of people at risk of poverty, the provision of services social to this vulnerable group is complemented by an important component of social benefits (guaranteed minimum income, etc.).

There are also groups that are no longer commonly identified as socio-economically vulnerable, precisely because existing social services already cover this segment well enough.

4. Analysis of data on social services by residence area

On average, at the national level, there is a service provider for each of the 3186 local administrative units (LAUs).[3]

However, the situation varies considerably across residence areas. While in the urban area, on average, at each LAU we find approximately 10 social service providers', in the rural area a social service provider serves about 7 LAUs.

On average, at the national level, we find a social service provider for 6244 inhabitants. In the urban area, a provider of social services helps 3961 inhabitants, and in the rural area 23,975 inhabitants.

The number of rural LAUs accounts for approximately 90% of the total LAU, while only 11.4% (406) of the existing social service providers are located in rural areas, the remaining 88.6% (3153) being located in the urban area.

The structure of existing social services differs substantially across the two residence areas. In the rural area, a great proportion of social services are provided for the elderly (45.8% of the total), followed by social services for children in the family, separated children or at risk of separation from the mother (40.1% of the total) and those specific to adults with disabilities (6.2%) (Fig. 3).

The categories of vulnerable groups with the lowest degree of social service coverage are: homeless, young people in difficulty and dependents.

Social services for people at risk of poverty represent 3% of all social services existing in rural areas.

In the urban area, the social services for children in the family, children separated or at risk of separation, mother and child are on the first place as percentage of the total (52.8%), followed by social services for adults with disabilities (15.8% of the total) and for the elderly (19.6%) (Fig. 4).

[3] According to the Nomenclature of Territorial Units for Statistics (NUTS), the administrative territorial units are structured in Romania by: Level I: 4 Macroregions – NUTS 1; Level II: 8 Statistical regions of development – NUTS 2; Level III: 41 counties and Bucharest Municipality – NUTS 3; Below the NUTS level: local administrative units (LAUs): 3186 local administrative units, respectively towns, cities and communes.

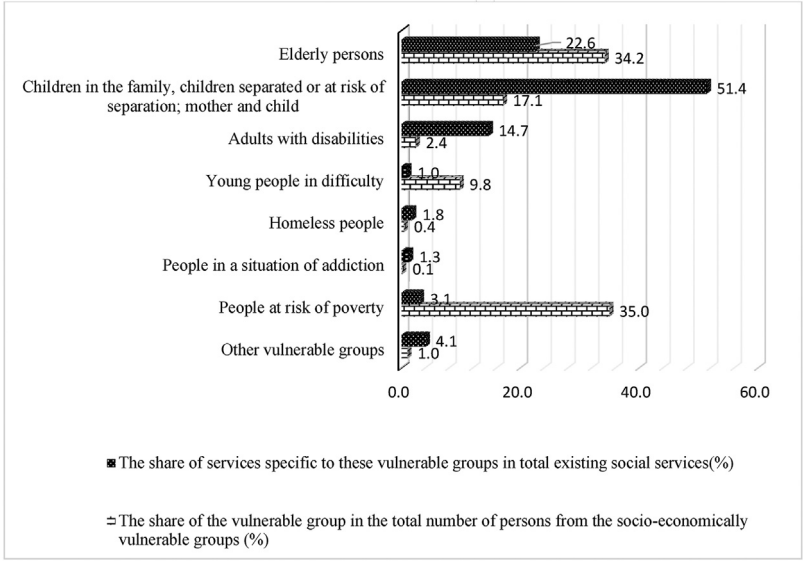


Fig. 2. Share of vulnerable groups identified and share of existing social services categories of these groups – national level (%).
Source: Own SIPOCA 4 data processing.

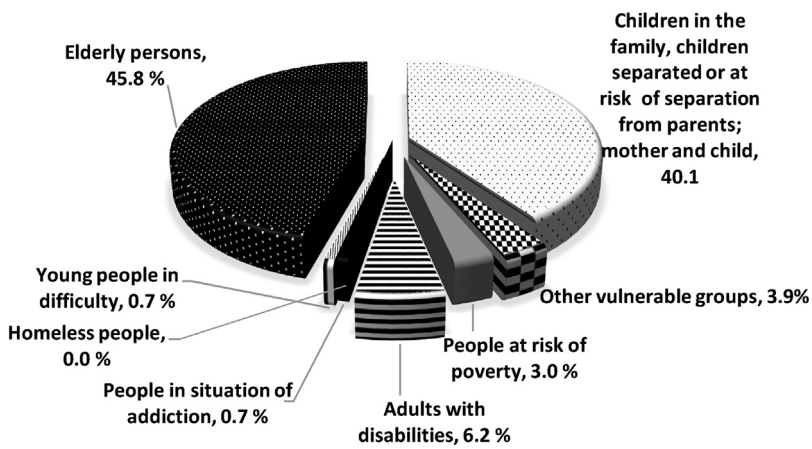


Fig. 3. The structure of the existing social services providers by vulnerable groups to whom it is addressed (%) – rural areas.
Source: Own SIPOCA 4 data processing.

The analysis of the correlation between the share with which a particular group has been identified as socio-economically vulnerable and the share of the social services specific to this vulnerable group reveals a low degree of coverage of social services both in the urban area and in the rural area for young people in difficulty and people at risk of poverty.

More than half of the social service providers are located in urban areas of more than 100,000 inhabitants (1920 and 53.9% of the total). Approximately 18.2% (649) of the social services providers are located in urban localities with 60–100,000 inhabitants and 8.9% (318) in urban localities with 30–60,000 inhabitants.

5. Analysis of data on social services by regions and counties

In Romania, social services are unevenly distributed across development regions, as the share of the eight regions in the total existing social services ranges from 17.9% in the Centre Region, 17.3% in the North-West Region and 8.9% in the South-West Region.

Compared to the 638 existing social service providers in the Centre Region and 614 in the North-West Region, only 316 providers were in the South West Region.

In the Bucharest-Ilfov Region, on average, per one local administrative unit (LAU) there were about 9 existing social services, compared to 1.4–1.5/LAU in the Centre and North-West Regions and 1/LAU in the North-East Region, while in the South-Muntenia and South-East Regions two LAUs were served by a social service (Table 1).

In 2016, in North-East Region, the poorest region in Romania with the GDP per capita of 5191 euros, about 60% of the national average, a provider of social services served 1.1 LAU and 8075 inhabitants.

An important share of the existing social services structure in the North-East Region are designed for children in the family, children separated or at risk of separation from the mother (57.1%), followed by those for elderly people (18.3%) and adults with disabilities (14.4%).

In relation to the total population, the share of the poor people was, in 2016, 27.6% and that of the elderly, 14.3%.

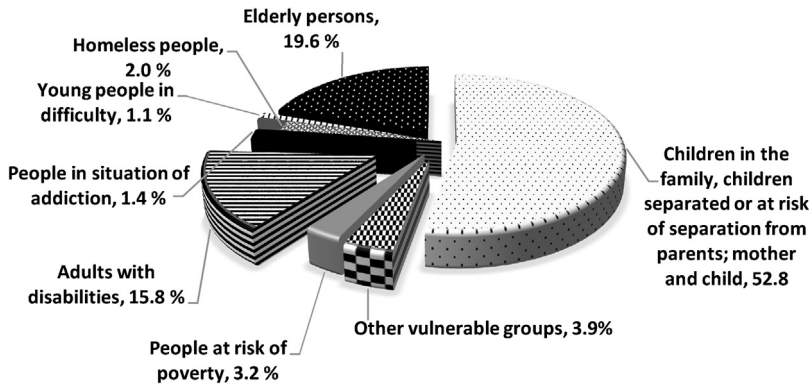
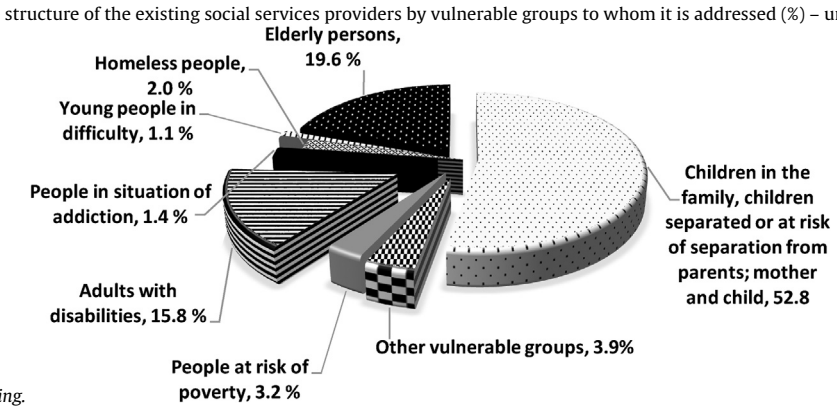


Fig. 4. The structure of the existing social services providers by vulnerable groups to whom it is addressed (%) – urban areas.



Source: Own SIPOCA 4 data processing.

Table 2
Matrix of correlations between the 6 indicators.

Indicators	Relative poverty rate	In-work poverty rate	ESS weight	NSS weight	ESS density in relation with the population	NSS density in relation with the population
Relative poverty rate	1	0.919	−0.536	0.047	−0.091	0.632
In-work poverty rate	0.919	1	−0.490	0.080	−0.062	0.585
ESS Weight	−0.536	−0.490	1	0.056	0.449	−0.606
NSS Weight	0.047	0.080	0.056	1	−0.191	0.049
ESS density in relation to the population	−0.091	−0.062	0.449	−0.191	1	0.178
NSS density in relation to the population	−0.091	0.585	−0.606	0.049	0.178	1

Source: Based on SIPOCA 4 data.

These categories of population were most frequently identified for socio-economic vulnerability that is 37.2% for elderly people and 31.0% for people at risk of poverty.

On average, a provider of social services for elderly people served approximately 6325 people in this category, while a provider of social services for people at risk of poverty served approximately 54,224 persons. On average, a provider of social services for adults with disabilities served approximately 1478 people in this vulnerable group.

In 2016, in the Bucharest-Ilfov Region – the highest level of development in Romania, with a GDP per capita of 20,391 euro, 2.4 times higher than the national average – for every LAU there are 9 social service providers, each serving on average 7088 inhabitants.

An important share in the existing social services structure in the Bucharest-Ilfov Region is hold by children in the family, children separated or at risk of separation from the mother (51.8%), followed by those for the elderly (14.4%) and adults with disabilities (13.3%).

The existence of a correlation between the density of social services and the level of development of the county, that is the wealth/poverty level of the county population, is also revealed by the analysis of the correlations between 6 indicators: the relative poverty rate and the in-work poverty rate, the share of existing social services (ESS) at the county level in total services, the share of necessary social services (NSS) at the county level in the total services, the density of existing social services in relation to the total population and the density of social services to the population, at county level (Cace, 2018).

The matrix of the correlations between the six indicators, in 2016, for the 41 counties and the municipality of Bucharest is presented in Table 2.

In order to identify specific typologies based on the analyzed indicators a hierarchical classification technique was used (agglomerative hierarchical clustering, AHC).

The application of the AHC method in the case of the database containing the six previously mentioned indicators at the county level allows us to highlight specific typologies within the data set by similarity criteria as well as the grouping of the counties in our case into 5 relatively homogeneous clusters, graphically represented in the dendrogram in Fig. 5 and detailed in Table 3.

If compared, we notice clear typologies, revealed by the high degree of similarity and homogeneity of the clusters. For example, Cluster 2 grouping counties with GDP levels between 10,000 and 12,000 euros per inhabitant, Cluster 3 counties with GDP levels between 6600 and 9000 euros per capita, Cluster 4 of counties with

Table 3
Homogeneous clusters resulting from the correlation analysis of the six indicators.

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Number of counties	1	12	12	11	6
	Bucharest	Brasov	Mures	Calarasi	Teleorman
		Timis	Alba	Ialomita	Olt
		Ilfov	Gorj	Valcea	Suceava
		Sibiu	Maramures	Tulcea	Vrancea
		Prahova	Dambovita	Buzau	Vaslui
		Cluj	Harghita	Dolj	Botosani
		Constanta	Braila	Neamt	
		Arad	Satu Mare	Mehedinti	
		Iasi	Bistrita-Nasaud	Bacau	
		Arges	Covasna	Salaj	
		Hunedoara	Galati	Giurgiu	
		Bihor	Caras-Severin		

Source: Based on SIPOCA 4 data.

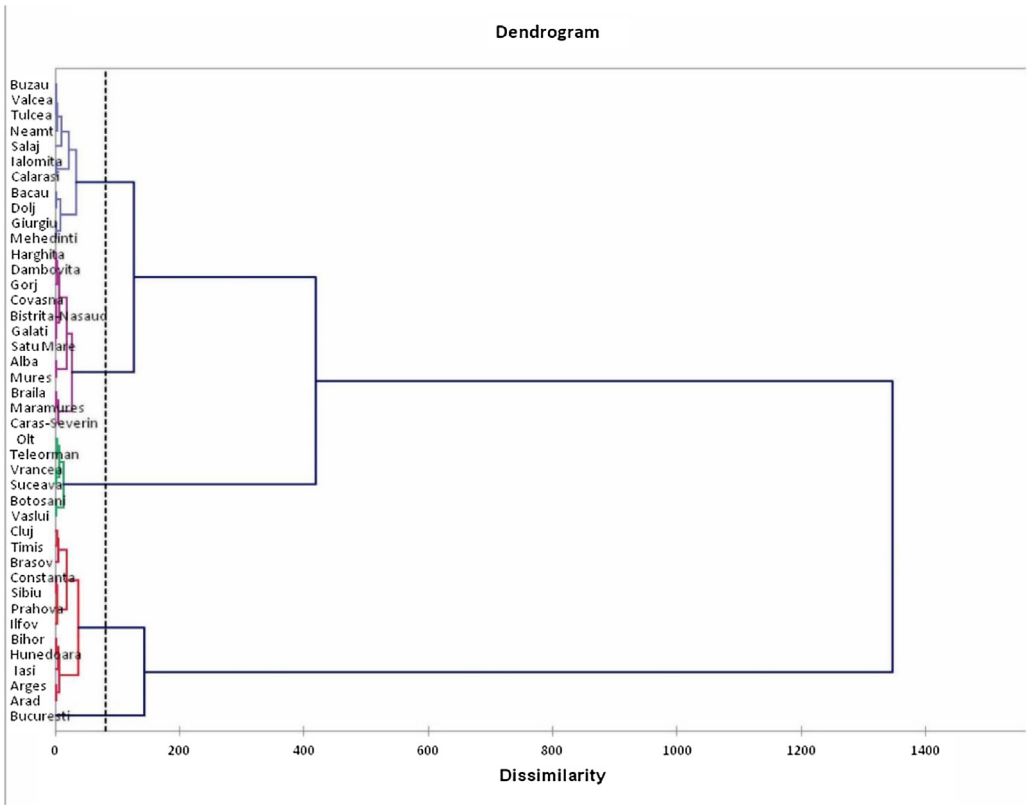


Fig. 5. Highlighting specific typologies using hierarchical classification techniques.

Source: Based on SIPOCA 4 data.

GDP levels between 5000 and 6500 euro per inhabitant, and Cluster 5 counties with the lowest levels of GDP per capita, or below 5000 euro per inhabitant, where the lowest densities of social services are registered.

The results obtained through the hierarchical classification algorithm highlight some specific typologies. Thus, there are three clusters consisting of a significant number of counties (12, 12 and 11 counties, respectively), a non-typical cluster (consisting of one entity, Bucharest) and a cluster of six counties.

The first cluster (Bucharest) is characterized by low poverty rate and also low in-work poverty rate, a significant share of social services in all such services across the country, as well as a reduced share of social services needed if compared to other counties.

The 12 counties of the second cluster (Braşov, Timiş, Ilfov, Sibiu, Prahova, Cluj, Constanţa, Arad, Iaşi, Argeş, Hunedoara, Bihor) are characterized by moderate rates of poverty and in-work poverty, by higher levels of the density of existing social services and of necessary social services in relation to the population as comparing to the other regions. It seems that these counties are characterized by a significant level of economic and social development.

The third cluster, consisting of 12 counties (Mureş, Alba, Gorj, Maramureş, Dâmboviţa, Harghita, Brăila, Satu Mare, Bistriţa-Năsăud, Covasna, Galaţi, Caraş-Severin) is characterized by high poverty rate and in-work poverty rate, as well as by low values of the density of existing social services and of the share of social services. Therefore, these counties are characterized by a modest (medium/moderate) level of economic and social development.

The 11 counties of to the second cluster, belonging to the South-East, South-Muntenia, North-East and South-West Development Regions (Călăraşi, Ialomiţa, Vâlcea, Tulcea, Buzău, Dolj, Neamţ, Mehedinţi, Bacău, Sălaj, Giurgiu), are characterized by high poverty

Matrix 1
Interconnection between vulnerable groups and social services typology.

Elderly persons	Adults with disabilities	Young people in difficulty	Homeless people	People in situation of addiction	Children in the family, children separated or at risk of separation from parents; mother and child	People at risk of poverty	Other vulnerable groups
Residential care centres and medical–social assistance for elderly, chronic patients in terminal phase – 57	Day care centres for adults with disabilities – 121	Residential centres for young people in difficulty – 37	Day care centres for homeless people – 5	Residential care and assistance centres for other categories of addicts – 6	Day care centres for children – 553	Food preparation and distribution centres for people at risk of poverty – 112	Residential care and assistance centres for victims of trafficking in human beings – 6
Day care centres for elderly people – 110	Residential centres for adults with disabilities – 401		Home services for homeless people etc. – 1	Day care centres for toxic addicts for people with different addictions – 38	Day care centres for family with children – 96		Day care centres for victims of trafficking in human beings – 4
Home care services for the elderly, the disabled, people in a situation of addiction – 255			Residential care and home care centres – 58	Residential/social rehabilitation centres –3	Day care centres for victims of domestic violence and aggressors – 10		Day care centres for assistance for other people in need – 130
Residential care and care centres for the elderly – 382					Children's residential centres in the special protection system – 1092 Residential care and care centres for children – 37 Residential care and assistance centres for victims of domestic violence – 40		Other categories – 5
804	522	37	64	47	1828	112	145
3559 providers of social services							

rate and in-work poverty rates, as well as by very low values of the density of existing social services in relation to the population. Therefore, these counties are characterized by a low level of economic and social development.

The last cluster, comprising 6 counties in the South-East, South-Muntenia, North-East and South-West Development Regions (Teleorman, Olt, Suceava, Vrancea, Vaslui, Botoşani) are characterized by very high values of poverty rates and in-work poverty rates, as well as by very low values of the density of the existing social services and of the necessary social services relative to the population. Therefore, these counties are characterized by a very low level of economic and social development.

6. Conclusions

The business environment is extremely unequal by territory (regional and urban/rural) in Romania.

Attracting and retaining residents of a particular community is fundamentally dependent on the provision of quality social infrastructure, with a positive impact on both employment levels and local entrepreneurship.

An important role in the decision to invest in social infrastructure is also the fact that the impact of such investments on economic growth, although significant and sometimes estimated as higher than that of some investments in the economic infrastructure, is long-term rather than long–short term (Younis, 2016).

In an attempt to analyze social infrastructure services in the context of economic growth, Biktemirova et al. (2015) found that although, according to many authors, social infrastructure "influenced both the gross domestic product and the number of the employed" (Kokurin & Nazin, 2011), "there are no official methods of assessing the impact of the social overhead on the dynamics of economic growth (Buzmakova, 2010)".

Similarly to the health issue (prevention is more effective than treatment), social services can also be considered in terms of greater involvement of the central authorities in restoring territorial balances, and especially of the local authorities, in reviving entrepreneurship and increasing the attractiveness of the local business environment for investors, through the development of agricultural market activities, wholesale centres for agricultural products, food processing industries, measures to support the employment of young people, etc.

Romania has to fill both development gaps with the other EU Member States and the domestic ones (4:1 ratio of the Bucharest-Ilfov Region to the North-East Region), which again needs to develop local entrepreneurship as one of the pillars of response to competitive pressure in the EU.

Social services are services that provide support to the entrepreneur and his/her family members in vulnerable situations, i.e., when they are dependent on elderly people and/or persons with disabilities who require permanent care, facing family violence, at risk of poverty and social exclusion, etc.

In such cases, the existence of the necessary social services can be fundamental in taking the decision to place the new business in that location and their balanced development across the Romanian territory is mostly needed.

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