

# **The sector of social joint economy and entrepreneurship and its contribution to the growth of the Region of East Macedonia-Thrace (REMTH)**

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## **Abstract**

In this paper we dealt with the social economy/ entrepreneurship and we showed that it has significant impact for development in Greece and the Region of East Macedonia and Thrace (REMTH). We empirically found that this business model suits the Greek regions and especially in REMTH, which is transforming gradually its economy, offering smart innovative ideas and jobs. The social economy introduces the idea of entrepreneurship to people who would not otherwise dare to take a business venture. They are flexible, motivated, put forward in a series of public procedures and have many competitive advantages. They give outlet to collaborative and synergetic creativity and support open innovation. They produce jobs, distribute income to the many, protect the weakest in the business and production chain from the most powerful competitors. They fight speculation, exclusion, poverty and serve the family, social solidarity, cohesion and other public goals. In the context of the work, we highlighted how social enterprises are created, operated, who can participate in them and how through their smart business opportunities empower and develop the local communities. We also highlighted that the institution of solidarity economy bodies is suitable for serving the goals of inclusion, integration and combating exclusion. We concluded that, the more social economy and enterprises, the more support to the collective effort for the development of REMTH.

**Keywords:** Social economy, social entrepreneurship, collective business entities, Innovations in the social economy, successful social enterprises.

## **Introduction**

The crisis of capitalism, but also other crises such as health, environmental, and fiscal, have emerged the new forms of economy and entrepreneurship, with the social/joint one being an interesting version. The social economy/entrepreneurship is an extremely broad concept that encompasses a multitude of different forms of collective entities with the basic common aspect being their distinction from the state and the market. The use of this definition of the social economy is inevitable, because the search for a positive definition, based on the objective and principles of the social economy actors, would be practically ineffective, given that the various actors that are part of it, pursue various objectives and adopt different principles. The definition of the social economy in itself, although useful, is not sufficient, because by its nature it does not define what the social economy is. Therefore, this specific definition, in addition to its usefulness, is neither theoretically complete nor functionally adequate [1].

Therefore, it maintains the indeterminacy regarding the social economy. Despite the fact that the positive definition of what the social economy/entrepreneurship is, clashes with the multitude and diversity of the individual manifestations of collective activity that are included in it, the discussion on completing the definition in positive terms, beyond the theoretical dimension, also has critical practical importance, as it constitutes a determining factor in the decision to participate in it [2]. The diversity of the manifestations of the social economy/entrepreneurship is accompanied by reference to other concepts which state their objectives and principles. Thus, while the problem appears to concern exclusively the definition of the social

economy/entrepreneurship, it is essentially shifted and to a large extent constitutes an issue concerning the determination of the content of other concepts, which are used ancillary to the definition of the social economy. These are the concepts of profit, surplus, shares, corporate share, individual and social benefit, solidarity, etc. [3]. The problem is further complicated because the auxiliary concepts are not always and by everyone attributed the same content. Thus, when the unclearly delimited auxiliary concepts are attempted to be used to define the social economy, then their vagueness works cumulatively. In this way, instead of clarification, the result is the provoking of further confusion, not only for the concept of the social economy, but its various manifestations and their basic characteristics. In practice, the lack of a clear definition of social economy/entrepreneurship, and especially its relatively new manifestations, is attempted to be addressed through the process of discussions between stakeholders, usually with a strong ideological and political hue. In several cases, the approaches to the content of the concepts are incomplete, lacking scientific knowledge, and agreement is often attempted on the basis of political and ideological preferences and good intentions, which, however, are not based on an economically viable basis and do not constitute a functional economic mechanism [4]. In public discussions on the social economy and entrepreneurship, in addition to overcoming the obstacle of defining difficult concepts, serious attempts are made to discuss, construct, adopt, implement and disseminate an alternative mode of operation, production and distribution. However, it is obvious that, even with a scientifically sound discussion, the gap is extremely difficult to fill, as the emergence and development of the known modes of operation and organization of production required a long historical time. The correspondence between theoretical research and historical conditions for their success is a matter of major importance. This observation in no way attempts to evaluate the suitability of the historical conditions for the dissemination of new ventures, it simply highlights the difficulties they face. In any case, the multiple usefulness of the clear definition of social economy is evident [5]. The understanding of the social economy is intertwined in its overtime path, due to various forms of economic production /operation oriented towards meeting needs that are shaped in particular social conditions. After 1995, and as the crisis of the welfare state had reached its peak, the concept of the social economy was utilized within the framework of the new pluralistic social policies of the (EU)European Union/Greece. In this context, the social economy was shaped as a project that aimed to limit market dysfunctions in societies that were in crisis, without inflating the wasteful state [6]. The architecture of the social economy in the EU was integrated into the strategies of capitalism that promoted the idea of a sustainable development that protects the environment and vulnerable groups in a way that does not hinder the smooth functioning of the market. In this direction, the narrative of a flexible anthropocentric capitalism was built, with the basic tools of the green economy and social responsibility, promoted by European and national social initiative programs with the collaboration of social solidarity networks, businesses and volunteers [7]. In conclusion, social economy in its historical development, is constituted as a field within which processes with fundamental economic and social content are tested, concerning property relations, labor relations, the way decisions are made, and the rules for the smart management of surplus and fair profit [8].

### **The legal framework of the Social Joint Economy and Entrepreneurship -SJEE**

The first legal recognition of SEJE in Greece was made with the Law 4019/2011 entitled: “Social Economy and Entrepreneurship and other provisions”. According to that Law “the Social Cooperative Enterprise” is established as an entity of the Social Joint-Economy.

It is a Civil Cooperative Entity with a social purpose and has commercial status by the law. Socio-Cooperative Enterprises are the most prevalent and widespread form of social enterprises in Greece. The law provides definitions of useful concepts, such as “Social Economy”, “Integration” and “Collective Purpose”, which help the reader to understand the purpose of these social organizations. For the distinction and more successful management of the social enterprises, the distinction set out in the legislation in question, is also important, and concerns a clear demarcation of disadvantaged sensitive population groups. Complementary to previous Law, is the newer 4430/2016, which comes to consolidate the institution of the Social Economy, adding to it the qualification "Joint" and now it provides a detailed legislative frame. This frame removes any vagueness and makes the Social Economy a viable alternative form of organizing economic activities. The purpose of this legislative frame is the spread of the Social and Joint Economy in all possible sectors of economic activity and the support and promotion of projects that come from collective decisions of social entrepreneurship. Emphasis is given to the satisfaction of human needs through the formation of equal

production relations, the creation and integration into stable and decent work positions, the reconciliation of personal, family and professional life.

At the same time, social needs of a local or wider scope are served, using innovative techniques, aiming at sustainable and long-term development, with clear ethical priorities. An effort is made for the Social Economy not to be something out of place and complementary, but to be able to effectively constitute an efficient economic action, incorporating modern techniques, aiming at reconciling production and consumption and shaping a new type of social relations, based on collectivity and equality and not on competition. In conclusion, the social economy and entrepreneurship can be an important lever for sustainable development and social inclusion by investing mainly in human resources, local business opportunities and social solidarity.

### **Innovations in the social economy**

Social innovation, as a subset of the concept of innovation, corresponds to any new strategy, concept, idea or organizational and operational model that serves basic needs of society as a whole. Innovation is considered one of the key factors for fulfilling the objectives of the European Strategy 2023-2030 for smart, sustainable and inclusive growth. In this context, achieving the Strategy 2023-2030 requires the involvement of all actors operating in the field of innovation, including social economy actors and citizens themselves. Social innovation covers activities that are social in both, their aims and means. Such activities are linked to the fair development, testing, validation, implementation and scale-up of new combinations of products, services, models or practices that respond to social needs and solve social challenges [9]. Therefore, social innovations aim to change the social context, to empower civil society actors and to enhance their capacity to act, as well as to develop new social policy approaches. The concept of social innovation allows public authorities, private and tertiary sector actors to establish new relationships or partnerships and to adapt innovative actions to the specific needs and opportunities of each region, or to experiment in a development context. What is an established practice in one country can serve as a source of innovation elsewhere - best practices transferring. In Greece, the main objective is to activate, develop and thrive the social innovation ecosystem, so that it is able to support social cohesion, social development and just transition. For this reason, the Greek Social Innovation Lab (G.S.I.L.) was created. It focuses on the analysis of contemporary challenges and the utilization of open innovation management tools in the areas of the circular economy, technological transformation issues, digital literacy, challenges of the energy crisis and resource management. The main priorities of the Greek Competence Center-GCG for the Innovative Social Economy are [10].

- Its involvement in the formation of Innovative Social Entrepreneurship, the digital transformation of social enterprises, the financing and sustainability of social ventures, the use of good practices in social entrepreneurship and innovation, the upgrading of the ecosystem of social enterprises and collaborative models.
- The provision of assistance for upgrading of manpower skills, for feasibility studies, for guidance and networking of new social businesses, for supporting social innovation actors in order to plan, implement and scale social innovation activities.
- The monitoring and improvement of the social innovation ecosystem.
- The transfer of know-how and experiences within the social ecosystem but also to the public, private and tertiary sectors.
- Its operation as an intermediary between social innovation actors, in order to facilitate their networking, cooperation and synergy.

The innovative social entrepreneurship ecosystem aims to:

1. Strengthen the research, technological and innovation system.
2. Strengthen access, best use and quality of information and communication technologies.
3. Strengthen the competitiveness of small and medium-sized social enterprises.
4. Strengthen the transition to a low-carbon economy in all sectors.
5. Promote climate change adaptation, risk prevention and fair climate management.
6. Protect the environment and promote resource efficiency.
7. Promote sustainable transport and remove bottlenecks in key infrastructure networks.
8. Promote smart employment and support worker mobility.

9. Promote social inclusion and the fight against poverty.
10. Invest in education, skills and lifelong learning.

### Strategies for right business decisions for establish successful social enterprises

It is apparent that the establish of successful social enterprise some smart and necessary activities have to be taken.

**-Conduct extensive due diligence:** This phase is critical to fully understanding the strengths and challenges of the social business. Data collected are, market research, competition research, investment and operation costs and financial analyses.

**-Create a complete and well-documented business plan:** A careful cooperation contract and reading of the it is essential. The legal contract prevails in case of disagreements, so it is crucial to understand all its points by all partners. At the same time, a financial model is created based on real data about total investment/operation costs, such as, rental cost, raw material costs, payroll, insurance, utilities and financing, benchmarks for start-up costs, operating expenses and payroll expenses.

**-Realistic growth in period planning:** Profitability is not achieved in short time. In businesses such as SEJE, the balancing expenses and income may require a period at least 12-18 months. It is necessary to be made a very well documented cash flow statement in order to be avoided liquidity pressures [11-13].

### The dynamics of the Social Economy /entrepreneurship in Greece-REMTH

In order to understand the picture of social economy in Greece/REMTH, some figures and indicators should be examined both in their quantitative-numerical figures and in their qualitative dimension-form and significance [[www.eydamth.gr](http://www.eydamth.gr)], [[www.pamth.gov.gr](http://www.pamth.gov.gr)]. That is, to examine how this picture evolves in the last years of development of the Social Economy, how social entrepreneurship differentiates by common businesses, what difficulties it faces and what changes are likely to be desirable, as they arise from its current picture (2015-2022). As mentioned above, social businesses must meet the social criteria set out by Law 4430/2016. They submit a relevant report in order to be classified as social economy entities, either in the form of a Social Economy Act or other similar criterion [14]. The Annual Report “SEJE 2021-2022”, published by the SEJE Directorate of the Ministry, includes an in-depth analysis of the characteristics of SEJE entities in Greece. There are 2.213 SEJE entities registered till end 2022. Of these, 484 are in a state of inactive. Therefore, a total of 1.729 SEJE entities are fully active and registered in the registration office. A decrease in the number of registrations per year is observed from 2018 to 2022, while until 2018 there was a purely increasing trend, by 4,6%. This can be justified as the result of the decrease in the initial enthusiasm for establishing businesses in an innovative sector for Greece. The difficulties faced by SEJE entities in their daily operation also contribute to the reduced interest in these legal forms of entrepreneurship.

The regional distribution of SEJE entities generally follows the corresponding distribution of population and GDP, with most registrations appearing in the region of Attica. Although Attica has a high concentration of SEJE entities, it appears to be just above the national average in terms of SEJE entities per 100,000 inhabitants. The regions that stand out in this respect are the North and South Aegean and Western Greece. In REMTH 71.6% of households do not owe any debt, with 20.1% owing one and the remaining 8.3% owing two or more, with the main types of debt being mortgages (55.1%) and consumer loans (45.8%), with the average household spending €295.8 per month on food. The top 25% of the population owns 45.2% of the regional income, and the bottom 44.4% of the regional income, owns the top 50%. The average disposable income is 10,041 euros with a 4-member family. The poverty threshold is equal to 11,064 and below, or 5,269 individually with the risk of poverty or social exclusion increasing to 18.9% in 2023. According to the data of the General SEJE Registry, the turnover of SEJE entities and their number for the period 2015-2022:

2015	€27,650,344	1.522
2016	€31,340,876	1.654
2017	€32,870,545	1.867
2018	€35,560,454	1.765
2019	€43,992,859	1.739
2020	€36,852,64	1.728



2021	€32,430.000	1.704
2022	€29,895.000	1.729

This decrease can be attributed partly to the fact that a smaller number of social business entities were established and partly to the increased number of SEJE stopped to operate. It is noted that the average turnover of SEJE across the country remained essentially, stable despite the difficulties of the years of crisis 2015-2020. The average turnover of all SEJE entities amounted to €55,971. According to the overtime data, the regions of North Aegean and Central Macedonia present the largest average turnover, while REMTH presents the penultimate after the last Peloponnese. The picture of the General Register of Social and Joint Entities on 30-09-2023 is as follows:

**Table 1: Number of SEGE according to Register List of Social and Joint Economy Enterprises**

Data for SEJE	Registered	Stopped	In force
Social Cooperative Enterprise	1.724	143	1.581
Workers' cooperatives	35	6	29
Social Cooperatives LTD	39	0	39
Other Legal Entities	81	1	80
<b>Total</b>	<b>1.879</b>	<b>150</b>	<b>1.729</b>

Source: <https://www.taxheaven.gr/news/46202/1404-koinsep-drasthriopoiointai-hdh-sthn-ellada>

### Data used and methodology of estimating the contribution of social economy to development of REMTH.

The data used have collected by many official and trustworthy sources. The methods for estimating the contribution of social sector to GDP that have been developed and applied internationally can be distinguished into “simplifying techniques” and “multi-equation models”, or non-model approaches [15].. The criteria for distinguishing the methods are their requirements for the quantity and quality of the data used and the degree of analysis of the regional economy. Simplifying techniques include the interview method, the historical comparative analysis of the economies of the regions before and after and the economic potential approaches. Multi-equation models include econometric models such as Multiple Regression models, Spatial Equilibrium Analyses and Input-Output models. According to these approaches, the change in the economic potential of a region will result in a change in its economic activity with an impact on its economic figures. The change in potential is expressed in a change in demand or in employment/ unemployment. The change in potential of I factor from time t to time t+1 due to creation new social businesses is equal to:

$$\Delta q_i = [P_i(t+1) / \Sigma P_i(t+1)] - [P_i(t) / \Sigma P_i(t)]$$

If we accept that the total change in employment / unemployment is equal to the total change in potential, that is:  $\Delta i_i = \Delta q_i$

and the total sum of the potential change will be equal to zero-competitive growth, then we will have:

$$\Delta Li = \Delta q_i [\Sigma Li(t)] = 0$$

Based on this relationship, the resulting

change in GDP for one year, e.g. 2022, is calculated by the equation:

$$GDP_{2022} - GDP_{2015} = (\Delta III - \Delta II / V)$$

where:

$\Delta III$  = the potential unemployed population 2015

$\Delta II / V$  = the potential unemployed population 2022

$\sigma = 0,999$  = sensitivity parameter, according to Greek regional accounts.

Following the above, and according to the views of [16] on the components of GDP, we can proceed to the formulation of our empirical model, which is the **Multiply Linear Regression Model (MLRM)** that takes the form:

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \varepsilon_i$$

$Y$  = dependent variable that expresses the benefit that will arise in the economy-GDP.

$\alpha_0$  = the value of the variable  $Y$  when all  $X = 0$ .

$\alpha_1, \alpha_2, \alpha_3, \alpha_4$  = regression coefficients for the variables,  $X_1, X_2, X_3, X_4$

$X_1$  = independent variable expresses the benefit from the increase in activities of social economy.

$X_2$  = independent variable expresses the benefit from the increase in turnover of social economy.

$X_3$  = independent variable expresses the benefit from the reduction of poverty in REMTH.

$X_4$  = independent variable expresses the benefit from the reduction of unemployment in REMTH.

$\varepsilon_i$  = the error factor

The data used present below and they have run to SPSS S/W packet.

**Table 2: Data used to assess the quantitative contribution to GDP of REMTH**

Year	Number of SEJE-	Turnover	GDP -000 euro	Poverty %	Unemployment %*
2015	1.522	27,650,344	6.786.000	25,5	23,7
2016	1654	31,340,876	6.901.000	24,9	22,8
2017	1867	32,870,545	6.342.000	21,8	19,5
2018	1765	35,560,454	5.687.000	24,3	16,0
2019	1739	43,992,859	6.016.000	26,2	16,2
2020	1728	36,852,640	5.612.000	28,6	17,2
2021	1704	32,430.000	6.201.000	25,2	18,5
2022	1729	29,895.000	6.729.900	24,4	14,7

**Source: REMTH, IOBE, KEPE, ELSTAT**

\*[REMTH is the Greek region with the higher % of long-term unemployment, 74,5% in average term of the period 2015-2922]

The above data were used and run in SPSS S/W packet and the results are:

1.The model was based on least square method

2. The production function is:

$$2,6575 + 0,77889 X_1 + 0,57584 X_2 + 0,97643 X_3 + (-0,37923) X_4 + 0,0256$$

**Table 3 The diagnostic tests produce the outcomes:**

R	R <sup>2</sup>	Std error of the estimate	F Change	df1	Sig F Change	Durbin-Watson
0,934	0,8723	56,8976	58,676	1	0,00009	2,748
Statistical tests *					Quantification	
Autocorrelation - AC					0.3786	
Specialization -SP					1.3436	
Normality - N					0.1867	
Heteroscedacity -HE					0.1783	
Forecasting Failure -FF					0.2891	
Stability - ST					0.7865	

\* 1.R= Coefficient of multiple determination corrected for degrees of freedom

To determine multicollinearity, we applied the Frisch test because the coefficient of determination  $R^2$  is large. The t-tests show significant results because in our model, at a significance level of 16% for the variables  $X_i$ , there is serious multicollinearity between the explanatory variables. The coefficient of variation is given by the ratio of the standard deviation to the mean of the variable  $X$ =unemployment %, which in this case negatively reflects the growth potential of the REMTH:  $SD = S_x/X$ . It is worth noting that from her empirical studies, Peschel found that there is not always a positive relationship between

employment and growth. But Clark et al claimed that there is a strong correlation between potential and regional development [17-18]. To eliminate misunderstandings about the accuracy of our method, we consider the adhoc growth factors – new business models, technological breakthroughs, changes in the production process, the prices of production factors- constant for the entire period 2015-2022 so that they do not affect the results and do not require the inclusion of elasticity that affects the stability of technological factors [19].

From the econometric estimates of the function:

$$2.6575 + 0.77889X_1 + 0.52584X_2 + 0.97643X_3 + (-0.37923)X_4 + 0.0256$$

the following results emerge:

1. The turnover of SEGE affects regional GDP more than the other factors participating in the model ( $\alpha_1 = 0.77889$ ).

2. The number of SEGE affects regional GDP more than the other factors participating in the model  $\alpha_2 = 0.52584$ .

3. The percent % of unemployment negatively affects regional GDP,  $\alpha_4 = -0.379023$ .

4. Finally, all the above factors explain a very high percent % of GDP growth for the period under consideration 2015-2022,  $R^2 = 0.95571$ .

## Conclusions

The aim of this paper is to examine the variables of social economy/enterprises/ unemployment that affect the growth of the region EMTH, expressed as GDP changes-considering the other growth factors stable for the entire period under research. These variables were run in a MLR/Production Function model to determine which factor most influenced the growth of GDP. In the econometric model used the variables, turnover of SEGE, number of SEGE and unemployment were found to be statistically significant at the 5% significance level for the growth of the REMTH, expressed as GDP changes. The above mean that; every increase by 1% of the turnover of SEGE causes an increase of R-GDP by 0.78%, every increase by 1% of the number of SEGE causes an increase of R-GDP by 0.53%, and every decrease by 1% of the unemployment in REMTH causes an increase of R-GDP by 0.38%. Therefore, the social economic activities can boost the growth rate of regional GDP.

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