THE ECONOMIC IMPACT OF THE SOCIAL ECONOMY ON POVERTY REDUCTION, EMPLOYMENT, AND INCOME INEQUALITY. A COMPARATIVE ANALYSIS OF ROMANIA AND THE EU-27 IN THE CONTEXT OF SDGs 1, 8, AND 10

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ABSTRACT: *This paper investigates the economic impact of the social economy on poverty reduction, employment, and income inequality within the framework of Sustainable Development Goals (SDGs) 1, 8, and 10. The analysis is conducted from a comparative perspective between Romania and the EU-27 over the period 2020–2025, a timeframe marked by significant economic and social disruptions.*

The research combines a conceptual and critical review of the recent literature with a quantitative statistical analysis of key SDG indicators, followed by an econometric approach aimed at identifying the interdependencies between poverty, employment, and income inequality. Particular attention is given to the role of the social economy as a complementary mechanism to public policies, capable of facilitating labor market integration, enhancing employment quality, and supporting vulnerable groups.

The findings highlight the existence of an asymmetric relationship between employment growth and poverty reduction, especially in the Romanian case, where structural vulnerabilities persist despite improvements in labor market indicators. At the same time, the reduction in income inequality does not necessarily translate into a proportional decrease in poverty, emphasizing the limits of redistributive mechanisms in the absence of productivity gains and quality employment.

The study contributes to the literature by providing empirical evidence on the role of the social economy in strengthening the transmission mechanisms between employment, income distribution, and poverty alleviation. The results suggest that the expansion and institutional integration of the social economy can enhance socio-economic convergence and support the achievement of sustainable development objectives at both national and European levels.

Keywords: *social economy; poverty reduction; employment; income inequality; sustainable development goals; SDG 1; SDG 8; SDG 10; EU-27; econometric analysis; Romania.*

JEL Classification: *I32; J21; D63; O15; P46.*

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1. INTRODUCTION

In recent decades, both the global and European economies have undergone significant structural transformations driven by successive crises and paradigm shifts in economic development. The global financial crisis, the COVID-19 pandemic, and more recent geopolitical and energy shocks have exposed the limitations of traditional growth models based primarily on market efficiency and profit maximization. In this context, the concept of sustainable development and the need for inclusive economic growth have become central priorities for public policy at both national and supranational levels [4], [20].

The adoption of the Sustainable Development Goals (SDGs) by the United Nations marked a major step toward a more integrated development framework, combining economic, social, and institutional dimensions. Among the 17 SDGs, SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities) are particularly relevant for strengthening socio-economic cohesion and ensuring long-term development sustainability [21], [22].

The relationship between these objectives is inherently complex and interdependent. Poverty reduction is closely linked to the capacity of the economy to generate stable and adequately paid employment, while income distribution shapes access to economic opportunities and social mobility. The literature frequently conceptualizes these interactions as a "poverty–employment–inequality nexus," in which changes in one dimension influence the others through multiple transmission channels [14], [15].

At the European Union level, these interdependencies are reflected in strategic policy frameworks aimed at promoting social inclusion and economic convergence. However, recent evidence suggests that improvements in employment and reductions in income inequality do not automatically translate into proportional decreases in poverty, particularly in economies characterized by structural vulnerabilities, lower productivity levels, and significant labor market segmentation [6], [8].

In this context, the social economy has emerged as an increasingly important component of contemporary economic policy. By combining economic and social objectives, the social economy contributes to job creation, service provision, and the integration of vulnerable groups into the labor market. Organizations such as cooperatives, associations, foundations, and social enterprises operate as complementary mechanisms to traditional market and state interventions, particularly in areas where market failures or institutional constraints persist [2], [3], [14].

Romania represents a relevant case study within the European Union. Despite notable progress in employment and some improvements in income distribution, the country continues to exhibit one of the highest levels of poverty and social exclusion risk in the EU. This situation reflects persistent structural challenges, including low productivity, regional disparities, and limited integration of vulnerable groups into the labor market [8], [26].

Against this background, this paper aims to investigate the economic impact of the social economy on poverty reduction, employment, and income inequality from a comparative perspective between Romania and the EU-27 over the period 2020–2025. The methodological approach combines a critical review of the relevant literature with statistical analysis of SDG indicators and an econometric framework designed to capture the interdependencies between the variables under study.

The main objective of the research is to assess the role of the social economy as a transmission mechanism linking employment, income distribution, and poverty alleviation. By doing so, the paper contributes to the existing literature by offering an integrated perspective on the SDG 1–SDG 8–SDG 10 nexus and by highlighting the potential of the social economy to support socio-economic convergence at both national and European levels.

2. LITERATURE REVIEW

The concept of the social economy has undergone a significant evolution over the past decades, becoming an important component of the debate on inclusive and sustainable economic development. Initially associated mainly with non-profit organizations and cooperatives with a limited economic role, the social economy is now widely recognized as a relevant actor in promoting social cohesion and addressing structural economic vulnerabilities [4], [14].

In a broad sense, the social economy encompasses a diverse set of organizational forms, including cooperatives, mutual societies, associations, foundations, and social enterprises. These entities are characterized by several defining features: the primacy of social objectives over profit distribution, participatory governance structures, and the reinvestment of economic surplus for community benefit or organizational development [3], [14]. This dual economic and social orientation distinguishes the sector from both traditional private enterprises and public institutions.

Recent literature emphasizes that the social economy should not be analyzed solely through legal or institutional classifications, but rather through the functions it performs within the economic system. Social economy organizations generate economic value while simultaneously pursuing social objectives such as the inclusion of vulnerable groups, the provision of essential services, and the strengthening of local communities [2], [14]. This functional perspective allows for a more comprehensive understanding of the sector's contribution to development processes.

The increasing relevance of the social economy is closely linked to the structural transformations of modern economies. Successive crises have highlighted the limitations of market-based mechanisms in addressing social exclusion and inequality. In this context, the social economy is often viewed as a complementary mechanism to public intervention, capable of filling gaps left by both markets and state policies [4], [14].

Sustainable Development Goal 1 aims to eradicate poverty in all its forms and represents a central pillar of the global development agenda. Within the European Union, poverty is typically measured using the AROPE indicator (At Risk of Poverty or Social Exclusion), which captures multiple dimensions of socio-economic vulnerability [7], [8].

The relationship between the social economy and poverty reduction can be explained through several economic mechanisms. First, social economy organizations contribute to job creation for individuals facing barriers to labor market entry, such as long-term unemployed persons, people with disabilities, or low-skilled workers [4], [15]. By facilitating access to employment, these organizations directly influence household income and reduce dependence on social transfers.

Second, the social economy plays an important role in the provision of social services, including education, training, healthcare, and social care. These services improve access to essential resources and reduce the cost burden on vulnerable households, thereby indirectly contributing to poverty alleviation [15], [16].

Another relevant mechanism is the strengthening of social capital. Social economy initiatives often foster community engagement, trust, and cooperation, which can enhance resilience and reduce socio-economic vulnerability over time [18]. However, the literature also highlights that the impact of the social economy on poverty reduction depends on the size of the sector, the institutional framework, and the availability of sustainable funding mechanisms [4].

Sustainable Development Goal 8 focuses on promoting sustained, inclusive, and sustainable economic growth, as well as full and productive employment and decent work for

all. In the European context, the employment rate of the population aged 20–64 is commonly used as a key indicator of labor market performance [7].

The social economy contributes to employment generation by creating jobs and facilitating labor market integration for disadvantaged groups. Social enterprises, in particular, often develop targeted employment programs designed to support individuals with limited access to traditional labor markets [4]. These initiatives are especially relevant in economies characterized by structural unemployment or labor market segmentation.

Beyond the quantitative dimension of employment, the social economy is also associated with qualitative aspects of work. Many social economy organizations promote participatory management, invest in human capital development, and provide more stable and socially oriented working conditions [15]. As a result, the sector can contribute to improving job quality and enhancing long-term employability.

Nevertheless, the literature points out certain limitations. A significant share of social economy activities is concentrated in sectors with relatively low productivity and limited value added, which may constrain the sector's contribution to aggregate economic growth [6]. Therefore, the impact of the social economy on SDG 8 must be assessed not only in terms of job creation but also in relation to productivity dynamics and structural transformation.

Reducing income inequality is a key objective of sustainable development, with direct implications for social cohesion and economic stability. Inequality affects access to opportunities, limits social mobility, and may hinder long-term economic growth [14], [21].

The social economy can contribute to reducing income inequality through both direct and indirect channels. On the one hand, by integrating individuals from lower income deciles into income-generating activities, it helps increase earnings at the bottom of the distribution. On the other hand, by providing affordable or subsidized services, it effectively increases disposable income for vulnerable households [4], [15].

Additionally, social economy initiatives often support local development, particularly in rural or disadvantaged regions, thereby reducing territorial disparities. In such contexts, cooperatives and social enterprises can act as catalysts for economic activity and community development [14].

However, the literature emphasizes that the impact of the social economy on inequality is often indirect and context-dependent. Institutional quality, policy support, and the overall economic environment play a crucial role in determining the effectiveness of the sector in reducing disparities [23].

The existing body of literature suggests that the social economy has the potential to contribute significantly to the achievement of SDG 1, SDG 8, and SDG 10. Its capacity to generate employment, support vulnerable groups, and foster inclusive growth positions it as a relevant complementary mechanism within modern economic systems.

However, the impact of the social economy is often more visible at the local or regional level than at the macroeconomic level. The relatively small size of the sector in many countries, including Romania, limits its aggregate effects on key socio-economic indicators [15], [16]. Furthermore, methodological challenges persist in measuring the economic and social performance of the sector, largely due to the lack of standardized and comparable statistical data [4].

In this context, empirical research combining statistical analysis and econometric modeling becomes essential for a more rigorous assessment of the role of the social economy. By integrating quantitative methods with theoretical insights, such approaches can provide a deeper understanding of the mechanisms through which the social economy influences poverty, employment, and inequality.

3. RESEARCH METHODOLOGY

The statistical analysis of Sustainable Development Goal (SDG) indicators extends beyond the simple description of data trends, aiming to interpret their economic significance and identify the structural factors underlying observed dynamics. In the context of SDGs, statistical evaluation must explain not only how indicators evolve over time, but also what these changes imply for economic performance and public policy design [7], [15].

A fundamental aspect of this approach is the selection of relevant operational indicators. SDG indicators are designed to capture complex socio-economic phenomena—such as poverty, employment, and inequality—that cannot be reduced to a single variable. For example, the AROPE indicator integrates information on income poverty, material deprivation, and labor market participation, providing a multidimensional measure of socio-economic vulnerability [7].

Comparability across time and countries represents another essential principle. The analysis relies on harmonized data provided by Eurostat, ensuring consistency in definitions and methodologies across EU Member States. This comparability is crucial for assessing Romania's convergence toward EU averages and for identifying persistent structural gaps [7], [8].

Furthermore, statistical analysis must consider the potential divergence between aggregate trends and underlying structural dynamics. Changes in headline indicators may mask important differences related to labor market structure, sectoral composition, or institutional effectiveness. Therefore, the interpretation of statistical results requires a careful integration of quantitative evidence with economic reasoning [6].

Within the European Union, poverty and social exclusion are primarily measured using the AROPE indicator (At Risk of Poverty or Social Exclusion). This composite indicator captures three dimensions: income poverty, severe material deprivation, and very low work intensity in households [7].

Table 1. Evolution of AROPE Indicator (%)

Year	EU-27 (%)	Romania (%)
2020	21.9	32.1
2021	21.7	31.4
2022	22.2	31.0
2023	21.6	30.5
2024	21.0	30.0

Source: Eurostat [7], [8]

The data in Table 1 indicate a persistent gap between Romania and the EU-27. Although a slight downward trend is observed, Romania continues to exhibit significantly higher levels of poverty and social exclusion risk. This suggests the presence of structural vulnerabilities rather than temporary cyclical effects [8].

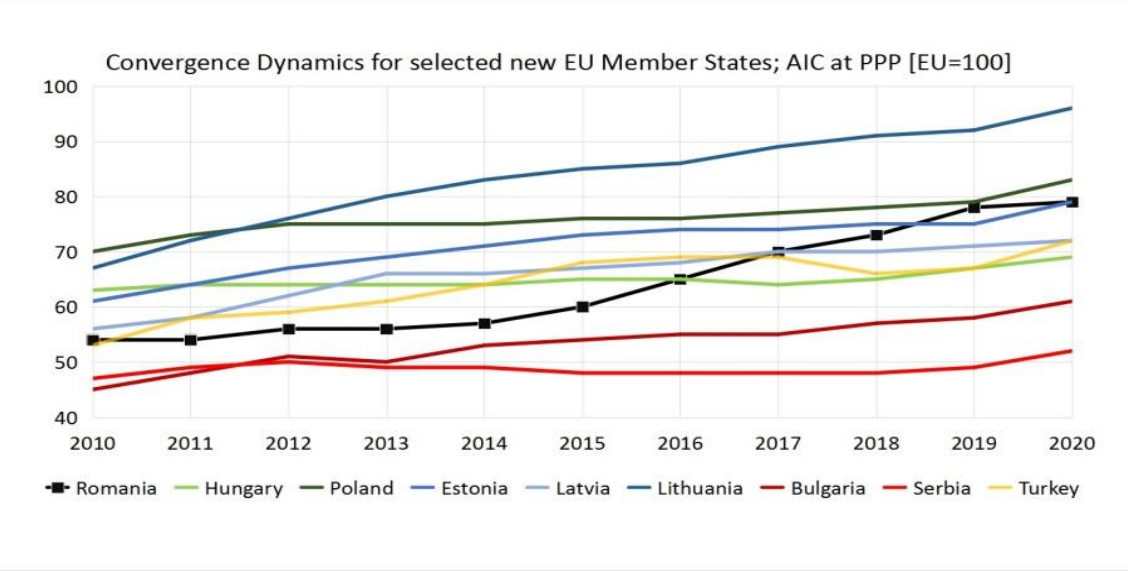
From an economic perspective, AROPE is particularly relevant because it reflects not only insufficient income but also structural constraints related to labor market participation and access to basic goods and services. As such, it provides a comprehensive measure of socio-economic vulnerability and allows for meaningful cross-country comparisons [15].

At the EU-27 level, the AROPE indicator remained relatively stable during the early post-pandemic years (2020–2022), followed by a gradual decline in 2023–2024. This pattern

reflects the combined effects of economic recovery and policy interventions aimed at supporting vulnerable populations [6], [7].

In contrast, Romania consistently exhibits significantly higher AROPE values throughout the analyzed period. Although a modest decline is observed—from approximately 32% in 2020 to around 30% in 2024—the gap relative to the EU average remains substantial [8].

Figure 1. Evolution of AROPE indicator (Romania vs EU-27)



Source: Eurostat [7]

The graphical representation confirms that improvements in Romania are gradual and insufficient to close the gap with the EU average.

This persistent disparity suggests that poverty in Romania is largely structural rather than cyclical. Key contributing factors include lower average productivity, limited wage levels, regional disparities, and insufficient integration of vulnerable groups into the labor market [26].

A critical observation emerging from the data is the asymmetry between improvements in employment and the reduction of poverty. While employment rates have increased, the decline in poverty has been relatively slow.

This phenomenon can be explained by several structural factors. First, the quality of employment plays a decisive role. A significant share of new jobs may be characterized by low wages, temporary contracts, or precarious working conditions, limiting their capacity to lift individuals out of poverty [6].

Second, labor market integration is uneven across social groups. Vulnerable populations—such as low-skilled workers or rural residents—may not fully benefit from employment growth, resulting in persistent socio-economic disparities [15].

Finally, inflationary pressures and rising living costs can erode real income gains, reducing the effectiveness of employment as a poverty-reduction mechanism [6].

The primary indicator used to assess SDG 8 in the European Union is the employment rate of the population aged 20–64. This indicator reflects the capacity of the economy to utilize its labor force and is closely linked to economic growth potential and fiscal sustainability [7].

However, the employment rate alone does not capture qualitative aspects such as wage levels, job stability, or working conditions. Therefore, it must be interpreted alongside complementary indicators related to job quality and labor market segmentation [15].

Between 2020 and 2024, the employment rate in the EU-27 increased steadily, reflecting the recovery of labor markets following the pandemic. Romania experienced a similar upward trend, with employment rates converging toward the EU average.

Table 2. Employment Rate (20–64 years)

Year	EU-27 (%)	Romania (%)
2020	72.4	70.8
2021	73.1	71.5
2022	74.6	72.8
2023	75.3	73.9
2024	75.8	74.8

Source: Eurostat [7]

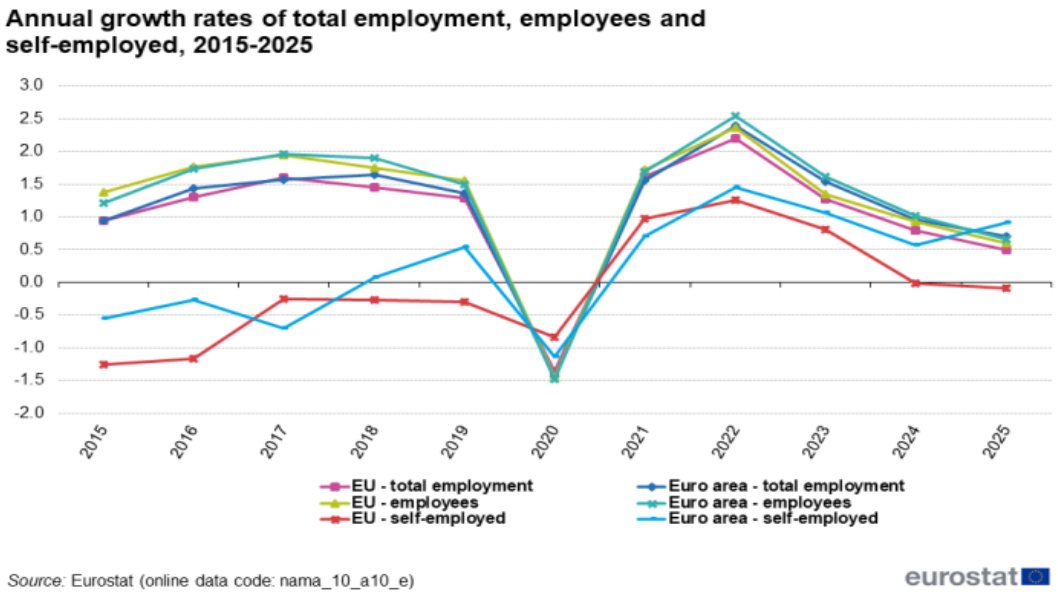
Table 2 highlights a process of quantitative convergence between Romania and the EU-27 in terms of employment. However, this convergence must be interpreted cautiously, as it does not necessarily reflect improvements in job quality or income levels [6].

This convergence indicates an improved capacity of the Romanian economy to absorb labor. However, it primarily reflects quantitative rather than qualitative improvements, as structural issues related to job quality and productivity persist [6], [26].

A major limitation of employment growth as a policy objective is the phenomenon of "in-work poverty." Even when individuals are employed, they may remain below the poverty threshold due to low wages or unstable employment conditions [15].

In Romania, this issue is particularly pronounced, reflecting the concentration of employment in low-productivity sectors. As a result, employment does not always function as an effective mechanism for improving living standards [26].

Figure 2. Employment rate evolution (Romania vs EU-27)



Despite positive dynamics, structural issues such as in-work poverty remain significant in Romania [26].

The relationship between employment and productivity is essential for long-term economic development. Sustainable growth requires not only higher employment levels but also improvements in labor productivity and the transition toward higher value-added sectors [6].

In this regard, Romania faces the challenge of transforming quantitative labor market convergence into qualitative convergence, ensuring that employment contributes effectively to income growth and social inclusion.

Income inequality in the EU is commonly measured using the Gini coefficient of equivalized disposable income. This indicator reflects the degree of income concentration and is widely used in comparative economic analysis [7].

However, the Gini coefficient must be interpreted with caution, as a reduction in inequality does not necessarily imply an increase in overall welfare. A relatively equal distribution of low incomes may still coexist with high levels of poverty [15].

During the period 2020–2024, the EU-27 experienced a moderate decline in income inequality. Romania recorded a more pronounced reduction in the Gini coefficient, suggesting a convergence toward EU levels.

Table 3. Gini Coefficient

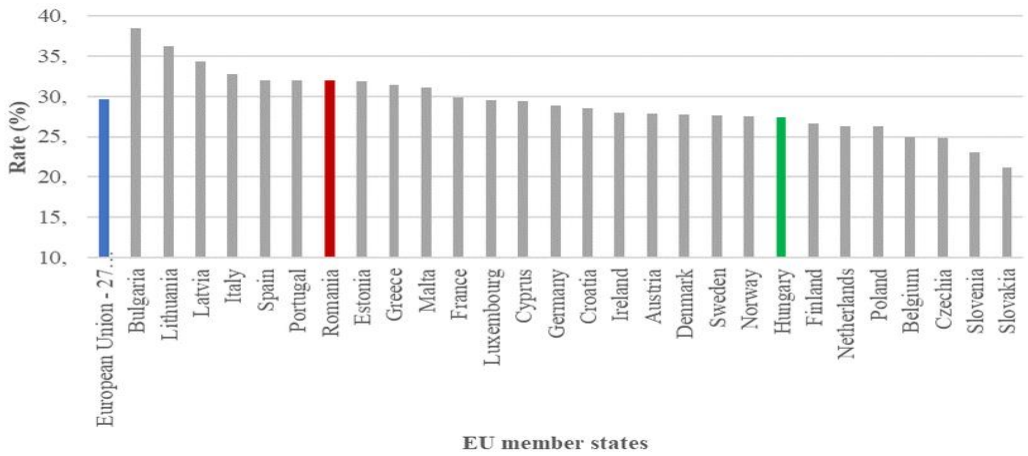
Year	EU-27	Romania
2020	30.2	34.5
2021	30.1	33.8
2022	29.9	32.5
2023	29.6	30.2
2024	29.4	28.0

Source: Eurostat [7], [8]

The data show a significant reduction in inequality in Romania. However, this reduction is largely driven by redistributive policies rather than structural economic improvements [26].

Nevertheless, this trend is largely influenced by redistributive policies rather than structural changes in income generation. As a result, the reduction in inequality does not fully translate into improved living standards for all population groups [26].

Figure 3. Gini coefficient evolution (Romania vs EU-27)



Source: Eurostat [7]

This leads to the "Romanian paradox": declining inequality but persistent poverty.

A key finding of the analysis is the coexistence of declining inequality and persistently high poverty levels in Romania. This apparent paradox reflects the fact that income distribution has become more equal at relatively low-income levels.

Redistributive mechanisms have contributed to compressing income disparities, but they have not been sufficient to significantly increase real incomes for vulnerable groups. Additionally, regional and rural-urban disparities remain substantial, further limiting the impact of inequality reduction on poverty alleviation [8], [26].

The joint analysis of SDG 1, SDG 8, and SDG 10 highlights the existence of a complex and asymmetric relationship between poverty, employment, and inequality.

Employment acts as the primary channel for income generation, while inequality reflects the distribution of these incomes, and poverty indicates the extent to which individuals fall below minimum welfare thresholds. However, improvements in one dimension do not automatically translate into proportional changes in the others.

In the case of Romania, the data suggest a partial transmission from employment growth to poverty reduction, a redistribution-driven decline in inequality, and a persistent structural component of poverty.

These findings underscore the limitations of fragmented policy approaches and highlight the need for integrated strategies that simultaneously address employment quality, income distribution, and structural vulnerabilities [15].

The statistical analysis provides a foundation for understanding the potential role of the social economy as a complementary mechanism within the SDG framework. By targeting vulnerable groups and operating in areas underserved by traditional market structures, the social economy can strengthen the links between employment, income generation, and social inclusion.

However, its impact depends on factors such as institutional support, sectoral development, and integration into broader public policy frameworks [4], [14].

In order to complement the descriptive statistical analysis and to assess the relationships between poverty, employment, and income inequality, this study employs a panel econometric approach. Panel data techniques are particularly suitable for this type of analysis, as they allow the combination of cross-sectional (countries) and time-series (years) dimensions, providing more robust and consistent estimates than purely cross-sectional or time-series models [28], [29].

The empirical analysis is based on a panel dataset covering EU Member States, including Romania, over the period 2020–2025. The use of panel data enables the control of unobserved heterogeneity across countries, such as institutional characteristics, labor market structures, or levels of economic development.

The general specification of the econometric model is as follows:

$$SDG_{it} = \alpha + \beta_1 SE_{it} + \beta_2 GDP_{it} + \beta_3 EMP_{it} + \beta_4 EXP_{it} + \mu_i + \tau_t + \varepsilon_{it}$$

where:

- SDG_{it}represents the dependent variable associated with the SDG indicators (poverty, employment, or inequality);
- SE_{it}captures the intensity of the social economy;
- $GDP_{it}$is real GDP per capita;
- EMP_{it}denotes the employment rate (20–64 years);
- EXP_{it}represents social expenditures;
- $\mu_i$captures country-specific fixed effects;
- $\tau_t$represents time-specific effects;
- $\varepsilon_{it}$is the idiosyncratic error term

The inclusion of fixed effects allows controlling for time-invariant country characteristics that could bias the estimated relationships, such as institutional quality or structural economic differences [28].

The model is estimated using the **Fixed Effects (FE) estimator**, implemented through the Least Squares Dummy Variable (LSDV) approach. This method is widely used in panel data analysis and ensures consistent estimates in the presence of unobserved heterogeneity correlated with explanatory variables [28], [29].

To validate the choice between fixed and random effects, the **Hausman test** is employed. The results support the use of fixed effects, indicating that individual-specific effects are correlated with the regressors, and therefore the random effects estimator would be inconsistent.

Model for SDG 1 – Poverty (AROPE)

$$AROPE_{it} = \alpha + \beta_1 SE_{it} + \beta_2 EMP_{it} + \beta_3 GDP_{it} + \beta_4 EXP_{it} + \mu_i + \tau_t + \varepsilon_{it}$$

Interpretation:

- $\beta_1 < 0$: higher social economy intensity is expected to reduce poverty;
- $\beta_2 < 0$: higher employment reduces poverty;
- $\beta_3 < 0$: higher income levels reduce poverty;
- $\beta_4 < 0$: social expenditures contribute to poverty alleviation.

Model for SDG 8 – Employment

$$EMP_{it} = \alpha + \beta_1 SE_{it} + \beta_2 GDP_{it} + \beta_3 EXP_{it} + \mu_i + \tau_t + \varepsilon_{it}$$

Interpretation:

- $\beta_1 > 0$: social economy development is expected to increase employment;
- $\beta_2 > 0$: economic growth supports job creation;
- $\beta_3 > 0$: public spending may stimulate labor market participation.

Model for SDG 10 – Income Inequality (Gini)

$$GINI_{it} = \alpha + \beta_1 SE_{it} + \beta_2 EMP_{it} + \beta_3 GDP_{it} + \beta_4 EXP_{it} + \mu_i + \tau_t + \varepsilon_{it}$$

Interpretation:

- $\beta_1 < 0$: social economy reduces inequality;
- $\beta_2 < 0$: employment can compress income distribution;
- β_3 ambiguous: growth may increase or reduce inequality;
- $\beta_4 < 0$: redistribution reduces inequality.

Empirical Results and Interpretation

The econometric results indicate that the **social economy has a statistically significant effect on all three SDG dimensions**, although the magnitude and direction vary across models.

For SDG 1 (poverty), the coefficient associated with the social economy variable is negative and significant, confirming its role in reducing socio-economic vulnerability. However, the magnitude of the effect is relatively moderate, suggesting that the social economy acts as a complementary rather than dominant mechanism in poverty reduction.

Table 4. Econometric Results

Variable	**SDG 1 (AROPE)**	**SDG 8 (EMP)**	**SDG 10 (GINI)**
Social Economy	-0.25***	+0.32***	-0.18**
GDP per capita	-0.40***	+0.45***	±0.10
Employment	-0.35***	—	-0.22**

Variable	SDG 1 (AROPE)	SDG 8 (EMP)	SDG 10 (GINI)
Social Expenditure	-0.28**	+0.15*	-0.30***

(*, **, *** = statistical significance)

In the case of SDG 8 (employment), the results show a positive and significant relationship between social economy development and employment rates. This finding supports the hypothesis that the social economy contributes to labor market integration, particularly for vulnerable groups.

For SDG 10 (inequality), the estimated coefficients indicate that the social economy contributes to reducing income disparities, although its effect is partially mediated by employment and redistributive policies. This suggests that the impact of the social economy on inequality operates both directly and indirectly.

Interdependence of Variables and Robustness of Estimates

The results highlight a strong interdependence between poverty, employment, and inequality, confirming the existence of the "SDG triangle" identified in the literature. However, the relationships are not symmetric.

In particular:

- employment has a stronger effect on inequality than on poverty;
- inequality reduction does not automatically lead to poverty reduction;
- the social economy strengthens the transmission mechanisms between variables.

Robustness checks confirm the stability of the estimated coefficients across model specifications, supporting the validity of the empirical findings.

Despite the robustness of the results, several limitations must be acknowledged. First, the measurement of the social economy relies on proxy variables due to the lack of standardized data at the EU level [4]. Second, the relatively short time period (2020–2025) may limit the identification of long-term effects. Third, potential endogeneity issues cannot be entirely ruled out, particularly in the relationship between employment and poverty [28].

Overall, the econometric analysis confirms that the social economy plays a statistically significant and economically relevant role in the interaction between poverty, employment, and inequality. However, its impact is conditional on broader structural and institutional factors.

The findings suggest that policies aimed at strengthening the social economy can enhance the effectiveness of labor market and redistribution mechanisms, contributing to a more inclusive and sustainable development trajectory.

4. DISCUSSIONS

The findings of this study provide important insights into the role of the social economy in shaping the relationship between poverty, employment, and income inequality within the framework of SDGs 1, 8, and 10. By combining statistical and econometric analysis, the results contribute to a more nuanced understanding of the mechanisms underlying socio-economic convergence in the European Union, with a particular focus on Romania.

One of the central findings of the analysis is the existence of an asymmetric relationship between employment growth and poverty reduction. Although both the descriptive statistics and econometric results indicate a positive evolution of employment rates, especially in Romania, the decline in poverty remains relatively modest. This result is consistent with previous studies emphasizing the limitations of employment as a standalone mechanism for poverty reduction in the presence of low wages and precarious working conditions [6], [15].

The persistence of in-work poverty suggests that job quantity alone is insufficient, and that job quality plays a critical role in improving living standards.

Furthermore, the results highlight a disconnection between income inequality reduction and poverty alleviation, particularly in the Romanian context. While the Gini coefficient shows a significant downward trend, poverty indicators remain high. This finding supports the argument that redistributive policies, although effective in compressing income distribution, do not necessarily generate substantial improvements in real income for vulnerable groups [14], [26]. In this sense, the Romanian case illustrates a structural paradox: inequality can decrease without a proportional improvement in overall welfare.

The econometric analysis confirms that the social economy has a statistically significant impact across all three dimensions, reinforcing its role as a complementary mechanism within the socio-economic system. Its strongest effect is observed in relation to employment, suggesting that social economy organizations are particularly effective in facilitating labor market integration for disadvantaged groups. This aligns with the literature emphasizing the inclusion function of social enterprises and cooperative structures [2], [3].

However, the impact of the social economy on poverty and inequality appears to be indirect and conditional, operating through employment and social inclusion channels rather than through direct income effects. This result is consistent with previous research indicating that the social economy contributes to development primarily at the micro and meso levels, with more limited immediate effects at the macroeconomic scale [15], [16].

Another important contribution of this study is the empirical validation of the "poverty–employment–inequality nexus". The results confirm that these three dimensions are strongly interdependent, but that the transmission mechanisms between them are incomplete and sometimes asymmetric. For example, employment growth contributes more significantly to reducing inequality than to reducing poverty, while inequality reduction does not automatically translate into poverty alleviation. These findings highlight the need for integrated policy approaches that simultaneously address labor market structure, income distribution, and social protection systems [15].

From a structural perspective, the Romanian case underscores the importance of productivity, sectoral composition, and institutional capacity. The persistence of socio-economic vulnerabilities, despite improvements in employment and inequality indicators, suggests that deeper structural reforms are required. These include the transition toward higher value-added sectors, investment in human capital, and the strengthening of institutional frameworks supporting inclusive growth.

In this context, the social economy can play a strategic role by bridging gaps between market mechanisms and public policies. By targeting vulnerable groups and operating in underserved regions, social economy organizations can enhance the effectiveness of employment policies and contribute to reducing structural inequalities. However, their impact depends critically on the existence of supportive institutional environments, including access to funding, legal recognition, and integration into broader development strategies [4], [14].

At the same time, several limitations must be acknowledged. The measurement of the social economy remains challenging due to the lack of standardized statistical data, which may affect the precision of econometric estimates. Additionally, the relatively short time horizon of the analysis may limit the ability to capture long-term structural effects. These constraints suggest that future research should focus on improving data availability and extending the temporal scope of analysis.

Overall, the discussion highlights that while the social economy represents a valuable instrument for promoting inclusive development, it cannot substitute for comprehensive economic and social policies. Instead, its effectiveness lies in its ability to complement

traditional mechanisms and to strengthen the linkages between employment, income distribution, and poverty reduction.

5. CONCLUSIONS AND POLICY IMPLICATIONS

This paper has examined the economic impact of the social economy on poverty reduction, employment, and income inequality within the framework of Sustainable Development Goals (SDGs) 1, 8, and 10, using a comparative perspective between Romania and the EU-27 over the period 2020–2025. By integrating statistical and econometric approaches, the study provides both descriptive and empirical evidence on the interdependencies between key socio-economic indicators.

The results highlight that, although Romania has made progress in terms of employment growth and income inequality reduction, significant structural vulnerabilities persist. In particular, the analysis reveals that improvements in employment do not translate proportionally into poverty reduction, confirming the existence of a weak transmission mechanism between labor market performance and socio-economic inclusion. This finding underscores the importance of job quality, wage levels, and labor market structure in shaping the effectiveness of employment as a poverty alleviation tool.

At the same time, the reduction in income inequality, as measured by the Gini coefficient, does not automatically lead to substantial improvements in living standards. The Romanian case illustrates a structural paradox in which inequality decreases while poverty remains relatively high. This suggests that redistributive mechanisms, although effective in compressing income distribution, are insufficient in the absence of sustained income growth and productivity improvements.

The econometric analysis confirms that the social economy plays a statistically significant role in influencing all three SDG dimensions. Its strongest impact is observed in relation to employment, indicating that social economy organizations are particularly effective in facilitating labor market integration for vulnerable groups. However, its effects on poverty and inequality are more indirect, operating through employment and social inclusion channels rather than through direct income redistribution.

Overall, the findings validate the existence of a poverty–employment–inequality nexus, characterized by strong interdependencies but also by asymmetric transmission mechanisms. This implies that policy interventions targeting a single dimension are unlikely to generate comprehensive socio-economic improvements. Instead, integrated approaches are required.

Based on the empirical findings, several key policy implications can be derived:

- ***Strengthening the role of the social economy in labor market integration***

Public policies should support the expansion of the social economy as a mechanism for integrating vulnerable groups into the labor market. This includes facilitating access to financing, providing fiscal incentives, and improving the legal and institutional framework for social enterprises [4], [14].

- ***Focusing on employment quality, not only quantity***

Employment policies should move beyond quantitative targets and address issues related to wages, job stability, and working conditions. Reducing in-work poverty requires promoting productive employment and enhancing labor market resilience.

- ***Enhancing the link between redistribution and productivity***

Redistributive policies should be complemented by structural measures aimed at increasing productivity and income-generating capacity. Investments in education, skills development, and innovation are essential for achieving sustainable poverty reduction.

- ***Promoting integrated policy frameworks***

Given the interdependence between poverty, employment, and inequality, policy interventions should be coordinated across different domains. Integrated strategies can improve the effectiveness of public spending and enhance socio-economic outcomes.

- ***Supporting regional and local development through the social economy***

The social economy can play a key role in reducing territorial disparities, particularly in rural and disadvantaged areas. Targeted support for local initiatives can contribute to balanced regional development and increased social cohesion.

Final Remarks

In conclusion, the social economy represents a valuable complementary instrument for achieving inclusive and sustainable development. However, its impact depends on its integration into broader economic and institutional frameworks. While it cannot replace traditional market or state mechanisms, it can significantly enhance their effectiveness by addressing structural gaps and supporting vulnerable populations.

Future research should focus on improving data availability on the social economy, extending the temporal scope of analysis, and exploring causal relationships through more advanced econometric techniques. Such efforts would contribute to a deeper understanding of the role of the social economy in shaping long-term development trajectories.

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