

SOCIAL ECONOMY IN TELEORMAN COUNTY

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Abstract: This case study presents the results of the projects of inclusion of the disfavoured social groups from Teleorman County on the labour market. Even under the conditions in which there are resources, the intervention is difficult because some of the members of the target group don't have identification documents or the necessary education to comply with the minimal requirements for employment. The perception of the social economy is overall positive, in terms of the potential it has for the disadvantaged groups. Critical is the fact that the social economy organisations, by the volume of their activity, have a low impact compared to their importance before 1989. A first form of support that is required is to promote the social economy among the relevant decision-makers at the county level. Of a similar importance is to provide legislative counselling for the institutional actors involved in social economy, including for the suppliers of social services.

Keywords: social economy, disfavoured social group, unemployment, social inclusion, employment.

County's profile

Teleorman County was established in 1950 and has a surface of 5872 km (2, 43% of the total national surface). It is surrounded at North by Arges and Dambovita, by Giurgiu in the East, Olt in the West and the Danube represent 90 km of the border between Romanian and Bulgaria in the South. The total population of the county is 453.000 inhabitants. The urban population represents only a third part of the total population; the biggest city is Alexandria with 57.000 inhabitants.

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The most part of the active population is working in agriculture (over 125 000); the industry has less the 27 000 employees. Teleorman has one of the largest agrarian surface (about 500 000 ha). The public administration and the social services represent the third sector as number of employees (14 000). From the information provided by AJOFM Teleorman results that at the end of November, 2009, the unemployment rate was 11, 5%, 3, and 8% higher than the same period of the prior year. The number of unemployed was at November, 30, 2009, of 19 339; reported on national level puts Teleorman after Mehedinti and Vaslui. Almost two third of the registered unemployed persons have no indemnity. The recent opening in Zimnicea of a factory producing bio-ethanol was received with great enthusiasm by the county authorities, even though the company does not provides in the initial phase more than 100 jobs.

The available jobs are mainly for the unqualified workers. The majority of the offers are from the textile industry (SOFORE Investment), but the mobility of the employers is higher due to the low wages and difficult working conditions. The only company encouraging the hiring of disadvantaged persons is Germino (specialized in panification), by accessing the facilities provided by the legislation (especially the Law no. 76/2002 regarding the unemployment insurance system). In this way, graduates, handicapped persons and persons over 45 years were hired.

Even though the number of these hired persons is significant, the representatives of DJASPC or AJOFM declare that the intention of the employer is to benefit of the facilities provided by the law. As soon as the minimal conditions stipulated by the law are fulfilled (the period of work etc), the employer refuses to maintain the employees. Before the Law no. 448/2006 (regarding the protection and promotion of the rights of the disabled persons) entered into force existed a reticence in integrating in the market labour caused by the fact that the employed condition implied the loss of the pension. Eliminating restrictions encouraged the disabled persons to get hired, but the number of those working is still low.

Support programs for the disadvantaged groups (focus on women and Roma)

The sector of social services is underdeveloped; DGASPC provides most of the forms of social protection for the disadvantaged groups, emphasizing the protection of children and disabled persons. Even though DGASPC Teleorman implemented during the past years a number of projects as good practices in the field of children protection, the insufficient resources forced the institution to reduce its activity. At the end of 2009, due to a Decision of CJ Teleorman, almost 100 jobs have been restructured.

The support of the non-governmental sector in the field of social services is indirect, by the projects implemented in the protection of the disadvantaged groups (ex.: AECD Țigănești). Now there is no ONG accredited for social services. In the opinion of the deputy of the directorate the absence of ONG accredited for social services limits the chances for the development of the sector in a dramatic manner.

The extension of the services is not possible considering the limited resources of the directorate, and the budget allocated by the CJ is rather only for surviving. During the past years, within the context of reduced financial opportunities, no new services have been established. The most vulnerable social categories identified by DGASPC Teleorman are the young people leaving the foster centers, the elder persons with low income looking for a job. AJOFM estimates that about 900 such persons are looking for a job (Roma, disabled, young leaving the centers). The rural environment is critical as regards the occupational opportunities. 18 500 of the registered unemployed persons are from the rural environment. The results of the projects in the area of integration of the disadvantaged persons on the labour market are modest. In two years since the projects with external funding were implemented only 100 Roma and 10 disabled persons were hired. There is no solution of reintegration for the young disabled from the foster centers.

PHARE project implemented in 2005-2006 had modest results; only 10 young were reintegrated on the labour market. Even if there would resources, the intervention is difficult because some of them do not identity documents or the necessary studies adequate to the minimum job requirement. The young with no disabilities, under the protection of the directorate, have the alternatives to get a job or to go to Faculty.

DGASPC has no necessary resources to extend and diversify its services. There are very few opportunities of external funding and the budget allocated by CJ is insufficient. For instance, for the un-institutionalized disabled persons the services provided are low and irrelevant for their needs. It does not exist any protected workshop, even though some disabled person requested. Such a service would increase the chances for reintegration of the serious disabled persons. The permanent programs of AJOFM are the most frequent accessed by the local councils as solution to establish social services for the elders. In Alexandria is already functioning a net of 15 personal assistants for elder people deprived of support. The provided services consist in accompanying, shopping, house aid. The local authority completes this kind of services by a centre for the pensioners ("the pensioners' syndicate") for leisure and trips on low prices. For the other local councils the social assistance service are rather an exception; the protection of those in distress is provided mainly by financial transfers.

The profile of the offer of social economy

On county level it is no structure with a global image over the sector of social economy. For instance, the Chamber of Commerce has old and incomplete information on the co-operative sector, and DGASPC does not have a data base of the units from the social services area with the projects to increase the occupational degree of the disadvantaged groups.

Credit cooperatives

The first credit cooperatives in Teleorman County were established at the end of the XIX century (the Economic Company "Teleormanul") based on the equal vote of all the partners. Even though initially intended to offer loans for personal interest, the registered success allows it to extend the loaning forms also to economic and agricultural activities. Ulterior, some credit cooperatives with the activity limited to a certain guild were established (the Economic Company of the Shoemakers in Alexandria, "Ploughman" Popular Bank, the Economic Company of the tailors in Alexandria, the Popular Bank "Traders' Support" etc). The sector of credit cooperatives rapidly extended and developed, hence, at the beginning of the XX century is registered the first affiliation of the bank institutions to Centre of Popular Banks (Agrarian Bank in Alexandria or Popular Bank „Alexandru Ghica”).

The main motive is the harsh competition on the loan market and the efficiency of the credit cooperatives and of popular banks that adapt better their products and services to a well defined category (generally guilds). The period is marked by a number of bankruptcies or merging, most of these in bank institutions.

After 1989 the sector of credit cooperatives registered numerous transformations. Fusions and transformations of structure were made according to the legislation. The excessive regulation of the sector and the prevention measures imposed by the National Bank reduced the activity. From almost 20 000 members several years ago, today left only 8500. Most of the "losses" were registered in 2008 at the enforcement of the new rules issued by the National Bank regulating the activity of the loan cooperatives. Many of the rules are similar to those of a bank, which is seen as a major disadvantage. The main consequences are reflected in the reduction of the number of members, increase of bureaucracy and difficulty in accessing loans, increase of costs for administration. The most important credit cooperative is "Unirea" with the residence in Alexandria. The majority of members are old people from the rural environment that lead to the establishment of units in the rural area in order to facilitate their access to loans. Now CC "Unirea" has 10 units in the communes from Teleorman. Due to this location CC "Unirea" does not enter in direct competition with banks that extended in the rural area, considering that their target

are the active agrarians (by banking operations addressed to those benefiting of subventions).

The main problems affecting the activity of the credit cooperatives:

- the difficult economic period, emphasized by the specificity of Teleorman County where the main companies were seriously affected in the past two years;
- the dramatic reduction of the number of members as result of the legislative changes and the compulsions imposed by the National Bank. These compulsions are considered useful (as regards the increase of trust in the sector IFN), but is necessary to adapt to the current context (economic crisis);
- establishment of the contractual impost generated the increase of the level of debts to the state budget due to the manner of calculation.

The restrictions in accessing the credits lead to a massive migration towards the non-banking sector, but CC “Unirea” does not consider an advantage the possible increase of clients. The selection of the potential members is a process that should be made with prudence considering the potential risks. Part of these is risking losing their constant income, which is a reason to impose more restrictive rules for acceptance. This is why the loans are granted harder and, hence, some of the members withdraw. Reduction of the number of members leads to the reduction of capital and volume of loans.

Most of the loans are for:

- medical treatment – requested mainly by the old people for medical interventions or to cover the costs of recovery treatment;
- studies – mainly in the rural area. Loans are used to cover the tuition or the costs of living during faculty or high school;
- agricultural activities, loans are requested by the small farmers raising animals. This is a niche unexploited by CC Unirea considering that banking institutions impose very restrictive conditions for this kind of loan. Agrarian loans are also requested by the farmers that do not receive the subvention in time.

During summer time (mainly June and July) the debts of the members due to the destination of the credits (agriculture) increase significant; and a temporary lack of incomes in the rural area is registered. In the last trimester of 2009 was registered a large volume of debts to CAR because the economic activity of the county had been affected by the crisis. The main employers in the county fired employees and the members of CC „Unirea” that have been dismissed face difficulties in paying their debts.

The system of the mutual houses

The first mutual cooperatives were established in Teleorman in 1949 based on a law of that year, within the syndicates. Their activity is extended to the level of each enterprise and covers a significant percentage of employees. In 1990 in Teleorman were functioning 125 CAR with 38 917 members and giving loans for 8000 of them. The first union of CAR is established in 1990 and all mutual cooperatives in the county are subordinated to this, according to the legislation of that time. Since 1996 are no longer subordinated to the syndicates and became legal bodies according to Law no 21/1924. In the same year the economic decline affects the activity of CAR and their number is significantly reduced.

A particular form of mutual help (CAR) is established in Alexandria in 1993, organized as a shares-company. The company made life and assets insurance and offered financing for the insured within the limit of the insurance. The money came from collected bonus. In its few years of function the company closed over 1200 insurance contracts and 38 financing contracts.

In Teleorman are 52 mutual cooperatives of employees, most of these located in Alexandria. The services provided by the Union are consulting for the members, control and annual revisions. The Union administers also the fund of liquidities that provides loans for the mutual houses in difficulty.

The number of the mutual cooperatives is decreasing seriously since 2001 (when existed 118 houses with 20 000 members). Now exist only 52 houses with 11 200 members.

The social activity of the cooperatives is made according to the law and it is limited to death aids. DAE practiced by the cooperatives is of 10, 5%, the total cost of the credit is lower than in a commercial bank. The social fund is made by members' contribution and is used to finance the loans up to five times the amount of contribution.

The economic crisis determined the increase of the number of applications under the circumstances of an increased number of debtors. The situation creates pressure on the credit activity. The number of members had increased because the mutual houses are regarded as a better alternative to banking system.

The mutual cooperative manifests prudence in credit activity due to the risks involved by the period of economic instability. New members are accepted only upon recommendation of an older member, reducing the risk of incidents. This does not preclude the problems with some members, but all cases have been solved by an amiable manner, without resorting to Court.

The level of current expenses of the cooperative is evaluate as low (only 2/3 of the income are used), considering that it functions in its own space and has only two employees with low wages. No economic activities are performed because there is no demand (ex: accounting).

For the next period it is intended to extend the social fund and reduce the period of credit from 15-18 as it is now to 12 months. The loan money is used for personal needs: financing an event (wedding, baptize) or for tuition. Like the credit cooperatives the mutual cooperatives did not saw the increase of the number of applications as an opportunity to develop, taking into consideration that the difficult economic situation may generate difficulties in credits' administration.

The sector of mutual cooperatives does not face significant difficulties in its current activity due to the prudence in selecting members and its credit activity. For instance, the employees from „Rulmentul”, a company that had numerous and massive dismissals, has very hard conditions for loaning. The evaluation process is very serious and a loan depends very much on the recommendation of a member. Though, the prudence protects the mutual cooperatives of **potential incidents in case of dismissal. Even more, many of these employees had already contracted loans at different banks, some of these expensive (for personal needs, on credit card)**, making their solvability lower even if they preserve their jobs. To accept to offer a loan under these circumstances would be a major risk. Now the cooperatives have an excess of liquidity and continues to give credits. The excess is preserved on bank deposits (according to the legislation in force). For those in difficulty to pay are operated a number of forms of support.

The legislation regulating the activity of mutual cooperatives is considered functional. The main deficiency of the Law no 122/2001 is that it eliminated the obligation to be affiliated to the Union. Therefore there are no forms of control of the new established cooperatives and situations of fraud may emerge. The trust in the entire sector is undermined. The independent cooperative un-subjected to the specialized forms of control may be exposed to fraud risks.

Trade and consumer Cooperatives

AJSCOM Teleorman gathers 32 trade cooperatives, all of second level. In the county also are 29 unaffiliated cooperatives, considering that the legislation removed the obligation of appurtenance to unions or federations since 2005. Before 1989 the cooperatives system had a significant importance in the economy of the county. Some cooperatives activated in industry and even made export activities. In the rural environment dominated the cooperatives of commerce and services, and the urban environment the trade cooperatives were better represented. The first years of capitalism meant the decline of the cooperatives sector, a process emphasized at the

end of the '90. The privatization of the cooperatives and the sale of the actives reduced of a dramatic manner the importance of the cooperatives in the economy of the county. Another cause of the decline was the retirement of some members that prior to 1989 could not perform an economic activity on their own. The establishment of different form of legal organization of the economic activities determined the abandon of the cooperative sector.

Now the field most affected by the economic crisis is that of constructions. Almost all the cooperatives acting in this field are facing a critical situation caused by the reduced demand and the difficulties to finish on time the works. The clients delay the payments or do not respect the contacts closed before this period.

Intentions to implement projects with European financing existed, but the initiative belonged to the companies that provide consulting. **AJSCOM** did not initiate real cooperation with the consulting companies the presented the offers because they required a fee to compensate the activity of preparing the application for financing.

In the opinion of AJSCOM representatives the condition is unacceptable; the association does not have the necessary resources to risk paying services of consulting without guarantees. To pay for a commission of success is considered as the best solution to participate in the implementation of a project financed by structural funds.

The recent legislative changes determined the diminution of the role played by UCECOM in providing services for its members, due to the non-obligation to be member of a union/federation. Another legal stipulation that affects the activity of the cooperative is that regarding the patrimony. The Law no 1/2005 is ambiguous as regards the possession of the fields were constructions of the cooperatives are build. The field is private property of the state, and the cooperatives can not register them and become full owners. The representatives of the cooperatives accuse the local authorities of abusive interpretation of the law because they are forced to purchase the fields including the undividable shares.

The relations with the Chamber of Commerce and Industry are formal and lately consisted only in attending to some events (fairies, openings). It is the possibility for the members of AJSCOM to participate as beneficiaries in a project with European financing implemented by the Chamber of Commerce Teleorman, but the impact of participation is considered modest. In fact the members of AJSCOM will benefit of training courses in the development of the entrepreneurial culture, but the activity is not accompanied by real measures of support of the economic activities.

The evolution of the cooperative sector is evaluated on pessimist terms. Without the consistent support, including financial, of the state the cooperative sector is risking to disappear. The last years were difficult for the cooperative sector; the activity was

significantly reduced. The economic crisis and some legislative ambiguities that block the full possession of the patrimony increase the difficulties faced by the cooperatives.

Perception of social economy

In general is a positive one as regards the potential represented for the disadvantaged groups.

The trade cooperatives sector, in spite of the deep decline of the last period, provides a significant number of jobs, mainly in the rural area. Also, the credit cooperatives and the mutual houses, even though they adopted supplementary caution measures in the credit activity, constitute a form of support for the persons with low income and for the farmers facing temporary difficulties in covering current expenses. It is critical that the entities of social economy have a reduced impact compared to their importance prior to 1989. Also, they do not address explicitly the disadvantaged groups, the SE sector being itself a disadvantaged one, in a critical situation. There are no real forms of support and intentions to support the activity of SE entities were never shown.

The providers of social services do not get involved in activities of social economy almost at all. There are no resources to encourage employment of the disadvantaged groups, except for the access of some form of support stipulated by the Law no. 76/2002. The level of knowledge of the concept of social economy is low. Only the representatives of the institutions directly involved in the cooperative sector, those of DGASPC and AJOFM proved to have partial understanding of the concept. According to these, the central element of the social economy is integration on the labour market of the disadvantaged persons, including the legal facilities.

Forms of support for the entities of social economy

It is difficult to estimate some forms of support with significant impact for the SE sector, considering the absence of involvement or the poor means of the relevant institutions on county level (County Council, Chamber of Commerce AJOFM or DGASPC, unions). The deep decline of the SE entities and the diminution of their activities that affect directly or indirectly the disadvantaged groups are problems that can not be solved by concrete measures on short time. A first necessary form of support would be the **promotion of social economy** among the relevant decision makers in the county. The activity of information should be focused on two central elements: knowledge of the problems faced by the SE entities and their potential to provide support for the disadvantaged groups. Such activity could offer the necessary frame to elaborate a plan to sustain the SE sector to stop its decline.

Another form of support should regard the **offer of legal consulting** for the institutional actors involved in the field of social economy (including providers of social services).

A **centre of information** that would provide also the access to financing opportunities, promote the relevant projects undergoing on county level or to facilitate the establishment of partnerships, could be a consistent form of support. On local level FES are considered as only source of external financing available, in spite of the fact that other sources of financing may be accessed.

It would be useful the establishment of a **module of training of social workers** for the elders. It is an opportunity ignored by the majority of the local councils, even if there are forms of support from the state budget. In the rural area could be created nets of support that would offer jobs for persons over 45 years, which are in impossibility to get hired. The nets developed by CL Alexandria or CL Talpa may be used as model

Perspectives of the social economy

The evolution of the SE sector on the past years does not leave place for an optimistic evaluation. The sector of the consumer or trade cooperatives is represented almost symbolic, even though 20 years ago had the most important place in the economy of the county. The negligent, even fraudulent administration of the cooperatives and union in the first years after 1989 reduced the cooperative sector to a symbolic presence. No significant interferences in order to support the cooperative sector were registered, except for some legal stipulations. For instance, CC did not interfere for the cooperative sector and the Chamber of Commerce limited its support to (paid) invitations at festivities addressed to cooperatives and promises to include cooperative members in training courses of development of entrepreneurial culture.

The credit cooperatives and mutual hoses sector has the chance of a revival similar to that registered at the beginning of the six century. The prudence manifested in the credit activity, the use of social nets to accept new members or to solve a conflict with the debtors reduces the risks that may generate dysfunctions or even bankruptcy. Also the specialization of the credit activity, mainly on the level of credit cooperatives avoids direct competition with the commercial banks. But the restrictive measures imposed by the Central Bank for the credit cooperatives may generate difficulties due to reduced potential of credit and supplementary bureaucratic measures

The reduced presence of the ONG sector and the fact that no ONG accredited in social services represent a major disadvantage for the potential measures of support of the sector of social economy.