

SOCIAL ECONOMY: CHARACTERISTICS AND NEEDS FOR DEVELOPMENT

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Abstract *This paper looks into the status of social economy organizations in Călărași County, one of the least developed counties in Romania. A first issue is what the social economy is. With the term being only recently introduced in Romania, there is a question over which types of organizations would be regarded as being part of the social economy. For a better understanding of context, there is a brief social and economic outlook of Călărași County, especially regarding social exclusion issues.*

This study is based on a qualitative approach. Interviews were conducted with representatives of social economy organizations (co-ops, mutual organizations, charities with social services, farming societies etc.) and officials from the main public services with responsibilities in social affairs. The overall picture is mixed. Some, like the handicraft cooperative and farming societies are successful and have a clear potential for the future. Overall, the stories of success and failure for different social economy organizations depend on local context and decisions. This study offers a significant outlook at county level, not a representative one at national level.

Keywords: *SE social economy, social enterprise, co-operative, mutual organization, farming society, social exclusion, Călărași County*

1. Introduction

As new Member State, Romania felt the impact of the expansion of social and economic innovation represented by the single market Europe (Stănescu, S.M.; Căce,

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* Abbreviations: SE – Social Economy; GDP – Gross Domestic Product; SME – Small Medium Enterprises; AJOFM – County Employment Agency; DGASPC – General Directorate for Social Assistance and Child Protection; ANOFM – National Employment Agency; NGO/ONG – Non-Governmental Organization; UCECOM – National Union of Handicraft and Production Co-operatives; LLC – Limited Liability Companies; CAR – Mutual Aid house; CARP – Mutual Aid Houses of Retired Persons; CCAPC – Council for Support in School Education.

S., coord., 2011, p. 267). Following the accession of Romania to the European Union in 2007, there has been a marked increase in the interest for the social economy. While the term was all but new, co-operatives and mutual credit organizations have a long history in Romania. The aim of this paper is to present an overview of the present status of these and newer social economy-type organizations in Călărași County, one of the most economically underdeveloped in Romania. In this particular social context, while the need to alleviate poverty and social exclusion would call for a strengthening of the social economy, it would be interesting to see how these entities deal with the challenges posed by a difficult economic environment.

2. Social economy, social enterprise and the third sector ■■■■■

The European Union has begun using the term “social economy” in official documents in the late 1980s. The Commission’s General Directorate for Employment and Social Affairs included in this category four types of employers by type of organization: (1) co-operatives, (2) mutual organizations, (3) associations, (4) foundations (OECD, 2003).

In 2002-2003, organizations of these four types employed over 11 million persons in the EU, representing 6.7% of employment in the then 15 EU member states and 10 candidate countries, due for accession in 2004. Out of the total 11.2 million persons under paid employment, 3.6 million were in the co-operative sector, some 350.000 were employed by mutual organizations, and 7.1 million were active in associations and foundations. In the EU member states, the social economy sector is heterogeneous by type of organization and functioning, self-identification as being part of the sector and official recognition (CIRIEC, 2007).

In the debate about how to define of the social economy, one could find different and varied points of view, as well as other connected concepts, such as the social enterprise, the third system, the not-for-profit sector, solidarity economy or the alternative economy. Nowadays, it becomes an acute need to monitor and evaluate initiatives undertaken in this sector and to reveal the mechanisms which create a healthy ecosystem and vibrant economy that support this innovative and social entrepreneurs (Cace, S.; Arpinte, D.; Cace, C., Cojocar, ed., 2011, p. 65).

The concept of social economy could be traced to the 19th century, with a basic common view among researchers as being an alternative both to market capitalism and a state run economy (Westlund, 2003). Most definitions of the social economy could be divided, according to Westlund, into two categories, based on (1) the juridical form or legal entity type or (2) the aim of the activity.

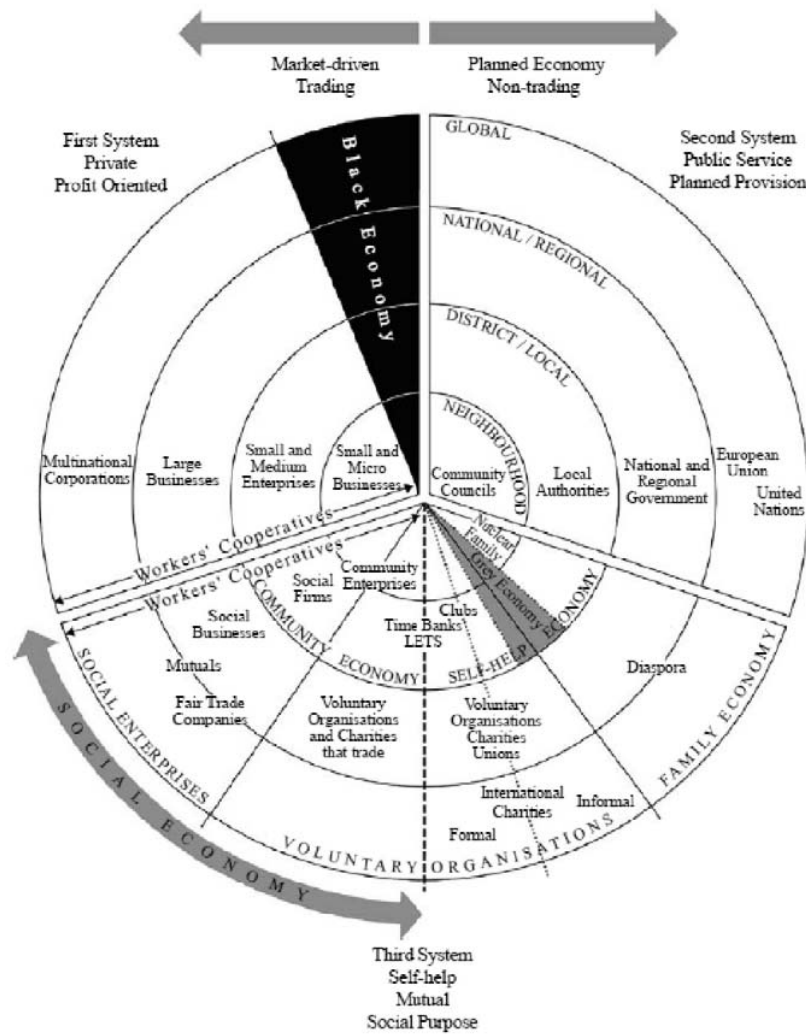
According to Romanian authors, social economy include all organizations situated between the public and private sector in terms of organization, operation and principles declared (Pîrvu, D.; Ungureanu, E.; Hagi, A., 2009, p. 53).

Regarding the former, there is, as he have seen, a basic classification provided by the EU Commission. The advantage of the juridical-based description is the avoidance of definition problems due to overlapping with the public or private sector. On the aim of the activity, Levite-Reid and Torjman (2006) identified five broad societal objectives for the social economy: (1) greater social inclusion, (2) enhanced self-sufficiency, (3) greater equity of outcome, (4) improved human health, and (5) wealth generation through social ownership. Due to its link with social inclusion, itself a policy aim of the EU, and the recognition and promotion through the European Social Fund, the social economy could also be itself received as a policy instrument for the EU (Cace, 2010b).

Social enterprise is a relatively new concept, which appeared in the 1990s in the US and Europe (Defourny and Nyssens, 2008). Between the two sides of the Atlantic, there are differences in defining the social enterprise. In the US, the concept is broader, more market-oriented, focused on the revenue side of the enterprise. In Europe, there are two streams of thought. One views social entrepreneurship as in the social impact of the for/profit activities of companies, while for the second the social enterprise belongs to the third sector (Kerlin, 2006). An "ideal type" model for the social enterprise was put forward by Defourny (2001), with the following traits: (1) a continuous activity producing goods and/or selling services, (2) a high degree of autonomy, (3) a significant level of economic risk, (4) a minimum amount of paid work, (5) an explicit aim to benefit the community, (6) an initiative launched by a group of citizens, (7) a decision-making process not based on capital ownership, (8) a participatory nature, which involves the persons affected by the activity, (9) limited profit distribution. In the definition put forward by Noya (2009, 14), social enterprises "are generally understood as an innovative business model that meets both social and economic objectives contributing to labour market integration, social inclusion and economic development".

The difference between the social economy and the social enterprise is blurred. For instance, some authors point to co-operatives in France and Greece as examples of both social economy and social enterprise entities (Rispaal and Boncler, 2010, Cace, 2010a, Ziomas, 2008). Peatie and Morley (2008) believe a solution to this issue could be based on Pearce's (2003) comprehensive model of the three sectors. The innovative part of Pearce's model is the way the third sector is structured (see Figure 1). It comprises (1) social enterprises, such as workers' co-ops, mutual's, social businesses, fair trade companies, (2) voluntary organizations, like charities, foundations, clubs, voluntary organizations and unions, and (3) the family economy, including for instance remittances received from the family members working abroad. In this model, the social economy is formed by the first category and part of the second, namely social enterprises and voluntary organizations and charities that are active participants in the community economy, mainly through trading goods and services.

Figure 1
 J. Pearce's (2003) model of the three systems in the economy



The concept of social economy is relatively new in Romania, being introduced during the EU integration process. One of the axes of the 2007-2013 European Social Fund is focused on the social economy and is faced with its own peculiar challenges (Cace, et

al., 2010). Co-operatives and mutual organizations have a long tradition in Romania. In addition, the number of foundations and associations increased markedly after the 1989 Revolution. Thus, in 2008 there were 27,319 active organizations that refer to various forms of a non-profit associations such as associations, unions, cooperatives (Lambriu, M.; Petrescu, C., 2011, p. 104). However, from a national perspective, the involvement of NGOs in specific activities of social economy is positioned in relatively early stages of formation and recognition of this form of economy (Cace, S.; Nicolăescu, V.; Anton, A.N.; Rotaru, S., 2011, p. 98). A recent research on the social economy in Romania identified the following types of entities which could be included in the social economy sector (Arpinte, et al., 2010):

- certain types, but not all, NGOs (associations and foundations), i.e. providers of social services;
- companies with special status, such as protected workshops, which for instance provide jobs for people with disabilities;
- reciprocal aid associations, both of the employees and pensioners types, which are mutual organizations;
- Co-operatives of all kinds (banking co-ops, handicraft, consumer, farming, fishing, transport etc.);
- Pensioners' associations, as service providers.

3. Methodology

In order to provide an overview of the social economy in Călărași County, a qualitative approach was regarded as proper due to several reasons. First of all, for most people in Romania social economy as a term is not familiar, being recently introduced in official documents and academia. Secondly and perhaps most importantly, organizations typical for the social economy, such as co-operatives and mutual organizations, have seen their activities severely reduced during the difficult transition years, especially in the early and late 1990s. Even if these organizations are listed as still active from a fiscal viewpoint, it would be better to have a first hand knowledge of their day-to-day activity and issues. Social economy offers solutions to reduce social exclusion by increasing employment rate for vulnerable persons and by creating mechanisms to help these people (Arpinte, D.; Cace, S.; Cojocaru, Ș., 2010, p. 66). Therefore, it was needed to talk to well-informed informants, namely representatives of entities specific to the social economy, as well as officials from the local social services.

Interviews were made with representatives from the following organizations: co-operatives of all kinds, including baking cooperatives, mutual organizations, voluntary

organizations and charities, farming societies, County Employment Agency, General Directorate for Social Work and Child Protection, Chamber of Commerce and Industry. The main themes of the interviews included: the organization and functioning at present and in the past, perspectives and projects for the future, general economic and social situation in the county, knowledge and perceptions about the social economy, support and services for vulnerable groups, views on existing legislation and ways it could be improved. The interviews were conducted in early November 2009. At that time, the economy was in a recession, which started in late 2008 and early 2009, induced by the world banking crisis of 2008. The social effects, mainly caused by the rise in unemployment, were just beginning to be seriously felt.

4. Călărași County: economic and social outlook

Călărași County was established as an administrative unit in 1981. It is located in South Eastern Romania, on the left bank of the Danube, with a total area of 5,088 km². The landscape is entirely flat. Following the overall national demographic trend, the population declined from 324,617 inhabitants at the 2002 census to 315,157, reported as of July 1, 2009. Most of the population (62%) resides in rural areas. There are five urban centres, the most important being the city of Călărași with a population of some 73,000 inhabitants. Over 94% of the population declared themselves ethnic Romanian at the 2002 census, with the most significant minority being the Roma (Gypsies) with 5.6%.

One of the least developed counties in Romania, Călărași was ranked 39th out of the 41 counties in terms of GDP per capita in 2000, 2003 and 2005. According to officials of the local Chamber of Commerce and Industry, Călărași was perceived as one of the most industrialized counties in regard to its area and workforce before 1989. In the 1990s, the local economy suffered significantly during the transition period with the liquidation, mainly through asset stripping, of the two largest employers, the Siderca steelworks in Călărași and the Navol shipyard in Oltenița (the counties second largest urban locality). After 2000, the local economy returned to growth, again following the overall trend of the economy at national level.

According to the President of the County Chamber of Commerce, as of late 2009, most of the employers were severely hit by the recession. Better performers in this environment were Aldis, a ham and sausage producer, Martifer, Portuguese-owned metal sheet bodies manufacturer, and the biodiesel plant based in the town of Lehliu-Gară. The SME sector is underdeveloped and severely affected by lack of demand. The Chamber of Commerce has over 100 registered members, balanced between manufacturing, services, and agriculture. Some 90% of the local businesses are based in the city of Călărași. The co-ops and mutual organizations have their own, separate associative organizations.

Social problems and vulnerable groups

The risk of poverty and social exclusion is high in a county with a GDP per capita below EUR 3,000 per inhabitant as of 2008. However, representatives of the Prefects' Office pointed to the fact that at least there was a functional social policy unit at county level. However, the nationwide setting up of anti-poverty and social exclusion county units during 2002-2005 was not carried to completion in Călărași. As a result, there has been no co-ordination between different local and central government public services with responsibilities in social affairs, each of them carrying on their functions in parallel within their budgetary means. Of these, the best-informed on the situation of vulnerable groups and most active were the County Employment Agency (AJOFM) and the General Directorate for Social Assistance and Child Protection (DGASPC).

Employment issues and schemes to promote jobs growth

The county unemployment rate at the end of October 2009 was 7.7%, the 23rd highest in Romania. There were 8,236 people officially registered as unemployed, including 3,277 women. Of these, 3,473 are on welfare allowance and 4,763 no longer receive any support. The female unemployment rate was 6.1%. According to officials of the County Employment Agency (AJOFM), the increase in unemployment numbers started in September 2009, as the economic slowdown began. Reported job vacancies were the textile manufacturing, construction, services (especially in the hospitality industry) and commerce. In general, employers were looking for young people, age being regarded as more important than experience.

The County Employment Agency runs apprenticeships courses for the unemployed. In addition, there are job schemes that offer subsidies or incentives to employers for employing people from the following target groups: (1) young people aged 16-25 (young graduates or 18 year-olds leaving orphanages or the child protection system), (2) employment for local community development in rural areas and (3) disadvantaged groups (unemployed aged over 45 or single breadwinners, people with disabilities). Of these, job offers for people with disabilities are particularly scarce. Overall, the job vacancies reported by employers for these categories decreased as public funds for these employment schemes were cut. Labour market mediation services have been carried out for disadvantaged groups. In 2009, one in the four disabled persons, 165 out of the 1,372 Roma (Gypsy) people and 923 out of the 3,581 women that took part in mediation services found a job. Most of the Roma people are in rural areas, with little or no education. The very low success rate of mediation services for the Roma were in line with the nationwide situation, as mentioned in the reports of the National Employment Agency (ANOFM). According to AJOFM officials, the main way to make the employment schemes work would be to

provide the necessary funding and to continue the apprenticeship programs. For instance, in 2009 the employment subsidy funds were at first not budgeted in full, then were entirely cut from the budget.

Social Care Services

According to the officials of the General Directorate for Social Work and Child Protection (DGASPC) Călărași, their activity was focused on child protection issues, judging by the level of financial and human resources commitments. The social work of providing specialized services for persons with disabilities was secondary. Social work services provided by City Councils in the county were few in number and offered a limited range of basic services. In addition to welfare benefits payments (heating, emergency allowance, etc.), these services were accredited only for the provision of home care to individuals with disabilities. In total, there were 14 social work providers with official accreditation, 12 of which were in the public sector (Călărași, Olenița and 10 rural localities) and two were non-governmental organizations (NGOs) specialised in child care services (see table 1).

Regarding child protection, juvenile crime was perceived as the thorniest issue, posing the greatest social risk for the future. A significant percentage of dysfunctional families with children that entered the child protection system were ethnic Roma. On the managerial side, the main problem was the link between resources and service standards. The legislation and Social Inspection Service demand high standards, which mean high labour costs. As a result, the Directorate for Social Work had over 1,000 employees in order to meet the standards for the number of children in care. The managing officials pointed to the Hungarian example, where standards were not as strict and as high as in Romania, which allowed for carrying the same activities in a less cost intensive manner. In an underdeveloped county like Călărași, there has been a constant pressure from the County Council to keep spending under control. The chief executive of the Directorate stressed the impact of nationwide economic disparities on social care services with the example of financial situation of the Bucharest First District Social Care Directorate, which had the same overall number of employees and children in care, but with a budget 34 times larger.

Table 1
Accredited Providers of Social Services in Călărași County

No.	Name	Type
1	Association for the support of physically disabled children - Romania, Călărași Branch	NGO (association)
2	Bethany House Foundation Călărași	NGO (foundation)

No.	Name	Type
3	Călărași Local Council - Public Social Care Service	public service
4.	Oltenița Local Council - Public Social Care Service	public service
5	General Directorate for Social Assistance and Child Protection	public service
6	Borcea Mayoralty - Public Social Care Service	public service
7	Budești Mayoralty - Public Social Care Service	public service
8	Dichiseni Mayoralty - Public Social Care Service	public service
9	Dragoș Vodă Mayoralty - Public Social Care Service	public service
10	Galbinasi Mayoralty - Public Social Care Service	public service
11	Independența Mayoralty - Public Social Care Service	public service
12	Modelu Mayoralty - Public Social Care Service	public service
13.	Roset Mayoralty - Public Social Care Service	public service
14.	Vâlcelele Mayoralty - Public Social Care Service	public service

Charities and NGOs are very poorly represented at county level. Only two organizations secured accreditation, both providing social care services to children. Agora Association was the only one active NGO that provided social care services for adults, and was in the process of accreditation for a day centre for people with disabilities. The most important NGO was the Bethany Foundation, which had been receiving support from the U.S. This is an independent foundation, separate from a Bucharest-based namesake. For the Directorate chief executive, the charities' efforts were regarded as commendable, but their services covered only a very small fraction of the number of children compared to the overall needs at county level, covered by the public services. Given the high labour cost, the chief executive believed that "the future is contracting out", but at that moment there were no NGOs able to take over the services provided by the Social Care Directorate.

In late 2009, the activity of the Social Work Directorate was focused exclusively on the approximately 9,300 disabled adults in the county, most of which are recorded with first and second degree disabilities. Of these, nearly one third are blind. The main categories of disabled persons were as follows: 5,060 persons (of which 4,162 adults) with no income, 196 veterans, widows and orphans of war, 1,049 pensioners on disability benefit, 2,871 old age pensioners, 177 employed. There were partnerships with employers and the two registered protected workshops that employed less than 20 persons with disabilities and were located close to Bucharest. There was no other kind of data concerning other categories at risk of social exclusion in the records the Călărași Social Work Directorate. The Directorate's main project was to attract financing from the central government for the modernization of a sanatorium for people with severe mental disabilities. The chief expressed his desire to offer more services, but "we do not have personnel."

The general attitude of people with disabilities concerning work was described by Social Work officials as “demanding rights, money, but not jobs”. A co-ordinated action was being carried out at national level to check the status of disability claims. Results of medical diagnosis were found to inexplicably vary. Despite the action taken by the authorities, there were still loopholes for claiming a disability benefit for conditions more serious than in reality.

5. Forms of social economy

The Co-operative System

The starting point of *handicraft co-operatives* was the tradition of "passing on the craft from father to son by people of all shapes and trades", according to the President of ATCOM Călărași. In early November 2009, the co-op had over 200 co-op members at county level, compared with to 2,100 in 1990. As an example regarding the turnover of members in the past, between 1982-83 a total of 26 engineers and 180 graduates from schools of arts and crafts joined the handicraft co-operatives based throughout Călărași County. This was possible through forms of support for new co-op members, such as the availability of state housing with affordable rent, very accessible loans for buying furniture, while at the same time the co-operative provided the furniture for one room for free. The co-op is affiliated with the National Union of Handicraft and Production Co-operatives (UCECOM).

The president of ATCOM viewed the co-operative “like a larger family”, with a strong social dimension. Labour relations are special in handicraft co-operatives, because “in our case, the employee is the employer as well”. It is said that in the co-operative system “no craftsman ends up badly” and “those that are able enter”. The waiting time before becoming a member is two years, a period in which one works and subscribes capital.

Out of the five existing handicraft co-operatives, two are of type 2 and three of type 1. The former are members of the latter. The territorial distribution is as follows: four in Călărași, (1) *ATCOM* (2) *Borcea Călărași*, (3) *Danube Călărași* (4) *The Builder*, and one in Oltenița, (5) *Oltenița Danube*. The ones based in Călărași have taken over through ATCOM the former Lehliu Co-operative. The five co-operatives are linked together by common co-operative members, the most important entity being ATCOM, which represents the county co-ops at UCECOM. For the handicraft co-ops, the present form of organization at the county dating back to 1949. During 1956 to 1959 the communist regime dissolved some old co-operatives as legal entities, but their members continued their activity in the co-operative system.

According to the President of ATCOM, handicraft craft co-operatives have lost members and economic status during the transition due to three factors: (1) technology (2) the tax regime and (3) decapitalization.

(1) The technological factor meant that co-operatives were weakened by the switch to another, more industrial-like, manufacturing model, such as lohn in the textile industry. Demand for custom made products with a high degree of attention to the customer's needs has decreased. Nowadays, consumers prefer mass manufactured, cheap goods. An example is the dissolution of the co-op production unit specialized in manufacturing cold weather uniforms for the military, where over 50 persons with disabilities were employed. After the end of mandatory military service, the Army suspended ongoing orders, its representative stating that "after joining NATO, we do not need clothes made by the handicapped". Another example is the disappearance of watchmakers, the customers preferring cheap electronic watches, which are entirely changed when a fault occurs.

(2) The destabilizing of the co-op system occurred around 1995-96 when some craftsmen entered the retail business as limited liability companies (LLC) or retired because of tax regulations. The mandatory use of cash registers and other fiscal regulations incurred costs beyond the cash flow sustainability of many co-ops.

(3) De-capitalization took place usually through bad management. Asset stripping, lack of investment, distributing the profit to co-op members instead of reinvesting are examples of poor management decisions. A consequence was the loss of incentives for young people to join the co-operative system, such as loss of state housing support for co-op members. During difficult periods, co-operatives have generally survived by accumulating capital in the long run. Through good management, some co-operatives have survived, even prospered. Factors contributing to this effect were: securing financing, retention of facilities and other assets, involvement in business ventures, avoiding de-capitalization, sustaining the investments by reinvesting the profit. As a result of such management decision, a co-operative is acknowledged as a competitor on the market.

As of November 2009, the main economic activities of the handicraft co-operatives were: textile manufacturing (even export at the Danube Oltenița Co-op), hair-care services (barbers, hairdressers), auto service, manufacturing of metal frameworks, construction, interior design, craft goods. In recent years, working at home (crafts, cardboard boxes, envelopes) and home appliance maintenance have been declining in terms of turnover and personnel.

On the subject of possible sources of financing, co-operative bonds were designed as a means of financing MIDBANK (the bank for handicraft co-ops). With risks higher than for bank loans due to lack of transparency of who is in their possession and rights in the event of bankruptcy, there was little or no demand for them. The ATCOM co-op tried to secure financing from European Union Funds, such as the Increase in Economic Competitiveness Programme, but there were few successful applications

nationwide. On the other hand, UCECOM's *Foundation for the Arts and Crafts* successfully secured European funding. In Călărași, some held the view that the investments made with EU funds could be made with less money.

The ATCOM president viewed actions addressing social needs as possible only if the co-op was doing well in financial terms. Such actions were regarded as more necessary than ever. Within the co-op, the Social Council manages such activities, namely: the running of the schools or apprenticeships for arts and crafts, providing a child benefit for co-op members, organizing activities for pensioners that were former co-op members, organizing festivities and trips. Birthday celebrations and traditional festive meals (at least 3 per year) are on a regular basis. Through the Social Council, at least 15% of the co-op profit is used as funding for funerals, sick leave, meals for kindergarten children (in Lehliu), the Days of Pensioners event (160-170 meals for co-op pensioners). Future social projects include the construction of social housing and day care centres for children. In late 2009, the most important project is the economic and social centre, which would include a club and a canteen for food welfare services. The ATCOM president summarized the co-op's social activities by saying that "We go through life, but it's important what remains as well".

The functioning of the co-operative is based on a specific decision making process. In managing human activity in general, the ATCOM President believes that "he who controls the economic base, controls the vote". In the co-op system, decisions are taken by either "one man, one vote" or either by share vote. The second formula is regarded as more suitable considering management needs, practical considerations and the way social life is. Overall, the atmosphere is quite different than in a company because capital has an indivisible part as well. This functioning mechanism has led to some issues in the relationship with banks and other business partners due to the lengthy and unpredictable decision process structure in the case of the "one man, one vote" formula. ON the other hand, if there are few co-op members with significant shares, which combined form a controlling stake via the share vote formula, then business partners have a clear knowledge of doing business with someone they could trust.

Although Law no. 1 / 2005 clarified co-operatives' members property rights, basic co-operative arrangements remained the same as in 1877. The most important issue was the legal status of property. When taking over state owned companies, the seller demands money and provides assets in return. For co-operatives, only the right of use was offered. So, one could find himself with no assets, which are state owned. Local Councils could claim these assets or they could be the object of property claims, which is discriminatory. Consumer co-operatives suffered the most, resulting in asset litigation. Compared with consumer co-operatives, handicraft co-operatives had a lower and, more important, a more cohesive membership. In addition, handicraft co-operatives had fewer assets than consumer co-operatives, therefore

fewer temptations for bad management and an incentive to make maximum use of available skills. With the Law no. 346 / 2004, co-operatives have gained access to the financial state-run programmes for the SMEs. Some co-operative units in the country have applied for such financing, but there was no need Călărași, according to the President ATCOM. Useful support provided by the state included the professional insertion of young graduates, facilitating the relationship with the banks, and employment training for people aged over 46.

The benefits from the membership of the National Union of Handicraft and Production Co-operatives (UCECOM) are mainly personal relationships, business contacts, exchange of information, awareness of business opportunities.

For the next 15 years, the ATCOM president foresees an expansion and strengthening of co-operatives in the Călărași County. Key projects which underline this forecast are the construction of a kindergarten, a social day centre for pensioners and housing for co-op members. "One who joins the co-operative, gets a feel, and sees the good parts, remains". It is important to bring up and educate in the spirit of helping others: "Since birth until death, one needs co-operation", said the ATCOM president. An outstanding challenge is the "communist" image of an economic structure from times past, especially with the tax authorities. With the term labelled as "communist", the co-operative has become undesirable, "the image of awkward spaces, squalor, low wages, but reality is to the contrary".

During the transition years in the 1990s, *credit co-operatives* have become *co-operative banks*. The only entity of its kind in the county is *Record Co-operative Bank* in the city of Călărași. The history co-operative banking is based on the principle of capital formation through the subscription of co-operative members according to their economic means. The overall goal is to meet their social and economic needs. Regardless of the amount of equity value from the capital subscription, each member has one vote. Once more, it is the one man, one vote decision making process. During the communist period, credit co-operatives facilitated payments to consumer co-operatives and were co-ordinated by a county office, which in turn was in close relationship with the consumer co-operative county office.

The consumer co-operative network was a force in terms of assets and territorial range. The systemic economic collapse came with the decision in 1990 to consolidate the consumer co-operatives' assets (buildings, shops, warehouses, etc.) with the financial side of the business, namely the credit co-operative county offices in a single banking entity named Bankcoop. This was enshrined in law 109/1996 regarding the functioning of both the consumer and credit co-operatives. Following the bankruptcy Bankcoop, all those assets were lost. Debt reclaiming activities from that period of time are still going on.

In the late 1990s, the so-called popular banks were founded. These financial entities, which claimed to be credit co-operatives, had nothing in common with the co-operative system. They failed altogether, which led to a tough regulation regime enforced by the central bank, but only after their bankruptcies. Only credit co-operatives turned into co-operative banks. The so-called popular banks had nothing to do with the co-operative banks, but the negative image they have left as a legacy is still associated by some people with co-operative banks.

The new legal framework was established by Government Emergency Ordinance no. 99/2000 regarding the organization of credit co-operatives, which was updated in the period of pre-accession to the European Union by Law 200/2002. The latter entails a banking type of organization.

In terms of organizational structure, the General Assembly is the decision body that comprises all co-op members. Voting is done based the principle of "one man, one vote", regardless of equity share. The Assembly elects a Board of Directors composed of an odd number of members, each with appropriate professional credentials. The Board appoints the Director General and the other executives. Each bank is a legal person in its own right, but for doing business there is a mandatory requirement to join a co-operative banks' network. The only authorized network, although there were other attempts to create one, is Creditcoop. It is the only banking entity with variable capital (this being the specific co-operative trait) and the 7th largest in Romania by asset value. In every two or three counties there is a Creditcoop agency, which co-ordinates the co-operative banks in that area.

Since 2000, when there were about 1,100 credit co-operative entities, 734 remained by 1 January 1, 2004, 129 by April 2004 and only 51 in late 2009. Due to stricter regulations issued by the central bank, mergers or takeovers occurred, resulting in larger entities. The most recent regulation in this respect is the Gov Emergency Ordinance no. 99/2006 on the functioning of credit institutions and capital requirements, approved by Parliament by Law no. 227/2007. Generally, cooperatives, as the organizational structures of social economy based on specific forms of entrepreneurship are turning to increase quality of life of vulnerable people (Zamfir, E.; Fitzek, S., 2010, p. 4).

Record Călărași Co-operative Bank has over 16,500 co-operative members, covering the counties of Călărași and Ialomița. It has four agencies in Călărași, Olenița, Jegălia and Căzănești, the latter in Ialomița County. The entity was formed by the absorption of others by Record Jegălia Co-operative Bank. The pyramid-style organization features at the base the basic office units, containing at least one clerk and one retail officer. At the top of the pyramid is the General Assembly, which appoints a Board consisting of five members, and an executive team comprising two executives, a director general and a deputy director general.

The lending activity is focused on short and medium term consumer and personal needs loans (repair work, holidays, and tuition) up to RON 20,000. Basically, the bank covers a niche that large, foreign-owned banks are not interested in: providing services to rural areas or small scale consumer loans.

The personnel amounts to 90 employees, with two units at the headquarters, accounting and loans, the latter including two subunits, credit analysis and administration & monitoring. Other units are the internal audit service, IT, database, the branch network, legal office and administrative office. Record Co-operative Bank is among the top 10 members of Credit co-op.

The co-operative specific traits are to be found in the following: no commission for early repayment, workout plans, attractive interest for deposits, without the requirement to become a co-operative member, accessible interest for loans, lack of exposure to special customers (bank employees, management). Other than that, the bank provides aid to rural schools for festive occasions, such as Christmas tree festival (in partnership with local businesses) and makes charitable donations in goods. The bank's vision is based on the awareness of responsibility to people and having a legacy.

The weak spot of the co-operative banking system, as seen by the bank's director general, is the lack of homogeneity at national level. In Romania, their turnover is not high. Contrary to this, in Austria and Hungary, the co-operative banking system is well regarded and supported by the state, and enjoys a strong tradition. Austria, through Raiffeisen and Volksbank, provides examples of success.

The *Călărași County Consumer Co-operatives Union* is not a significant economic entity. The Consumer Co-operative was severely affected by its Bank coop exposure and mismanagement. Assets were sold or are in a state of disrepair. The Union subsists by renting its assets.

Mutual organizations – reciprocal aid associations (CAR)

Law no. 122/1996 defines mutual aid house employees (CAR) as a non-profit association with the aim to offer mutual aid to members by loans with low credit rates (Stanilă, G.; Căce, C.; Preoteasa, A.M., 2011, p. 19).

The County Union of Employees' Reciprocal Aid Associations (CAR) was established in 1949. In 1990, immediately after the Revolution, there were over 100 reciprocal aid associations formed by employees throughout the county. Of these, in late 2009, there were only 33 active. At county level, the value of their assets amounted to over RON 6 million. All are affiliated to the county union, which in turn is a member of the National Union of Reciprocal Aid Associations (CAR), based in Bucharest. In

general, county unions with high membership are to be found in urbanized counties, which have a higher number of employees.

In Călărași County, the reciprocal aid associations with the highest number of members are: CAR *Educație* (Education), with 1,190 members, employed in the county public education system, CAR *Spital* (Hospital), with 708 members, employed in the county public health service and CAR *Consid*, with 470 members. For comparison, the reciprocal aid organization of the Călărași Steelworks employees had over 4,000 members before 1989. According to the county union president, the decline of this particular type of mutual loan organization was caused by job losses.

Loan conditions are favourable for members, with 10-12% interest, and a maximum of 14%. The monthly membership fee is between RON 10-50. 90% are short term loans for solving current personal problems. The average value of a loan was RON 2,000-3,000.

Regarding the future, the county union official believed that "if politics and the banks leave us alone, if we are left in peace, than it would be fine". The weak spot for these mutual organizations would be that "we can not increase our capital because of low interest rates". If more people would be employed, than these organizations might grow. An additional issue is that private employers are apprehensive about the existence of such organizations.

Regarding the legal framework, it would be important not to give bank status, so that the employees' associations would remain non-profit and therefore pay no profit tax. For the county union president, a stimulating measure would be to allow the formations deposits by CAR members. Where employers would not allow the formation of an employees' reciprocal aid association, their formation could be mandatory for companies with over 50 employees. Employers claim that staff turnover is too high, but in fact they are worrying about complicating things, not realizing the social impact of their actions. Some "warm hearted" employers understand the usefulness of employees' mutual organizations.

The Călărași County Pensioners' Reciprocal Aid Association (CARP) was created in 1952 with only 36 members. In late 2009, it had 6,562 members, five employees and 15 external collaborators (cashier officers). According to its president, 90% of members have a monthly pension of less than RON 500. Only the pension act is required for joining. The office space is owned by the mutual organization. It is at the first floor of a block, next to which a 40 sq meter annex was under construction with City Council financial support. The organization is affiliated with the CARP National Union and receives grants from the General Union of Pensioners.

The leadership structure consists of a General Assembly and Board of Directors, appointed by it. The Board comprises the President, Vice-President and three

advisors from the Red Cross and other pensioner organizations. The main sources of revenues are monthly subscriptions and deposits to the fund. Subscriptions are worth 1% of the monthly pension. The interest was an 8-10% for deposits and 10% for loans. The profit is redistributed among the members as grants, which are supplemented from General Union of Pensioners funds. The total number of monthly loans varied from 300 to 700, with an average of about RON 1,600. The total amount borrowed as of November 2009 was RON 750,000. The mutual organization had a turnover of RON 3.7 million, making it the most important such organization in the county. On the expenditure side, there are no special problems in the recovery of liabilities due to a contract with the County Pension Insurance House. The organization has other economic activities, such as barbers and hairdressers plus space for rent at Olenița CARP, subscription fees from non-members of CARP for the Pensioners Club and income from renting out the funeral car.

Social activities include financial support in case of death and a subsidy of RON 20 for spa tickets. In addition, it offers to its members free use of the funeral car. Cultural activities include choir, dance, cultural exchange visits across the Danube to the Bulgarian city of Silistra, library, and religious tourism.

The organization has a partnership with the Orthodox Church, which allows the use of its premises for the General Assembly, as an exhibition space or for cultural activities. Local authorities provide free use of facilities through the Local Council and funding through the County Council. In addition, members who are retired lawyers offer legal advice for free.

Charities and voluntary organizations

Bethany House Romania is the main charity accredited as a provider of social services in the county. It was founded in 2000 as a family home for 12 children. The charity receives regular visits from Social Inspection officials for maintaining its accredited status. The sole permanent employee is a social worker, aided by six volunteers, mostly women, all aged below 36. The initial intention was to provide care services for the elderly, but the first attempt was not successful. In Ciocanesti commune there is a farm where young people with disabilities that are aged 18 or over, who are required to leave the child protection system, could find a job. In addition to the farm there is a small house received as a donation. The farm has over 600 heads of poultry, calves and pork, with the goal of providing economic support for the charity's social activities.

The charity has no ties with the prominent Bethany Foundation, which is active in Bucharest and Cluj. The namesake comes from the Chicago-based Bethania Church, where the husband of the charity's founder Daniela Pierce, a US citizen, is a

parishioner. The organization receives aid from the U.S., sent by other parishioners of the Bethania Church.

The Foundation has initiated a number of partnerships with other public organizations or NGO. The Child Protection Service refers to it cases of children who require support or families in need for aid. CCAPC – the Council for Support in School Education is an NGO which provides counselling support for school-age children offered by a volunteer psychologist. The Cloud Horizons Association, which is not accredited as a provider of social services yet, offers preschool and kindergarten services for children with disabilities as well. The No. 3 kindergarten, based in Călărași, provides gifts for children and the opportunity to participate in artistic events. Agora is another charity which provides support for persons with disabilities in Călărași.

According to the social worker, the running of the day to day activity was very difficult because of the dependence on outside sponsorship and the goodwill of volunteers. Given the economic situation in the US, donations have decreased significantly. Financial support comes from the mini-farm, but it was facing staff shortages. In her activity, the largest reward was to see young people aged 18 who go on to university. A particular problem in Călărași, as reported by the General Directorate for Social Work, was juvenile delinquency. Most of the troubled youths came from marginalized families.

The several *pensioner organizations* formed the County Council for the Elderly in 2004, which comprises two pensioners' organizations, two war veterans associations, a pensioners' reciprocal aid association, and an association of retired military personnel. The membership of these organizations exceeds 15,000 persons. All are affiliated to national organizations. Their income comes from membership fees, the subsidies from the National Council for Senior Citizens for phone bills, and, before the crisis, RON 400-450 quarterly donations and sponsorships from political parties and businesses. In addition, the City Hall donated some RON 20,000 in the last five years.

The main activities of these organizations include:

(a) setting up retirement homes, followed the initiative of pensioners' organizations, with the support of City Council and other public agencies. The first retirement home for 28 persons was opened in Oltenița in 2008. A larger home for 85 persons followed, with financial support from the Ministry of Labour.

(b) retirement community and social centre for pensioners; the idea was to use the former military base as a retirement community for the city of Călărași, also housing a department of geriatrics, a health and a social unit, with financial support from City Hall and City Council, the Prefecture, and the County Council. The Army has agreed

to donate the land and buildings. Further support would be asked from the Bucharest based Civic Action Foundation to found a small farm as well.

(c) two health and social units in Călărași and Olenița, with 20 beds each, to relieve the use of hospitals during winter. These were built with funding from the County Council; Social Day Centre;

(d) the social centre was an investment of 23,000 euros by the Civic Action Foundation at premises given by the Municipality for organizing cultural activities, sports, dancing events, etc.

(e) various social events organized by the Călărași City Hall, such as the National Day of the Elderly (October 1) or the Golden Wedding.

The main partners for the pensioners' organizations are the public sector (City Council, County Council, County Directorate of Employment and Social Protection), the private sector (SC Brotac Center, Prefab Călărași) and the ATCOM Handicraft Co-operative.

Forms of social economy in rural areas

Over 60% of the inhabitants of Călărași County reside in rural areas. The landscape and climate conditions favour large scale agriculture and the formation of strong farming societies. One such example could be found in the commune *Independența* (Independence). The commune comprises three villages. It is located in the in the Southern part of the county, some 16 km West-north-west from the city of Călărași. During the communist period there was a collective farm. After 1989, two farming societies were formed have created two, one with 1,500 hectares and the other with around 600-700 hectares. The former derived from the collective farm, while the latter from the state-owned farming machinery depot.

The commune is not old. According to the mayor, after the Independence War (1877-1878), hence the namesake, allotments of land were granted to population from the Bucharest area, especially to war veterans and their surviving relatives. In community relations, people aide one another based on reciprocity, family ties, and sometimes altruism. After 1990, human relationships have deteriorated, due to the "land discord". In the community, the Church has credibility, but it is not known whether it would still have it one generation in the future.

In the commune there was a consumer co-operative providing several services, such as hairdressing, carpentry, repair shop. Because of bad management, the consumer co-operative has all but dissolved. It survives due renting out their still usable premises. Only the farming type of co-operative has flourished as farming societies.

After the dissolution of the old cooperative farm, new farming societies began to be formed. At the beginning, the level of trust gained from the farm's operation in 1990

was very important. The farm's cows had a much higher milk output than those of individuals from nearby villages. The animals were properly cared for and fed by the then veterinary, who is the current mayor and director of the association. The farming society was founded by some 500 to 600 founding members. As of late 2009, there were about 1,625 members, some of whom were surviving relatives of the founders. The main assets are the administrative premises (the formerly collective farm headquarters), the bakery, warehouses, veterinary premises, storage tracks and farming machinery. In 2009, over 2,105 hectares were used for crops and there were 284 heads of livestock, mostly cows.

The society is managed by a Board of Directors comprising seven persons appointed by the General Assembly. About 60% of the commune population had joined. The profit redistribution was decided by the General Assembly as follows: 22.6% in dividends, 7% bonuses for employees and 70% for future investment.

The general economic situation of the farming society was regarded as good. Investment out of its own capital totalled RON 700,000. In late 2009, market conditions were unfavourable, with low grain prices and delays in state payments. Overall, the society began with 1,700 hectares and after almost 20 years of existence reached 2,100 hectares. A larger area would be more difficult to monitor and farm, resulting in profitability problems. The society has successfully accessed EU funds, such as the pre-accession SAPARD agriculture fund. There was an expectation that it would be easier and faster with the European Agricultural Fund for Rural Development because of the previous experience. However, reality was proven otherwise. There were many changes in regulations and cumbersome procedures.

Social activities undertaken by the society include: financing a public feast, funeral aid, support for the local church, and support for members when they need a farming machine and tools for their own needs. The overall perception was that the prosperity achieved by the association provides a framework for the support of social activities.

"At first I thought it will not work, that they would take back their land", said the mayor, who was also director. A farming society remains the best form of farming, providing good management exists. On the other hand, such way of operating was regarded as difficult because it requires co-operation and trust. Therefore, forming a successful farming society now would be much more difficult than 20 years ago.

There were seven *farming co-operatives* in the county as of late 2009. The one with most members is the *Jirlău Fishing Co-operative*. Other agricultural co-operatives have less than 15 members each. Usually, such co-operatives were established in order to receive public financing, domestic or European, in support of agriculture, but there were no notable success stories.

The *Jirlău Fishing Co-operative* was founded in January 2006 with 43 founding members. The leading founder was a 75-year old fisherman, former foreman at the local fishing company before the 1989 Revolution. Each founding member made a

capital subscription worth RON 200. Management is entrusted to a single person on a 2-year term based on the decision of the General Assembly. The co-op has a concession for fishing on Danube from km 345 to km 374.5. A total of 22 boats are being used under license. The fish is sold mainly in Bucharest, but sales are low. The sales results are divided among fishermen according to the amount each of them fishes. The co-op's only asset is the pontoon, from which fish is sold locally. As the fish sales are not lucrative, the only social aid in the co-op was limited to financial assistance in case of death or illness.

6. Perceptions regarding the social economy

During the interviews, there were three types of reactions to the term "social economy", as follows:

- (1) "I do not know or have heard about it very vaguely, I could not say what is";
- (2) Association made with something else, loosely tied to providing assistance to others in need;
- (3) Understanding the term, at least partially.

Most of the reactions were of the first category. Interviewees from the Chamber of Commerce, NGOs, mutual organizations, fishermen's co-op had either not heard at all about the social economy, or wither vey vaguely, but in any case they could not say what it meant.

The second type of answer was encountered at people with higher education, usually with managerial positions. The directors of the County Employment Agency, the General Directorate for Social Work and Child Protection, and the Co-operative Bank made a vague association of the term with the social. For some, the term refers to a social economy as in the German post-war social market economy. Another way of understanding leads to good practices in the public sector and adequate funding for social programs. Sometimes there are confusions, such as between social economy and savings in mutual organizations.

The third type of answer suggests at least a partial understanding of the term. This occurred with persons that were briefed about the term in various institutional contexts. The two such cases were the co-ordinator of the Social Dialogue Committee of the Institution of the Prefect at a seminar on social problems and social economy that took place in Greece, and the ATCOM President, who heard about the social economy at UCECOM meetings.

According to ATCOM President, the term was used at events hosted by UCECOM, the Chamber of Commerce, and the Economic and Social Council. Organizations that would be part of social economy are co-operatives of any kind and mutual

organizations. A social economy type of organizations would be “an alternative to capitalism”. The future would reveal whether co-ops in Romania are moving towards a Brazilian model, focused on survival, or on the German and Western European one, which combines the social economy with profit.

Last but not least, there was the critical-lucid statement of the mayor of Independența, who is also the director of the farming society, referring to organizations that fit the social economy type: “These are, essentially, things that have existed before 1989. The change is in terms, not things”.

7. Conclusions

As of late 2009, there was a low level of awareness of social exclusion issues in Călărași County. Public sector organizations involved in social policy were focused on their own day to day activities. As a result, there is no overall approach to deal with social problems on a county-wide basis. As officials at the Institution of the Prefect pointed out, there was no social map of the county. All of this was despite an effort for institutional development, before and after EU membership, and is particularly more significant for this mainly rural, underdeveloped county. Institutional development projects ran by external partners that would be the main recipients of funding remain an undesirable option.

The existence of very few NGOs and charities is linked with the low level of urbanization and economic development. There are few prerequisites for sustainability of such organizations without an economic activity. In such an underdeveloped county, the outsourcing of social services, followed by dependence on unpredictable and precarious public funding could not provide real solutions for social inclusion.

The continuation social economy type of organization, such as co-ops and mutual organizations, which predated the communist regime, was somewhat surprising, particularly since they managed to survive during a difficult transition period. These entities, particularly the handicraft co-operative and the co-operative bank have a potential for the future, while finding a solution to change the image of “communist”, old fashioned organizations. The former provides jobs for skilled workers, while the latter could be a source for micro-financing. Both have a democratic and social vocation, with a decision making process closer to the ideal type of social economy.

The farming societies were a showcase of prosperity in an underdeveloped county, especially in comparison with peasants that have reclaimed their property. Setting up such organizations would be an opportunity for the people residing in rural areas, but with specific challenges. As the director of the farming society pointed out, trust and co-operation are essential for overall success.

Overall, the stories of success and failure for different social economy type of organizations are local. What is the case in Călărași County might very well be to the contrary in other counties. This study offers a significant outlook at county level, but not a representative one at national level.

There was a general reluctance concerning EU funds. Reasons related to perceptions of bureaucracy, cumbersome procedures, not being worth the effort were put forward. Structural and Cohesion Funds are fully within their mission in such an underdeveloped and rural county. A failure to make full use here of the opportunity provided by these funds would point to a failure in Romania's overall development in the post-accession period.

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