



# Journal of Community Positive Practices

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Adrian-Nicolae FURTUNĂ

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# THE RELATIONSHIP BETWEEN MAN AND NATURE AS REFLECTED IN HUMAN CONSCIENCE

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Andrei KOZMA<sup>1</sup>  
Tania ANDREI<sup>2</sup>

**Abstract:** *Man's removal from the natural environment and his anthropocentric positioning in the anthropic environment are the result of a long cultural development. The path from man as part of nature to man as the master of nature goes through changing patterns of thought and action. Founding/cosmogonic myths have supported, in the consciousness of humanity, the feeling of belonging to nature as a place of genesis and the becoming of man. When man was no longer identified with nature and extracted from its systemic functioning, he became a user of the resources generously offered by nature. Thus, the development of human habitats was done with the decline of the natural environment and at the expense of the alienation of man from nature. The nature that gives us everything and does not request anything in return now appears as a lost paradise that we are looking for inside us. The operation of the natural environment on Earth is a model of systemic organization in which the intelligence of matter is an everyday observable reality. Living according to natural rules is a profoundly religious experience of meeting with eternity, finding the lost paradise. That is why the return to nature in the sense of observing and reproducing a model of action and organization, validated by the very functionality of the planet, may be the solution to the salvation of human society from self-destruction. In the first part of the article, the authors deal with patterns of thought and action in the relationship between man and nature in archaic societies versus contemporary society, continuing with aspects of human intervention in the functioning of natural systems. At the end of the article, the authors emphasize the need of a shift in paradigm in the approach to nature. In conclusion, modern man's attempt to dominate and control nature has only disturbed and distorted the natural environment on Earth. All the aggressive changes induced on nature produce natural hazards that can no longer be managed and controlled, turning into threats to human society. In this context, the paradigm shift means respect for nature, understanding its functioning mechanisms, and developing a preventative behavior to preserve the natural balance of the environment.*

**Keywords:** *man -nature report, consciousness, matter intelligence, environment, human society*

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## Introduction

This work intends to investigate the way which evolves from the sacred to the profanity of man's historical and cultural transformation, influences his relationship with nature. The removal of his spiritual essence and the exacerbation of the material aspect of his existence we consider to be the reality of our day, which empties the life of metaphysical significance and produces an existential crisis. The inner goal is offset by compulsive consumption of goods and services that induce shyness and dependence, a self-estrangement, and the nature of the human being as a dynamic system. If the traditional worlds were directly connected to the dynamics of natural systems by a communion of man with nature, the present world is connected to the modern world system. To dominate the present context is the instinct of the gain that apparently brings wealth, but still produces a fall of the moral energies of man and, at the same time, an unprecedented destruction of nature.

We think that the way in which man, through different patterns of thought, has interacted with nature throughout history has transformed him from an element of nature in a dynamic system into a consumer of goods and services offered by nature. This has two consequences: once, it is the destiny of alienation of nature and, second, a process of destroying nature.

## The mythical thinking and the sanctification of nature in archaic societies

In the attempt to define himself and to find an identity in relation to the surrounding reality, the archaic man resorted to symbols, myths and rituals, whose significance reveals the awareness of a particular situation by comparison with the Cosmos, thus substituting the direct acknowledgement of nature by coherent concepts. In this context, the objects have no intrinsic autonomous value; they become real only as much as they belong to a transcending reality. The objects acquire meaning and value only if they are impregnated with magical or religious power. The gestures and the actions become meaningful only if they belong to a transcending reality in which a primordial action repeats itself. Consequently, for the archaic man, reality is a function of imitating a celestial archetype, while the rituals and the significant profane gestures become meaningful only because they repeat actions performed *ab origine* by gods (Eliade, 2008, p. 13).

In *'The Myth of the Eternal Return'*, Mircea Eliade made an inventory of a series of celestial archetypes which corresponded to certain terrestrial realities. According to the beliefs in ancient Mesopotamia, the river Tigris had its pattern in the star Anunit, whereas the river Euphrates in the star Swallow. For the people living in the Altai, the mountains had an ideal correspondent in the Sky. In the Iranian cosmology, each abstract or concrete terrestrial phenomenon corresponded to a translucent and invisible celestial term. All Babylonian cities had their archetypes in constellations, and for the Jews, God had created a celestial Jerusalem before the earthly city of Jerusalem was built by people. In India, all royal cities were built using the mythical pattern of the celestial city in which the Universal Sovereign resided in *illo tempore*. Any territory that

was occupied in order to be inhabited by people was beforehand subject to a transformation from chaos to cosmos by means of ritualistic ceremonies. Thus, the place was given a valid, real form, acceptable only through sanctification. Nature itself and everything man has built are edifices validated only when compared with an extra-terrestrial archetype conceived as a plan, a form or a double which exists cosmically and serves as a pattern (Eliade, 2008, p. 14-17).

In his relationship with nature throughout history, man has developed a symbolism of the 'center'. Thus, the center could be the Sacred Mountain or any other temple, palace or royal residence seen as an '*axis mundi*', respectively, the converging point for Heaven, Earth and Hell. In the most distant parts of the world, the symbol of the Sacred Mountain exists from times immemorial. Consequently, in Indian beliefs, Mount Meru rises in the center of the world and the North Star hangs above. The Ural-Altaiic people recognize the sacred mountain Sumeru, and the Iranian beliefs mention the sacred mountain Elbours (Haraberezati), which is situated in the center of Earth and is united with the Heaven. Similar beliefs can be found in Finnish and Japanese cultures, and the top of the Sacred Mountain is not only the highest on Earth, but also the Hub of the Universe, the starting point of Creation.

To the same extent, the temples, the cities and the holy places are associated with the sacred mountain tops. The Babylonian temples bore suggestive names such as: "Mountain House", "the House of the worldwide Mountain", "the Tempest Mountain" or "the Link between Heaven and Earth". The Borobudur temple is an image of Cosmos and is built as an artificial mountain. As a result of being situated in the middle of the Cosmos, the temple or the holy city represents the meeting point for Heaven, Earth and Hell. This symbolism kept manifesting until the dawns of modern times, when the Christened Europe took over and developed the symbol of the center as a reproduction of the Universe in its essence by erecting grand medieval cathedrals (Eliade, 2008, pp. 19-23).

In archaic societies, any ritual follows a divine archetypal pattern. Moreover, any human activity becomes efficacious if it exactly repeats an action performed at the beginning of time by a god, a hero or an outstanding ancestor (Eliade, 2008, p. 27). All the important acts of everyday life have been revealed ab origine by gods or epic heroes, and people do nothing else but repeat these paradigmatic gestures for ever and ever. At the same time, the activities that are not related in any way to exemplary patterns, nor have a mythical significance are considered profane (Eliade, 2008, p. 32).

In the archaic world, any activity that serves a precise purpose is proven legitimate by ritual. For example, dancing has sacred origins as it was performed with the purpose of finding food, of paying homage to the dead or of establishing order in Cosmos. The origin of dancing is extra-human, having been created *illo tempore* by a totemic animal, a god or a hero. No plant is valuable in itself, but only to the extent in which it is isolated from the profane place by taking part in an archetype or by repeating some gestures or words that consecrate it. The rituals of building repeat the primordial act of cosmogonic construction, while the sacrifices dedicated to the building of an edifice are an imitation of the primordial sacrifice celebrated in the creation of the world (Eliade, 2008, p. 34).

A first interesting conclusion is that the archaic man only recognizes himself as real if he renounced his identity and is content with imitating facts and gestures considered sacred, as any action, which does not have an exemplary pattern, is void of meaning and lacks reality (Eliade, 2008, p. 38).

A second conclusion is that, by imitating archetypes and by repeating paradigmatic gestures, time is abolished, as any action that takes place in this logic happens right at the beginning of time. As a result, man is projected in the mythical era - when the archetypes have revealed themselves for the first time. Abolishing profane time and projecting man in mythical time occurs only during the rituals that mark important moments such as feeding, breeding, hunting, fishing, working, war etc. (Eliade, 2008, p. 39).

Consequently, a mythical thinking pattern requires:

- Abolition of profane space in favour of mythical space through the symbolism of the centre which projects any palace or temple in the centre of the mythical space;
- That an action is real and valid only if it imitates a gesture, an archetypal action, first performed *illo tempore* by an ancestor, a god or an epic hero;
- That any archetypal action suspends profane time and belongs to a mythical time.

## **The spiritual-materialistic relation as reflected in ancient philosophical thinking**

Defining the human being in various systems of philosophical thinking has generally removed man from his natural environment and has placed him somewhere in an ideate space, having no correlation with the surroundings in which he leads his terrestrial life. In his works, Greek philosopher Plato, a disciple of Socrates, assumes the opposition between reality and knowledge, between appearance and essence, between common sense and science, between reason and senses and identifies man with his divine essence, the soul/ anima, which is the only one immortal, a traveller through ephemeral terrestrial bodies. The imperfect body is considered a prison for the soul and the senses are the chains that bind man to an inferior reality. Reason leads man into the knowledge of truth, into a reality situated outside time and space, into the world of "ideas", which is the fundament of truth. Ideas are eternal, just like the immortal soul (Mânzat, 2003, p. 8). Aristotle was also influenced by Pythagoras, mathematician and philosopher, who claimed that the soul was divine, immortal and reincarnated in successive lives.

Aristotle, disciple of Plato, defines man as a rational animal. In '*De anima*', Aristotle analyses the human soul in relation with its biological side. The soul is bound to the body and bears the latter's print; it is prisoner in a body with an individual, concrete form. Aristotle noticed that psychic acts can only be interpreted and understood from the perspective of their relationship with the functions of the biological body. For that reason, Aristotle was named 'the father' of experimental psychology (Mânzat, 2003, p.



12). Both Plato's and Aristotle's ideas will be found in the philosophical trends of Neoplatonism and Neo-Aristotelianism, as well as in the Christian philosophy - owing to its remarkable representatives St. Augustine and St. Thomas d'Aquino, who assert that man is an immortal soul, essentially divine, independent of the biological body. Consequently, the idea was consolidated that man is spirit without substance, an entity that can be conceived without a body that can be dependent of the natural environment in which it leads its extra-terrestrial life.

The identification of the human being with the soul has led to the following hypotheses throughout history:

- The hypothesis that time and space, fundamental components of the natural surrounding world, are only related to the transitory body, the prison of the soul. In order to discover oneself, man must break the barriers of the body, of the time and space, of the surrounding world and live in an immaterial and a-temporal existence, in an eternity that is not related to the natural world.
- Ever since the human being started being conceived outside its relation to the natural world, it has no longer mattered if the natural surrounding world would be annihilated. In fact, for many representatives of ancient Christian theology, only the souls will survive in God's kingdom, and the natural world is doomed, except for the souls of the human beings and the a-corporeal angels.

## **Rationalism, Cartesian thinking and the alienation of the human being from nature**

Beginning with the Middle Ages and up to modern times, European philosophy has approached man as a rational and intelligent being, endowed with self-consciousness, a concept adapted from the idealistic Platonism based on soul. Rationalism emphasizes reason as an exclusive way of knowledge, thus minimizing the contribution of sensory perception.

The Cartesian philosophy, developed in the 17<sup>th</sup> century, with Renee Descartes and, later, Spinoza and Leibniz as main representatives, brings up the concept of immediate rational knowledge of reality through reason as unique criterion of investigation and verification of acquired knowledge; it was considered the most efficacious means of reaching the truth. Historically, this school of thought appeared in a context in which the transition from feudalism to capitalism demanded progress in science and technology. The new philosophy, in opposition with the scholastic thought, proposed a method of investigating reality that served the development of science and technology. There could be only one truth and it had to be found in nature, not in a transcendent world, as the medieval theologians had stated (Descartes, 1957, p. 17).

Descartes, whose famous *cogito ergo sum* postulate is still known today, looks for the truth in himself or in the great book of the world and applies mathematical knowledge to the entire field of knowledge. In his "*Discourse on the Method of Rightly Conducting One's*

*Reason and of Seeking Truth in the Sciences*”, Descartes presents four precepts by which reality can be known mathematically – rationally:

- Only the things that our mind seems to know undoubtedly seek analysis;
- The difficulties under examination are to be divided into as many parts as possible, to be better studied (analysis);
- Study the simple aspects first and proceed with the complex ones (synthesis);
- Repeat reviews and generalisations to make certain that there was no error or omission (enumeration).

The Cartesian philosophy anticipates the scientific research of nature with the purpose of making discoveries and thus becoming masters of nature. Descartes points that “*it is possible for us to reach knowledge that would be useful in life and that... by knowing the power and the action of the fire, of the water, of the stars, of the heavens and of the other bodies surrounding us... we could give it the appropriate use, thus becoming masters and owners of nature*” (Descartes, 1957, p. 27).

By the power of knowledge man not only escapes and eludes nature, he also proclaims himself sole master and beneficiary of nature. We consider that his pattern of thinking led to the present crisis in ecology nowadays.

## Myth in modern society

Mythical thought is apparently characteristic of archaic societies. But if we start thinking that “*the myth is a way of being in the world*” (Eliade, 2008, p. 15), it can be said that, at the level of individual experience, the myth has never disappeared. The great mythical themes continue to manifest themselves in the human mind and in modern societies but are more difficult to recognize because of the prolonged procrastination process. Thus, the old sacred values have been revived at a profane level of social life, as a break between the archaic and the modern world. The difference lies in the fact that, in the modern world, there is a personal lack of thought of traditional societies. Society cannot be released for as long as the myth is identified by the exemplary pattern, repeated rituals, the rupture of the Nepron time for reintegration during the primordial period, and the man of all time experiencing the mythological paradigm. There are, however, major differences between archaic and modern societies. If, in the Roman Empire, the work, the war, the love was sacred, in modern societies work is desacralized and the man is the prisoner of his job. He is captive in the present time, being deprived of liberty, the possibility of escape on a collective scale is fun. Mircea Eliade considers that modern novelties translate into the profane revaluation of the old sacred values: “*Thus, we can understand the building of the myth for the individual and the community, and the understanding of the myth will be considered one day among the most useful discoveries of the 20th century*” (Eliade, 2008, p. 29).

In “*Modern Man in Search of a Soul*”, C.G. Jung (1933) states that the modern world is looking for a new myth that will allow it to find a new spiritual source. At its personal level, the myth has never disappeared because it was found in dreams and nostalgia of

modernism even if this is not observable at first glance. Mythical behavior sees more at the level of the inconvenient, for a myth never disappears from the psychic news, it only camouflages its functions. And if the archaic man had the capacity to integrate the instinctual aspects of his existence into the mind through a coherent psychic structure, the modern man dominated by rationalism is no longer able to integrate symbols, being freed from superstition and estranged from spiritual values.

## **From the natural system in the world economic system and conversion systemic**

The modern man created a new world that dominates nature through technical achievements more sophisticated are becoming more dangerous, because though the man tends to become a machine of production and consuming goods. Removing the human being from his spiritual essence and embracing himself to the exclusivity of nature creates the illusion that he is the master of nature until it produces extreme manifestations that the most sophisticated technologies cannot withstand.

The economic growth generated by the industrial revolution has caused natural breakdown and natural decline, and man is subject to serious distortions caused by the dynamics of the modern world economic system. The systemic functioning of the world economy and system dependence has generated a form of modern slavery. The modern world system has disconnected the world of systems, money and debt being the forces that activate the system. Economic growth, while being considered a positive process, has the secondary effects of artificialization and degradation of nature, the removal of man from nature and his alienation. The planet is subjected to a dehumanization process dominated by the rule of 20/80, that is, 20% of the world's population possesses 80% of the world's wealth, while 80% of the population receives only 20% of the world's wealth. One can speak of a systemic conversion of the modern world whose main tools are the economic growth and the propagation of political power (Bădescu, Bădescu, 2014, p. 23-25).

The degradation of nature and the overcoming of steady thresholds are a generic action taken by the human society. So many systems have been created since the Industrial Revolution that the operation and reproduction of natural systems have been seriously disrupted. The worldview is subject to serious distortions caused by the dynamics of the modern world system, and it has the power to set its own standards of living (Bădescu, Bădescu, 2014, p. 21).

Modernity has raised the economy to the rank of the most powerful system of shaping the destiny of mankind. This phenomenon is called the systemic conversion of the world through economy. (Bădescu et al., 2014, p.29)

Modern economy is a system that transforms everything: society, man and nature. Economy manifests itself in a form of antagonistic duality, respectively as a system that produces value and, at the same time, as a framework of systemic bankruptcy of nature. If economic growth is seen as positive phenomenon for society, it is due to the exhaustion of the natural systems (Bădescu, Bădescu, 2014, p. 23).

In “*Nature Failure - Denial of the Earth’s Limits*”, Anders Wijkman and Johan Rockström identify four aspects of the systemic conversion of the modern world through the economy:

- conversion reshapes the light to the logic of the dominant system;
- conversion distorts the world;
- conversion is forcing the world and is bankrupting it;
- conversion also affects society and nature.

According to Wijkman and Rockström (2013), profit and GDP are two concepts that turn economic growth into an economic war that systematically leads to the failure of nature. The process of systemic conversion through the world economy has created a disproportionate social and environmental interdependence on the one hand and economic benefits on the other, and this is a threat to the global crisis faced by mankind (Bădescu, Bădescu, 2014, p. 79).

The contemporary world faces an environmental management crisis that stems from the fact that the classical economic system is antiquated, being based on unlimited material growth, without taking into account the fact that the natural resources that subsidize development are limited. In this context, it is necessary to rethink the human condition from the perspective of the fact that man is interconnected with nature (Wijkman, Rockström, 2013, p. 28-29).

The current economic model needs a reassessment as it has major deficiencies. Resource depletion, environmental degradation, climate change, biodiversity loss are negative consequences of economic growth. GDP as an indicator of economic development only provides information on economic activity and results, not on the development of human well-being and prosperity. Natural capital is used without its value being recognized, and here we refer to the many ecosystem services that nature offers, water and air purification, waste and residue decomposition, plant pollination, natural water circuit etc. (Wijkman, Rockström, 2013, p. 219-221).

Even since 1972, through “*The Limits to Growth*”, the Club of Rome has warned mankind on the risk of depletion of vital natural resources and the consequences of pollution that will jeopardize the global economic system in the first half of the 21<sup>st</sup> century. The forecasts have been vehemently rejected in the political circles of the day, but current scientific assessments come to confirm them (Wijkman, Rockström, 2013, p. 267).

Another study, “*Environmental and development challenges: The imperative to act*”, warns of the future of the planet: “[...] civilization is facing a real hurricane of problems caused by overpopulation, overconsumption in rich countries, the use of ecologically destructive technologies and serious inequality. It is the reduction of biodiversity that feeds the life-maintenance systems of all mankind, the destruction of the climate, the global pollution, the diversion of essential bio-geo-chemical cycles, the increased danger of large epidemics [...]” (Wijkman, Rockström, 2013, p. 268).

## **A natural question: what is the place and the role of man in this system?**

Alfred Adler argues that man is an inferior being in relation to other large mammals, but the feeling of inferiority and insecurity has always acted as an incentive for discovering new ways of adapting his position to balance with respect to nature. Therefore, the sense of inferiority of man with regards to nature has led to the development of human society and implicitly to its adaptation to different environmental conditions. Moreover, this complex of inferiority is masked by a complex of superiority proclaiming and justifying the right of man to be the master of nature (Adler, 1996, p. 20).

In the Introduction for Larry Dossey's "Space, Time&Medicine" (1982), Fritjof Capra states that "*the common denominator of the crises he carries through mankind today includes a crisis in the process of knowledge, from this we persist in a Cartesian-Newtonian vision applied to a reality that can no longer be understood in terms of classical science*" (Mânzat, 2010, p. 24).

The great thinkers of the 20<sup>th</sup> century are worried about the rupture produced in man through the loss of humanity. In the modern age, scientific research and technological evolution did not increase humanization, but instead removed man from nature and self. Science and technology, which have exponentially developed since the twentieth century, have increased man's performances through computerization, cybernetization or robotization. However, the price to be paid was man's removal as a natural being. Lucian Blaga defines *man* in the 'Trilogy of Culture' (2011) as '*a cultural being*'. Edgar Morin advances the idea that '*man is a cultural being by his nature and a natural being through his culture*' (1973, p. 100). C.G. Jung points out that '*the inconvenient is ancestral, while the consciousness of the inconvenient is gone*' (Mânzat, 2010, p. 56).

In search of solutions to the problem of the lost human, Ilya Prigogine "is advocating a new alien human and nature. Man is a part of nature as nature is a part of man ". The same paradigm is shared by Vasile Tonoiu, who sees the new alliance as the "process of humanizing the anatomy and neutralizing man". In the cooperation of man with nature, domination has not found its place. The technology will no longer violate nature, and nature will become a cosmic home, in other words, society and nature will tend towards the same (Mânzat, 2010, p. 28-29).

Andreas Wijkman and Johan Rockström advocate for a circular economy based on recycling, on reuse and on an extension of product lifecycle, which benefits from low production costs and efficient waste management and from a focus on product quality (Wijkman, Rockström, 2013, p. 277).

**In conclusion**, the attempt of the modern man to dominate and control nature has only to distort the natural environment on Earth. Fortunately, nature has its own intelligence and potential for enormous self-regulation, as man understands to be part of nature and not just a destructive use of its benefits. Thus, beyond the ecological crisis with which humanity is confronted, there is a crisis of authentic values and principles for a healthy life, in harmony and balance with nature.

Living according to natural rules is a profoundly religious experience, a meeting with eternity, a re-finding the lost paradise. Therefore, the return to nature in the sense of observing the reproduction of a model of action and organization, validated by the functioning of the planet, can be a result of rescuing human society from self-destruction. In this context, it is necessary to change towards paradigm of respect for nature, to understand the functioning mechanisms of nature, and to opt for preventive behavior to preserve the natural balance of the environment and to secure the future of mankind on Terra.

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# POVERTY IN ROMANIA DURING 1918-1945

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**Abstract:** *The study presents the social status of the population in Romania, highlighting the dimensions of poverty between 1918 and 1945 in the European context. Data and information for the survey were taken from a series of publications of statistical institutions of the time, as well as from the works of interbelic and contemporary economists and sociologists. Dominant rural dimensions of poverty are discussed in relation to the effects of agrarian reforms of the time. A series of indicators of urbanization and modernization of Romanian society are also presented. The study contains a brief analysis of the manifestation of poverty during the Second World War (1941-1945), including the effect of successive occupation of the country by the German and by the Soviet army.*

**Keywords:** *social structure, land reform, property, food consumption, German occupation*

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## Introduction

In the hundred years ranging between 1918-2018, the Romanian nation has entered a new pathway through the Unification of the Romanian Principalities in 1918, which saw the initiation of several political and economic processes of deep social impact. Apart from this, Romania has undergone major social and political changes as well, such as the participation in the two world wars, the agrarian reforms of 1921 and 1945, the change to the communist era in 1945 (that saw the completion of agricultural cooperatives in 1962), the industrialization of the national economy in the 70's and 80's, as well the general urbanization and modernization of society. After 1991, the reintroduction of a market economy, held restitution to former owners of some part of agricultural land that had been cooperativized by communists. During this period - 1918-2018 - poverty was present in the Romanian society and it is still existing.

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At the beginning of the twentieth century, Romania was undergoing a rather delayed process of modernization, which was visible through to the struggles of overcoming the extended rural poverty of those years. Human and material resources, albeit modest, were mobilized to study the phenomenon, especially in sociology and economics (Anton Golopenția, Dimitrie Gusti, Stefan Zeletin Ion Ciomac Ion Ghica, D. Pop Martian Constantin Giurăscu etc.).

In socialism, after the 1950's, the poverty topic was placed outside of the public attention and became virtually absent from the official discourse of power, especially as a result of the regime's quest to reduce social inequalities and create a framework for quasi-general employment. At a subliminal level, however, four and a half decades of communism have not allowed this problem to leave collective consciousness. Awareness of poverty persisted especially for the rural population, which was brought into a zone of extreme insecure quality of life, at first by being made accountable for paying massive war debts, and second by having to support the costs of industrialization and urban modernization through agricultural collectivization and controlling prices of agricultural products. On the other hand, the biased reports of the communist regime have massively distorted the statistics pertaining to economic achievements in industry and agriculture. As a result, some indicators related to the socialist period must be interpreted with caution.

After 1990, poverty has returned to public attention due to economic meltdown. The explosion of poverty – both in what the social indicators expressed, but also within the public consciousness - mainly manifested in the 90s. The absolute poverty peak was recorded in 2000 (35.9% of the population) (World Bank, 2003)<sup>1</sup>. In 2007, after Romania has joined the EU, the poverty assessment methods have changed, but the risk of poverty and social exclusion still affected 47% of the population (Eurostat, 2017)<sup>2</sup>.

## 1. Definition of concepts

**The concept of poverty.** Poverty indicates personal deprivation against many dimensions of life. The Human Development Report of 1997 (UNDP) defines poverty as deprivation towards the values that human beings may have or can embody. Human poverty defines this multiple deprivation in monetary terms, expressing poverty in relationship to income levels and consumption of goods and services.

A relevant definition of poverty should also consider a consumers' perspective (satisfaction of needs) and a normal social integration of a person. In terms of *consumption*, poverty means the inability of a person to satisfy the needs included in the minimum consumption basket.

From the perspective of *social integration*, poverty is defined in terms of the minimum conditions necessary for normal functioning of the person in the community to which he belongs. A lack of resources can only be assessed against a poverty line, usually

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<sup>1</sup> World Bank (2003). Romania. Poverty Assessment

<sup>2</sup> Eurostat (2017). People at risk of poverty



expressed in terms of revenue. Depending on poverty, the poverty rate can be determined from a social community.

**The poverty rate** indicates the share of the poor in the total population. The extent of poverty or the poverty gap indicates the distance in incomes of individuals, families, groups, or communities to the poverty line or entity affected income necessary to get out of poverty.

The National Strategy for Combating and Prevention of Poverty (1999) made two types of assessments of poverty: the extreme poverty line, representing 40% of the average cost of household consumption per adult equivalent in 1995, and the threshold of extreme poverty, accounting for 60% of the average consumption expenditures (Zamfir., 2001). Studies that operate with the concept of extreme poverty usually consider three areas: (a) a level of income and / or consumption below the subsistence; (b) housing insecurity, and (c) a minimum endowment of the household. Absolute poverty indicates a subsistence threshold underneath which a person's biological existence is threatened. It is defined as the lack of resources needed to maintain human life. Under that level, essential functions vital to the human person are negatively affected. The subsistence level is defined in terms of the elementary physical / biological and social / cultural needs (Basic Human Needs). This concept is the underlying ultimate limit defining human rights.

**Relative poverty** aims to identify the minimum acceptable living conditions in a given socio-cultural context, within the human community. If absolute poverty refers to the desire to satisfy some needs of quasi-universal minimum, the relative poverty threshold indicates the relationships established in the distribution of wealth (income) within a specific social community. Some dissociation can also be operated between the concepts of *multidimensional poverty*, *profound poverty*, *chronic poverty*, *temporary poverty*, *circumstantial poverty*, or *poverty sensitive to economic growth*. The appearance of a consumption deficit somehow launches the signal of entrance into the area of risk of poverty, which, if persisting, can penetrate other areas of life.

**The absolute poverty gap** is indicated by the value of a minimum food basket plus the value of a minimum of non-food goods and services basket. The latter represents an average expenditure of people with minimum food expenditure, who still spend on shoes and to dress, to pay their bills, for maintenance, electricity etc.

**Extreme poverty / severe** is given by the value of minimum basket food (calculated for 2,550 calories / day / person) plus the average expenditure for non-food goods and services. In this case, persons will sacrifice part of the food expenditure to dress, shoe and to pay bills.

After 2002, the relative poverty gap considerably distanced from that of absolute poverty.

**Relative poverty** it is 60% of the median income per equivalent adult. The median divides the population recorded values exactly half-way, half above and half are below this value.

## 2. Evolution of the poor population in Romania during 1918-1945

### 2.1. Rural poverty in the interwar period

**The general socio-economic context.** The completion of the unitary national state after the First World War generated a potential to get out of relative socio-economic underdevelopment. At the beginning of 1919, Romania had an endowment of human and material resources of over two times higher than a decade ago. For Romania, the interwar period was structured in several stages:

- 1919-1922 - the stage of identification and evaluation of damage caused by the First World War;
- 1922-1928 - a stage of recovery and relative economic development potential;
- 1929-1933 - the great economic crisis - inflation, unemployment, increasing impoverishment of the population;
- 1934-1938 - protectionist policies for economic recovery, state intervention in the economy.

So, in the interwar period, Romania has benefited, in fact, only of ten years (and those interrupted by one of the deepest global economic crisis) of effective socio-economic development - decade consisted of 1922-1928 and 1936-1938 periods.

In such circumstances, in 1938, Romania yet reached a peak of its economic development in the interwar period, becoming a country where, although agriculture was still the main branch of activity, the industry recorded its first initiatives. The social evolution of the interwar period manifested itself in a state undergoing modernization, amid a slightly more consolidated economy compared to the pre-war period, in which the economic potential - the natural and the created by labour - increased more than twice. (Axenciuc, 1997, 9225). However, the post-war Romanian economy has been hit by extremely high currency volatility. To get a true picture of post-war inflation, we show dynamics of the leu in the current currency (paper) compared with pre-war gold leu:

**Table 1. Inflation during the period 1913-1938**

1913	1918	1920	1925	1929	1936	1938
One gold lion	1 / 3,6	1 / 10,6	1 / 40,2	1 / 32,2	1/44	1/49

Source: Axenciuc, 1997, p. 226

Thus, in 1938 the Romanian Leu represented 1/49 of the golden Leu. Therefore, in references to that period it is preferable to use indicators of the real economy rather than nominal economic indicators.

In 1920, the degree of urbanization of Romania was inchoative - about 78% of its population living in rural areas. Most of the rural population was struggling even before the war, in poverty.

**The socio-occupational status of population.** Until around 1922, the destructive effects of war were strongly felt, especially by the active population working in a proportion of about 78% in the agricultural sector which had a weak performance in terms of volume of production and the generation of income for farm workers. The workforce, little before the war, became less after. Many of the peasants who participated in the war died or had returned home wounded or disabled. The south part of the country had an especially difficult economic recovery after two years of robberies carried out by the German occupation. All areas of life, such as industry, transport, communications, banking, etc. were disorganized or deeply amputated.

Agriculture recovered quite slow – in 1920 were seeded 8.304.084 ha, compared with the average of 13.092.058 ha during the period 1911 - 1915, giving a crop of only 65% of the one from the years 1911 -1915. The agricultural reform of 1921 produced radical changes in the structure of land ownership through the elimination of many of the great latifundia and transforming the Romanian in an environment of small farms. The agricultural reform initiated in 1921, was eagerly awaited, for two years after the war, by over one million peasants who survived the front. It became possible only after the initial expropriation of about 6 million hectares of land from large landowners - an initiative that could not be lacking opposition from them, knowing that it would significantly mitigate their sphere of social and political influence. After the 11 of November 1918 were carried out a series of expropriations of the Crown Estates, Royal House, Church, etc., after which the laws of agrarian reform were adopted (Hamangiu, General Code of Romania, vol. VIII-X, 1913-1921), ownership being given quite difficult (even after 1927). Through this reform a large number of peasants were given ownership, but many of them did not receive land, although they were entitled to it (Constantinescu, N.N., 1998). Finally, about 1.4 million peasants were given land. During this period, the whole of society, the access to welfare holdings for medium and small peasants and petty bourgeoisie was extremely low. Instead, the vast industrial and financial bourgeoisie has strengthened and prospered. The industrial and banking capital have developed monopolies, which contributed heavily to the total control, of the mass population's access to national wealth. Because of the poverty of the population with small and medium domains of land, often through alienation or division of ownership, formed working class was initially active in the rural areas and afterwards through the development of the industry, in the urban.

The reform has only partially solved the problem of the peasants' way out of poverty, in most cases, the households had to supplement their income through other economic activities to resist at the level of survival. Gradually, by clarifying the situation of those peasants who remained without ownership of agricultural land, it appeared a social pool with potential of migration to urban areas and invigorate the growth of the workforce in industry and services. This population became increasingly present and active in industrial areas in Bucharest, Brasov, Prahova Valley, Jiu etc., but remained consistent in the craft villages.

The small, medium and business bourgeoisie and after 1934, the financial and industrial bourgeoisie have thus constituted a new social class more active in social, economic and political terms. Most of the Romanian peasants remained poor after the Agricultural Reform in 1921. Although most of the peasants that were given ownership of land have improved somewhat, within a year or two, their living conditions and have reduced dependence of their household to large landowners, peasants as a social class have always had a joint problem – an extremely difficult life, always under the threat of pedoclimatic factors, working in a weak agricultural sector with low efficiency, without investment or benefiting of very small investment. Many rural households have been destroyed by war or damaged. Livestock suffering from a drastic reduction - only 59% compared to the pre-war period.

In 1930, about 90.6% of Romania's active population worked in the field of land use (Golopenția, 2000, p. 338), meaning that Romania was an essentially agricultural country (Table 2).

**Table 2. The occupational structure of the rural population in 1930 (%)**

Professional classes	Total population	Active population	Assisted
Total in Romania	14.405.989	8.685.998	5.719.999
Land use	86,6	90,6	0,5
Exploitation of the subsoil	0,8	0,5	1,4
Metallurgical industry	1,0	0,7	1,6
Wood industry	1,0	0,7	1,5
Construction	0,5	0,3	0,8
Textile and Manufacturing	1,2	1,0	1,4
The food industry, tobacco	0,6	0,4	1,0
Chemical, paper, printing,	0,2	0,1	0,3
Other industrial enterprises	*	*	0,1
Credit agencies, agencies	*	*	*
Trade	1,6	1,3	2,0
Transport	1,3	0,7	2,3
Public institutions	2,3	1,8	3,0
Miscellaneous	2,4	1,6	3,7
Unreported	0,2	0,2	0,3

Source: Golopenția, 2000, p.338, note: \* Under 0.1

But in 1939, when Romania had managed to go beyond the status of predominantly agricultural country becoming an agrarian-industrial country, its basis economic and social structure did not change much. Over three quarters of Romania's labour force was still working in agriculture and only 10% of the workforce in industry (Hitchins, 1996). For the rural areas of those times it can be spoken of a distribution of non-agricultural occupations, highly uneven in territory, due to varying degrees of education and training of the population. The working population from rural areas was leaving regularly the village to engage in the nearest urban areas, usually in low paid jobs in industry, as labourers or forestry workers in various public works. Alongside with

peasants and workers there were office clerks, employers or titrated clerks. Rural clerks numbered 114.498, despite having relatively low wages (in the rural area being based on the salary scale of the state), but they also had some administrative advantages, which placed them, as well as the urban clerks, at the level of peasants with state or even the kulaks (Golopenția, 2000, p.337-340).

The total number of workers in rural industrial enterprises was 130-140000. *At the base of the social pyramid there were the landless agricultural laborers which are listed in the time statistics in the category "others". Their number amounted to 495.000 people, among them agricultural day laborers being in number of 367.000, forest workers – 128.000 but there are also about 54.000 of servants. These categories of people, when not even living at survival in most cases, they had very poor living conditions. "In 1938, the salaries of men ranged from 36 lei and 43 lei per day, and children between 19 and 29 lei. Carriage day was paid between 123 and 128 lei; the ploughing day was paid between 159 and 182 lei; ploughing a hectare was paid between 375 and 383 lei etc. These are the official prices set by the Ministry. However, they were much lower"* (Georgescu, Romania in the Twentieth Century, Politics and Society, 2015-2016).

**Economic situation of agricultural farms.** Following the land reform of 1921, about 36% of farmers remained landless (in 1934), their share decreased to 30,53% by 1937 (Table 3).

**Table 3. The situation allotment of agricultural land under the land reform in 1920-1921**

The year	1934	1937
Peasants given ownership of land	1.478.663	1.393.353
Landless remaining farmers	830.259	612.124
Farmers entitled to allotment	2.308.922	2.005.477
<b>Expropriated surfaces in order to allot farmers (ha)</b>	<b>6.181.137</b>	<b>5.804.837</b>
<b>The weight of the remaining landless farmers</b>	<b>35,96%</b>	<b>30,53%</b>

Source: Calculated by M. Stanciu, using the data from the Constantinescu, N. N., 1998, p.425

Not only the insufficient agricultural land in ownership certify the poverty of the peasants in Romania, but also the number of domestic animals with potential of use in working the land. In 1935, in Romania there were about 2,2 million horses and 4,5 million cattle. Comparing this livestock to the farmed agricultural area, it gives a return of about 12 horses and 23 cattle per 100 ha. During the same period, however, on the same area of land Netherlands could use 109 animals, Denmark 93, Belgium 88, Germany 71, France 45, Yugoslavia 28 (Golopenția, 1995, p.306).

In the Romanian agriculture there were not made, during the period, soil improvements and the investments made were very low, being reduced to the purchase of tools, some agricultural machinery (4,7 thousand of tractors and 9 thousand of steam engines to replace traction animals, in 1935) and the construction of a minimum necessary of buildings. In 1937, there were about 2,3 million plots for agricultural labour, 2,1 million of harrows, 73 thousand of speeders and 86 thousand of harvesters. The value of the buildings used in Romanian agriculture was of approximately 100 gold francs per

hectare, while in other Central European countries, it was around 500 gold francs and in Denmark they passed 1,000 gold francs per hectare. (Golopenția, 1995, p. 307).

As a result, farmers' income in Romania was quite small, Romanian grain being exploited in favourable conditions for producers and domestic demand for agricultural products being extremely low (due to the low level of urbanization). Although the state maintained the domestic prices of the cereals above the world prices, the money resulting from the sale did not return to producers but in a very small degree, Romanian farmers were disadvantaged compared to those in Italy, Germany or France (Golopenția, 1995, p. 307).

Rural population which lived from exploiting the land consisted of 4,6 million assisted persons, 4,4 million family members "aids in agriculture", 2,78 million employers, 495 thousand "others", meaning workers for a day, 126 thousand employees and 4.650 owners, rentiers and pensioners. Besides these, there were an insignificant proportion of people living from forestry (800) and from fishing (7,7 thousand). (Golopenția, 1995, p.309-310). Romania's agricultural population lived hence from a number of agricultural exploitations of the land (three quarters of the total), with less than 5 hectares each, and together having a little more than one quarter of the country's agricultural area. The remaining holdings had more than 5 ha, owned, the other three quarters of the country's agricultural area.

**Household income and expenditure.** The polarization of the agricultural ownership has also remained after the land reform in 1921. *The number of farms under 5 ha was 2.460.000, representing 74.9% of total holdings.* Or it is known the fact that the owners of farms under 10 ha which represented 92% of all owners, could provide, only through land exploitation, a minimum of living.

**Table 4. Existing agricultural holdings in Romania after the reform in 1921**

Categories of holdings	farms		Total area	
	Number	weight%	ha	%
Total	3.280.000	100,0	19.759.000	100,0
Of which less than 5 ha	2.460.000	74,9	5.535.000	28,0
Of these, 1 ha	610.000	18,6	320.000	11,6
1-3 ha	1.100.000	33,5	2.200.000	11,1
3-5 ha	750.000	22,8	3.015.000	15,3
5-10 ha	560.000	17,1	3.955.000	20,0
10-20 ha	180.000	5,5	2.369.000	12,0
20-50 ha	55.000	1,7	1.535.000	7,8
More than 50 ha	33,500	1,1	8.460.000	42,8

Source: \*\*\* Statistical Yearbook of Romania 1935, 1936, p.181, ibid, 1939, 1940, p.403

**Table. 5 Distribution of rural households (% of total category) by the number of domestic animals and the area sown**

Animal heads	Trawling cattle					Cows and buffaloes				
	Exploited agricultural area					Exploited agricultural area				
	0-1 ha	1-3 ha	3-5 ha	5-10 ha	Over 10 ha	0-1 ha	1-3 ha	3-5 ha	5-10 ha	Over 10 ha
0	65,2	48,5	27,9	18,5	10,4	51,5	36,1	30,1	22,9	13,3
1	11,9	13,2	12,0	8,5	5,3	36,8	40,4	44,3	45,5	34,8
2	20,6	34,4	5,5	56,2	38,6	10,2	20,3	20,7	23,3	29,9
3-5	2,1	3,6	8,3	16,3	35,1	1,2	2,9	4,5	7,7	18,2
Over 5	0,2	0,3	0,3	0,7	16,0	0,2	0,3	0,4	0,6	4,8

Source: Ministry of Agriculture and Domains. Statistics livestock in 1935, p.32, takeover Golopenția op.cit., p.313

This speaks for itself about the extent of poverty in the Romanian society of the time. The owners who had less than 10 hectares (social class majority) were continuously struggling for economic survival in conditions of an unsustainable agricultural sector supported by other sectors of the economy. The fact that owners had to pay the cost of the land received as a result of the agricultural reform worsened the economic situation of those households.

Only in 1934, it was adopted a law for the liquidation (in fact, conversion) of the agricultural debts, which removed debt burden, but only for those who did not sell the land meantime. The agricultural exploitations over 10 ha in a proportion of 84% had a small number of trawling animals (no more than 5 or less than 5), not to mention the fact that 15,9% of them had at most one or no animal at all. The weight of the peasants who did not have pigs and sheep exceed 60-65% of the peasants with agricultural land between 0-1 ha. Most of the poor at the level of subsistence had no trawling animals (65%) had no cows or buffaloes (51,5%) and no other animals like pigs or sheep, although it is possible that some of them have had some land (up to one hectare).

When it was not possible increasing the household revenues through related activities, *peasants used to reduce the consumption of food and clothing* (Golopenția, 2000, p.321). The poorest peasants - with land up to 3 ha periodically emigrated to work in regions or cities where they could find jobs, leaving their land on the effort of other family members.

**Table 6: The average agricultural income (after deducting production costs) for 159 households in 1933-1934**

Category holding	Income per ha (€)	Revenue/person (lei)	Income/holding (lei)
Less than 3 ha	1.677	865	3.924
3-5 ha	992	757	4.208
5-10 ha	586	803	4.437
10-20 ha	570	1.586	8.628
Over 20 ha	68	350	1.633

Note: households had holdings from 2,50 to 14,98 ha

Source: Golopenția, 1995, p.317

They were forced to rely on *income increase micro strategies* by practicing various trades or activities: carpenter, bricklayer, carpenter, etc., carriage, one day work on the land of others, taking on lease or tithe of agricultural land.

Basically, for most households, *the most significant revenues came from non-agricultural activities*. In 1935, the gross income of agricultural exploitations of the peasants, came - in a proportion of 35,2% of cereals, industrial plants and power plants – 22,2% came from cattle and 41,5% of auxiliary earnings - paid work, carriage, crafts and trade. **Spending on food, clothing and other necessities** of rural households varied depending on the category of agricultural exploitation (Table 7):

**Table 7. The average consumption expenditure of 159 rural households during 1933-1934**

Category holding	Food expenses / person (lei)	Expenditure on clothing and another necessities / person (lei)
Less than 3 ha	3.492	753
3-5 ha	2.730	941
5-10 ha	3.245	1.189
Over 10 ha	3.685	2.007

Note: households had holdings from 2,50 to 14,98 ha

Source: Golopenția, 1995, p.316

In households with holdings less than 10 ha, only food costs exceeded agricultural income. Therefore, to obtain additional income was not a problem of increasing wealth, but of survival. From the data on the incomes and consumer spending it results that total income (agriculture and auxiliary) per person could not provide for food expenditure / person in agricultural exploitations below 3 ha, but they were covered for those with land over 3 hectares. The total expenditure necessary / person could be assured in households that possessed land of 5-10 ha.

An indicator of poverty is **the number of children forced to work** to increase their family income. In September 1940, out of the 190.000 workers permanent employees working in agricultural exploitations, 54,1% were men, 35,7% women and 10,2% were children. In fact, at the country level, family members of every third family of peasants were forced to work as laborers or permanent employees for others for money or goods. Most of them found their own work in the village, but there were some who went farer for this purpose.

In conclusion, to cover basic needs, rural households with land below 10 ha allocated resources that were insufficient for food or used to dress poorly or were borrowing or selling household possession like cattle or land. Studies show that consumption levels achieved in those households were far from enough: nutrition expenses represented 6/7 of the household's expenses with less than 3 ha, 3/4 for the households with 3-5 ha or 5-10 ha, and slightly under 2/3 in the case of the households with more than 10 hectares of land. In fact, the equivalent amounts of the food consumed came from their own household production (*Sociological survey coordinated by Anton Golopenția and D. C.*



*Georgescu, Current economic situation, volume II, Institute of Social Sciences of Romania, Bucuresti, 1940).*

**The role of rural immigration in increasing urban poverty.** In the third and fourth decades of the twentieth century in Romania urban areas began to expand. The engine of this phenomenon has been the development of industry (between 1886-1938), the development of urban transport, communications, electrification and running water installation in certain areas of towns (around 8-10% of the population had access to sources of running water) (Axenciuc, 1997, p. 295). The modernization of urban life has attracted much of the rural poor, who came looking for a job in industry or in services. Thus, the urban areas massively contributed, although implicitly, to diminishing the social relevance of rural poverty issue.

**Table 8 Developments in household structures in Bucharest in 1930 and 1941**

The year	Population	Households (in%) with:					
		1 member	2 members	3 members	4 members	5 members	6 members
1930	639.040	9,0	23,0	20,6	17,1	12,5	7,9
1941	993.000	12,5	25,0	21,3	16,6	10,5	6,1

Source: Golopenția, 1995, p.379

In 1930, the percentage of the urban population in the total population increased to 20,1% compared to 17,8% in 1910-1912, meaning from 2.887 inhabitants to 3.651 thousand people (an increase of 26%). In Romania there were several larger cities of industrial and commercial type, the rest were agrarian-merchant towns. There were 639 040 people living in the capital in 160515 households, of which 2.508 were collective shelters (hotels, hospitals, barracks, prisons). In urban areas, most of the households had two members (23%) and three members (20,6%).

During 1922-1923, the share of **skilled workers** in some areas reached up to 60%. In 1925 it was adopted legislation favourable to workers by *establishing the rest Sunday and public holidays, the working day of 8 hours* (1928) and *collective labour contracts* (1929). Workers lived, usually in suburbs, in houses of straw of 1-2 rooms located in a small courtyard in the streets without sewerage or running water; their houses were lit with kerosene and heated with wood or coal.

**Table 9. The number of employees in big industry during the years 1932 to 1938**

Branch	1932	1933	1934	1935	1936	1937	1938
TOTAL	152.198	184.777	208.240	230.797	260.934	278.919	289.117
Grocery shop	20.720	28.254	29.828	31.334	33.146	34.724	38.376
Cleaning	13.753	17.179	20.282	22.539	21.685	27.626	28.298
Metallurgical	26.083	31.319	37.796	43.705	55.861	49.529	51.321
textile	38.074	47.681	50.562	54.228	61.703	70.450	74.077
Woodworking	24.056	26.375	31.228	36.309	39.974	44.160	43.326

Branch	1932	1933	1934	1935	1936	1937	1938
Leather	6.647	1.075	9.766	9.853	10.952	11.959	13,366
Paper	8.916	9.686	11.585	12.788	13.915	14.780	15.222
Building materials	9.807	10.690	11.051	13.226	14.910	16.065	15.104
Glass	2.866	4.299	4.634	4.800	5.775	6.088	5.691
Electrotechnics	592	509	621	998	1.469	1.950	2.684
Ceramics	684	710	887	1.017	1.544	1.588	1.652

Source: Georgescu, 2015-2016, p.88

The level of urbanization remained quite low in the interwar period, about 78-80% of the population still living in rural areas. Along with the development of the bourgeoisie, the general population of the city consisted of *the poor* that were looking for a job, *the servants* of the rich and laborers who *worked for a day for modest fees in industry, shop employees* or small *clerk* employees of state institutions.

A dominant feature of the Romanian urban inter-war period was the constant social pressure exerted coming from rural poor, the urban employment, which made it possible to periodically reduce salaries or keep them at low levels.

**The extremely low amount and the downturn in real wages of employees** (V. The salaries - Table 10, and inflation - Table 14) have severely restricted the access of the employed population to consumer goods and services. In fact, in the interwar period, wages had suffered two major inflationary waves in the intervals 1916-1926 and 1934-1938. In 1938, **gross nominal average wages** were 1.715 lei in the food industry, textile industry 2.023 lei, 1.654 lei wood industry etc. The statistics of social security, which classifies the categories of insured salary, confirms domination of the lowest wage levels, even in 1938 (salaries up to 600 lei to 1975 lei plus those up to 1.975 lei being received by 66,6% of the insured - Table 11):

**Table 10. The groups of monthly salaries and social security in the mass distribution of employees between 1934-1938**

Groups of monthly salaries	Number of insured
<b>Total</b>	<b>1.06 million - 100%</b>
Up to 600 lei	137.000 - 12.9%
Between 601-1.125	246.000 - 23.9%
Between 1.125-1.975	246.000- 29.8%
Between 1.976-2.475 lei	113.000 - 10.7%
Over 2.476 lei	248.000 - 23.4%

Source: Constantinescu, 1998, p.458

Clearly, at least one third of employees (36,8%) of those with salaries up to 1.125 lei per month living in poverty - if not earning income from other sources - salary income not reaching to cover current consumption needs. Average prices per kg of basic food were relatively high in relation to the average wage: 8,7 lei bread, pork 30 lei, 55 lei sausage, cheese 39,50 lei and 11,5 lei apples. Clothes and footwear were not easy to buy: 1 m of clothing costs 534 lei, 605 lei - a pair of shoes, the monthly rent for a 3-bedroom apartment costs 1.600 lei.

A very difficult period in terms of ensuring basic goods and services has been one of the years 1929-1932, when there was the great international economic crisis of overproduction. Romania was deeply affected by the crisis, especially at the social level, although the domestic industrial production, met the needs of domestic products only up to 50-60%, the rest coming from imports.

**Table 11. The evolution of industrial production and the amount of salaries of workers in the industry between 1928 (base calculation) 1933**

Year	Number of enterprises	Personal (thousand Lei)	Production value (bln. Lei)	Salary amount (bln. Lei)
1928	100,0	100,0	100,0	100,0
1929	94,2	97,1	92,0	100,0
1931	91,4	73,4	54,4	70,1
1932	89,7	73,4	53,3	57,1
1933	87,9	89,4	57,2	64,9

Source: Axenciuc, 1997, p.284

In Romania, however, the crisis was felt in the collapse of industrial commodity prices (20-30%), by extending the working day and intensification of work, the price explosion loans by sharp drop in wages or dismissals of workers, which had bankrupted many companies.

The number of unemployed increased sharply (more than 120.000 are only those registered within the employment offices), without them receive social assistance only sporadically and not all of them were entitled. In times of prosperity the number of the unemployed registered at the employment offices was relatively low 20-30 thousand, but during the crisis it exceeded 100-150 thousand. Together with the unregistered unemployed, the number of the unemployed reached 200-250 thousand, meaning one third of all employees. Unemployment benefits were not stable and generally granted. Social protection was superficial, and few enjoyed it.

**Annual food consumption of the population in Romania.** The year 1936 highlights the high-level food frustrations faced by people.

**Table 12. Some elements of food consumption - Romania compared to other countries in 1936**

Food	Great Britain	US	Switzerland	Germany	Belgium	France	Czech-Slovakia	Italy	Romania
Meat (kg)	65,1	57,5	45,3	43,6	41,2	36,6	25,4	16,1	13,6
Sugar (kg)	43,7	42,8	33,6	22,5	21,6	23,5	24,4	7,0	5,5
Alcohol (l wine, beer)	66,0	63,0	82,0	65,0	165,0	154,0	52,0	100,0	22,0

Source: Golopenția, 2000, p.379

Compared to the consumption in other countries, food consumption in Romania had extremely low average values (Golopenția 2000, p. 385), even if it can be assumed that many of slaughtering animals in the rural Romanian were omitted from the records (this subject is likely to be true but for other countries).

Findings of the surveys on nutrition of the peasants in the interwar period as follows: "insufficient quantitative and qualitative food. Romanian peasant's food was of corn basis, which is incomplete nutrition, because of its protein substances lacking some amino acids such as tryptophan and lysine, cystine and glycine which were of small quantities; also lacks vitamins necessary for growth, as well as to combat rickets and xeroftalmine. Sometimes, however, corn is consumed in insufficient quantity, it is sometimes altered and therefore gives rise to a disease called pellagra, widespread in Romania. In the diet of the Romanian peasant, the corn is consumed with beans, potatoes, cabbage, onions, cucumbers, a little meat and fish, a little milk and derivatives. In conclusion, we find that a large part of the rural population's nutrition consisted of corn of insufficient quantity and sometimes altered, accompanied by insufficient food quality that caused early mortality, organic weakness, lack of normal growth and lower working productivity". " ... *scientific studies and tests gave the following results on the Romanian peasants' diet: a) insufficient caloric intake; b) insufficient intake of animal protein; c) insufficient tern substances (fats and carbohydrates); d) insufficient minerals, except for calcium; e) insufficient vitamins A and D*" (Georgescu, 2025-2016, p.84).

## 2.2. Poverty during the Second World War

**Between 1940-1945, poverty in Romania has increased dramatically.** However, the phenomenon itself was discreet, silent almost as the Romanian society of the time realized other priorities as being quite exceptional - the imminence of the war and the loss of countless lives - and did not have at the moment the energy to deal directly with the phenomenon of poverty. After Romania entered the war, when German troops entered the country, the population began the calvary. The full agricultural potential, the country's financial industry was redirected for the purpose of maintenance of the German war machine.

**The radical degradation of social and economic situation of the peasants.** In agriculture, the so-called *agricultural mobilisation program* the main factors that contributed to the deepening the poverty of people was requisitioning agricultural tools, vehicles, horses and workforce aged over 12 years, regardless of gender, to provide intense work in farms to supply agricultural products to the occupants. In such circumstances, the Romanian agriculture has massively deteriorated, the agricultural crops of the years 1940-1941 being very poor.

**Table 13. Peasants land ownership in 1941**

The surface of the exploitation	Number of properties		Surface of land	
	Absolute values	% of total	ha	% of total
1 ha	521.900	23,2	224.000	2,2
3-5 ha	416.200	18,4	1.633.000	16,0
5-10 ha	381.700	16,9	2.632.000	25,8
10-20 ha	101.000	4,5	1.303.000	12,8

The surface of the exploitation	Number of properties		Surface of land	
	Absolute values	% of total	ha	% of total
20-50 ha	31.500	1,4	858.090	8,4
50-100 ha	4.891	0,2	315.000	3,1
100-500 ha	1.234	0,2	870.090	8,5
500-1000 ha	416	*	285.000	2,8
Over 1.000 ha	251	*	550.000	5,4

Source: Constantinescu, 2000, p.55; Note: \* less than 0,1%

Largely, *the situation of land ownership of the peasants changed*, as evidenced by the agricultural census in 1941. In Transylvania, the horthist occupation cancelled the provisions of the agricultural reform of 1921. In these circumstances, one million peasants had no land at all, about 521.900 peasants (23% of all owners) held agricultural areas of less than one hectare of (these used about 2.2% of the total agricultural area) and 35,3% of land owners had agricultural exploitations of 3-10 ha (41,8% of the total surface). All of them would not be able to provide even at the limit of subsistence the meanings for the daily life from agricultural labour, even without paying taxes to the state. On the other hand, those 215 owners who had estates of over 1000 ha, were exploiting an area twice as large as the peasants who worked on agricultural exploitations of under 1 ha.

**Inflation and tax burden.** Typically, inflation acts to deepen and extend the impact of poverty on the population by reducing purchasing power. On the background of the issue of vouchers by the National Bank, of the huge amounts of food and other consumer products leaving the country towards Germany and Italy, the lack consumption products for households expanded rapidly, their prices have soared, and inflation increased sensitively.

**Table 14. Inflation in Romania  
(1938-1947)**

The year	General price index detail in Bucharest (1938 = 100)	The quotation for Switzerland Franc (1938 = 100)
1940	156,3	146,0
1941	271,3	156,7
1942	431,9	...
1943	586,0	...
1944	934,4	...
1945	6.489,5	7.982,6
1946	36.808,6	43.662,6
July 1947	853.163,0	1.890.204,0

Source: Alexandrescu 1986. p. 245, 250; Axenciuc, III, p. 39-40, takeover Murgescu, 2010, p.333

The public budget of the years 1940-1941, which was 77,4 billion lei went at a rate of 67,4% for the military sector. About 45,5% of the direct contributions to the state budget came from wage taxes and taxes on income from industry and commerce accounted for only 18,3%. Therefore, the burden of taxation was carried by the mass of

employees. In addition, since 1939 it was initiated by the State, through the institution of the Autonomous Financing and Amortization House, the payment by the employees of vouchers to support the army. The value of the CAFA vouchers significantly increased in 1940, reaching 12,8 billion lei in January 1941. The population and the National Bank of Romania financially supported both the cost of German troops on national territory and sending food parcels to families of German soldiers. Thus, during 1940-1941, the German soldiers spent and sent packages of food and other products from Romania to their families in Germany worth 34,4 billion lei. In such conditions (NBR put into circulation vouchers worth 160,9 billion lei in the years 1940-1941) inflation increased and domestic market lacked most products required for daily consumption. In Bucharest, the consumer price index increased by 353,9% by 1941 compared to 1939. The cost of living had increased in 1939 at 133,4%, reaching values of 180% in 1940 and 258,8% in 1941 (Constantinescu, 2000, p.53-57).

**Physical and economic deterioration of the urban employees.** The years of war have succeeded in taking by government of anti-popular measures, profoundly anti-labour and repressive. On November 13, 1940 it was issued a decree-law that severely punished any meeting or activity against public order. On April 4, 1941 it was established the execution of sentences in labour camps. On 18 February have been militarized all public and private institutions, that have been placed under control, jurisdiction and military discipline. It was indefinitely extended the workday and break Sunday has become a rarity. Beatings and punishments applied to people working in enterprises and deviated from labour discipline became as frequent as in the army.

In horthist Transylvania, in addition to all this, workers bore a chauvinist oppression of the Hungarian fascists. As a result, up to December 1, 1943, the Romanian General Commissariat for refugees registered 220.000 refugees and expelled from northern Transylvania (Constantinescu, 2000, p. 53-57).

Long-term intensive work regime on the background of massively unbalanced diet and absolute poverty caused serious deterioration of biological condition of most employees in the industry, making them more vulnerable to disease. Statistics on morbidity and mortality began publishing explosive numbers and in 1941 came the first digit on the ravages caused by typhus. This was indeed one of the darkest periods in the history of the Romanian people.

**Impact of the war losses on poverty.** Human and material losses suffered by Romania were considerable. In human plan Romania lost a total of about one million people dead, missing or displaced (prisoners and deportees who have returned in the first years after the war). Materially, Romania's total losses were estimated at about 3,7 billion US dollars (the year 1938), of which about one billion before August 23, 1944, 1,2 billion from August 1944 to May 1945 and January 5 billion in implementation of the Armistice Agreement. The largest share had a compensation to the Soviet Union.

**Table 15. War compensations delivered by Romania to the Soviet Union**

Category of goods	Amount	Value	
		dollars	% of total
Petroleum products	10.1958 million tons	150,000,000	50.00
Cereals	682.700 tons	16.0025 million	5.33
Animals	990,000 heads of which: 200,000 cattle, 100,000 pigs, 500,000 sheep, 190,000 horses	19,801,796	6.60
Wooden material	1,967,483 m <sup>3</sup>	18,000,000	6.00
Ships	355 pieces	19,656,823	6.55
Industrial machinery		28,034,893.5	9.35
Railway equipment	490 locomotives, 6,000 freight wagons, 1,200 tanks	48.504 million	16,17

Source: Alexandrescu, 1986, p.39

Beyond the massive loss of human resources, the table above shows a fairly large part of war compensations paid by Romania to the USSR that were likely to exacerbate starvation which occurred in the country during the first years after the war.

The Armistice Convention of 12 September 1944 fixed compensation due by Romania amounting a total of 300 million dollars (35 US dollars at parity for an ounce of gold), spread over six years. The 300 million dollars meant in fact over 55% of Romania's national income in 1945. They were paid in products, calculated at 1938 prices (which were much lower than at the end of the war).

**Domestic food consumption** was quite problematic and poor even in peacetime (v. Georgescu, op. cit., 2015-2016, p. 84), and after 1940 with big new restrictions could barely be covered. There were no grain reserves made during the years with more abundant production, while the Germans were discretionary reducing the stocks of foodstuffs for domestic consumption of the Romanians, redirecting grain to Germany and Italy and supporting the German Army that was living on our territory with discretionary resources obtained in Romania.

To all of this, considering in addition the usurious practices becomes easy to understand that poverty had long ago reached the limits of endurance for the Romanian population.

On February 10, 1947, when it was signed the Treaty of Peace with the Allies, it contained 40 articles which granted Romania the status of a defeated country that was not entitled to recover material losses suffered by the Axis countries after 1944, moreover, Romanian goods that were in Allied countries could be seized in war compensations account.

## Conclusions

Leaving the sphere of political influence of the Ottoman Empire (1918), Romania became economically dependent on the West. The national agriculture remained more than half a century, at the medieval stage until close to 1960. Overall, there has been some economic progress in the early part of the twentieth century, the urbanization and some industrial development. The bourgeoisie was formed relatively slow - more through the development of trade and banking and less through industrial development. The state has developed a slow administration, with few officials, even if formal institutions were replicated by the West. Peasant class together with urban workers bore the brunt of social development effort, in conditions of extremely difficult access to social welfare and especially to educational institutions that were the key to any development. *The households of most of the population, even when living in urban areas, were perpetually reproducing rural traditional societal structures deeply marked by attitudes of living at the limit of survival in chronic poverty.* Thus, Romania is building slowly with hesitant steps on the outskirts of the western development, which persisted until World War II, after which it joined the Soviet sphere of influence. In the first part of the twentieth century, while 2-3 decades, Romania's economy has grown more inertial at the social basis under the impulse of survival, and at the top - in a spirit of imitation in the image of the West.

In areas throughout the interwar period, social polarization has remained stable in terms of the land reform of 1921. The Romanian urban areas generated the bourgeoisie, the working class becoming more consistent through the contribution of the working population from the rural poor but able workforce.

*The return period of relative wellbeing, after 1933* was abruptly ended by the start of the Second World War, when the country again had to go through massive destruction and robbery.

*In the interwar years, Romania had the highest proportion of poor people in the total population of European countries.* After the reform of 1921, 74,9% of Romanian rural households had less than 5 hectares of land, adding to the population that 30,54% of those peasants who remained landless even in 1937. Most affected by poverty was the peasant class, being the largest at that time. Romania's population worked more and consumed less, which was a prerequisite of survival for most of the population.

On the assumption of the rural overpopulation of Romania, supported by some social analysts of the time and later taken by several other authors (v. Golopenția 2000, p.325, Axenciuc, 1997), used as the main explanation of the impact of the phenomenon very extended rural poverty in the interwar period - this can be discussed using other explanations than the strictly demographic. Simple argument of surplus population - inspired Malthusian (Malthus's theory was largely invalidated by subsequent demographic and social developments of his time) does not stand alone in explaining the phenomenon of rural poverty in interwar Romania.



At that time, the basis European societies (and not only) consisted mostly of large families. The European countries of the time, however, suffered less from hunger and poverty than the peasant families in Romania. By studying other causes such as the *extreme polarization of the population's incomes on the grounds of legitimizing social-economic inequalities by the ruling classes, or the chronic bankruptcy of the political-state systems in the management of national wealth, or the poor involvement of states in the economic support of small holdings of medium-sized enterprises to increase agricultural yield, and last but not least, the deliberate maintenance by the aristocratic classes of the masses for centuries of illiteracy* could bring another light in the spheres of the widespread impact and persistence on the long-term of the phenomenon of rural poverty in Romania.

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# CHALLENGES AND OPPORTUNITIES FOR THE SOCIAL ECONOMY IN ROMANIA

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**Abstract:** *The first part of the paper covers social economy issues from the perspective of the relationship with the market and the State. The second part looks at the international framework, by highlighting the main regulatory framework and the national models of social economy at international level. The third part analyses the institutional and legislative national (Romanian) framework based on the analysis of the social economy entities. In conclusions we analysed public policy options for development of social economy in Romania*

**Keywords:** *social economy, data collection, types of social enterprises, European/national framework.*

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## Introduction

The present paper is a deliverable of the INCLUSIVE ACTIVE EFFICIENT project. The consortium partners were The Research Institute for Quality of Life, Romanian

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Academy (lead partner), HOLT Romania (Iasi subsidiary), the Association for Development and Socio-Economic Advancement CATALACTICA and Împreună Agency for Community Development. The project is financed by the UEFISCDI programme Partnerships in priority fields, Project Code 1390, period of implementation 2012-2015.

The paper is part of the stage I of the project, collecting and analysing statistical data. According to the project activities' plan, the ensuing stages include collection and analysis of the quantitative and qualitative data and drafting of the Research Report. The present *working paper* is based on the collection of statistical data and secondary data analysis.

The project INCLUSIVE ACTIVE EFFICIENT aims to contribute at increasing access of vulnerable groups to the labour market by labour force employment in the field of social economy (SE). The project contributes to the achievement of the objectives set by Romania as member-state of the European Union (EU). The paper is aimed to all persons involved or interested in the field of SE: specialists, experts, business environment, academia, entrepreneurs, civil society, interns, and finally, to all those who believe they can intertwine economic activities with social purpose.

## I. DESCRIBING THE ISSUE

National level statistical data reveals the gaps in achieving the objectives and targets of the Europe 2020 Strategy. As of 2008, Romania featured an employment rate of 59% against a target of 70% for 2020 (at EU level). The employment rate in Romania was by 52.2% against the EU target of 60%. The employment in the case of the elderly (55 to 64 years) was 43.1% in 2008, against the 50% target for 2020.

In this context, the present chapter proposes a review of the issues of social economy in relationship with the market and the State, and with the employment policies, and with the specific topics of professional insertion for those groups facing increased risks of social exclusion in general, and especially on the labour market.

### *I.1. Social economy: between market and the State*

The emergence in the public debate of the social economy is related to the role of the State and of the market in delivering welfare, and mainly to the neoliberal approach. According to this approach, dominant in capitalist countries since the late-seventies/early eighties, the market has the main role in welfare, while the State has a residual role in welfare and in achieving overall economic and social progress.

Public policies had a low impact on reducing unemployment, and economic and social inequality as well, as proved by the virtually unchanged at-risk of poverty rate. The market economy model began to be questioned because it failed to deliver enough decently paid jobs, while the share of precarious employment increased - part-time, temporary or self-employed in low-paid jobs. The failure of the market was highlighted both regarding labour force market, and in meeting the old and new, technology driven, needs and aspirations.

In this context, new models emerged for improving the standard of living and /or delivering welfare that anticipated the role of social economy. One of them is what might be called the “mixed model of supplying welfare”, especially in the field of personal and health care services.

This model highlights the plurality of stakeholders involved in supplying welfare services (for instance, family/household, the State, the private sector, as well as a wide range of community, and local voluntary organisations), the local dimension of the social care services, as well as the mediator role of the State in the field.

This model was developed by Evers and Wintersberger (1990) in what they called the welfare triangle. The role of the various stakeholders in generating welfare is acknowledged, and the economic and social room is identified in which the social economy operates being placed between the poles market, State, and family/household. In the framework of this model, the principle of solidarity is the basic characteristic of the social economy, as are accepted the characteristics of profit for the market, of rights for the State, and of reciprocity for household, family, and community.

In this space, a wide variety of local level organisations exists providing a wide range of services. They develop multiple activities for advancing and supplying welfare as mitigation to the adverse effects of economic changes and, especially, this is based on the collective effort in the field of local development. Regarding these institutions, some serious questions arise about financing, support mechanisms, and their sustainability, the standards in services’ supply, and the relationships with the beneficiaries.

The space where social economy activates is known also by the fact that not all aspects of the social and economic life are located between the State and the market. There is an acknowledgement regarding the various forms of economic and social activity that supply both individual and collective welfare.

Despite approach and conceptual differences between the presented models, the idea is highlighted of shifting beyond market and State the activities of achieving the objectives in fields such as increasing labour force employment, ensuring welfare and social inclusion.

Both approaches identify the space in which social economy might be active, and the operation principle of the social economy organisations is solidarity.

### ***1.2 Market failure: role of social economy institutions***

Many public policy documents acknowledge that the market fails in supplying collective and individual goods according to societal needs. This is, in fact, the *raison d’être* of the social economy institutions.

The market failure terminology is used in the economics for designating the situations when unregulated markets fail in efficient or optimum allocation of resources.

Suboptimal allocation is related to both labour and natural resources. At the same time, a series of unmet needs emerge in a variety of fields, including personal and health care services, education, cultural and leisure time services.

Market failures occur because of a variety of causes: market imperfections, such as imperfect competition, imbalances in market and/or economic structure, externalities, and nature of public goods. Often, market imperfections are linked to the role of monopolies in determining prices.

Externalities refer, in general, to the negative and positive effects for companies or consumers as result of the actions of some other companies or consumers. An example of negative externality is pollution. Polluting emissions generated by a certain company involves no costs for the respective company but lead to additional costs with respect to the health of people and society. An example of positive externality is the participation of individuals to sport activities. In this instance, the costs and benefits are linked to individual consumers but benefits result, as well, for the society by potential diminishment of public health expenditures.

In certain circumstances, external benefits are extremely widespread becoming public goods. These goods have the characteristics of being non-exclusive (the consumption of one person does not reduce the available quantity for another person) and non-competing (the consumption by one person does not hinder another person to consume the same product or service). The typical examples of public goods include quality of the environment and to food safety.

Considering the variety of factors leading to market failure, it is necessary to identify where organisations active in the field of social economy may play a role, the background for this role, and the corresponding financing mechanisms.

First, wide varieties of organisations are involved in improving environmental resources and in preservation activities. These are, in general, producers of public goods, though in many cases they are limited to certain localities. From the financing viewpoint, the issue is about the way they are supported, in terms of public or private support sources. To the extent in which benefits result, both for natural persons, and for institutions, importance has the way in which the costs for achieving these benefits may be distributed to the beneficiaries.

Secondly, wide varieties of organisations are involved in supplying personal services, for instance in childcare, information and counselling, after-school services, elderly care, and services for disabled persons. What is important is that many of these services are supplied because certain consumers are unable to afford market prices and the state fails in supplying these services.

In both instances, the idea is to finance activities for a special type of organisation to deal with social problems (unemployment, market failure) and their consequences.

Despite the opportunity for developing social economy and increasing financial resources allocated for these organisations due to market failure, this opportunity was achieved mainly by labour market inclusion of vulnerable persons.

### ***1.3 Social economy, support for employment policies***

This approach starts from the fact that there is a wide range of unsatisfied needs that are not fulfilled either by market or by the State. These needs are the result of

demographic and lifestyle changes. They occur in the following areas: homecare for elderly and disabled persons; childcare and corresponding educational services, youth employment; sports, leisure and cultural local services and facilities.

The link between satisfying these new needs, according to new, technology induced patterns in the standard of living, and the increase of labour force employment by means of social economy is essential. Meeting these needs was realised by activities related to demand – fiscal facilities (tax deductions, fiscal credit), and fiscal guarantees, but also on the supply side by granting subventions for supporting the set up and development of SE enterprises.

To these is added the support for SE enterprises employing the unemployed and training workers for new jobs.

### Fields for increasing labour force employment

#### A. Daily services

In-house personal care services, especially elderly care

Childcare services

Assistance for youths in difficulty

New information and communication technologies

#### B. Improving living conditions

Security

Local public transport

Urban area regeneration

Local shops

#### C. Cultural and leisure time services

Tourism

Audio-visual sector

Cultural heritage

Local cultural development

#### D. Environment services

Waste management

Water management

Protection and preservation of natural areas

Environmental pollution and monitoring

A general feature of this approach is the link between economic growth (in these sectors) and the role played by the market entry of profitable and sustainable small enterprises.

It is relatively difficult to determine how much from the development of these sectors is owed to investments of the private sector and how much by the public sector (by programmes supporting the development of enterprises, or specific programmes for the labour force market), or to the various forms of public and private arrangements, or to the tertiary sector. Consequently, while these sectors are a target for assistance/development regarding the achievement of public policies objectives for increasing the employment rate, they do not provide necessarily a basis for supporting the development of social economy.

A second aspect refers to those fields where there is a considerable level of informal economic activity. This activity might take the form of agreements based on reciprocity (childcare between the members of the family or friends), or on financial transactions outside the formal economy (household). In this context, it is unclear whether social economy's development involves substituting the informal economy activities with an acknowledged form of activity within the social economy.

The associated policy perspective emphasises the requirement of approaching the factors hindering the development of these sectors. These include legal, financial, technical, and institutional barriers. These barriers and the changes in policies that must be approached are similar to the barriers and policy changes required for supporting the set-up of small enterprises and peoples' entry into labour force self-employment. Finally, it is possible to maintain that in the framework of this approach is achieved successfully regarding labour force employment but without significant effect on the corresponding long-term unemployment rates, or of social economy increase.

#### ***1.4. Social economy and local economy: a territorial approach***

This territorial approach of SE derives largely from experiences focused in a variety of ways on local economic development and supporting in an innovative manner the process of solving the issues faced by communities.

In this respect, a series of useful tools were developed for fostering social and economic development at local level. The concepts associated with this approach include strengthening local capacities and partnership, especially the public-private one.

Throughout the past years, the long-term local development initiatives and labour force employment reflected the association between job creation, enterprises creation, and local development.

Moreover, the territorial approach is determined by the urban and rural development traditions or path dependencies. In certain cases, it may be associated with the specific assistance meant to foster economic and social activities in areas affected by the economic changes.

Last, but not least, the analysis of the SE initiatives at local level highlights their contribution to preserving local traditions. The use and valuation of resources available

at local level represents both a success in ensuring the income sources for the members of the community, and a way of attractive economic promotion for potential investors. Assuming responsibility for resolving local issues, SE may provide efficient answers in adjusted fields of activity (e.g. a social enterprise that would ensure childcare in a rural community with the participation of young mothers who want to start working again, another social enterprise that would generate jobs in a community at far distance from town, etc.).

### ***1.5. Social economy and professional insertion of vulnerable individuals on the labour market***

The SE field is often misperceived in narrow terms as labour market insertion of vulnerable groups. The favouring factors for this state of play is represented by the insufficient knowledge about the term, the debates regarding the identification of solutions for creating and maintaining new jobs and last, but not least, the activities planned to unfold in the framework of the projects co-financed by the European Social Fund (ESF). In the context in which the EU recommendation for the Member States was to pay increased attention to promoting SE and social entrepreneurship, the insertion of vulnerable groups on the labour market by means of SE entities, in particular by means of insertion enterprises seems a solution for promoting active inclusion.

Reducing the entire field of SE to the issue of professional insertion of vulnerable groups entails a series of risks that might generate reverse effects to the aimed ones.

A first risk of this approach is represented by the exclusion from the SE field of some entities that operate in Romania for better than one century and a half. We refer here, especially, to the (1<sup>st</sup> rank) cooperative societies (coops), according to Law 1/2005 referring to the organisation of cooperatives, employees' and pensioners' mutuals, and to credit cooperatives. The current legislative framework for regulating the organisation and functioning of the mentioned organisations makes no reference about the insertion of vulnerable groups. It does not preclude this aspect but makes no explicit mention. A direct effect of this risk is represented by the loss of interest by abovementioned SE entities as regards to approaches for promoting and developing the SE field, including the legislation in the field, or drafting a long-term strategy. An associated risk is represented by the rejection of and absence from the activities of the projects co-financed by ESF and dedicated to SE or social entrepreneurship.

Another risk associated to the limited understanding of SE as insertion of vulnerable groups is represented by the perpetual state of confusion as regards assuming the identity of SE by entities in Romania. During 2009- 2010, part of the central and local representatives of SE entities acknowledged openly that they do not regard themselves as belonging to SE. Officialising this approach would represent an argument in this sense. A direct effect would be the impossibility of identifying a mechanism by which SE entities may be identified, evaluated, and monitored. In the absence of this information, Romania cannot provide for comparative data regarding the amplitude of the phenomenon in Romania, about the identified needs at national level, etc.



The emphasis on the issues of vulnerable groups might have impact on distinguishing SE from the field of social care. The inclusion of the SE term in the framework of the Law 292/2012 regarding social and a detailed classification of vulnerable groups in the SE draft-law advanced to public consultation by the Ministry of Labour, Family and Social Protection in September in 2012, would provide some support to this end.

## II. INTERNATIONAL CONTEXT

This chapter analyses the main European regulations at European level relevant for the SE. The main institutions that played or continue to play a role in supporting SE at European level are also featured. The second part presents five SE European models: the Anglo-Saxon Model, the Nordic Model, the European Continental Model, the South-European Model, and the Central and Eastern European Model.

### *II.1 Main regulations regarding social economy*

At European level, we cannot identify a consensual agreed on definition of SE. This situation can be interpreted as both cause and effect of the lacking European strategy of promoting SE.

However, for the last years we may mention both efforts of member-states in acknowledging the importance of SE for the economy, and the adoption of some European regulations with impact on SE entities.

In the first category, we frame the recommendations addressed to member-states to direct their national efforts for promoting SE. Achieving the objectives assumed by member-states in the framework of the Europe 2020 Strategy depend largely on harnessing the potential of SE in providing and maintaining jobs for all those interested, but especially for disadvantaged groups.

In this regard, on launching the initiative for social entrepreneurship (2012), the European Economic and Social Committee highlighted that “social enterprises must be supported for the essential role they may fulfil as social innovation vector”. This being relevant “both in implementing new services’ supply methods and measures for improving peoples’ quality of life, and for facilitating the emergence of new products meeting some new needs of the society” (EESC, 2012, p. 2).

In the category of regulations with impact on SE entities, we stress that at European level are acknowledged a series of ES specific organisation forms: mutuals (the equivalent of the Romanian Houses of Mutual Help of Employees and Pensioners’ House of Mutual Help), cooperatives, associations, and foundations. Though efforts were made for adopting European statutes for each of the mentioned SE entities, this exercise failed. They were launched for public debate at European level but did not achieve consensus. The only exception is represented by the adoption of a Statute for a European Cooperative Society in 2003.

From the institutional viewpoint, there is not a single accountable SE actor at European level. The institutions that were and continue to be accountable in this field are the European Commission, the European Economic and Social Committee, the European Parliament, and the Council of Europe. Perhaps the dialogue with the European representatives of the SE entities would have had other dynamics if the Department for Social Economy had not been abolished in the year 2000. This Department had operated as of 1989 in the framework of the Directorate General XXIII. Undoubtedly, the presentation by the European Parliament Member Patrizia Toia of the Report regarding SE 2009 in the framework of the workshops organised by the European Parliament relaunched and brought into the focus of the European public agenda the field that was slightly turning obsolete.

## *II.2. Alternative Social Economy Models in Europe*

The concerns about social economy are not new, as they began representing a topic of interest throughout the 19th century, and are a current topic in many European countries, as they were also in the United States and Canada during the 1980s. The rekindled interest for social economy is owed to the proliferation of some phenomena like unemployment, or social exclusion due to prolonged absence from the labour market. At the same time, it is owed also to the increasingly diminished capacity of the state to regulate and prevent issues generated by market mechanisms and hence, to the need of identifying new solutions for social issues in view of equality and social justice-based development.

Despite similar elements, it is difficult to talk about only one model of social economy. Variations in the framework of social economy might occur not only between different countries, but also between different regions. In Europe we identified five SE models: the Anglo-Saxon Model, the Nordic Model, the European Continental Model, the South-European Model, and the Central and Eastern-European Countries' Model. Hereunder we detail the main elements characterising each model with examples at national level.

### *II.2.1 Anglo-Saxon Model*

The Anglo-Saxon approach of social economy is based on the concept of non-profit organisation (charity) and on differentiating social enterprises from the private sector. In **Great Britain**, the term “third sector” is used frequently, and it includes the voluntary sector, cooperatives, foundations, and social enterprises.

The cooperative development bodies came into being at the beginning of the eighties, as mitigation of the deindustrialisation and the rapid increase in unemployment. The local leftist governments financed radical economic development projects such as cooperative development agencies as form of opposition to the Thatcher government. There were about 75 such development agencies covering mainly urban areas, but many of them were abolished because of lacking financing. Those that survived by developing entrepreneurial capacities and diversifying their financing sources are focused on purposes characteristic to social enterprises (DIESIS, 2005).

In 2001, the British government created the *Social Enterprise Unit* within the Department for Commerce and Industry. In 2002, a strategy was developed for the social economy. The latter was reviewed in 2006 and entitled the *Social Enterprise Action Plan – Scaling New Heights*. In 2005, a minister was appointed for the third sector, and the *Office of the Third Sector* was established as structure subordinated directly to the Prime Minister. In July 2002, was founded the *Social Enterprise Coalition* financed by its members, the government and sponsors, and its emphasis was on lobby activities, and on promotion at high political level.

As result of their flexibility, the cooperatives are regarded as better businesses; In Great Britain, 98% of the cooperatives operate after three years of activity, as opposed to only 65% from the business organised under any other form. Over the period of economic recession, while Great Britain's economy considered cut offs, the cooperative sector seemed to react differently. Over the period 2008-2011 the number of cooperatives increased by 23%, and in 2011 it increased by 8.9% thus recording in total 5,933 entities (Cooperatives, UK, 2012).

### *II.2.2. Nordic Model*

In the framework of the Nordic Model, the cooperatives are important stakeholders of the social economy, and they put pressure for achieving the objectives satisfying the needs of the community and promoting social solidarity and gender equality, while together with public agencies they create services' networks.

In **Sweden** (1997), a working group is established for studying social economy. Under the heading social economy are framed organised activities that have as priority purpose to provide for the community and that have as basic features focusing on democratic values and independence from the public sector. The development of social enterprises for facilitating labour market transition and integration was slowed down by beneficiaries' fears that they would remain on the labour market with a lower statute, and by fears that state-financed enterprises would gain competitive advantages against private ones, and even by hindrances in the public acquisition legislation (Spear, 2008).

In **Finland**, the concept of "social economy" is not clearly defined. Rather, the terms "third sector" is more widely used for the organisations supported by public funds. The cooperative system is strongly integrated into the traditional economic system and, as result, perceived in very little extent as belonging to social economy. Social enterprises are defined as organisations that may take any organisational form approved by the Ministry of Commerce. These organisations produce goods and services for profit, but with the provision that at least 30% of the labour force is made up of disabled persons or a combination between disability and long-term unemployment (Law 1351/2003). In Finland, there is no policy focused on social enterprises for labour market integration (*WISE*), and active employment policies receive less attention and even lower financial resources. Regarding labour force employment, the deficit at policy level was substituted by ESF co-financed projects (DIESIS, 2008a).

### II.2.3. *Continental European Model*

In Germany, Austria, France, and Belgium cooperatives as providers of services operate with the purpose of meeting social needs under the control of the state. In time, cooperatives developed and created federations. In Germany and Austria, the emphasis is laid on empowering the participants, and this is the reason why they were called “self-help cooperatives (Selbsthilfe Kooperativen)”. Social enterprises for labour market integration (WISE – *work integration social enterprises*) in **Austria** are financed mainly by the Public Employment Service and by the federal provinces. In the period 2007-2008, they received financing also by means of the Labour Force Employment Operational Programme in the framework of the priority regarding the fight against unemployment.

**Belgium** has a rich tradition in the field of social economy in sectors such as agriculture, finances, sports, or culture. According to Spear (2008), the health and social security sector is also based on the partnership between the state and mutuals. Some research centres also cover areas of concern for the social economy. Cooperatives, which undergo a certification process, are one of the oldest forms of social economy in Belgium. For instance, mutual health insurance funds are structured under the form of cooperatives (EU, 2007, p. 31). In 2007, according to EU data, about 50.000 individuals were employed in the social economy field, with a yearly turnover was of about 1 billion Euro in this country. Responsibilities regarding employment and social economy are shared between the regional and federal government.

In 2000, the federal government and governments from the Flemish, Walloon, Brussels, and German speaking communities have signed a cooperation agreement regarding social economy that pursues the development of social economy by co-financing the initiatives of the communities and regions. In this approach, the federal government has a coordination role, and the importance of the local level is acknowledged in fighting against unemployment and social exclusion in Belgium (EU, 2007, p. 34)

In 2003 a fund for sustainable social economy was established with the purpose of supporting social economy enterprises by investment credits, loans and capital investments. In 2006, this fund supported 36 initiatives and in the ensuing year 46 such initiatives (Spear, 2008, p. 23). In the field of home care services, the federal government initiated a voucher system that mandates the purchase of state subsidised vouchers for use from public, private, or social economy providers. According to this system, the individual user pays 7 Euros for a voucher, and the services’ provider receives from the state 20.28 Euros. The difference is covered by the state, and the individual user may deduct the 7 Euros from taxes. The areas where the system is practiced are gardening, transportation of disabled persons, home repairs, etc. According to Spear, this system led to higher formalisation of the economy in the field of home services, and to diminished fraud and fiscal evasion. Moreover, as shown by the Ministry of Employment, at least 80.000 jobs were created over the period 2004-2008 as result of the vouchers’ system, though only 10% thereof were spent in the social economy (Spear, 2008, p. 28).

The European Union data for 2007 (EU, 2007, p. 34) show that the subsidised social economy in the Flanders region ensures jobs for 25.000 people. Four types of social economy entities contribute to this total: integration enterprises, district and neighbourhood level services, social jobs, and sheltered workshops.

Also, part of the social enterprises' category are organisations that after a period of eight years focused on social inclusion shift to conventional businesses. The core element of this type of organisation is represented by providing added value and jobs to disadvantaged individuals who are often persons with low educational level. From the legal viewpoint, the employees must have at least upper-secondary education certificates or over 50 years of age and seeking a job for at least a year, or with disabilities and seeking for a job for at least six months. Subventions of two years are granted: for small enterprises, the subsidy is by 50% from the wage expenditures for the first year, and 30% for the second year. For medium-, and large-sized enterprises the shares are smaller (42.5% and 22.5%, respectively 35% and 15%).

District or neighbourhood level services answer to a variety of necessities and might take the shape of services for individuals or families (in-house help, childcare), of collective services in disadvantaged districts (district maintenance, environmental protection, tourism), or even be a mix of the two.

Social jobs operate in various sectors based on the general principle according to which the respective job may be delivered by individuals with low educational level, and that the activities are work-intensive. Such jobs are frequent in fields like gardening, hospitality industry, recycling, ironing, etc. A social job receives financing from both federal and regional government. Subsidies are permanent for persons over 45 years of age and last between 2.5 and 5 years for the younger individuals, with the possibility of extending the period. The requirement of a monitor for each five employees is provided for (EU 2007, p. 36-37).

Sheltered workshops are active especially in the field of product packaging for customers in the framework of conventional economy. Regarding support forms, sheltered workshops receive a certain flat amount per employee for compensating the lower profitability.

The "Social economy from the perspective of active inclusion: employment opportunities for people far from the labour market" report (2008) showcases an analysis about the way in which integration forms of disadvantaged persons differ by region. Thus, in Flanders there are social enterprises for integration with a strong commercial character that employ workers fit to achieve a certain level of productivity. Others are social workshops opened to persons who were inactive for at least five years; centres providing long-term jobs to individuals with severe social issues, such as low-skilling or drug dependency. Moreover, there are sheltered workshops that provide for permanent jobs to people with mental or physical disabilities. In Wallonia and Brussels regions, on the other hand, there are social enterprises centred on providing long-term jobs for unskilled individuals or with psychological-social issues, sheltered workshops for persons with disabilities, and social enterprises focused on the vocational training of the beneficiaries. The report draws attention to the high costs

entailed by sheltered workshops, as opposed to the social economy forms that provide for temporary subsidies, or that cover for a time of 1 to 2 years the vocational training; this contributes to the higher number of this type of workshops in the much richer region of Flanders.

In **France**, social economy was vaguely defined in 1980, and a bit more specifically in 1981, when also the types of characteristic organisations were defined: cooperatives, mutuals, and associations “*founded on the principle of private property, democracy, solidarity, and non-profit*” (Cace, 2010, p. 107). A popular concept in France is the one of “social economy and solidarity” that reunites traditional social economy with the new forms of activity such as integration in labour market. The activities of social economy in the **Netherlands** are developed mainly by associations, cooperatives, and foundations known as the non-profit sector.

#### *II.2.4. South-European Model*

In the Mediterranean countries, the cooperative statute is attributed to organisations supplying services that the state could not provide.

In **Italy**, social cooperatives emerged in the seventies with purposes such as ensuring jobs for those excluded from the labour market and creating services for disadvantaged persons, and their role is acknowledged nowadays by the Constitution. On the other hand, mutuals are not very well developed, and associations and foundations are perceived most often as belonging to the third sector. In 2006, a law was passed according to which the category of social enterprises includes “any private organisation with stable economic activity that produces and exchanges goods and services of social utility”, and the activities of which must serve the “general interest” (EU 2007, p. 10)

The main activity sectors of the Italian cooperatives are foodstuff sales, services, constructions and infrastructure, agriculture, fishing, processing industry, tourism, logistics, and transportation, and housing. According to the legislation in force, each cooperative must direct 3% of the yearly surplus to the national fund for cooperatives’ development (EU 2007, p 43). The support forms for cooperatives might be concretised in certain services (legal training, consulting, fiscal, and administrative services), in ensuring the rights of the cooperatives by national level movements, or allocation of set-up funds.

A suggestive example regarding the outspread of cooperatives in Italy is represented by Bologna, a city where two out of three citizens are members of a cooperative, and over 85% of the social services are provided by social cooperatives. Over 75% of Italian cooperatives are in the regions Emilia Romagna, Veneto, Lombardy, and Tuscany, while the first of the mentioned covers more than half (EU 2007).

In **Portugal**, the law of cooperatives was voted in the year 1998. The law refers to educational, medical care services, and services for labour market insertion provided by cooperatives, as well as to other social needs unregulated by the market and that are fulfilled by them.

In **Spain**, the concept of social economy is known and well developed, and the category of social economy organisations comprises cooperatives, mutual societies,

associations, foundations, enterprises in employees' ownership, and special employment centres along with professional insertion companies. Spanish labour market integration initiatives benefit to a considerable share from the participation of the civil society, as well as from the increased attention paid by the local administration. Social enterprises for integration were mentioned also in the strategic documents such as the National Reform Plan in 1998, 2005, and 2008. The Law 44/2007 from 13 December regarding the regulation of the working regime in social enterprises for labour market integration acknowledged officially this type of organisation. The DIESIS Report 2008(a) mentioned the existence of 212 such organisations in Spain, including all legal forms of organisation, that reunite a number of 3550-3800 such employees.

In **Greece**, as of the end of the nineties, the employment policies for vulnerable groups were geared towards active measures, under the influence of the European Employment Strategy. In this instance, we encounter a specific type of organisation – the *limited liability social cooperative* – having as purpose to integrate individuals with mental health issues on the labour market and in the society, and to satisfy for these individuals the therapeutic needs at the same time.

An important milestone for the institutionalisation of social economy in Greece was the Law 4019/2011, this being the first solid attempt in the field (Nasioulas, 2011).

**Cyprus**, despite a series of active employment policies is still at the beginning as regards the social economy. However, the tradition of this country regarding the partnership between the state and the third sector in supplying assistance services should be mentioned. (Spera, 2008).

**Malta** is still at the beginning of the road regarding social enterprises for labour market integration, but has history as regards the field of social enterprises, respectively cooperatives. The attempts of setting up such enterprises failed because of lacking financial support, inadequate competences, and because of the absent legal framework for developing enterprises. Malta runs behind other European countries, such as Poland, Spain, and Italy with respect to developing social inclusion options and the legislative framework (DIESIS, 2008a). An example of such an inclusion enterprise is represented by the case of the Equal Partners Foundation that coordinates a cooperative and provides training and integration services on the labour market for the agricultural sector in the case of disabled persons. It was launched in 1998 at the initiative of a group of families, each with a disabled child, and the official establishment occurred in 1999. Taking account of the demographic profile of the Maltese population, the category of vulnerable groups includes youths' in risk situations, single parents, women, persons with disabilities, and immigrants.

### *II.2.5. Central and East-European Countries' Model*

The development of social economy organisations in Central and Eastern European states is slowed down by a series of factors: limited understanding of the role of this type of organisations for local and overall level of economic and social development. Added to this are the negative perceptions from the link between cooperatives and communist regime; the excessive dependence of social enterprises on donors; the lacking legal framework regulating cooperatives and other non-profit organisations; the

lacking confidence in solidarity movements; the predominantly parochial political culture; the difficulty in mobilising necessary resources. (J. Defourny, 1999 in S. Cace, 2010, p.96-97).

The development of social economy in **Poland** was uneven, the profile organisations originating predominantly in the more developed regions of the country and large cities. In Poland, cooperatives were set up in fields such as residential constructions, financial services, and agriculture. These were set up according to the law regarding social cooperatives from 27 April 2004. In 2007, according to EU data, the social economy sector in Poland was made up mainly by associations and foundations, with a total of about 52,000 organisations. The first social cooperative was registered in April 2005, and by the end of that year their number had increased to about 40 (EU 2007, p 13).

In Poland, the legislation distinguishes between two types of cooperatives: the ones providing services for their members, and producer cooperatives providing paid jobs to the members. In the first category are included cooperatives in the commercial, processing, banking, residential constructions, socio-cultural activities', and socio-educational fields. The second group comprises cooperatives of agricultural producers, manufacturing cooperatives, cooperatives for eye disability/blind people, handicrafts, transport, cattle breeding, farming, etc. According to law, associations and foundations, as well as religious organisations, or local public administration associations may obtain the status of public utility organisation if they develop activities beneficial for the public at large. This recognition ensures for the organisations a series of benefits among which tax on profit and on property exemptions, waivers regarding taxes for the issue of official documents, and taxes exemptions. Such organisations might gain the right to use state property in preferential conditions and enjoy preferential conditions regarding lease contracts and for using public assets (EU 2007, p. 60-61).

The law of social cooperatives in Poland is inspired by the Italian one, and according to the latter, at least five individuals with social issues, or disabilities may set up a social cooperative for social and professional reintegration. These benefit from capital provided by the government, and an exemption regarding social insurance expenditures for the workers during the first 24 months.

As result of the incentives supplied by the EU initiative EQUAL, in the period 2005-2008, projects were initiated to set up social enterprises for labour market integration. The sector of the social economy was one of the strongest issues on the ESF priorities agenda from 2007-2013. The concept of social enterprise for labour market integration was developed predominantly as result of the external influence (ESF), and of the national funds (for civic initiatives), and funds from the Ministry of Labour and Social Policy. A Committee for System Solutions on Social Economy was set up under the supervision of the Prime Minister. This Committee consists of the Ministers for the following structures: the Ministry of Regional Development, the Ministry of Labour and Social Policy, the Minister of Economy, and the Ministry of Education. Moreover, it includes representatives from the social economy sector, local authorities, and employers' confederations, and researchers. The objectives of this Committee are the elaboration of a development strategy in the field of social economy for Poland up to the year 2030, the creation of the legal framework and of the educational and financial



tools for developing social economy, as well as increasing lobby activities and visibility of the field.

In **Estonia**, the cooperative sector is very strong, as the residential constructions' cooperatives constituted even a union; an important share of the population (55%) lives in houses built by these cooperatives.

In the **Czech Republic**, the category of vulnerable groups includes parents with small children, former inmates, long-term unemployed, disabled persons and former drug and alcohol addicts. Though cooperatives have a history of over 150 years in this country, they are not regarded as organisations providing aid in terms of the economic and social needs of their members, especially due to the strong links with the government. As of 2000, a reform package was put forward and the Cooperatives' Union of Czech Producers showed its interest for developing social municipal cooperatives for disadvantaged persons (Spear, 2008).

In **Slovenia**, just as in the case of other Central and Eastern European countries, the development of social economy was slowed down by the economic restructuring during the transition to capitalism and the need of reforming the traditional cooperative structure. The concepts of "social economy" and "social entrepreneurship" suffered as result of the association with the term of "social", which is related to the former communist regime.

Maria Jeliaskova (2004) underpins the fact that the most frequently used survival strategies of the vulnerable groups in **Bulgaria** are the safety net of social policy, migration and the informal or black economy. The social economy would represent another form of mitigating risks and crisis. The development of NGOs and cooperatives, significant entities in the field faced important difficulties in the adjustment process of the country to the market economy. According to the estimates, in Bulgaria there were about 10,000 registered NGOs, out of which one third with social purposes. There were 6,500 cooperatives, the majority of which were rural cooperatives. At the same time, Jeliaskova stresses the few available opportunities for the inclusion of disabled individuals on the labour market. This implies, according to the author, the necessity of a strategy for the employment of this vulnerable category that would include aspects like their work protection, protected and subsidised production, a specific normative framework with tax exemptions, as well as firm state commitment in the field.

#### *II.2.6. Types of social enterprises in Europe*

Over the past years, the social economy enterprises proved more efficient in integrating disadvantaged people than the active employment policies. The social economy sector developed as result of the need of identifying innovative solutions to the social issues and of contributing to the labour market integration of vulnerable persons. In Europe, the public employment programmes were opened gradually to the organisations of the third sector called social enterprises for labour market integration that combine often the economic approach and skill development by providing paid jobs and vocational training at the same time (Spear, 2008).

These organisations were classified depending on the integration ways and provided subventions, according to Spear (2008), in four main integration models identified in Europe:

1. Temporary or transition employment characterised by temporary jobs and subsidies. The organisations in this category act with the purpose of providing for disadvantaged individuals a basic experience and vocational training on the job. By combining the two components, the organisations pursue the improvement of personal, social, and professional competences of the participants in view of their labour market integration.
2. The creation of self-financed permanent jobs characterised by permanent jobs and temporary subsidies. The purpose of these organisations is to generate stable and economically sustainable jobs for disadvantaged individuals. The subsidies are used in the first stage for compensating the lack of and low productivity, while they are diminished or eliminated after the stage of vocational training, or as employees become competitive and the organisation may remunerate them from own resources. This type of integration activities is most adequate for persons that can overcome the vulnerability state and can become competitive on the labour market.
3. Integration based on permanent subventions is used for the employment of severely disadvantaged groups – persons with mental or physical disabilities or with major social issues and for whom medium-term employment would be difficult. These organisations provide stable jobs subsidised by public authorities; such is the case of sheltered workshops in Portugal, Sweden or Ireland. Regarding beneficiaries, only a small number from them gain the necessary skills for employment on the (free) labour market.
4. Socialising by working represents another direction for social enterprises focused on labour market integration. The organisations of this type work most frequently with individuals that have severe social issues (alcoholism, drug addictions, former inmates) and persons with severe physical or mental disabilities. Manufacturing is subsidised and very often the workers do not earn wages by virtue of a standard labour contract but benefit from allowance or housing and meals. Examples of such organisations are Belgian enterprises in the field of waste collection and recycling, where individuals with severe social issues work, or the community centres from Spain providing therapy and social services to individuals with severe disabilities.

While France and Germany focus on transitory employment, Belgium and Ireland make efforts for achieving long-term employment. Even though in most cases enterprises focus on a single type of integration, there are situations when the measures regarding transitory employment are combined with providing permanent jobs. This is the case of type-B social cooperatives from Italy and of the neighbourhood (vicinity) enterprises from France (Spear, 2008, p. 16).

#### *II.2.7. Facilities for social economy entities*

From the **legal** perspective, it is noticed that not all forms of social economy are acknowledged to the same extent in the EU member-states. Certain countries like

Denmark, the Czech Republic or Great Britain have no legislation regarding cooperatives, though they have laws for specific types of cooperatives, such as the housing cooperatives in Denmark, loan cooperatives in Great Britain and the Czech Republic. At the opposite pole are countries like Spain, Italy or France where one could point to legislative inflation issues.

As regards the **institutional framework**, some of the European states have high-level bodies with explicit responsibilities regarding social economy. Such examples are the State Secretary's Office for Sustainable Development and Social Economy (Belgium), and the Directorate General for Social Economy within the Ministry of Labour (Spain). Others that might be mentioned are the Inter-ministerial Delegation for Innovation, Social Experimentation and Social Economy (France), the Social Economy Unit – FORFAS, advisory body (Ireland), the Directorate General for Cooperatives within the Ministry of Economic Development (Italy), or the Social Economy Unit within the Prime-Minister's Cabinet (Great Britain) (CIFRIEC, 2009).

Social economy organisations benefit from preferential treatment regarding the **payment of taxes**. Often, fiscal benefits are more abundant for associations and foundations. Such regulations were adopted in Spain, Italy, or Germany. According to the CIRIEC Report, many countries do not extend the special taxation systems for cooperatives as well (for instance, in Greece, the system is applied just for agricultural cooperatives) (CIRIEC 2009). In the Netherlands, the municipality plays a coordinating role in the reinsertion of jobless people. Benefits granted to social enterprises for reintegration might include the compensation costs for training, wage subventions for employers to compensate costs for the long-term unemployed, or bonuses for employers and customers.

### III. NATIONAL CONTEXT

The first part of the present chapter reviews the legal and institutional framework with impact on the SE field. The second part is dedicated to analysing the SE entities. Following a review of all SE organisational forms in Romania, we selected the most representative from the perspective of both setting-up and operational regulations versus the compliance with the international level acknowledged principles, their spread at national level and relevance for analysing social insertion of vulnerable groups. The chapter provides analyses oriented on non-governmental organisations, on first rank cooperative societies regulated according to Law 1/2005 referring to the organisation and functioning of cooperatives and, finally, mutuals of employees and pensioners.

#### *III.1. Legal and institutional framework with impact on social economy*

Romania has no enforced legislative framework referring to the SE field (SE draft law notwithstanding), but the SE entities are regulated. From this point of view, the current legislative framework provides the possibility for the organisation and for the functioning of SE entities. In the context of projects co-financed by ESF, the interest increased for the SE field. An initiative regarding entrepreneurship was adopted at European level, while at national level for the past two years were launched for debate three legislative drafts regarding social entrepreneurship (July 2011) and SE (December

2011, and September 2012). The legislative agenda of the Government provided already last year for the adoption of the law regarding SE. The points raised by SE representatives about the draft law launched at the end of 2011 led to revisions and its revised form in the autumn of 2012. The main objection of SE entities was the emphasis laid on the issues of vulnerable groups in relation to the acknowledgement mechanisms of the SE in general.

The specific SE organisation forms at international level are cooperatives, mutuals (the equivalent of the mutual help houses from Romania), along with foundations and associations. To these are added the social enterprises.

“In accordance with the SE principles acknowledged at European level and taking account of the legislative regulations enforced in our country, the SE entities from Romania are non-profit organisations developing economic activities, irrespective of the field of activity under the form of mutuals of pensioners and employees. Others are credit cooperatives, and first rank cooperative societies according to Law 1/2005”. Next to these, general organisational forms relevant for SE are also to be found, such as authorised sheltered units, enterprises and micro-enterprises, trading companies and non-banking financial institutions (MLFSP, 2010: 38-39), some of which are comparable to those of the SE. However, these “*do not fulfil cumulatively the principles agreed on at EU level (...), respectively authorised natural persons, individual enterprises, and family enterprises*” (ibid: 40).

From the viewpoint of the institutional framework, at present in Romania there is no central public institution responsible for the SE entities. Considering the independence of the third sector in relation to the public sector, we discuss rather about institutions that have activities that impact on the SE entities. By following the above-mentioned classification, MLFSP manages part of the funds aimed at non-profit organisations. The credit cooperatives, the mutuals for pensioners and employees (MHHP and MHHE) as non-banking financial institutions (NBFI) send constantly their financial statements to the National Bank of Romania (NBR). In the case of 1<sup>st</sup> rank cooperatives, the interests of those related to handicrafts and consumption are represented within the Cooperative Council in the framework of Ministry for Business Environment, Trade and Entrepreneurship (MBETE), while agricultural cooperative societies collaborate with the Ministry of Agriculture and Sustainable Development.

## **II. 2. Non-governmental organisations**

### *II.2.1. Trends and the present situation*

NGOs benefitted from a legal framework in Romania as early as 1924, but they were practically abolished during the communist regime (1948-1989). For the non-governmental sector, 1990 meant the beginning of a rapid development process. Having a total number of 62,000 NGOs, from among which about one-third active (estimate of the Foundation for Civil Society Development (FCSD), 2010), the non-governmental sector had a dynamic evolution for the past 22 years due to the major influence of external financing support. One important aspect of the non-governmental sector is the predominant presence in the urban area, about 87% of the NGOs being registered and developing activities in cities and towns (FCSD, 2010). Moreover, the

non-governmental sector focuses its activities in a 5 out of the 8 development regions, namely Bucharest-Ilfov, South-Muntenia, North-West, West, and Centre, while in other regions NGO activity is markedly lower.

The studies from 2010-2011 in four development regions<sup>1</sup> confirm that NGOs are highly dependent on EU financing. The share of other financing sources, especially of those from economic activities, is low. At the same time, a relatively low number of NGOs register revenue from their activities. Under these conditions, we may estimate that the non-governmental sector is vulnerable, particularly in the Bucharest-Ilfov region, where the significant increase over the past years was boosted by EU funds. The unbalanced growth of the past years might raise sustainability problems for the sector, especially since it lacks income from alternative revenues sources.

The structure of the NGOs budgets' reveals a rather unstable profile considering the high variations from one year to the other. The share of stable financing sources is low, a significant contribution in the revenue structure being from projects. The legislation in place does not provide facilities for employees in the social field, and this is the reason why the costs for human resources have a significant share in the NGOs budgets. If an NGO bases its cash flow on revenue from (one-time) projects, it is difficult to retain the employees in the absence of financial continuity. The burden from excessive labour taxation has direct impact also on the social economy activities that aim to foster labour market integration of the individuals from vulnerable groups. The labour force costs are in this case significantly higher than for similar, but for profit, economic organisations due to the higher investments' costs in labour force training.

As compared with the other two types of SE structures— cooperatives and mutuals – NGOs have the best potential for developing economic activities that would generate revenue that could be used to directly support the creation of social services for disadvantaged groups. However, the non-governmental system is exposed to some significant risks generated by considerable changes in its sources of financing. Previous studies (Arpinte, 2008, 2009; Cace 2006, 2010) point to some marked risk factors for those NGOs that do not have the capacity to use EU structural funds. Moreover, the NGOs that run projects financed by EU structural funds (Arpinte, Baboi, 2009) revealed a series of difficulties that significantly diminish the potential of EU funds to support a sustainable process of organisational development.

Fostering the development of economic activities at the level of the NGO sector is an imperative considering their significant role in providing support for disadvantaged groups. There is already an important volume of initiatives regarding revenue-generating activities, however these are exploited insufficiently, or they have low chances of becoming sustainable. In the case studies from the two regions, some economic activities were identified that had an important role in the reintegration of

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<sup>1</sup> Survey data from the project "INTEGRAT –Resources for women and Roma groups socially excluded" (2010), collected from two development regions, Bucharest-Ilfov, South-East, and the project "PROACTIV – From marginal to inclusive" (2011), collected from development regions South-Muntenia and South-West Oltenia. Data from the two surveys is comparable due to common or similar questionnaire items.

vulnerable groups, for disabled persons or youths leaving the placement centres. The difficulties mentioned by the NGOs in managing their ongoing activities and the current regulations discourage such initiatives and hinder the attempts of boosting a development process for the SE.

Even though the non-governmental sector does not have a clearly defined role, as compared with other states, **NGOs from Romania strengthened their role as service providers** in the field of social assistance. In 2010, half of the total service providers of social care were NGOs, out of which 62% operated in urban areas. Out of the total number of certified services in 2010 (7,776 services), almost half were provided by NGOs, most of them in the fields of child protection, home care services, and services for ensuring subsistence means for various vulnerable categories (e.g. social canteens).

NGOs are also starting to have an increasingly important role in drafting public policies or relevant normative documents. Important legislative initiatives in the social field have been proposed, supported, or adjusted significantly by the representatives of the non-governmental sector. **The increasing role of the non-governmental sector regarding the public policies process** is an obvious consequence of the enhanced standing and higher expertise of the sector. At the same time, a trend towards coalition building by the NGOs is noticeable, along with their swift mobilisation for influencing decisions in public institutions. During 2003-2007, the number of interventions by NGO representatives in draft laws and regulations in public debate increased by more than 5 times.

Yet, a series of vulnerabilities of the non-governmental sector exist that affect significantly its capacity to develop services for the socially vulnerable groups or to promote public policies for the protection of the latter.

**Dependence on external financing.** Only a low share of organisations has medium-, or long-term strategic partnerships with external financing sources that help cover in part their current expenditures (administrative, some part of personnel expenditures). In this category, we may include also religious organisations benefitting from constant financing by natural or figure persons. Most organisations is dependent, nonetheless, on external grants compelling them to provide services under the form of projects, but not programmes. The lack of some long-term financing models does not allow for the development of some permanent services. Generating revenue from economic activities is one of the shortcomings and a poorly encouraged aspect of the legislation in place. The state does not provide for adequate support for financing the daily activities of the NGOs. Thus, ensuring sustainability and continuity of services becomes difficult after project financing ends, and most often, these services are transferred to public institutions, or maintained by partnerships with local authorities, or public services suppliers. The gradual withdrawal of international financing (donors) for NGOs was not compensated by the diversification of the revenue sources at national level. During 2008-2009, international financing was still the most important financing source for more than one-third of the NGOs.

**Insufficient state support.** The support from the state has an insignificant share in the total volume of funds used by NGOs. Functional mechanisms to mitigate the effects of diminishing traditional external financing or their fluctuation have not yet been developed. Financing based on Law 34/1998 are seldom granted from local (government) budgets, and from the state (central government) budget (available if the organisation has beneficiaries from two or more counties), the maximum allowance per beneficiary can only cover a small share of the costs. The facility of public utility status, regulated as of 2000, was used rather as an electoral tool. This is proven by the fact that over a 10 years period, two-thirds of the NGOs that have public utility status received it in election years (2004 and 2008).

The inconsistency of resources' availability for the NGO sector has significant consequences for maintaining the personnel and for ongoing provision of services. The main criterion in dimensioning NGO services is given by the existence of some financing opportunities, and not by the needs of the beneficiaries or by the demand for the respective services.

One major contextual risk is generated by the deficiencies in managing EU funds and by lacking strategic approaches in the allocation of funds. The pre-deferment of the POSDRU programme from 2012 emphasised the vulnerabilities of the NGOs involved in managing structural funds. Practically, some organisations were in put in front of the situation to suspend their activity and even to sell some assets in order to get over the EU funds pre-deferment period. Another shock will occur, most likely than not, after the conclusion of strategic projects. Most of the organisations involved in managing such projects invested heavily in human resources and infrastructure. The end of the projects will require from them to identify enough alternative sources, at least for not wasting the accumulations achieved during EU structural funds. It is expected that the non-governmental sector will face considerable difficulties, especially because the chances for ensuring the continuity of financing at a volume comparable to EU structural funds are low. The lack of a strategic approach by the public authorities is also seen in the delays in the process of developing the operational programs for the EU 2014-2020 multi-annual financial framework, a fact that increases the risk of postponing the launch of these programmes, with direct consequences on the sustainability of the non-governmental sector.

### *III.2.2. Directions of development*

The measures for developing social economy activities cannot be implemented in the absence of a global support strategy of the non-governmental sector. Thus, a **first set of measures** should aim the **NGO sector as a whole**:

***A national framework for supporting a balanced development of the social care services sector.*** The current model does not encourage local public authorities to develop social services and does not ensure support for the localities that lack the required (financial) resources. Under these circumstances, the non-governmental sector operates on a market ruled by the scarcity of financial resources and not by the needs of the target groups, or by the scope of social problems. Financial resources allocation according to the competition criterion is, undoubtedly, an essential condition for

selecting viable projects of potential success. However, in the field of social services there are a series of distortions that have to be corrected by a series of mechanisms that would ensure the allocation of resources by maintaining an optimum balance between needs and competitiveness. Resource allocation based on project competition increased the territorial polarisation of social services coverage. Service providers who benefited from the advantage of human resources availability or from information access secured the highest share of resources from EU funds. Consequently, the NGO sector is more active in areas where there are important university centres, and rather in the urban than in the rural areas. Imposing additional criteria might facilitate focusing the distribution of resources by considering firstly the needs, while the lack of expertise might be compensated by designating some experts to supply technical assistance to the applicants.

***Differentiated support for NGOs implementing projects in rural areas, including fiscal incentives.*** This type of measure supports the previous one, inasmuch as it contributes to lowering regional disparities. Nevertheless, it is obvious that the measure has to be supported by financial incentives mechanisms. Hence, support services for vulnerable groups would be developed according to needs and social problems, and not just depending on the competence and expertise of the services' supplier. Such a system operates successfully in the case of some financing lines in the field of adult education. It is essential that financing is directed to the areas where social problems or the size of vulnerable groups justify such an intervention and not based on a "first come, first served" mechanism. The latter encourages the distribution of resources to structures that already have in place the skills of writing projects, but this does not implicitly mean the added ability of efficient and competent completion of a project. At the same time, the criteria of the implementation area and target group in the project framework are no longer the priority in resource allocation. These deficiencies should be put to right by mechanisms that would ensure the best projects for priority areas.

***Extending fiscal-type incentives for NGOs that provide certified services.*** This type of legitimacy does services' relevance and quality would discourage the abusive use of fiscal or of any other kind of facilities. The current mechanisms of differentiated support in the case of NGOs proved efficiency weakness or were used abusively. It is the case of certified public utility NGOs, acknowledged as such according to unknown criteria rather in pre-election periods. Often, organisations close to political leaders and without significant impact in the area of activity of the organisation were certified. Such a system should be validated and the contribution of representative NGOs in the field acknowledged by avoiding abuse, and consequently the erosion of the support measure.

***Restriction of NGO access to sums from in the 2% income tax mechanism*** so that only NGOs active in priority areas for society might access this form of support. Currently, there is no system of monitoring the NGO that benefit from this kind of financing in a manner similar to financiers that impose rules and regulations to their programmes them (e.g. the organisation not involved previously in fraudulent management of funds in the past, etc.). Next to this type of rules, there should be a control mechanism for the way in which these sums are used.



***Public financing for an organisational development system available for newly established NGOs or without experience.*** The financing programmes should be based on massive transfer of expertise adjusted to the needs of these organisations that implement projects. Technical assistance should be provided based on good knowledge about the context of project implementation, and of the resources that might be mobilised for ensuring its sustainability. As a matter of fact, projects in the social field with significant outcomes and impact had a context diagnosis component. In the case of ESF, performing only the control attributions by management units created difficulties in communication with the organisations that were implementing the projects and even led to blockages in their activity because of contradictory decisions by management units' personnel. An interesting model might be the Social Assistance Fund (SAF) from Lithuania, which has responsibilities as regards the qualitative evaluation of social assistance services, information dissemination, technical assistance and training supply, and ensuring financing for projects of social assistance implemented by public institutions. Its role as financier is significant considering that SAF administers about a quarter of the public funds aimed for social care. The Social Assistance Fund (SAF) is a central public institution, which provides financing and support for social care services providers, qualitative evaluation, as well as training and technical assistance. Another important tool is the Equalization Fund, which redistributes financial resources to the less developed area by using a set of criteria that are in the advantage of the communities with a high share of children in the total population. Even if some of deficiencies are signalled by the experts within the system regarding the efficiency of these two mechanisms (Loza, Zane; Aasland Aadne, 2002), the institutional model has the potential to ensure balance in the development of social services.

Encouraging the development of social economy activities should be supported by:

***Dedicated fiscal support measures directly proportional with the volume of the resources directed for the support of project & programmes for vulnerable groups.*** The current fiscal system does not differentiate enough the way in which the economic activity is managed at NGO level. If the NGO has social economy activities that involve individuals from vulnerable groups, it would be necessary to provide financial incentives for labour market integration and lower fiscal burden. These support measures would provide acknowledgement for the impact of such social economy activities and would encourage this social economy approach focused on inclusion of socially disadvantaged groups. In this instance, a distinction is necessary between the economic activity performed with experienced and competent personnel versus one with individuals for whom labour market inclusion is attempted in this way. In the second case, the NGO has a net disadvantage that should be compensated by fiscal measures.

***Identifying all existing forms of fiscal support for regulating NGO economic activities and their harmonisation.*** The key point of a social economy law is, undoubtedly, the framework of fiscal and any other kind of facilities that might be granted for supporting the development of social economy activities. However, former experience in the regulatory framework for some social care services shows that a

framework law involves the harmonisation of previously issued inter-correlated laws and regulations. The difficulty emerges in the case of organic laws (e.g., the fiscal code) as their change requires significant long-term efforts. For instance, in the case of services for human trafficking victims, a framework law was passed that was perceived as modern, but a series of deficiencies became known, caused either by lack of correlation between main and secondary legislation or by the absence of actual mechanisms for enforcing the legislative provisions. Such a risk is possible also in the field of social economy due to lack of evaluation of the existing support forms. Once identified, their utility might be evaluated, and adjustments made with the purpose of rendering them efficient and harmonised. Previous studies confirm that current legislation contains favourable provisions for the social economy, but which are not sufficiently used, or for which enforcement mechanisms were not created.

***Classification of economic activities involving the employment of persons belonging to disadvantaged social groups as social services under the conditions of reinvesting the revenue in developing that activity, or for financing social activities.*** It is essential for economic activities of this type to be supported consistently, not only from the perspective of their merit in generating significant social impact, but also for maintaining their economic viability. Such an economic activity is clearly at a disadvantage against for profit economic activity. Therefore, financial support is necessary, or any other type of support for ensuring its competitiveness. The main argument is given by the costs structure. In case of a for profit economic activity the selection of the personnel is focused on training costs reduction (it is the reason why certified skills are required, and most often than not, previous experience), while in the case of an economy activity focused on labour market integration the training costs are significant.

***Subsidies that would allow the social services provider to maintain profit-generating activity as means of supporting vulnerable groups.*** In case of using sums for financing social services (for instance, the profit of a repair workshop for protection equipment where disabled persons are employed is redirected to ensuring resources for a day care centre for socially disadvantaged children), it is necessary to sustain/encourage these forms of transfer. An example is the practice of some companies that ensure additional contributions to the amounts raised in the framework of some donation campaigns (as a rule, by doubling the amount). Such a model would encourage redirecting resources not only in the case of NGOs but also in the one of other social economy structures (especially co-ops).

***Differentiated taxation of labour in case of social services beneficiaries/individuals from vulnerable groups who are involved in social economy activities.*** The taxation of labour costs per a job are among the highest in Europe in relative terms in Romania because of the social contributions level, which in turn fund social insurance (pension, health care, unemployment). It is one of the reasons why to founding a SE venture might be discouraging. Differentiated subsidies or taxation of the labour for social enterprises would diminish the effort of the social economy entity and leave resources available for use in developing economic activities. Such fiscal incentives are in place, for instance for the unemployed aged over 45 years,

for the unemployed with head of household status, for disabled persons, etc. However, the uneven enforcement of these provisions makes difficult the use of these facilities in practice.

*A representative structure at NGO level that would monitor the usage of incentives for developing social economy activities with the purpose of discouraging abuse and fraud.* The creation of a representative structure, which would perform the role of monitoring the implementation of SE incentives (fiscal or not), would provide feedback to public authorities. At the same time, such structures would identify quicker possible abuses in the use of such measures and incentives and would prevent their cancelling because of low efficiency. The representative structure would also have the role of collecting, synthesising, and advancing legislative proposals in the field of social economy. Such federative structures exist in the field of NGOs. However, they are characterised by predominance of members from a certain field of activity and, especially, by reduced influence and representation capability. In the field of social economy, we may notice the attempt of some organisations to take sides and polarise the influence of some organisations that have specific expertise but the dispersion is still high enough and so we estimate as low the chances of such legitimate representative structure to emerge.

### ***III.3. Cooperative societies***

In the following, we look into 1<sup>st</sup> rank cooperative societies. According to Law 1/2005 regarding the organisation and operation of cooperatives (co-ops), a cooperative society is an autonomous association of natural and/or legal persons, as the case may be, founded based on free expressed consent with the purpose of fostering economic, social, and cultural interests of the cooperative members, as it is held in joint ownership and controlled democratically by the members, based on cooperative principles<sup>1</sup>. As economic entities, cooperative societies fall into the private capital category.

In Romania, the cooperative tradition goes back in time longer than expected. The first cooperative societies emerged in the last decades of the 19<sup>th</sup> century (Barbu, 1996). In the communist period, the cooperative sector continued to expand in terms of membership and turnover, but in the framework of the command economy. After the Revolution of December 1989, the cooperative societies regained their independent character in relation to state authorities (Crisan, 2010).

The legal framework of their functioning experienced several changes in 1990, 1996, and most recently in 2005. Even though the law in force by the time of elaborating the present paper (Law 1/2005) allows for the operation of any kind of cooperative, by far the most numerous are handicraft (workers) and consumer cooperatives. The classification criterion is the main field of activity. The fact seems obvious considering that the legislative process started with cooperative societies that existed already. Hence, handicraft cooperative societies are active in manufacturing, trade, and services and are encountered almost exclusively in the urban areas. Consumption cooperative societies are mainly in the rural areas and focus on trade. This division has its origin by the mid-

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<sup>1</sup> Art. 7 of Law 1/2005 regarding the organisation and functioning of cooperatives.

20<sup>th</sup> century, as consumption cooperatives were designed for rural trade and harnessing the production of farming (producer) cooperatives.

The legislation regarding the restitution of the lands and buildings nationalised by the communist regime (Law 112/1995) had a series of negative side effects for cooperatives (Stanila, 2011, pp. 49-50):

- massive reduction, almost total disappearance of farming (producer) cooperatives, also known as collective farming during the Soviet-style, command economy;
- the uncertain legal situation of the cooperatives' equity, which resulted in economic gridlock and decapitalisation, including by damages paid to former, pre-nationalisation owners, with negative effects to the manufacturing process, lower turnover and profit;
- loss of jobs;
- loss of contracts concluded with traditional partners before 1989.

One of the aims of the research project *Integrat – Resources for socially excluded women and Roma groups* was to identify the perceptions of the representatives of social economy entities from two development regions (Bucharest-Ilfov, South-East) about the existing institutional and legislative framework (Cace and Stanescu, 2011, 57-68). As regards Law 1/2005, the majority opinion of the respondents from cooperative societies was that this law had major impact on their activity. The main outcome dealt with their organisational structure. The rather positive result included clarification of property rights over the equity as “it restrained certain categories to lay their hands on the assets of the cooperative”, and about the internal power relationships within the cooperative “as control cannot be taken over by just one party”. Other respondents mentioned decentralisation, respectively the freedom regarding the affiliation decision to UCECOM (National Union of Handicraft Cooperatives). However, the affiliation degree to the national representative body decreased after Law 1/2005 was enforced. According to the *Integrat* database, 63% of the cooperative societies based in the South-East and 76% based in Bucharest-Ilfov were affiliated to the national bodies (Mihalache, 2011). Finally, other positive aspects included better representation of the interests, decisional autonomy, flexibility, better representation in front of public authorities.

On the other hand, negative feedback deals mainly with the issue of ownership over equity - land and buildings. “From joint owners we turned to leasers in our own house”, and “we are faced with land registry issues”, or “the rents are high”. As regards the insertion of vulnerable groups, most of the cooperative societies' managers say that the legislation enforced throughout the period when the research was carried out – spring 2011 – supports extensively disabled persons and only to lesser extent other vulnerable groups, such as recipients of minimum guaranteed income, former inmates, Roma people, youths from placement centres.

Members of cooperatives even have a feel of being either isolated or ignored by the policy makers. The respondents of cooperative societies from the development regions Bucharest-Ilfov and South-East were in consensus over the question whether they

received support from central or local public institutions: almost 90% answered “no” (Cace and Stansescu, 2011). Moreover, the expectations for support are from the Government (70%) and national unions (69%). Out of the surveyed cooperative societies 78% were in favour of exemptions from paying duties and taxes, 71% supported fiscal incentives for job creation, and over 70% called for technical consultancy for accessing EU funds; 64% believed that the cooperative sector might be boosted by subsidies (Mihalache, 2011).

The number of cooperative societies in Romania reveals an interesting dynamic over the past two decades. In the nineties, the number of cooperative societies increased by division of existing ones with a slight pause during the economic recession from 1997-1998. In the 2000s, the total number of registered societies continued to increase in the same way up to the year 2008. For instance, over 60% from the cooperative societies from the 2011 *Integrated* survey sample, which covered Bucharest-Ilfov and South-East development regions, were established after 1990 (Mihalache, 2011).

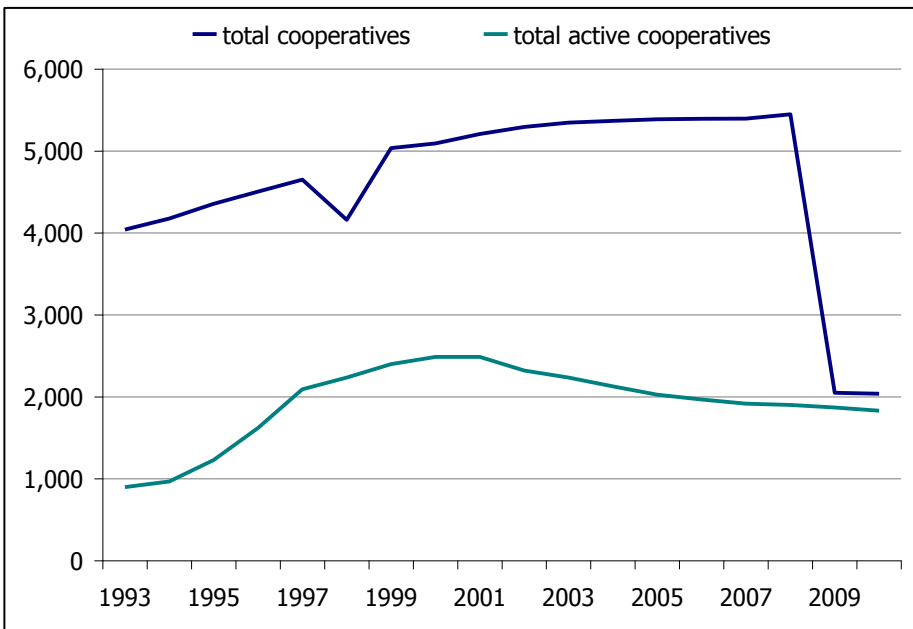
On the other hand, the number of active societies that file their balance sheet and perform economic activity is on slow decline trend as of the early 2000s. Due to the economic crisis that broke out in 2008/2009, many inactive societies were dissolved, so that in 2010 the number of registered societies was of 2,038, out of which 1,832 active of the 1<sup>st</sup> and 2<sup>nd</sup> rank (the 2<sup>nd</sup> rank co-ops are formed by grouping together of 1<sup>st</sup> rank co-ops). Out of the 1,871 active coops in 2009, 789 were handicraft (workers) cooperatives, 894 consumption coops, while the rest of 189 were from other categories. According to data from the survey carried out by FCSD and NIS (National Institute for Statistics) for the Social Economy Atlas (2011), which comprised a sample of SE organisations that had filed their balance sheets between 2000-2009, the handicraft cooperatives were exclusively based in urban areas, while the vast majority (74%) of consumption cooperatives operated in rural areas.

As regards the economic status of cooperatives, the total income of the 1,783 cooperatives topped RON 760 million for handicraft cooperatives and RON 591 million for consumption cooperatives, with a total of RON 1.35 billion at the end of 2009, according to data from the Atlas of Social Economy. In relation to the entire economy, it is the equivalent of 0.3% of GDP, a constant share even when cooperatives posted slightly higher turnovers during the pre-crisis period. About 60% of the handicraft cooperative societies and almost three-quarters from the consumption ones ended the fiscal 2009 with profit (in the black).

The aftermath of the economic crisis that began in Romania by the end of 2008 and the beginning of 2009 were showcased by *Integrat* research findings (Mihalache, 2011). The profit rate of consumption cooperatives decreased by one third and of the handicraft cooperatives by over 50%. On the background of the significant drop in turnover, survival soon became the order of day for many cooperative societies. “*We must resist on the barricades (...) for surviving!*” (Tulcea county, handicraft cooperative society). “*The crisis affected us very badly, because the production that we still decreased enormously. For instance, the furniture cooperative could no longer produce any furniture (...). They all went into unemployment!*” (Galati county, handicraft cooperative society)

The main income sources are manufacturing (clothing, textiles, metal structures and confections), services (tailoring, car repairs, hairdressing), trade and office and industrial rental in the case of handicraft societies, respectively trade and office and commercial rental for consumption cooperatives. Personnel expenditure has a different share according to type of business. For handicraft cooperatives focused on manufacturing and services, the share was 52% in 2009. On the other hand, for consumption cooperatives that were mainly active in trade (retail) and office and commercial space rental, the share of personnel expenditures did not exceed 20% of total expenditures.

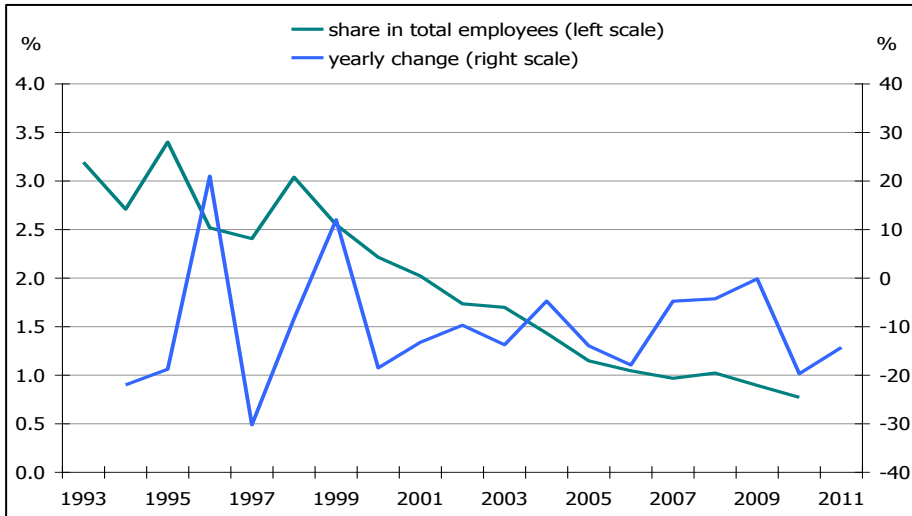
*Graph 1. Total number of cooperative societies in Romania*



Source: Romania's Statistical Yearbook 2002-2012

As opposed to the number of societies, the number of employees provides a good overall picture regarding the decline of the cooperative sector for the last 20 years. From 220,000 employees at the beginning of the nineties, the personnel/co-op members decreased to about 33,000 in 2011. Out of these, about three-quarters are active in handicraft cooperatives. The decline of the cooperative sector is even more relevant in terms of breakdown of total employees in the economy. From over 3% of total employees nationwide, they declined to below 0.8% by the end of 2011. Survey data from the *Integrat* sample reveals a share of around 2% of the employees total for two development regions, including the highest urbanised region in an around the capital city (Stănescu, 2011a).

**Graph 2. Employees/members in the cooperative sector**

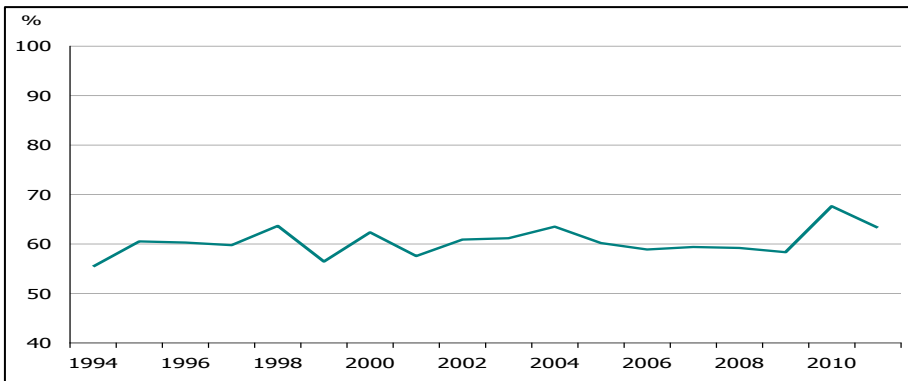


Source: National Statistics Institute, Tempo database

The reversal of this trend poses a challenge concerning the long-term viability of the cooperative sector in Romania. Nevertheless, cooperatives cover a significant part of employment within the social economy.

The average wage in the cooperative sector is significantly below the the national (after tax) average wage. In 2011, the monthly after-tax average wage in cooperatives was of RON 914, as compared with RON 1,444 at national level.

**Graph 3. After tax average wage in the cooperative sector**  
(after tax average wage at national level = 100)



Source: National Statistics Institute, Tempo database

One of the topics of the *Integrat* research project was to identify the extent to which cooperatives invest the resulting surplus from their economic activity for the welfare of their members (Alexandrescu, 2011). Less than 40% of the cooperative societies from the sample of the *Integrat* sample provided for or continued assisting individuals in need. Most often, the assistance is given only to the members and their immediate families. The most frequent type of aid is the funeral allowance, followed by the one for emergencies, and payments for surgery or dental treatment. This aspect was also revealed by the qualitative data from the *Proactiv* research project (Stanescu, 2011b).

There are multiple causes for the decline of cooperatives in terms of membership and economic output, particularly relative decline in relation to the rest of the workforce and economy (Stanescu, 2011b):

- 1) Technology, namely the competition with high volume manufacturing, such as the Lohn manufacturing process, that is cheaper compared with the highly customised, more labour intensive and higher cost manufacturing process of cooperatives;
- 2) The fiscal regime, which entailed higher costs that put pressure on the operating income model;
- 3) Decapitalisation, usually because of faulty management, which led to (fire) sale of assets, liabilities and equity loss from the return of nationalised assets to former owners, lack of investment and redistribution of profits instead of reinvestment in gross fixed capital.

### ***III.4. Mutual Societies of employees and pensioners***

#### *III.4.1. Overall situation*

Mutuals (CAR-Mutual Help Houses or Societies) are among the main entities with activities in the field of social economy, next to cooperatives and NGOs. According to NIS data, there were 3,100 mutuals organisations or societies in 2009, the vast majority being mutuals for employees, while 139 were mutuals for pensioners<sup>1</sup> (FCSD, 2011). At the same time, the total number of members of these organisations exceeded 2.5 million individuals, while the total number of employees was over 20,000 persons (FCSD, 2011). Among SE entities, mutuals feature high level of assets (about one third of total assets registered by SE entities), a high number of members, and significant level of income (about one quarter of the total registered by SE entities), according to official statistics data (FCSD, 2011).

From a historical viewpoint, the activity of mutuals in Romania dates back in the second half of the 19<sup>th</sup> century, when they emerged as an answer to the demand for cheap loans by employees. Thus, the development of mutuals accompanied the industrial evolution of the country and from this perspective they were a by-product of modern economic changes. During the communist period, the number of mutuals underwent exponential growth in the context of the urbanisation and industrialisation.

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<sup>1</sup> At national level, mutuals had by 2010 over 1.6 million members, over one third of the total number of registered pensioners.



Moreover, mutuals were the most accessible source for retail loans during the period of command economy.

After 1990, together with the boom of the retail banking sector, the activity of mutuals diminished considerably in relative terms; nevertheless, they continued to represent a major source for loans to pensioners and employees with low incomes, social categories that most times encounter difficulties in accessing banking loans. From this perspective, the activity of mutuals in Romania seems to be focused on the supply of small loans to low income strata with very difficult access to bank loans. Thus, these play an important social role for the population strata at risk of financial exclusion (Table 1). Based on this, we might consider that the mutuals come to supplement the package of financial services provided by the banking system.

**Table 1. The distinction mutuals – commercial banks from the perspective of clients/customers, natural persons**

	<b>Mutuals</b>	<b>Commercial banks</b>
<b>Loan access conditions</b>	Members - employees, pensioners, people on social benefits or family members. For taking a loan, the applicants must first become members of the organisation, and participate to the social capital.	Employees or pensioners.
<b>Credit duration</b>	Short-term loans (up to 3 years, in most cases 1 to 2 years).	The possibility of determining loan duration depends on the customer's preferences and incomes.
<b>Loaned amount</b>	Micro-credits and maximum level ceilings.	Wide range of credits, without ceilings.
<b>Credit costs</b>	Low. The lowest rate of interest among all other forms of equivalent loans on the market.	Varies depending on a series of factors such as bank policy, customer creditworthiness, or type of loan.
<b>Other services, besides loans</b>	Many mutuals deliver related social-health care services for their members	No

Mutual organisations are voluntary association of some individuals in view of achieving a common goal, and that have as basis for their activities the principle of solidarity among members (Stanila, Cace, Preoteasa, 2011). The European Commission defines the mutual enterprise as representing “An autonomous association of persons (either figure or natural) that unite voluntarily with the main goal of satisfying joint needs and not obtaining profits or ensuring capital profitability. It is managed according to the principles of solidarity among members, as they participate to the collective management” (European Commission apud. Stanila, Cace, Preoteasa, 2011, 13).

Based on the specifics and developed activities, the mutuals provide mainly three types of benefits to the members': *loans, emergency aid, and non-reimbursable aid*. Granting loans at low interest rates is the main object of activity. In some instances, such as mutuals of pensioners, the members are provided, besides loans, with benefits under the form of social and health care services, a fact that brings even closer their activity to the meaning of the *social economy* concept.

Even if throughout the last years the number of active mutuals as proven by balance sheet reporting registered a significant increase from 480 entities in 2000 to almost 900 in 2009 (FCSD, 2011) the situation recorded at national level shows that the activity of mutuals entered on a descending path after 1990. The decline was even more emphasised by the expansion of (retail or consumer) bank loans after 2003. In this context, the evolution of this type of entities is strongly related to the overall economic context and the activity of credit institutions within the banking system, as well as by the formal provisions in the legislation regarding the activity of mutuals. On this basis, the development of social economy activities unfolded within mutuals, leaving aside the standard objective regarding the provision of loans at advantageous interest rates, cannot be achieved unless by changing the current legal framework as to facilitate the development of related services for the members. From this perspective, we might consider that the position of mutuals in the context of the debates regarding the development of social economy refers to their role in diminishing financial exclusion of disadvantaged groups and to the development potential of other services for the members, especially social and health care.

#### *III.4.2. Mutuals of employees*

The main normative document regulating the activity of mutuals for employees (CARS) is Law 122/1996, which defines these entities as “associations without patrimonial (for-profit) purpose, organised based on the free consent of the employees, in view of financial support and mutual help between their members” (L. 122/1996, regarding the legal framework of employees’ mutuals and of their unions, art. 1). The first mutuals for employees in Romania date back for over 100 years, and the roots of this type of entities must be searched at the beginnings of the modern state, when the development of manufacturing activities and of the public sector contributed to the rise of a relatively numerous social strata of employees. The first entity of this type was established in Brasov, Southern Transylvania, in 1846 (Stanila, Cace, Preoteasa, 2011).

The high point for CARS development was during the communist (command economy) period, when by virtue of the huge rise in the numbers of employees and because of lacking alternatives in getting loans from banks, the activity of these organisations saw an exponential rise. The maximum relevance period for the subsequent development of the mutuals’ sector was the entering into force of Decree 358/1949 regulating the organisation of mutuals next to trade unions, and the exemption of these entities from any kind of taxation, or any other type of duty (Ministry of Labour, 2010). Based on the same law, the communist state abolished all mutuals existing at that time, confiscating also their equity, which was subsequently transferred to the General Labour Confederation (Decree 358/1949, apud. Stanila, Cace, Preoteasa, 2011). This approach entailed the takeover of the assets of existing

mutuals, followed by organising these entities just as structures affiliated to the trade unions. By the decree from 1949, the autonomy of mutuals was severely affected, as the entities became structures orbiting around workers' associations and unions.

According to current legislation, the requirement for setting up a mutual is a number of at least 30 members that would contribute to the social capital and to electing the management of the organisation. Once these conditions are met, the mutual might proceed to developing specific activities, respectively granting credits to members. As a rule, the money that a member may receive as a loan is 3 to 5 times the amount of funds, he/she contributed to the social fund of the mutual.

From the viewpoint of organisation basis, employees' mutuals might be affiliated to territorial unions, while having at the same time the National Union of Employees' Mutuals from Romania (UNCARSR) as representative entity at national level. The National Union dates back over 100 years and has as scope to organise and represent the interests of CARs in their relationships with third parties. Currently, UNCARSR has 39 county unions of employees' mutuals affiliated (save for the counties Timis and Satu Mare), which have 2,300 CARs. The main activities developed by the National Union of Employees' Mutuals are:

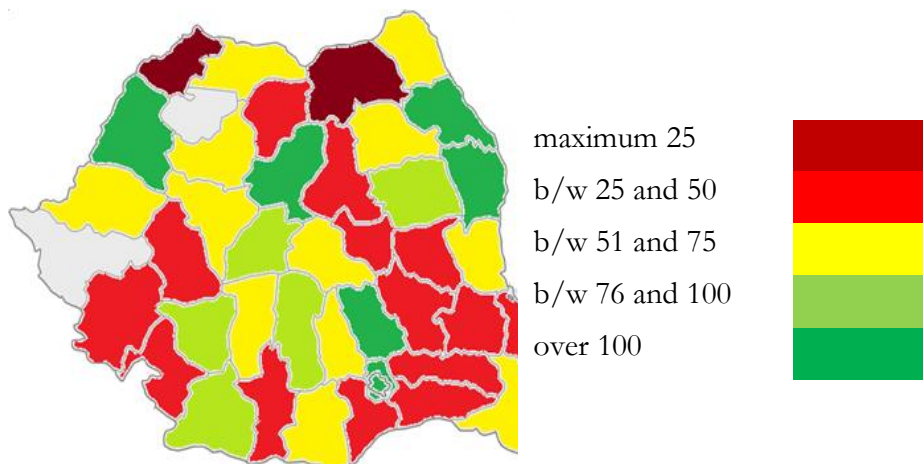
- Protecting, presenting, supporting and defending the CAR interests in relationship with the institutions of the state, financial institutions, as well as with all other types of organisations that establish contractual relations with them;
- Monitoring the financial system of CARs, according to the provisions of the Law 122/1996, by regulating and supervision the activities of affiliated entities;
- Centralising data regarding the financial activity of CARs, and reporting them to the Ministry of Finances;
- Protecting the amounts deposited by the members by checking the compliance with financial standards;
- Draft of regulations and procedures covering day to day activity of employees' mutuals;
- Promotion of the employees' mutuals system;
- Contributing to maintaining the financial balance of the CARs by granting loans to affiliated entities;
- In case of need, provision of special administration of CARs.

Source: National Union of Employees' Mutuals [www.uncar.ro](http://www.uncar.ro) (22.10.2012)

The territorial distribution within counties of CARs affiliated to the National Union shows that Bucharest, Bihor, Mures, Prahova, Iasi and Vaslui counties registered most entities of this type (over 100), while Satu-Mare and Suceava counties register less than 25 such entities (Figure 1). On one hand, the counties from the South-Eastern part of the country have the fewest employees' mutuals. On the other hand, we find a certain approximate symmetry between the volume of economic activity and the number of

medium and large-sized enterprises at county level, and the number of employees' mutuals. Thus, with few exceptions<sup>1</sup>, in counties with higher economic activity, the CARs are more numerous, while on the other hand in less developed counties the number of these entities is markedly lower.

*Figure 1. County level distribution of CARS affiliated to UNCARSR<sup>2</sup>*



Source: based on data from by the National Union of Employees' Mutuals [www.uncar.ro](http://www.uncar.ro) (22.10.2012)

### III.4.3. Pensioners' Mutuals

Pensioners' Mutuals (CARP) operate according to Law 540/2002 and are an “*organisation with civil character, private law figure persons, with non-patrimonial (for-profit) character, apolitical, and with charity purposes, regarding mutual help and social care*” (L.540/2001, art.1). According to formal provisions, CARPs might be founded based on the free association of the following categories: pensioners, people on welfare, and the members of their respective families (husband, wife, or children in impossibility to work because of a handicap). However, most members of these organisations are by far pensioners.

Among the objectives of this type of mutuals, next to granting loans and non-reimbursable aid, are other activities such as organising various cultural and leisure activities, provision of services, running shops providing merchandise at advantageous

<sup>1</sup> In this category, we could mention the case of the Vaslui, Botosani, and Teleorman counties, where the rather large number of registered CARs, even if in many cases no longer active, have their origins in the communist period. The respective entities are those that survived after 1990, even if only for the first years of the period.

<sup>2</sup> The UNCARSR data available on its website points to the atypical situation in Timis and Salaj counties with no information about the activity of any affiliated CARs.

prices for the members. Other activities involve setting up workshop and repair centres, and provision of funeral services for deceased members (L. 520/2002, art. 8). Based on these activities, CARPs are more involved in solving some of the social problems of its members as compared with employees' mutuals (CARS). Thus, by virtue of this peculiarity, pensioners' mutuals play an active role in supporting their members even beyond the usual loan activities.

The first CARPs emerged by the beginning of the 20<sup>th</sup> century and were organised as entities for retired persons. They saw, just as employees' mutuals, an exponential growth during the communist period, as the number of potential members to the respective forms of association markedly increased. During the communist period an important moment as regards the development of CARP activities was the coming into force of Law no. 13/1972, which defined the overall operational framework for these organisations (Stanila, Căce, Preoteasa, 2011). The 1972 Law was meant to improve on Decree 204/1951 by including new provisions regarding the conditions and ways of setting pensioners' mutuals, the appointment of management bodies, and functioning, as well as these entities' relationships with third parties.

After the Revolution of December 1989 and the fall of the communist regime, CARPs remained active and strong. A decline as in the case of employees' mutuals was not recorded. The main factors contributing to this situation are related to the demographic structure and the ageing of the population, as well as to the social issues of this category of individuals. Thus, the increase in the share of the elderly population and in the overall numbers of pensioners allowed for the existence of a very wide pool of potential beneficiaries for entities with this profile. In the context of some processes in the nineties such as early retirement, there was an exponential increase of early retirees due to illnesses in the, the total potential membership pool for CARPs increased significantly. This increase of pensioners' numbers was overlapped by the decline of the standard of living of the population in general, and of the elderly in particular. During the transition to a capitalist economy, this placed a high share of pensioners below the poverty threshold, or narrowly over. Even if CARP members are not exclusively pensioners living in poverty, most of the beneficiaries of services from this type of entities might be easily classified into this category. Moreover, the results of some previous studies show that the sums granted by CARPs as loans have a significant importance in the pensioners' household budget (Stanila, Căce, Preoteasa, 2011). An example is the amount of money granted as emergency aid for wintertime heating expenses.

Other forms of aid granted for emergencies by CARPs to the members are for covering costs for medicine or surgery. In some cases, CARPs developed their own networks of medical practitioners providing specialised services at lower prices for members and access to medicine at subsidised prices. Funeral aids are another widely spread form of support. In some instances, CARPs cover funeral costs based on the payment of the membership fee, thus relieving grieving families, especially the surviving wife or husband, from a major expenditure.

Even if not all CARPs provide these types of services for their members, and support services differ significantly from one organisation to the other, the involvement of

these entities in solving or improving some issues faced by the pensioners, is a twofold strong argument, firstly for the importance of these organisations for their membership, secondly, for acknowledging the central role of these entities in the SE framework. An example in this respect is the Bucharest<sup>1</sup>-based Mutual Help House “Omenia”, one of the largest and important mutuals affiliated to the National Federation “Omenia” of the Mutual Help Houses of the Pensioners. The services that the above-mentioned CARP provides to members next to loans cover a wide range: foodstuff at lower prices, free access to physician, lower prices for medical treatments, subsidised prices for certain services available for members only.<sup>2</sup>

The National Federation “Omenia” of Pensioners’ Mutual Help Houses is a federated national level body that represents the interests of over 1.4 million pensioners affiliated to the various CARP structures at county level in Romania. We consider the National Federation “Omenia” as one of the largest associations in the field of social economy active in the country. The Federation was established in 1990 based on the association of several pensioners’ mutuals. Nowadays, at national level, the federation is present in 38 counties and the Bucharest municipality, and has a membership of 142 mutuals (See Table 2 for distribution at county level).

These features make Federation “Omenia” a first rank organisation in representing the interests of the pensioners in relationship with the state and third parties.

**Table 2. County level distribution CARPs (pensioners’ mutuals) affiliated to the Federation “Omenia”**

County	No.	County	No.	County	No.	County	No.
AB	5	CL	1	HD	7	SJ	2
AR	4	CJ	5	IL	1	SM	2
AG	6	CT	1	IS	7	SB	2
BC	4	CV	3	IF	1	SV	7
BH	4	DB	6	MM	4	TR	5
BN	2	DJ	3	MH	2	TM	2
BT	1	GL	2	MS	6	TL	2
BV	2	GR	3	NT	5	VS	4
B	1	GJ	2	OT	5	VR	2
CS	6	HR	2	PH	6		

Source: National Federation “Omenia”, [www.fn-omenia.ro](http://www.fn-omenia.ro)

In terms of organisation and administration, the National Federation “Omenia” is run by:

<sup>1</sup> Not to be mistaken with the National Federation “Omenia” of the Mutuals, which is the representative and coordination body at national level of all CARPs.

<sup>2</sup> <http://www.carp-omenia.ro/> (25.11.2012)

- *The National Congress* as the leading body, which meets every four years, or by demand of over 50% of the CARPs affiliated to the Federation;
- *The National Council*, which meets on a yearly basis and is composed by the county chairmen of affiliated CARPs and other elected members;
- *The Steering Committee*, elected by the National Council;
- *The Permanent Office*, consisting of a chairman, first-vice-chairman, and vice-chairmen of the Federation;
- *The Commission of Censors*, elected for a four-year term, which ensures financial control and transparency.

#### III.4.4. Development directions of mutuals in the ensuing period

The evolution of CARs might be described based on resorting to the Ferguson McKillop model (1997, apud. Stanila, Cace, Preoteasa, 2011). This model has at its basis the value of the assets for this type of organisation and presents the evolution of these type of entities as a tri-stage process comprising: *the incipient stage, a transitory stage, and a maturity stage* (Table 3). The incipient stage corresponds to the initial period of CARs activities, when they have a low value of assets and they are focused exclusively on granting small loans for short periods. On the other hand, the maturity stage corresponds to a high level of assets resulting from expanding the activity of the organisations and accumulations over the years. At the stage of full development, CARs are active in a competitive environment, while their competitiveness allows them to ascertain their role of financial services' provider and beyond. In this case, CARs are in competition with both other types of organisations providing financial services, but also with one another, for new members.

**Table 3. Typology of mutuals/credit unions' development**

Incipient	Transition	Maturity
Low value of assets	High value of assets	High value of assets
Regulated environment	Legislative changes	Waiver of obligations
Issue of low value bonds	Issue of high value bonds	Competitive environment
Voluntary action	Diversified products and services	Use of modern technologies
Target groups are disadvantaged groups	No longer based exclusively on voluntary action	Professionalisation
Provides only savings and loans services	The range of services is developed at central level	Provision of diversified range of goods and services
Dependence on sponsorships		

Source: Ferguson-McKillop, 1997, apud, Stanila, Cace, Preoteasa, 2011, 44

Based on this conceptual scheme, we take the view that the *transition stage* describes best the current level of development for mutuals in Romania. On one hand, the arguments according to which we position the development level of CARs in this intermediary stage has as starting point the long tradition of such entities in Romania, a fact that places them far from the incipient development stage. On the other hand, the insufficient level of development for most of these entities does not allow for identifying many similarities between the characteristics of the mutuals and the organisational and activity elements describing the achievement of the stage of full maturity. Employees or pensioners mutuals have not yet achieved a satisfying level of organisational development and have not attained a high level of professionalism. Moreover, they have not expanded significantly the provided services beyond the financial ones, so that they cannot be regarded as being in the maturity stage. Obviously, there are some exceptions, but these are merely cases in point, that show a slightly different reality from the one of the majorities of this type of entities.

Together with the reorganisation of the entire sector after Laws no. 122/1996 and 540/2002 came into force, CARS and CARPs entered a new evolution stage which is not finalised yet, by strengthening and diversifying the activities of these organisations or with the strong assertion of their role within the society. Despite relative stability, the current legislative framework does not show enough coherence for sustaining the development of the sector, and the last initiatives about passing specific legislation for social economy entities show that, considering some aspects, the regulation of CAR activities might imply significant changes in the subsequent period. On the other hand, at general level, the range of products and services provided by the abovementioned organisations fails to cover the entire spectre of demands of the members, or of the potential beneficiaries, and this limitation becomes even clearer if we consider the weak development of complementary services to the financial ones provided by CARs. In most cases, and especially in the case of employees' mutuals, the only support forms that are provided are limited to granting loans and financial aid in case of emergencies.

In synthesis (Table 4), we might consider that the main strengths of mutuals are related to developing their activities as niche financial services providers in the area of micro crediting, at a competitive interest rate level and with high accessibility for the low-income members. The provided social and health care services, in some cases, as well as the high level of fidelity of the members resorting to the loans provided by mutuals represent in their turn other elements that are to the advantage of CARs in relation to all other types of organisations providing financial services. Insufficient development at institutional and organisational level is an issue with negative effect for the further growth of mutuals. First, we consider a series of elements like lacking business offices in rural areas (in case of the pensioners' organisations with low resources this is a considerable hindrance), as well as the issue posed by insufficient office space and working hours. Other weak points, preponderantly in the case of CARPs, are found in the uneven development of services related to the financial ones. In this respect, a strong heterogeneity is recorded as regards the activity of CARPs. Large organisations, with significant assets have developed specialised services addressed to the members, while smaller entities are lacking behind.



A development with adverse consequences for mutuals is the proliferation over the last years of micro loans provided by banking and especially non-banking financial institutions. The advantage of the financial services provided by these organisations lies in the possibility of getting loans without the requirement of a previous contribution, membership fee or deposit. Hence, even if the interest rate for loans practiced by these non-banking financial institutions is above to the one used by CARs, the availability of quick loans leads to stronger competition for the ones provided by mutuals. The decline of the total number of employees in the economy due to demographic reasons and the decline of large enterprises, where mutuals thrived, will continue to pose an obvious threat or challenge for the future. The effects of these two processes have been observable over the last two decades.

Among the development opportunities for the mutuals' sector is the adjustment of the loan demand by the population in the context of the prolonged economic crisis. The turn of consumer preference towards micro loans in the post-2008 period shows a repositioning of some significant population categories towards CARs as preferred source of loans. In this instance, considering the difficult economic context, mutuals might see a significant intake of new members by adjusting their own supply and more intense promotion of their services. Another opportunity for an increased activity is the expansion the role of these mutuals as financial services providers for persons in disadvantaged groups who are faced with the highest levels of financial exclusion.

**Table 4. Strengths, weaknesses, threats and opportunities for mutuals**

<b>Mutuals</b>
<p><b>Strengths:</b>            Developing niche financial services            Provision of non-banking, social and health care services            Competitiveness level due to the low and attractive interest rate            High accessibility of loans by all categories of members (including those with lower incomes)            High level of fidelity of customers / members</p>
<p><b>Weaknesses:</b>            Insufficient development of institutional infrastructure            Uneven provision of services complementary to or besides loans</p>
<p><b>Threats:</b>            Development of non-banking financial services for micro loans            Decrease in the numbers of employees in the economy (only for CARs), due to economic crisis and demographic trends</p>
<p><b>Opportunities:</b>            Expanding service coverage for persons at risk of social and financial exclusion            Adjusting the loan supply to the new socio-economic reality in the context of prolonged economic crisis</p>

In conclusion, the perspectives for mutuals are marked by the continuity of current trends and by targeting categories of employees and pensioners that have not had access to bank loans. The mutuals seem to develop on a niche segment, complementary to the services provided by the other types of banking and non-banking financial

institutions. Thus, CARs contribute significantly to diminishing the financial exclusion for a series of vulnerable social categories (pensioners, people on welfare, employees with low incomes).

Based on the development trends of the last years, we found that the activity of CARs intensified despite the worsening economic situation triggered by the 2008 crisis. Under the conditions of harsher conditions for access to loans provided by commercial banks, CARs are a main source for financing for an important segment of pensioners and employees with low incomes.

To this end, even if just by virtue of the social function they fulfil, these organisations play a central role among the SE entities in Romania. This dimension, significantly more obvious among pensioners' mutuals, justifies adequate support measures. Even if, CARs are part of the larger non-banking financial institutions (NBFI) category and regulated by Law no. 93/2009, there is a need for targeted measures regarding this type of entities, beyond what current legislation provides for.

Leaving aside the legal framework dimension, the banking system is another factor with direct influence on the activity of mutuals. CARs and commercial banks enter competition for micro loans clients. Even though for most banks this type of services continues to be underdeveloped and involves a significantly higher level of the interest rate than the one practiced by mutuals, in the ensuing period we might expect an increase in the commercial banks' competitiveness and interest to pursue this market, the more so as the current period of economic crisis will be surpassed. Faced with pressure from such competition, the CAR sector could answer by adjusting its offer and focusing on a series of niche financial services.

## CONCLUSIONS AND RECOMMENDATIONS

The SE is increasingly present in the public debate, especially due to EU (ESF) structural funds. Romanian SE entities have a rich history of one century and a half. However, the idea of law focused on the SE is relatively recent. The advantage of such a law would be the official acknowledgement of the field and its implicit development. Nevertheless, the risk of this approach is to trigger confusion regarding the goals and objectives about the stimulus mechanisms, fiscal and/or non-fiscal.

From this perspective, we put forward an analysis of alternative policy options. This *working paper* features relevant answers for central government policy makers on this issue.

Exploring alternative policy options depends on the answer to a series of questions. Is there a need for a homogeneous law/policy focused on the SE, along with a government department in charge of SE policy in Romania? Which fiscal and/or non-fiscal facilities should be on the table? What is the scope of a SE policy? Is it the field of SE in general or as a subcategory of the policy for vulnerable groups inclusion on the labour market? Is SE development necessary in Romania?

The answer to the above questions might lead to two major options of public policy: on one hand, drafting and passing a SE (framework) law, or alternatively to improving regulations for each type of SE entity.

The first public policy option implies a series of conceptual clarifications, as well as and identification of some institutional and financial collaboration mechanisms between various departments/ministries. From the conceptual point of view, such a legislative approach would include a definition of the SE field and listing the entities that are part of or could be included in this field. We express our reluctance as regards an exhaustive listing in favour of identifying the criteria that would allow the inclusion in the field. Depending on the answer regarding the addressability of such an initiative (in general, as regards SE, or in particular as regards vulnerable groups), the core of the law would provide a definition of the field or might include definitions regarding SE entities that promote the insertion of vulnerable groups. Similarly, this law would list the fiscal and/or non-fiscal stimulus for SE entities.

The second public policy option involves the taking on the responsibility for a development strategy for those ES entities that are specific to Romania. Such an initiative would include the answer to the above questions and would provide a basic framework on which the legislation in force could be reviewed and updated regarding the establishment and functioning of all entities that could be included in the SE field in Romania.

In 2015, policy makers made their decision. Law 2018/2015 regarding the Social Economy came into force, with the aim to regulate the SE field, establish measures for development and support of the field. In the regulatory component, the law deals with certification requirements by public authorities for social enterprise and social insertion enterprise status. The law also established a national registry for social enterprises. Overall, the law only provides a general-level framework for the establishment and functioning of social enterprises and, especially, social insertion enterprises, but with token financial stimulus.

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**List of Abbreviations**

CARP	Mutual Help House of Pensioners
CARS	Mutual Help House of Employees
SE	Social Economy
FCSD	Foundation for Civil Society Development
ESF	European Social Fund
SCM	Handicraft Cooperative Society
MMFPS	Ministry of Labour, Family and Social Protection
EU	European Union
UPA	Authorised Sheltered Units

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# AIR BALL! TEAM PERFORMANCE UNABLE TO PREDICT SPECTATOR ATTENDANCE IN ROMANIAN BASKETBALL

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**Abstract:** *The purpose of this paper is to investigate how sports team performance influences attendance numbers. Knowing this can be important for sports managers in planning their club marketing strategies. The research observes attendance figures and team performance data from the Romanian Men's Basketball League (LNBM) over five years (2012-2017). The results of the bivariate regression analysis indicate that although the Null Hypothesis can be invalidated and a certain connection between the variables can be accepted, the relationship is only weak and of low significance ( $R=0.45$ ;  $R^2=0.20$ ). Attendance numbers cannot be predicted based on team performance, mainly because performance can vary strongly over longer periods of time, or even from one game to another. Instead, the study suggests that sports managers should (also) look at other market variables (ticket prices, scheduling, transportation and opportunity costs, advertising campaigns etc.) in their attempt to create strategies able to bring more fans to the arena.*

**Keywords:** *sports management; sports marketing; attendance; fans; basketball business.*

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## 1. INTRODUCTION

Attending sports is a leisure activity of individuals. Why people choose to spend their time on the terraces depends on numerous triggers, so called 'attendance antecedents'. Fandom – the state of being a fan – is regarded as a passion (Grossberg, 1992) or even as a pathology (Jenson, 1992). This includes a high level of emotional involvement of the fans with the sport that they usually follow meticulously. For these people, missing out on a game can be grasped as a loss, yet not all sports consumers are as ardent as fans are. While passion is a dynamo for die-hard fans, the participation behavior of other types of people can be designed by different motives.

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This research aims to find out if team performance is such a motive. Performance in basketball can be described as how a team executes its sporting actions on the court. Broadly speaking, a good performance means a victory, while a bad performance a loss. Already acknowledging that the atmosphere in the stands can motivate players to perform better basketball, the current study now wants to round up the picture and find out if the opposite is also true: whether the way in which a basketball team performs arouses the interest of people to come and attend basketball games live from the venue.

The paper starts with a literature review that focuses on the determinants of attendance in professional sports: what drivers motivate fans to attend matches and which others do not? The research methodology presents the purpose and goal of the study, the research question, the architecture of data sampling and an attendance-specific bivariate linear regression equation designed to serve the intent of this work. At the same time, while the attendance variable is easily measured through the average numbers of fans present at the basketball matches in the selected league, the methodology sheds more light upon how „team performance” has been defined and measured as a variable. In order to do this, a basketball-specific performance measurement unit has been used: The Performance Index Rating (PIR) is a variable that computes the extensive efficiency of a ballplayer during a game. The sum of individual PIR’s then accounts for an overall Team PIR. The Results present the outcomes of the regression analysis, whereas the Discussions interpret these results by an analysis carried out by using Smith’s (2008) conceptual model of sports fandomship. The big five categories of sports fans as employed by Smith have been grouped into two larger categories, each of which is evaluated for finding what connections it might have to the regression results. An important deal of the latter can be explained by the „variety seeking behavior” of consumers, a concept which is also inspected in the Discussions, prior to moving on to the Conclusions, which try to summarize the essential findings of the research, its limitations, and to suggest future scientific research directions.

## 2. LITERATURE REVIEW

Much of the scientific literature dedicated to attendance models in sports economics takes into account the fact that team performance has got an influence on the decision of fans to go to the stadium and attend a sporting event live (Wakefield et al., 1996). Improved performance bolsters the interest and loyalty of fans towards the team (Ihle, Hinz, 2018; Bauer et al., 2005; Wakefield, Sloan, 1995). On a larger scale, performance can have an impact on the emotions of spectators, whereby these will influence the way in which fans perceive their teams and identify with them: good performances lead to a perception of quality towards the team and a closer approach of fans towards the team’s brand (Wann et al., 1994). Positive final scores of matches can vitalize fans and stimulate future attendances, whereas defeats can keep fans away from returning to the matches (Matsuoka et al., 2003). All this happens through a process of evaluation in which the spectator compares his pre-game expectations with the actual in-game performance of the favourite team (Van Leeuwen et al., 2002). The higher the pre-game perceived chances of the favourite team to win, the likelier for fans to go and attend a game (Reimers et al., 2018). Nevertheless, if the perceptions are not matched by reality,

fans will feel disappointment, which can have negative consequences for future match attendances.

Dale et al. (2005) consider that the quality of team performance is reflected in attendance figures: high spectator numbers mean that fans have appreciated the recent performances of the team they follow and have decided to come closer by attending its games. At this point, a distinction between fan identification levels is worth to be made, because for some fans team performance is irrelevant, while for others it is not. Smith (2003: 40-43) distinguishes between five types of fans divided into two main groups: the 'partisans' and the 'theatre-goers'. The 'passionate partisans' display unconditional support for their favourite team and attend matches irrespective of past performances or recent form. What matters for the passionate partisans is to support their teams' crest and colours through good or bad, no matter how it performs. Apart from this particular category, the interest of the other two 'partisan' types of fans will depend on how much their team wins (Whitney, 1988). The term 'champ followers' is used to describe a category of fans who pursue 'champion' teams, i.e. winning teams: they get supportive when the team wins but take a step back when it loses (Rivers, Deschriver, 2002). Champ followers will attend games only on the condition that the team demonstrates a good form characterized by a series of matches won. The same is true for the 'reclusive partisans' who alternate between going to the arena for attending a match live and watching it broadcasted live on TV or streamed on the internet, depending on recent displays of performances.

For the 'champ followers' and for the 'reclusive partisans', team performance mirrors straightway on their mood and judgements towards the team (Hirt et al., 1992). In these two cases, team allegiance is directly impacted by performance: good mood or good judgements towards the team can reflect into a higher propensity of going to attend the games live from the venue, while, on the contrary, a bad mood might distance fans away and reduce their desire to go to the arena.

The last category, the 'theatre-goers', are also seldom influenced by performance. The 'afficionado' follows the games of a team but without investing emotions in the final outcome of the game, which means that his perceptions will not be impacted by team performance, while the 'casual theatre-goer' is characterized by the fact that he visits the matches of more than one team, thus not being interested in how a team or another performs, but being there on the terraces motivated by a passion for following the sports game in itself.

The fact that the quality of team performance can influence the mood of fans to go or not to go to the arena leaves space open for interpreting other possible predictors of attendance as well. Probably the most important factor in the current media-oriented society, and which also has a great influence on the 'reclusive partisans', is the broadcasting of games. A society of mass consumption has transformed sports in entertainment goods that people can 'consume' either from the venue or in front of their TV sets or digital devices (Megus, 2005). Whether a sports event is or not broadcasted has got an impact on fans' decision to stay at home or go to the stadium. With ever increasing offers available on TV, sports teams also have to face the pressure of other teams or leagues, domestic or abroad, being broadcasted live. Due to the



intense mediatization of sports, broadcasters have gained bargaining power in establishing the schedule of games. Matches are being scheduled so as to fit commercial interests of televisions and to allow them the broadcasting of other events as well, yet this might not always be in the favour of fans. Scheduling decisions, such as kick-off day and time also play their role in a fan's decision of attending a game.

Attendance decision determinants can also have financial implications, such as the purchasing power of fans, related to the ticket prices of the sporting event and its opportunity and travel costs. These account for the fan's willingness to pay. If the payment is high, then so might be the expectations. The higher fans' expectations for their team to perform at high standards, the higher the risk of disappointment if the entertainment provided on the field does not meet the expectations. If expectations are met or not also takes its toll in fans' plans to attend any upcoming events.

### 3. METHODOLOGY

The purpose of this research is to ascertain whether team performance has got any effects on attendance numbers. In more detail, the goal of the paper is to investigate data supplied by the Romanian Men's National Basketball League (LNBM) in order to study the effects that the performances of Romanian basketball teams have got on the attendance numbers at the matches played in the League. Subsequently, the Research Question asks: "*How does team performance influence attendances in Romanian Basketball?*"

A bivariate linear regression analysis was used to examine the connection between the Independent Variable  $x$  (team performance) and the Dependent Variable  $y$  (match attendance). The regression function ( $f$ ) employed is:

$$Y_{Att.} = f(\beta_0 + \beta_1 Per. + \epsilon)$$

where  $Y_{Att.}$  is the dependent variable,  $\beta_0$  is the intercept value,  $\beta_1 Per.$  is the coefficient of team performance to be predicted and  $\epsilon$  the error component?

Concerning the Research Design and Data Sample, secondary data for the competition seasons 2012-2017 was collected from the official website of the Romanian Basketball Federation (FRB): [www.frbaschet.ro](http://www.frbaschet.ro). The two variables concerned were team performance ( $x$ ) and match attendance ( $y$ ). Team performance has been measured through an official criterion employed by FIBA Europe (the European Basketball Federation) and used throughout the continent's national competitions: The Performance Index Rating (PIR). The PIR measures the general efficiency of a basketballer throughout a match via a set of action-related proxies: (points scored, rebounds made, assists, steals, blocks, fouls attracted) minus (missed field goals, missed foul shots, shots blocked, turnovers, fouls made). An aggregate Team PIR results from adding up the individual PIR's of the players in the team. Entries have been made for each basketball team that competed during each of the five seasons. Each team participation in the league per season was considered as a separate entry, i.e. if a team has participated twice in the championship between 2012 and 2017, this meant two entries; three participations meant three entries etc. There was only one exception, with a participation removed from the raw data because the Romanian Basketball Federation provided no attendance numbers for Concordia Chiajna's 2013-

2014 season. 64 statistical entries ( $n=64$ ) have been made in total (16 teams playing in 2012-2013, 13 in 2013-14 and in 2014-15, 12 in 2015-16, and 10 in 2016-17). Both  $x$  and  $y$  variables were expressed as average statistics: the average match attendance at home games per season, and the average Team PIR per season (overall figures per season divided by the number of games played during that season). The average values were chosen because the number of matches played by each team during a season depends on how far they advance into the competition (the national league being formed by a regular season plus a play-off stage) and by the number of games that are needed to settle the winner of a play-off series.

The Null Hypothesis ( $H_0$ ) claims that there is no relationship between the independent variable ( $x$  = team performance) and the dependent variable ( $y$  = match attendance). If  $H_0$  proves erroneous, then the Alternative Hypothesis ( $H_a$ ) states that team performance has got an influence on match attendances.  $H_a$  rests upon sports attendance demand research findings, which show the presence of a connection between the variables (Buraimo et al., 2018; Forrest, Simmons, 2002; Watanabe, Soebbing, 2017).

#### 4. RESEARCH RESULTS

The Null Hypothesis has been tested with an ANOVA Single Factor Analysis ( $\alpha = 0.05$ ). The higher value of  $F$  in comparison to  $F_{critical}$  ( $115.71 > 3.04$ ; Table 1) offers arguments for rejecting the Null Hypothesis and for accepting the Alternative Hypothesis as true: the athletic performance on the basketball court has got an impact on attendance numbers.

**Table 1. ANOVA Single Factor Analysis results**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
<b>Between Groups</b>	39080550	2	2E+07	115.7197	1.53E-33	3.043722
<b>Within Groups</b>	31914294	189	168859			
<b>Total</b>	70994843	191				

Source: own computations in Microsoft Excel based on statistical data inputs collected from FRB.

The value of Significance  $F$  (0.000163), which is lower than the critical alpha level of 0.05, shows that the regression analysis is statistically relevant. Although the regression results can be considered to be reliable for analysis, and a connection exists between the variables, it has to be mentioned the value of  $R$  Square (0.20) shows that not more than 20% of match attendance is explained by team performance (Table 2).

**Table 2. ANOVA and Regression Statistics**

<i>Regression Statistics</i>	
Multiple R	0.454198
R Square	0.206295
Adjusted R Square	0.193494
Standard Error	639.0235
Observations	64

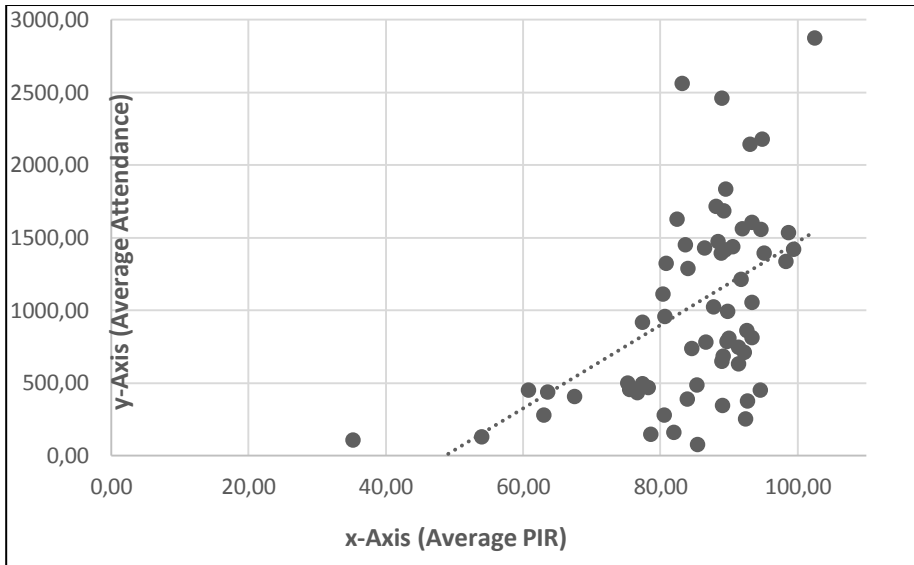
**ANOVA**

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	6580458	6580458	16.11471133	0.000163
Residual	62	25317760	408351		
Total	63	31898218			

Source: own computations in Microsoft Excel based on statistical data inputs collected from FRB.

The low variance can be also observed in Figure 1, where dots representing average attendance values are similarly influenced by team performance values ranging between .80 and .100.

**Figure 1: Scatterplot for correlation analysis between Average Team Performance (x-Axis) and Average Attendance (y-Axis)**



Source: own computations in Microsoft Excel based on statistical data inputs collected from FRB.

In what concerns further regression outcomes, the value of the Intercept (= -1390) is indicating that, if the independent variable is null, then the dependent variable drops by 1390. Else told, if the team does not perform at all, then the number of fans in attendance drops by 1390. There is no point in further analyzing this statistic, since a performance equaling zero means that the basketball team is actually not playing at all. Zero, in this case, is similar to no action. Irrespective of how bad it performs during a game, once a team enters the court to play a game, it will have some performance index different to zero. In this case, it has more relevance to observe that for each unit increase in average performance, the number of spectators at a game can increase with 28.

**Table 3. Intercept Values**

	<b>Intercept</b>	<b>Av. Eff.</b>
<i>Coefficients</i>	-1390	28.61303
<i>Standard Error</i>	611.0887	7.127752
<i>t Stat</i>	-2.27463	4.014313
<i>P-value</i>	0.026398	0.000163
<i>Lower 95%</i>	-2611.55	14.36486
<i>Upper 95%</i>	-168.454	42.8612
<i>Lower 95.0%</i>	-2611.55	14.36486
<i>Upper 95.0%</i>	-168.454	42.8612

Source: own computations in Microsoft Excel based on statistical data inputs collected from FRB.

## 5. DISCUSSIONS

The research purpose of this study has been reached with positivity: results show that team performance impacts upon attendance numbers in the Romanian Basketball League. Nevertheless, the extent to which team performance influences spectatorship is only limited. The narrow consequence can have at least a twofold explanation, both arguments pertaining to the rather niche marketing orientation of basketball in Romania. As opposed to football or handball, basketball is not necessarily a mass market consumption sport in Romania, at least not in comparison to the cult status it entails in neighbouring Balkan countries such as Serbia or Greece. With basketball appealing to its own market niche, it will leave many sports consumers in the country untouched (Friedman et al., 2008). For the few customers that find an interest in going to the arena for watching live hoops (descriptive statistics have revealed an average of 1042 fans per game for the entire period ranging between 2012 and 2017, compared to football's 3945 during the same interval, for example), team performance is not a strong antecedent in the fans' decision of attending since they are loyal to the game and less interested in how a team achieves on the court.

Basketball spectatorship in Romania is characterized by what Smith (2003: 40-43) calls 'partisans' and 'theatre-goers'. The partisans build up the most enthusiastic category of supporters. The passionate partisans exhibit unconditional support for the favourite team and consider whatever displeasure that might occur (bad weather, long distance travel to the ground, high ticket prices etc.) as peripheral to their core wish to follow the team. Albeit hoping the team to win, a loss is not seen as an impediment which holds hardcore fans back from returning for the next game. This is the case with cult-status basketball clubs in Romania such as U BT Cluj-Napoca, CSU Sibiu or CSM Oradea, which, thanks to the love they enjoy in their local communities, manage to attract above-league-average spectator numbers at games. The prevalent dedication that passionate partisans share for a team makes them perceive a great quality of entertainment as being achieved when their team wins, which only adds an extra to their anyhow existing desire to follow the team through good or bad. Passionate partisans draw pride from pursuing their team and from showing off this conduct – which can be interpreted as a religion – to others (Decrop, Derbaix, 2010; Majewska, Majewski, 2018), and not from occasional team performance.

Not as that passionate are the champ followers, whose mood, indeed, changes depending on performances: they become active and vocal when the team wins but withdraw and keep silent when it loses. The passionate partisans and the champ followers are regular attenders of matches, the first being more active as the second ones. The reclusive partisans, on the contrary, are still passionate, but sporadic attenders: they do not attend all the (home) games of the team, choosing to consume some of them via television broadcasting or internet streaming. The reclusive partisans represent the category which is most influenced by the independent variable of this research: team performance. They have an interest in the basketball game, but they only attend occasionally (da Silva, Las Casas, 2015), an important antecedent in their decision to go to a game being the recent form of performances exhibited by their team.

The remaining two types of fans, which Smith calls theatergoers, differentiate themselves from partisans through the fact that they have an interest for the game, not for a certain team. They do not ecstasize or agonize if a team wins or loses, but they experience quality time if the going out at a game provides a pleasurable experience. The aficionado follows the games of a team and might even be more present than the champ followers, but without investing emotions in the final score. The aesthetics of the game and the work ethics that players put into the match are most important for him. The casual theatergoer also collects more value from merely watching a game, with the mention that he might visit other teams or sports as well. In these two cases, team performance is a less important determinant in comparison to other antecedents of attendance. If the partisans are mostly motivated by following their team, being able to ignore foreign determinants, theatergoers are impacted by the antecedents of attendance to a higher extent, their decision to go to the arena being a combination of factors such as proximity of the venue, arena facilities, hospitality, weather conditions, uncertainty of outcome etc.

The second possible explanation of the lack of impact that team performance has got on attendance numbers also relates to the variety-seeking behavior of consumers (Baker et al., 2018). Obtaining good attendance figures involves a repeated consumption: fans should stick to their sports team and return to attend upcoming matches. Nevertheless, not many people find an interest in Romanian basketball, especially in an era when sports fans can select among plenty other leisure opportunities. People seek more variety in consumption, thus alternating between going to basketball and spending their time and money on other recreation options (such as practicing sports themselves, arts entertainment, shopping etc.). Economic and technological advancements alter social behavior, so that variety-seekers won't often be ready to invest in entry tickets or opportunity costs associated to watching live basketball (e.g. time needed to go to and return to the arena). Consumers will either drop out from watching basketball or, if not, they will watch it in front of their TV's or on the internet, especially since recent computational developments easily allow to follow the matches that the Romanian Basketball Federation is streaming live on its YouTube channel.

## 6. CONCLUSIONS AND FUTURE RESEARCH

Attending matches is important in professional sports not only for the good for the game or its aesthetics, but also for the business of sports. Attracting people to come and watch games live from the arena can result into increased ticketing revenues or

higher exposure for sponsors. Understanding what motivates people to attend matches is therefore important for sports club marketers and managers.

This study provides understanding of the impact that team performance has got on individuals' decision to attend matches. To a certain extent, the findings of the research might be supported by findings of Wakefield et al. (1996) or Reimers et al. (2018), who have demonstrated that the way in which a sports team performs during games (good or bad) influences the fans' perception of the quality of sporting entertainment offered and, subsequently, their decision to attend games or not. Nevertheless, at a closer look, this research indicates that the relationship between (team) sports performance and the fans' decision to attend games is not powerful ( $R=0.45$ ). Moreover, only a fifth of match attendance might be explained by performance ( $R^2=0.20$ ). As such, this research contradicts other studies which have considered team performance as the basic predictor of fan conduct (Hunt et al., 1999; Madrigal, 1995; Pan et al., 1999). It can be concluded that match attendance is mainly influenced by factors other than team performance (ticket prices, scheduling, weather conditions, transportation and opportunity costs, advertising campaigns, quality of the opponent etc.). Knowing this can help sports managers adjust their decisions in the areas with most impact on attendance in order to increase spectator numbers.

One of the limitations of the research is that it has only analyzed one competition: The Men's National Basketball League in Romania. The findings of the study might be useful for basketball clubs competing in this league to increase their match attendances and to try to capitalize on this increase, but it might be rather difficult to extrapolate for a general use scenario. In order to do the latter, future researches should comparatively analyze more sports leagues for testing whether a pattern can be established. So far, what this research has revealed is that, in Romania's men's basketball top league, team performance on the court does not have a strong influence on attendance numbers. It should be tested, though, whether this is an isolated case or if it also applies in other basketball leagues and/or in other sports leagues in Romania and/or abroad. Until future investigations, it would be prudent to look at these findings as isolated cases, since they are contradicted by a general sports marketing belief team performance is a determinant of live attendance (Wakefield et al., 1996).

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# INTERVENTION IN ROMA COMMUNITIES. CONTEXTUALIZATION AND STRATEGIC APPROACHES

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**Abstract:** *This article analyzes the context of development from the 4 southern regions of development in Romania: South-East, South-Muntenia, South-West Oltenia and Bucharest-Ilfov. The study highlights regional specificities in terms of employment, education and the situation of the Roma population. The data are of secondary type and come from administrative and statistical sources. The role of contextualization is to outline the modalities of intervention through applied projects that contribute to increasing access to the labour market for the Roma population. Although the regions are similar, certain differences occur, which determine the appropriate interventions in the regional or local contexts. An integrated approach that considers many components of social life is best suited to responding to multiple growing needs.*

**Keywords:** *regional development, social development, employment, education, Roma communities*

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## Introduction

This study has been conducted within project “OPTIMAL- Establishment and development of a network of Centres of Social Inclusion for the Roma”, project co-financed from the European Social Fund through the Sectoral Operational Program Human Resources Development 2007-2013 “Invest in people”, implemented by the Association for Socio-Economic Development and Promotion, Catalactica, Bucharest, in partnership with the Foundation for Social Recovery Integration and Development, ECHOSOC, Bucharest, and the Association for Integrated Development, Olt, Slatina.

General objective of the project was to facilitate the access to labour market for a number of 1,088 Roma people from the rural areas covered by a network of 4 Centres

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of Social Inclusion for the Roma (CSIR) from the 4 southern regions of development in Romania: South-East, South-Muntenia, South-West Oltenia and Bucharest-Ilfov, in order to prevent their social exclusion and marginalisation, and to avoid discrimination and the risk of poverty.

The effects generated by the project considered not just improving the participation of the vulnerable groups to the labour market, but also the establishment of conditions for their subsequent development.

By its design and objectives, the project pursued three main directions:

1. Development of the personal capacities of the people from the vulnerable groups regarding their occupation, by supplying them integrated and specialised services (education, formation, information, counselling, market labour orientation, assistance in finding and getting a place of work);
2. Encouraging, by activation and mobilisation of the local communities and employers, to identify viable solutions to increase the level of professional insertion of the Roma people and to use their potential in a manner that ensures both the cohesion, and the social equity within the targeted communities.
3. Implementation of a set of measures adapted both to the specific needs of the target group, and to the opportunities circumscribed within the socio-economic context of the communities where the project is to be implemented, by scientific documentation, quantitative research and qualitative evaluation of the activities performed within the project, as well as of their impact on the target groups.

Any explanative action with actional finalities requires deepening the Roma problem detached from the existential context of the people belonging to the community. We focused our analysis on the segment of rural Roma population, whose structural conditionalities we will discuss for the 4 regions of development where the planned interventions are to be conducted. We analysed the 4 regions in a unitary manner, given the existing similitudes between them. At the same time, an analysis at the county level was conducted, on the specificity of each region.

## **1. Socio-demographic profile of the regions**

According to the 2011 Census (that we used and that will be most often called as elements of reference throughout this study), the four regions have a stable population of more than 10,030,174 people, accounting for 49.84% of the national population at the time of the census (20,121,641 people). In other words, the 4 regions of development surveyed by us hold almost half of the Romanian population.

Of the total population from these 4 regions, according to aggregated INS data, more than 4,416 thousand people live in the rural, which means 44.02%, below the 46% national average (10,859 thousand people living in communes/villages, in absolute figures). There were 4,854 thousand men and 5,173 thousand women, which means 48.4% and 51.58%, of the total population, respectively, slightly different from the national averages of 48.6% for men, and 51.4% for women.

The level of ruralisation is strongly contrasting. In the four regions, only the counties of Constanța (with 68.8 %) and Brăila (with 82.5%) are among the highly urbanised counties, while the counties of Dâmbovița (with 71.1%), Giurgiu (with 70.8%) and Teleorman (with 67.6%) are among the top counties with more than two third of the population living in communes/villages. Compared to previous statistical observations, the total population of most counties decreased significantly, except Ilfov County (whose population increased by 32.8% from the time of the last census). This is the only county with a significant increase of the stable population (by 29.5%), phenomenon most probably explained by the migration from the urban area towards the close peri-urban area (located in Ilfov County). This assumption is also supported by the 2.2% decrease of the Bucharest population.

We may also note that the urban population increased by 5.1, 4.8 and 3.2 % in the counties of Vâlcea, Ialomița and Gorj, respectively, according to the regional trend of decreasing rural population, compared to the year 2002 (by 9.6% compared to just 5.0% for the urban). From this point of view, Prahova is one of the counties with a balanced rural and urban population (cu 50.9 and 49.1 %, respectively).

By age group, it is interesting to notice the situation of the counties whose economic potential is above the average, where the age groups include the active population: Bucharest (where 61.1% of the population is aged 24 to 65), Ilfov (with 58.3%), Constanța (with 58.2%), Argeș (with 57.5%) and Tulcea (with 57.1%). On the other hand, we have the contrasting situation of counties such as Călărași and Giurgiu, with proportions of the active population below the national average (52.8% and 52.6%, respectively).

In terms of trends, it might be interesting to notice the case of Brăila, Buzău, Teleorman and Tulcea counties, where the young people (school children and students) account for some 10% of the population. On the other hand, the ageing trends noticed in many of the surveyed counties are worrying, as they are pools of populations with high risk (age group of the people 65+): Teleorman (almost 25%), Buzău and Giurgiu (about 20.0% of the total population), Vrancea, Brăila, Olt, Vâlcea and Călărași (with about 18%). Predictable, Ilfov county has a very low proportion of this age category (12.9%).

The methodology of statistical survey of the 2011 Census, and that of most social surveys, presumes recording information exclusively by free statements of the interviewed persons. Because of this (particularly due to other mechanisms that bias the accurate collection of data, i.e. assumption of identity), the values recorded for variables such as “ethnic affiliation”, “maternal language” and “religion” are, most times, the object of strong public disagreements. Except for the cases where the information is not available, the percentages for the 3 ethno-cultural dimensions represent the number of people who stated them, related to the total count of stable population.

The situation of the main ethnic minorities in the 4 regions, related to the national level, is as follows:

**Table 1. Main ethnic minorities in the area covered by the project**

	Magyars	Roma	Turks	Russians/ Lipova	Tatars	Greeks	Chinese	Armenians
National (pers.)	1227623	621573	27698	23487	20282	3668	2017	1361
The 4 regions (pers.)	6232	295602	26848	17631	20207	2943	1806	1088
National (proportion)	0,06%	2,95%	0,27%	0,18%	0,20%	0,03%	0,02%	0,01%
The 4 regions (proportion)	0,51%	47,56%	96,93%	75,07%	99,63%	80,23%	89,54%	79,94%

Source: INS data, <http://www.recensamantromania.ro/rezultate-2/>

The data above highlights the situation of the Roma population, with proportions below the national average, but also with large ethnic communities that particularize the zonal multi-ethnic specificity. As we will show, the Roma community and the Magyar ethnics have a rather uniform territorial distribution, while other ethnic groups (the Chinese, for instance) have a non-uniform territorial distribution, being highly concentrated in Bucharest-Ilfov. One can also notice the 90% Turk ethnics located in Constanța and Tulcea counties, and in Bucharest and the 86.9% Russians-Lipova, strongly represented in Tulcea County (more than half of the total national count), and in Constanța and Brăila counties. We can also notice the high concentration of the Tatars in County Constanța (96.6% of the total national count, almost 20 thousand people).

Although they display values below the national average (3.3%), the Roma ethnics show increasing values compared to the 2002 Census, situation to be noticed in all regions of the country, explained by the fact that they assumed their identity, consolidated their communities and gained acknowledgement. Nevertheless, the real estimations exceed the statistics, which calls for multiple explanations of the significant differences between these data and the real situation of the community.

Regarding the religious identity, the Christian-Orthodox faith was declared by 97% of the people with stable residence in the counties of Olt (99.4%), Vâlcea (99.1%), Dolj (98.9%), Gorj (98.4%), Buzău (98.5%), Brăila (98.2%), Călărași, Giurgiu and Teleorman (98.3%), Argeș and Ialomița (97.9%), all of them located in the surveyed regions.

## 2. Economic profile of the regions

GDP is, most times, a sufficiently relevant indicator and it was also used in our survey of the dynamics of the economic activity in the 4 regions. Eurostat 2011 set the average European GDP to 25,100 Euro/inhabitant, while for Romania, the corresponding value was 7,184 Euro, under the conditions in which the volume of the economic activities in the Bucharest-Ilfov Region of Development was about 3 times higher than

the average of the surveyed regions, and double compared to the West Region of Development.

In Romania, the average work productivity was 15,500 Euro in Bucharest-Ilfov, 5,000 Euro in South-East region, 5,100 Euro in South-Muntenia region, and 4,700 Euro in South-West Oltenia region, the last 3 being much below the 75% of the EU average. Following is a detailed presentation of the specificities of each region.

### ***South-East Region of Development***

*„The strategic location of the Black Sea is an element drawing foreign investments that can enhance competitiveness by technologic transfer, new markets and modern management, both for the EU society, for export, and for the extra-community ones, which penetrate the European space.” (Albu coord., 2001, p. 47)*

The location of the nuclear power station from Cernavodă in this area, is another particularity of the area, being the only producer of nuclear power in Romania. The production of nuclear power accounts for about 18% of the total national production of electric power. The production of cheap electric power provides possibilities of exporting it (expansion of Cernavodă nuclear power plant).

The South-East region has many natural resources. Dobrogea is rich in iron ore, copper pyrite, complex lead and zinc sulphurs, quartz, granite, marble and limestone. The continental plat form of the Black Sea has large deposits of minerals and hydrocarbons, exploited by deep sea drilling equipment produced in Romania. Other deposits of liquid and gaseous hydrocarbons are in the counties of Brăila, Buzău, Vrancea and Galați. The only open area petroleum deposit in Europe is in Berca and Monteoru areas in Buzău County. A spring of sulphurous geothermal water having particular therapeutic qualities exists at Însurăței, in Brăila County. Large amounts of salt are extracted from the salt mines from Sari-Bisoca, Mânzălești and Viperești. The gravel pits and the loess deposits are important raw materials for construction and ceramics. The water and silt from the salt lakes from Techirghiol, Nuntași, Lacul Sărat, Movila Miresii, Amara and Balta Albă are famous for their therapeutic effect, being opportunities for the development of tourism in the region.

More than half of the fertile land from Bărăgan Field, known as the “country bread basket”, is in the South-East region. The large agricultural land and the fertile soil provide favourable conditions for ecological agriculture. The Danube Delta (one of the large natural reserves worldwide) and the Small Island of Brăila, whose flora and fauna are unique in Europe, are areas of touristic attraction. There is high international interest for the conservation of the diversity and promotion of tourism in the Danube Delta.

A characteristic of the region is its high touristic potential. The tourism sector is rather well developed. The Black Sea seashore and the Danube Delta, the spas from Lacul Sărat, Techirghiol, Sărata Monteoru, some agro-touristic boarding houses in mountains and in the Danube Delta, the monasteries from northern Dobrogea, from Buzău and Vrancea mountains, are points of touristic attraction. In 2009, this region covered about

45% of the national accommodation facilities, being on the top position among all regions.

The SME sector is rather well developed in the South-East region, compared to the other regions (in 2009, there were 62,155 SMEs, 13.1% of the national total, ranking 4<sup>th</sup> among the eight regions of development.” (Albu coord., 2011, p. 47–49)

*„Of course, besides these strong points of the South-East region, which are development opportunities, the region also has fewer encouraging elements. The Danube Delta localities are isolated, with little work opportunities, which means a high level of poverty of the population. The hill area is vulnerable due to the isolated villages, insufficient hydro-technical facilities, roads and due to the tectonic movements of the Earth crust. The Black Sea shore tourism is seasonal, which means that when the season ends, part of the people employed during the summer have no job. The tourism infrastructure is poorly developed or aged, with discrepancies between the older and newer facilities. There is a competition from the foreign touristic regions, which offer higher quality services for competitive prices. The fragmented agricultural land, like in most parts of the country, maintains a low level of mechanisation and productivity in agriculture.” (Albu coord., 2011, p. 49)*

### ***South-Muntenia Region of Development***

The aggregated national data show for the South-Muntenia Region of Development, and GDP/inhabitant (5,400 EUR per capita), lower than the country average, with significant differences between the composing counties.

The major differences are given by the partition of the region in two areas with distinct geographical and socio-economic particularities: the northern region, around the towns of Pitești, Târgoviște, Ploiești and the hilly and mountain regions) are characterized by a high level of industrialization, while the southern region is characterized by agricultural activities and underdevelopment.

The industrial activities are diversified in the northern region, including:

- Chemical and petrochemical industry,
- Manufacture of concrete, cement and gypsum elements;
- Production of rubber and plastic goods.
- Metallurgic industry and metallic constructions;
- Constructions of machinery, equipment, engines, electrical equipment, military equipment, oil extraction equipment, mining and chemical equipment, heavy-duty ball bearings, equipment and spare parts, etc.
- Garments industry;
- Leather products industry;
- Textile industry;
- Wood processing and furniture industry;
- Food industry (milling and bakery, meat processing, milk and dairy products, vegetables and fruits canning, etc.) wine making.

One must not forget the touristic and leisure activities (much of which in Prahova County), the historic tourism (Argeş, Dâmboviţa and Prahova counties), balneal tourism (Dâmboviţa, Prahova, Ialomiţa counties) or the religious tourism.

We can speak of a functional specialisation within the South-Muntenia region of development, which takes advantage of the available natural and economic potential. The vegetal production is directed mostly towards the crops of grain cereals, oil plants and fodder plants, barley, two-tow barley and wheat. The technical crops (soybeans, rapeseeds, beet, sunflower) are present in all four counties, as well as the vineyards and wine making.

The region is properly connected to the European transportation corridors by motorways A1, A2 and (a fragment of) A3, the traffic towards the Balkans being facilitated both by the bridge over the Danube from Giurgiu-Ruse, and by the Danube itself, by the Danube-Black Sea channel. The Danube provides access to the trans-European navigation through the harbours from Giurgiu, Călăraşi, Olteniţa, Turnu-Măgurele.

There also are land connexions to the other regions of development from Romania and/or towards areas with special economic potential. The 1,671 km railroad and the 11,104 km public roads (beginning of 2014), allow transportation of goods and people.

In 2011, 385 territorial-administrative units from South-Muntenia region were connected to the public water supply, accounting for almost 70% of the total 565 units in that region. The rate of connection is 100% for urban localities and 65% for rural localities (10% more compared to 2004). The lowest rate of connection to the public water supply is in Giurgiu County (25%), and the highest, in Călăraşi and Ialomiţa counties (84%).

### ***South-West Oltenia Region of Development***

In terms of density of enterprises (by 1,000 inhabitants, active population, aged 15-59), compared to the other regions of development, and to the national average, South-West Oltenia Region of Development has an unfavourable situation, ranking 7<sup>th</sup>, of 8, ahead only of the North-East region.

In terms of the foreign direct investments, South-West Oltenia region ranks 7<sup>th</sup> among the regions of development in Romania. The foreign investments in Romania are oriented according to the accessibility and potential of the locations, and according to the quality of the business environment and to the local and regional economic traditions. The most important foreign investment with economic and social impact in Oltenia was the purchase of the largest pack of shares of Automobile Craiova, in the autumn of 2007, by the Ford Motors Company.

The rural economy is not diversified, relying on the subsistence agriculture. The large number of small exploitations is owned by a large number of people beyond the age of retirement, being the main source of income for them. The incomes from wages and other similar rights account for just 5.5% of the total income of the agricultural households from South-West Oltenia region (lei/month/person), while the equivalent value of their consumption of agricultural products from own resources represents

44.2%. The high proportion of incomes from agriculture (19.9%), compared to the low proportion of the incomes from independent non-agricultural activities (2.4%), show the dependence of the rural economy on agriculture. This is also indicated by the fact that, at the regional level, in 2007, 43.9% of the occupied population was working in agriculture, while the agriculture contributed with 11.19% to the GDP. These figures reflect the very low productivity of the agricultural work because of the poor technical endowment, the fragmentation of the agricultural land, and the insufficient investments.

### ***Bucharest-Ilfov Region of Development***

As in many other Central and East-European states, Bucharest, the capital of Romania, experienced a much faster rate of economic growth than the other regions of the country, it adapted the fastest to the economic and social changes triggered by transition and attracted most of the foreign direct investments.

All industrial branches are present in Bucharest-Ilfov region, which is the main industrial agglomeration of the country. However, over the recent years, the labour force reoriented massively towards the sector of services, which accounts now for the greatest share in the economy of the region. Also, here, sectors such as constructions and the real estate business display the fastest rate of growth, followed by the retail, distribution and management activities.

## **3. The Roma population and its specific aspects**

The provisional results of the 2011 Census, show that the number of those who stated to be Roma, exceeds 619 thousand people (3.2%). As mentioned previously, the proportion of the Roma ethnics in the counties and regions covered by the project was 295,602 people (with a balanced sex ratio, 50.92% men, and 49.07% women). Related to the national counts, the number represents 47.56% of the national total Roma population, and 2.95% from the total population of the 4 regions, below the national average.

Contrary to the majority population, which displays ageing trends, the Roma under the age of 20 account for 47.33% of the total Roma population, those aged 30+ account for almost a quarter, while the Roma aged 50+ represent just 10.8% of the population, with just 3.3% old/dependent Roma. This shows that the Roma population is young and may be included with priority in the programs of formation and occupation.

The statistics of the Ministry of Labour and Social Justice show that the rate of absolute poverty among the Roma population was 26.4% in 2010, almost 8 times higher than the national average. At the same time, the rate of severe poverty was 4.6%, compared to the national average of 0.6%, which qualifies the members of this ethnic minority as the poorest citizens of Romania (PRAOBI, 2012-2014).

The data of 2011 Census show that, at the national level, almost 40% of the Roma live in urban areas and little over 60% live in rural areas. Although it is difficult to analyse with high accuracy the regional distribution of the Roma, the 2011 Census shows counties with major imbalances in the number of Roma ethnics in the counties of the same regions.

The major problem for the correct calculation of the Roma population size is well-known: many of them do not declare themselves to be Roma, for the fear of stigmatization, discrimination or even repression on the side of the authorities (for instance, in the form of detailed fiscal inspection of the wealthy people or who have their own business). Thus, some Roma organisations consider that the real number of the Roma ethnics might be even 10 times higher than the official counts in some regions/localities. Overall, the situation of the Roma people in the area covered by the project (in terms of numbers and geographical distribution) is as follows:

**Table 2. Roma population in the counties covered by the project**

Region	County	Total population	Total Romanian ethnics	Total Roma ethnics	Proportion of the Roma ethnics within the total population
<b>South-East</b>		2,545,923	2,243,787	69,864	2.74%
	Brăila	321,212	291,899	8,555	2.66%
	Buzău	451,069	409,316	20,376	4.52%
	Constanța	684,082	570,754	8,554	1.25%
	Galați	536,167	482,932	16,990	3.17%
	Tulcea	213,083	180,496	3,423	1.61%
	Vrancea	340,310	308,390	11,966	3.52%
<b>South-Muntenia</b>		3,136,446	2,849,550	122,232	3.90%
	Argeș	612,431	571,149	16,476	2.69%
	Călărași	306,691	259,310	22,939	7.48%
	Dâmbovița	518,745	470,136	27,355	5.27%
	Giurgiu	281,422	248,355	15,223	5.41%
	Ialomița	274,148	241,765	14,278	5.21%
	Prahova	762,886	712,886	17,763	2.33%
	Teleorman	380,123	345,949	8,198	2.16%
<b>Bucharest-Ilfov</b>		2,272,163	2,272,163	39,607	1.74%
	Ilfov	388,738	388,738	15,634	4.02%
	Bucharest	1,883,425	1,883,425	23,973	1.27%
<b>South-West Oltenia</b>		2,075,642	1,901,330	63,899	3.08%
	Dolj	660,544	594,841	29,839	4.52%
	Gorj	341,594	321,686	6,698	1.96%
	Mehedinți	265,390	236,908	10,919	4.11%
	Olt	436,400	400,089	9,504	2.18%
	Vâlcea	371,714	347,806	6,939	1.87%
<b>TOTAL</b>		10,030,174	9,266,830	295,602	2.95%

Source: INS, <http://www.recensamantromania.ro/rezultate-2/>



## 4. Education at the regional level

Considering the rate of school attendance by the total school age population, we may say that it increased quite a lot from 1990 to 2012, more precisely, by 15.3% for the total school age population (Table 3). It increased more among the boys (16.8%), than among the girls (13.9%) and more for the age group 3 – 6 years (31.8%) and 19 - 23+ years (43.1%).

**Table 3. Rate of school attendance by the school age population (%)**

Age groups	Gender	Year 1990	Year 2012
3 - 6 years	<b>Total</b>	54.3	86.1
	Male	53.2	85.6
	Female	55.5	86.6
7 - 10 years	<b>Total</b>	90.9	93.1
	Male	91.2	93.4
	Female	90.5	92.8
11 - 14 years	<b>Total</b>	91.4	91.7
	Male	91.1	92
	Female	91.8	91.3
15 - 18 years	<b>Total</b>	90.7	81.9
	Male	91.6	81.7
	Female	89.7	82.1
19 - 23+ years	<b>Total</b>	10.6	53.7
	Male	11.2	49.4
	Female	9.9	58.2
<b>Total school age population</b>	<b>Total</b>	63.5	78.8
	Male	63.7	77.6
	Female	63.3	80.1

Source: INS, TEMPO database

According to TEMPO database data (Table 4) regarding the structure of the school age population by level of education (last graduated level of education) and regions of development, the highest number of graduates of the preschool, elementary, middle school, high school and vocational education, is in South-Muntenia region, followed by South-East. In 2012, South-West Oltenia region had the highest number of graduates of post high school education, followed by South-Muntenia region. Bucharest-Ilfov region has a very large number of higher education graduates, but the lowest number of pre-university education graduates.

The educational infrastructure specific to the year 2012 (Tables 5, 6 and 7) shows that Bucharest-Ilfov region had the highest number of units for preschool and university education; the largest teaching staff for the higher education and the highest number of PC in the higher education units. Bucharest was the largest university centre among the surveyed regions.

South-Muntenia region had the largest teaching staff and the highest number of PC in the preschool education. Moreover, this region also displays the highest values for school units, teaching staff and PC in the elementary, middle school and high school education. South-Muntenia and South-East regions have the highest number of school units in the post high school education, while South-Muntenia region has the largest teaching staff and number of PC in the post high school education. Although South-West Oltenia region has the highest number of post high school education students, at the regional level the educational units might be overcrowded, hence a lower quality of the education.

**Table 4. School population by level of education and region of development in 2012**

Region	School population (2012)					
	Preschool education	Elementary and middle school education (including the special education)	High school education	Vocational education	Post high school education	Higher education
TOTAL Romania	581,144	1,744,192	831,810	19,734	92,854	464,592
South-East region	73,144	<b>225,208</b>	104,066	2,599	<b>12,627</b>	38,640
South-Muntenia region	<b>80,876</b>	<b>263,670</b>	<b>120,447</b>	2,647	9,989	22,361
Bucharest-Ilfov region	56,059	154,903	83,934	560	9,926	<b>139,396</b>
South-West Oltenia region	56,174	173,500	96,918	1,394	<b>14,936</b>	28,226

Source: INS, TEMPO database

**Table 5. Distribution of school units by region of development in 2012**

Region	School units					
	Preschool education	Elementary and middle school education (including the special education)	High school education	Vocational education	Post high school education	Higher education
South-East region	157	522	<b>206</b>	1	<b>16</b>	7
South-Muntenia region	124	<b>670</b>	<b>209</b>	0	<b>16</b>	4
Bucharest-Ilfov region	<b>238</b>	225	135	<b>2</b>	5	<b>34</b>
South-West Oltenia region	101	478	160	0	8	4

Source: INS, TEMPO database

**Table 6. Teaching staff, by region of development, in 2012**

Region	Teaching staff					
	Preschool education	Elementary and middle school education (including the special education)	High school education	Vocational education	Post high school education	Higher education
South-East region	4,244	15,406	7,063	10	332	1,607
South-Muntenia region	<b>4,486</b>	<b>18,646</b>	7,741	4	348	1,094
Bucharest-Ilfov region	3,391	9,551	5,326		127	<b>9,048</b>
South-West Oltenia region	3,377	13,302	6,652	10	220	1,531

Source: INS, TEMPO database

**Table 7. Number of PC, by region of development, in 2012**

Region	Number of PC				
	Elementary and middle school education (including the special education)	High school education	Vocational education	Post high school education	Higher education
South-East region	18,203	14,058	0	557	5,365
South-Muntenia region	<b>19,663</b>	<b>14,503</b>	11	534	3,173
Bucharest-Ilfov region	7,066	11,188	0	196	<b>29,434</b>
South-West Oltenia region	12,489	11,444	0	294	4,387

Source: INS, TEMPO database

According to Table 8, South-East region had, in 2010, the highest rate of school dropout for all the forms of pre-university education. High rates of school dropout also are in Bucharest-Ilfov region for the elementary, middle school and vocational education, while South-West Oltenia region had the highest rates of school dropout among the high school students. Therefore, the active measures to cut the school dropout should be directed particularly towards regions South-East, Bucharest-Ilfov and South-West Oltenia.

**Table 8. Rate of school drop-out of pre-university education in 2010**

Region	Rate of school dropout of pre-university education			
	Elementary and middle school education (including the special education)	High school education	Vocational education	Post high school education
South-East region	2.1	3.3	24.4	8.8
South-Muntenia region	1.6	2.4	20.6	5.8
Bucharest-Ilfov region	1.9	2.9	24.2	4.7
South-West Oltenia region	1.5	3.2	17.3	5.5

Source: INS, TEMPO database

## 5. Educational level of the Roma population

The topic of education is approached in terms of the regional gaps and socio-economic and cultural mechanisms that influence the situation of the Roma people. The regional analysis of the educational level and of the possible factors from the sphere of the educational infrastructure are argued in the first part of the chapter, making thus a regional overview of the institutional capacity to meet the attributes of high-quality education. Making the in-depth analysis of the aspects that influence the educational level of the Roma, we referred to the level of poverty, to the use of education within the Roma communities and to the social distance between *them* and *the others*.

The socio-economic and cultural mechanisms for slow recovery or stagnation of the Roma people situation can be explained by three underlying relations. The first relation highlights the reciprocal determination between the low educational level and the poverty confronting the Roma population (Fleck and Rughinis, 2008, p. 209). The economic mechanisms that perpetuate the difficult situation of the Roma people include the limited access to formal jobs or to jobs with high professional status, instability of their incomes and the lack of household appliances.

Many of the Roma households (60%) have monthly incomes lower than the minimal national wage (Popovici and Ercus, 2013, p.75). These incomes should provide for the survival of an average of 5 people by household, because birth rate is much higher among the Roma population than among the majority population. However, the Roma households have, in average, a total income 3 times lower than that of the households of the majority population. The difficult economic situation (Fleck and Rughinis, 2008, p. 209) is supported by the fact that, unlike the interviewed non-Roma persons (12%), 62% of the Roma stated that one of the household members went to bed without eating, over the past month. Moreover, fewer Roma than non-Roma people have household appliances: for instance, 53% of the Roma and 92% of the non-Roma have a refrigerator, and 8% of the Roma and 24% of the non-Roma have a computer. In time, the educational level conditions the access to formal jobs, qualified, or with high professional status.

In conclusion, the increased access to education is essential to break the vicious circle of poverty, particularly among the poorest children. Ensuring this right from an early age, and decreasing the associated discrimination, might close the gaps due to the limited participation on the labour market, low rate of productivity, limited access to unsure and marginal positions on the labour market and, implicitly, of the precarious incomes.

The access to education is facilitated, besides by the standard of living, by the stability of parents' incomes, by the individual expectations, by the stated nationality/ethnic affiliation, and by the good knowledge of the official language. Knowing the official language is influenced especially by the aspect of living in a closed and isolated community, where the children get to use more frequently the official language only after the first years of elementary school.

The 2011 Census data show that 23-25% of the adult Roma people did not graduate the elementary school and declared to be illiterate (Popovici and Ercus, 2013, p.73).

The highest rate of illiteracy is among the old generation, because the compulsory education has been introduced by the communist regime after the 70s. Therefore, the mature population has the lowest rate of illiteracy. However, the young population too, is confronted with illiteracy, with a rate higher than that of the mature population. The gender difference, in the young population, in terms of illiteracy is different from the corresponding values for the mature or older population, where the illiterate women are twice as many compared to the men (Duminičă et.al., 2004, p. 46-47). There are slightly more young illiterate men than women.

About 20% of the Roma population did not attend school because of the lack of financial resources, ethnic discrimination, lack of efficient strategies to prevent school dropout, ethnic segregation, high proportion of unskilled teaching staff and insufficient endowment with equipment and materials of the educational unit (Popovici and Ercus, 2013, p.72).

The gender differences among the Roma population aged 16+ in terms of no school attendance are as follows: 14.5% are men and 23.5% are women (Duminičă et.al., 2004). Among the old Roma population, the proportion of women who did not attend school is twice that of the men who did not attend school. While this difference decreases slightly for the mature population, it is very small for the young Roma population. The trend by gender shows the emancipation of the Roma women, by the decreasing proportion of women who did not attend school from 19.5% among the mature population, to 16.4% among the young population, while the corresponding proportions for the young men who did not attend school reached 17.5%, although it was of just 10.9% among the mature population. The trend of family modernization and the challenge of gender roles within the family are possible explanations for this situation, that can be sustained by the decreasing evolution of the men to women ratio that graduate vocational schools, reducing thus the men to women inequality in terms of access to the labour market. For instance, this ratio was 5:1 among the older population, decreasing to 3:1 for the mature population and to 2:1 among the young population.

The expectations of the Roma parents regarding the educational level of their children are rather high. More precisely, secondary education is mentioned by 80% of the Roma parents. However, 40% fewer Roma children than majority population children attend the kindergarten, at least 75% of the Roma children do not finish the elementary or middle school, and just 17% are enrolled in vocational, high school or university studies (Popovici, Ercus, 2013, p.72-73). Therefore, according to the current laws, a large proportion of the Roma population did not graduate the compulsory education and, therefore, is not eligible for the programs of professional training.

According to Table 9, among the Roma population there are more women who did not attend school (55,107) than men (41,404); of which 40,136 women and 27,344 men are illiterate. Most of the Roma people have no studies above the secondary education. This situation is more frequent among the women, which drastically limits their access on the labour market. However, there are more women attending higher education (1,762) than men (1,635), while more boys are attending the post high school, vocational and higher education.

**Table 9. Stable Roma population aged 10+, by gender, by area of residence and level of education**

	Gender	Graduated level of education									
		Higher		Post high school and foremen	Secondary				Elementary	Did not graduate	
		Total	of which:		Total	Higher		Lower (middle school)		Total	of which:
			University licence	High school		Professional and apprentices	Illiterates				
National	males	1,635	1,528	521	117,270	13,238	14,009	90,023	81,379	41,404	27,344
	females	1,762	1,647	473	96,312	10,021	5,849	80,442	81,852	55,107	40,136
Urban	males	1,155	1,062	332	47,217	7,679	6,353	33,185	28,185	14,970	9,894
	females	1,248	1,159	322	39,644	6,199	3,009	30,436	28,288	19,626	14,332
Rural	males	480	466	189	70,053	5,559	7,656	56,838	53,194	26,434	17,450
	females	514	488	151	56,668	3,822	2,840	50,006	53,564	35,481	25,804

Source: INS, processed 2011 Census data

According to the study *Come closer* (Fleck and Rughinis, 2008, p. 209), the representative national sample for the Roma population shows that 9% of the Roma people graduated high school, while 2% graduated higher education, while 41% non-Roma people graduated high school and 27% graduated higher education. However, the comparative sample is not representative at the national and regional level, because it includes respondents living in the vicinity of the selected areas inhabited by Roma people. The data can be thus influenced by the fact that they live in the proximity of those areas. One of the most critical aspects regarding the education of the Roma population is the illiteracy, which contributes directly to the socio-economic exclusion of the Roma people. Thus, 22% of the Roma people aged 14+, from the Roma sample, are illiterate, while for the comparative sample, only 2% of the non-Roma are illiterate. It is worrying that 7% of the Roma respondents aged 14+, who graduated the elementary education, are illiterate.

The comparison with other ethnic groups (Romanians, Magyars, etc.) in terms of level of education, presented in the *Barometer of Roma Inclusion* (Bădescu et al., 2007, p.71), shows that the situation of the Roma people was, at least at the moment of the survey, rather worrying: 23% of the Roma respondents had no school studies, compared to just 2% for the other respondents; 28% of the Roma respondents graduated the elementary school, compared to 11% for the non-Roma respondents; 33% of the Roma respondents graduated middle school, compared to 24% for the non-Roma respondents; 15% of the Roma respondents graduated the school of apprentices, or vocational school, or high school, compared to 48% for the other respondents; and 1% of the Roma respondents graduated post high school or university education, compared to 15% for the non-Roma respondents.

Furthermore, the gap between the Roma and non-Roma regarding the improvement of the educational level in time, is noticed when we compare the schooling level of the people up to 40, with that of the people aged 40+, by ethnic affiliation (idem, p.76–77). The proportion of people below 40, with no schooling, is 20.9% for the Roma respondents, and 0.8% for the non-Roma respondents, while for the people aged 40+, the corresponding values are 26.3% for the Roma respondents, and 2.3% for the non-

Roma respondents. We also noticed a decrease, in time, of the elementary school graduates, higher for the non-Roma respondents, if we compare the people aged 40+ with the younger ones. Regarding the middle school studies, the proportion of graduates decreased by 8.5% for the non-Roma respondents, and increased by 11.5% for the Roma respondents, between the generation of people aged 40+ and below 40.

The educational level increased in time, more for the non-Roma respondents, if we take into consideration the education above middle school. The people below 40 with vocational studies (educational level that can follow the middle school, but which does not coincide with the high school education) represented 12.6% for the Roma respondents, and 25.3% for the non-Roma respondents, while for the people aged 40+, the corresponding values were 10.7% and 22.4%, for the Roma and non-Roma respondents, respectively.

A proportion of 4.3% of the Roma respondents below 40 had graduated the high school, while 42.4% of the non-Roma respondents below 40 graduated the high school, while for the respondents aged 40+, the corresponding values were 2.2% and 22.2%, for the Roma and non-Roma respondents, respectively. Moreover, 0.8% of the Roma, and 10.8% of the non-Roma respondents below 40 graduated higher education, and 0.6% of the Roma, and 8.2% of the non-Roma respondents aged 40+ graduated higher education.

In conclusion, after graduating the middle school, many of the Roma children give up school. This fact can be documented by the high differences between the number of Roma people graduates of elementary education, in 2011 (81,379 males and 81,852 females) and middle school (90,023 males and 80,442 females), and by the number of Roma people graduates of high school (13,238 males and 10,021 females) and of vocational and apprentices education (14,009 males and 5,849 females).

School drop-out is more frequent among the Roma population because of their poverty and of the low educational level of their parents, materialized in insufficient incomes to purchase clothing and shoes for the children, and to pay for the costs associated to education (transportation, school supplies, school clothes, etc.), because of the insufficient schooling awareness among the Roma communities and because of the overcrowding specific to poor households – the number of persons/room in the Roma households is more than double the number of persons/room in the non-Roma households (Fleck and Rughinis, 2008, p. 112; Bădescu et.al., 2007, p.34).

The risk of school dropout is disproportionately high, particularly among the girls, because of the cultural tradition of getting married and give birth at early ages. For instance, in 2011, 10% of the Roma girls had their first child at the age of 12-15, and 48% had their first child at the age of 16-18 (Popovici și Ercuș, 2013, p.73).

The second relation that influences the situation of the Roma population regards the insufficient awareness regarding education among the Roma communities and focusing on the means of living, by promoting work, rather than school among the children, work that was done either in the household, or in the field, for the rural areas (Toma and Fosztó, 2011), even though, a high professional status is given by an adequate professional training and by a high level of education.

This image is often sketched in the documents regarding the Roma population, but it should be interesting to investigate whether this idea can be identified among the poor population, irrespective of the ethnic affiliation.

The inter-generation stratification, defined by the transfer of the attributes of the socio-economic status between the parents and the children, can explain the influence of the educational level of the parents on that of their children. The parents with a high educational level, or with such aspirations, are able to understand the value of education for a high quality of life, and to support the schooling of their children, to back up financially the education of their children, because they have the necessary incomes from the formal economy, or a low number of children and a high standard of life (Cace et.al., 2010, p.57).

A pertinent question within the context of the intra-generation stratification would be: which parent might have a higher impact on the educational path of the individual? According to the report *At Risk: Roma and the Displaced in Southeast Europe 2006*, the children with the head of the family having a high level of education have three times higher rate of enrolment in the elementary education than the other children (UNDP, 2006, p. 36). In nowadays Romanian society, the man is considered to be head of the family, particularly in the rural areas and in the small urban areas. However, according to the study conducted by the Research Institute for the Quality of Life (Cace et. al., 2010, p. 57–58), it seems that the mother has a higher impact on the educational path of the Roma child (Table 10, Table 11). For instance, 77.8% of the respondents with elementary education have an educational level similar with that of their mother, while only 69.8% of the respondents with elementary education have fathers with the same level of education. 85.7% of the respondents with middle school education have mothers with a level of education at most equal with theirs, while 79.3% of the Roma children with middle school education, whose fathers have at most the same level of education.

**Table 10. Generational educational mobility between the father and the child (%)**

Education of the respondent	Education of the father					
	Elementary	Middle school	Apprentice/vocational school	High school	Post high school	Higher education
Elementary	69.8	17.5	2.1	0.4	0	0.2
Middle school	39.4	39.9	6.5	2.2	0.6	0.1
Apprentice/vocational school	25.1	46.4	15.6	5.2	0	0.5
High school	11.5	51.9	13.5	11.5	0	0
Post high school	42.9	14.3	28.6	0	14.3	0
Higher education	0	50.4	25	0	0	12.5

Source: Cace et.al., 2010, p.57



**Table 11. Generational educational mobility between the mother and the child (%)**

Education of the respondent	Education of the mother					
	Elementary	Middle school	Apprentice / vocational school	High school	Post high school	Higher education
Elementary	77.8	12.9	0.6	0.6	0	0
Middle school	49.1	36.6	3.2	1.3	0	0.1
Apprentice / vocational school	39.3	45	9	1.4	0	0
High school	28.8	50	7.7	3.8	0	0
Post high school	0	0	0	0	0	0
Higher education	12.5	62.5	12.5	0	0	0

Source: Cace et.al., 2010, p.58

Therefore, the involvement of the parents is essential for the success of the initiatives to increase the educational level of the Roma children and to improve their school performances, by their power of decision they may have in relation with the class/school and by proposing intercultural educational activities. The under-representation of the Roma parents within the decision-making structures within the schools, even in the schools where the Roma children are preponderant, is documented in the study by Duminičă and Ivasiuc (2010, p. 67), by figures showing that only 41% of the Roma parents participate in the parent councils, 37% of the Roma children participate in student councils, under the conditions in which 51% of the children attending the surveyed schools (100 schools) are Roma people.

The social distance between the Roma and the *others* (Fleck and Rughinis, 2008, p.210) is the third aspect that influences the educational level of the Roma population, implicitly their socio-economic situation. The behaviour towards the Roma is often outlined in opposition with the concept of the *others*, whose significance within this context refers to all those that can stay together in communities and schools, referring thus to a possible relation of determination between the ethnic, residential and educational or schooling segregation. The stereotypes, attitudes and behaviour towards the Roma spread, amplifying the social distance between *us* (all the *others*) and *them* (the Roma). The intolerance towards them is maintained due to the low school attendance, dependence on the financial support of the state and predominant employment in the informal economy, specific to the Roma community.

Ethnic segregation can be reduced or eliminated as practice in schools, if the public institution empowered to manage this problem would have complete data on the ethnic school segregation among the pupils/students, the breakdown of children in segregated schools, the ethnic composition of the children within the schools with special education, the measures for school desegregation, or on the evolution of this phenomenon.

School segregation is not forbidden in schools (MECT, 2007), and no measures (laws) for its elimination are stipulated. The lack of information from the Ministry of Education and Research regarding this phenomenon is filled in by the non-governmental organisations. However, this approach provides a truncated image, which imbalances the development of pertinent public policies, because of the specificity of the data collected by the surveys conducted in particular areas/regions, because of the lack of statistic representativeness of the samples and different operationalization of the concepts.

According to the survey *Equal Access to Quality Education for Roma* (Open Society Institute, 2007, p. 362), the educational segregation is much more spread in the elementary and preschool education (Table 12). The intersectionality between ethnic affiliation and gender is highlighted by the fact that the proportion of women is much higher in the segregated schools, irrespective of the educational level.

**Table 12. Ethnic segregation in schools and kindergartens (2006)**

		Kindergarten	Elementary school (grades 1–4)	Middle school (grades 5-8)	High school (general, professional, vocational) (grades 9-12)
<b>Total number of segregated schools</b>		162	315	112	17
Roma children enrolled in segregated kindergartens and schools, percent (%) of the total enrolled Roma children (estimates)	<b>boys</b>	42.14	52.67	37.88	39.10
	<b>girls</b>	43.68	52.80	41.15	45.43

Source: Ministry of Education and Research, cited in OSI, 2007, p.362

As mentioned earlier, segregation is operationalised differently in the study by Laura Surdu (et.al., 2011, p. 11-14) than by the definition accepted by the Ministry of Education and Research. Therefore, this survey included the classes or schools in which the proportion of Roma children exceeded 50%. The importance of the study for our discussion comes from 2 aspects: diversity of the research methods employed by it, such as observation, focus-groups and survey; and the national statistic representativeness, provided by two samples of Roma people (one sample with adult Roma people having at least one child who dropped out school, and the second sample, consisting of children with 100% participation in preschool and school facilities). However, the representativeness of the samples is arguable as only compact communities of Roma people are included, excluding those from the mixed living environments (Moisă et. al., 2013, p.62).

According to the perception of the parents involved in the research (Surdu et.al., 2011, p.94), 59.1% (213 persons) stated that in the kindergarten group where his/her child was, there was approximatively the same number of Roma and non-Roma children (29.1%) or most Roma children (30%). 32.4% of the parents stated that that in the kindergarten group where his/her child was, there was most non-Roma children.

Segregation within the preschool institution is perceived by 59.1% of the parents, as follows: 30.5% of them said that the kindergartens where their children are, include mostly Roma children, 28.6% said that there is a balanced number of Roma and non-Roma children, while 29.6% said there was no segregation in the kindergartens where their children were.

The educational segregation in schools (idem, pp. 95 – 97) was reported at the class level by 56.3% (633 Roma adults) of the cases, meaning that the Roma adult stated that most children are Roma in the class where his/her child studies (28.8%), or that there is a balanced number of Roma and non-Roma children (27.7%). The data on school segregation in the school are similar with those at class level, most probably because the respondents did not make the difference between the class and school levels.

The Roma children from the segregated classes – those classes where there is at least an equal number of Roma and non-Roma children – have a higher proportion in the elementary education cycle (64.5%, or 123 people), than in the middle school cycle (53%, or 347 people). Furthermore, the difference between rural (68.6%) and urban (47.6%) in terms of school segregation is rather consistent. This can also be explained through the residential segregation, which much more frequent in the rural areas.

The study *A school for everybody? Access of Roma children to quality education* (Duminiță and Ivăsiuc 2010, p.33-35) included in its analysis 100 education units (77 schools and 23 kindergartens) attended by Roma children from 70 communities; interviews with the principals and teaching staff from those educational units, with the sanitary mediators allocated to the selected communities, with parents whose children are of school age, and children of school age.

The composite indicator (idem, p.116–117) used by them to sketch the size of the phenomenon of segregation, depends on: distance to the closest Roma community, proportion of the Roma children in the school and number of segregated classes (more than 50% of the pupils in the class are Roma people). Therefore, the research methodology used the operational definitions of segregation stipulated in the methodology of Order 1540 from 19.07.2007. this research distinguished the school segregation determined by the residence from that conditioned by the ethnic affiliation, using the distance to the closest Roma community. Residential segregation was present in the situations where the distance was smaller than 1 km and the proportion of Roma children was more than 50%, while the non-residential segregation was in the case meeting simultaneously the following criteria: distance to the Roma community was more than 1 km, proportion of Roma children was lower than 50% in the school, and there were classes with a majority of Roma children (more than 50%). According to the results of the quantitative research, the residential segregation was determined in 5

kindergartens and 11 schools, while the non-residential (exclusively ethnic), in 15 schools.

In the researches presented above, the image of the Roma communities is often that of a poor and poorly educated community. Leaving these difficulties behind might be done by decreasing the school segregation, namely enrolling the Roma children in unsegregated educational units and classes. Nevertheless, the Roma parents and children are confronted with the reticence of the principals and of the teaching staff, with the prejudices of people, with the subjective selection of the criteria of assignment by class, with the excessive bureaucracy and with the administrative measures from each school (Surdu et. al., 2011, p.96; Surdu, on-line, p.1).

In the ethnically segregated schools or classes (more than 50% Roma children), the quality of education is poor (Surdu, on-line, p.3–6) because of the following aspects:

- Overcrowding of classes;
- Orientation of the teachers towards discipline, to the detriment of learning;
- Insufficient equipment in the class;
- Inadequate endowment of the school libraries, necessary particularly in the poor environments where the families do not afford buying educational materials;
- Deficient training of the teaching staff;
- Low expectations regarding the potential and performance of the Roma children
- High rate of absenteeism (83.5%) of qualified teachers

School segregation by ethnic affiliation transforms the educational units in *second hand* units (Surdu, on-line, p. 6), because of the deficient facilities and insufficient training of the teaching staff. The rate of un skilled teachers is three times higher in the segregated schools where the Roma children predominate, than in the whole educational system. This has several consequences for the schools with high proportion (more than 70%) of Roma children: lower motivation of the Roma children to learn, materialized in a low rate of children (below 50%) who passed the capacity examinations; higher rate of school dropout and lower school performance (11.3% of the Roma children had to repeat the same school year).

According to the 2012 estimations of the Roma Education Fund for Romania, the segregated schools comprehended 13-45% of the Roma pupils (Moisă et. al., 2013, p.63). The quality of education in the segregated schools is low due to the low training of the teaching staff, lack of equipment and facilities, large number of pupils per class and low expectations for the school performance of the Roma pupils, expressed both by them, and by the teachers and parents.

The importance of education is asserted by the fact that it can increase the opportunities of access to the labour market. As Table 13 shows, the rate of employed people increases with the level of education. The people who graduated elementary education, middle school or professional schools only, have lower employment rates than those with higher educational levels.

**Table 13. Rate of occupied people of working age (15 – 64 years) depending on their level of education (%)**

		2007	2008	2009	2010	2011	2012	2013
Elementary, middle, or professional schools	Total	40.3	41.0	42.0	43.0	40.5	41.9	42.1
	Women	35.1	35.5	36.3	36.9	35.7	36.6	36.0
	Men	46.9	47.9	49.1	50.5	46.3	48.2	49.5
High school and post high school	Total	63.9	63.5	62.2	62.2	62.3	63.1	62.9
	Women	58.2	56.6	55.0	54.6	54.6	54.8	54.6
	Men	69.0	69.6	68.7	69.1	69.2	70.6	70.3
Higher education	Total	85.8	85.7	84.1	82.4	82.1	81.4	81.7
	Women	84.7	84.6	83.1	81.2	80.4	79.3	79.7
	Men	86.9	86.8	85.2	83.6	84.0	83.7	83.9

Source: Labour Force Survey, Eurostat

An initiative to improve the quality of education and to support the inclusive environment, consists in the presence of the Roma Teaching Assistant in the class, with the purpose of supporting the activity of the teaching staff (UNICEF 2010:29). The use of Step by Step methodologies, in combination with the presence of the Roma Teaching Assistant, had a high impact on both Roma and non-Roma pupils.

We spoke above of the impact of the stereotypes and image of the Roma population in consolidating the social distance between *us* and *them*. We could be aware of the fact that we transmit and maintain a specific image of them through the research, papers, advertising campaigns, documents of public policies, financed projects, documentaries and photos. The attempts of the experts to identify and reveal the problems of the Roma communities only sketch the differences between the Roma and us. By focusing on charting the situation of the Roma people with the purpose of justifying the excessive financing of the projects addressing them, we tend to outline the negative image of the Roma, which they internalize and reproduce it (Surdu, 2014). Hence, it is more than necessary to exert precaution in the way in which we try to present the vulnerable, uneducated, lazy people depending on financial aid from the state.

## Conclusions

Most of the possible conclusions and recommendations that can be put into action are strongly related to the specificity of the target group: adult Roma people living in communities with low educational stock, placed very far from the success routes of the policies and interventions intended for vulnerable communities. Most of the respondents, both natural persons, and relevant community representatives see in education/training/formation one of the few potentially successful opportunities: qualifications for as many Roma as possible, coherent programs for basic formation, jobs specific to the Roma patterns, etc.

At the declarative level, one can notice that the community assumes responsibility for the topic of the professional occupation. The research data reveal, however,

contradictory details, non-personal and inconsistent manners of interaction. For instance, the preferable manner of information of the population is by notices displayed at the town hall noticeboard (a space that is rather outside the daily, usual routes of the citizens, or which presume effort and more than the simple displaying). This approach has, as specificity, a precarious control over the information and the lack of the support mechanisms, depersonalization of the message, etc.

In the same line, the consumption of media, pointed out as one of the sources of information regarding the available jobs (although its efficiency in such situations is rather low). The adult involved in multiple roles, reorganises his/her adequacy at reality, but not with a passive attitude. Hence, the use of direct active and participative forms and procedures, which to exploit the motivation of the adult is recommended insistently.

The negative perception on the odds of improving the situation at the local level is a form of sabotage of any similar approach. Therefore, the actual activity of community development, must compulsorily consider the development of positive representations regarding the existing jobs, regarding the concern for the problems of the Roma people.

The design and implementation of activities, projects and programs which to cover essentially the need for education (for children, considered to be the future) and for the adults (with instrumental value, to form the essential abilities of a profession/trade) is to be preferred to the measures of assistance. The lack of institutional vigour (“*political will*”), the deficient context of the functioning and information of the administration are just major impediments that fracture “*at grassroots*” any strategic action (which, nevertheless, is not of the competence of the local administrations, but rather of the county and national authorities).

The special jobs for Roma ethnics and the forms of organisation of the economic activities must be reviewed critically under the conditions of a competitive, non-protectionist environment, and considered as provisional and transient options to reduce the gap and inequity. They belong, however, to a broader context, in which the local leadership and the initiatives of socio-economic development benefit of an intelligent design, equitable in the long run.

The secondary data identified for the subject of education revealed the following:

School attendance increased by 15.3% from 1990 to 2012 (INS, 2012), more for the preschool education and for the young people aged 19+, who either resumed education even at older ages, or attended the post high school education or higher education.

The South-Muntenia region has the highest concentration of school population for all levels of education up to the professional education included, and in Bucharest-Ilfov, for the higher education.

According to (Popovici and Ercus, 2013, p.75), 60% of the Roma households have monthly incomes below the minimal national wage to support and average 5 people per household.

According to the 2011 Census, 23-25% of the Roma adults did not graduate the primary education and declared to be illiterate (idem, pp. 72 - 73). In 2011, 20% of the Roma children did not attend school, and more than 75% of them did not finish the 8 grades cycle; 26% of the adult Roma graduated the basic education, 34% middle school and 17% were attending high school, professional school or university.

The educational route of the Roma child is influenced much by the educational level of the mother (Cace et.al., 2010, p.57–58).

The educational level of the Roma people shows a high proportion of people with elementary school and middle school, and a lower proportion for the other levels of education. Having limited aspirations for their educational route, the poorly educated people, the Roma particularly, cannot provide for a decent standard of living based on the job they have. More than that, the low investments in education, the rather low level of education, the effect of prejudices and of stereotypes and the limited efficiency of the measures to control unemployment, limit their access to the labour market and stresses the level of poverty among the Roma communities.

The social distance between the Roma and the *others* is shown by the practice of segregation, perceived by 59.1% of the parents at the level of the group within the preschool institutions, and by 56.5% of them at the level of the school class (Surdu et al., 2010, p.94–97). The quality of education in the segregated schools is low, influencing their opportunities of access to the labour market.

The image of the Roma people, considering the difference between *us* and *them*, is sketched by the financed projects, by the documents and scientific, cultural and artistic materials that were delivered. These aspects are internalized and reproduced at the level of the society. In conclusion, caution is more than necessary when presenting the image of the Roma.

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## **BOOK REVIEW**

# **PREOTESI M. (COORD.) (2015). ACTIVATING COMMUNITY FROM THE PERSPECTIVE OF THE EDUCATIONAL PROCESS: STAKEHOLDERS, MECHANISMS, FACTORS, PRO-UNIVERSITARIA PUBLISHING HOUSE. 140 P.<sup>1</sup>**

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Adrian-Nicolae FURTUNĂ<sup>2</sup>

The paper *Activating Community from the Perspective of the Educational Process: Stakeholders, Mechanisms, Factors* constitutes a report over a research-action project in the educational field developed within five rural localities in the Republic of Moldova, in 2015.

The paper intends to contribute to activating communities as relevant stakeholders of the educational process. In order to achieve the aimed goal, the project team – local experts and coordinators – have performed sociological research as regards mechanisms and factors of social participation based on some socio-educational activation scenarios accomplished in five pilot-communities within the country.” (p. 7)

The specific objectives of the project were:

- Identifying the favouring and hindering factors of school inclusion, of collaboration models of educational stakeholders at community level, and the mechanisms of cooperation at local level;
- Initiating some participatory processes of stakeholders’ consultation and involvement, from the perspective of educational reforms;

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- Harnessing within the public space the successful experiences as cooperation models for creating positive representations and favourable conditions for educational reforms at the level of public opinion; (p. 9-10)

### *Chapter 1. Theoretical and conceptual framework*

The theoretical perspective of the paper is framed within the social development paradigm, as this is approached both from the perspective of modernisation theories, and from the one of dependency theories. The authors underpin the fact that *“a decisive role in disconnecting towards modernity pertains, however, to education that weakens the resistance against changing the old structures”* (p. 14). From the perspective of dependency theories, the role of external factors is highlighted – the unbalanced relationships between states, a factor leading finally to major gaps, e.g. developed states (societies), and underdeveloped states (societies).

At the same time, the transition theories has an important role in designing the theoretical model of the research, within the project. From this viewpoint, the authors of the study relate to the social development strategy for the European countries in transition as promoted by the World Bank, and the International Monetary Fund. According to this strategy, the role of the state diminishes in reducing social gaps and the one of the local communities and of the NGOs increases. This objective of transferring the community development initiative was pursued also in the framework of the project *“Activating community from the perspective of the educational process: stakeholders, mechanisms, factors”* by putting into motion some local development mechanisms assumed by the community.

In view of measuring the local/community development level for the five localities included in the research-action, the authors begin with the model suggested by Dumitru Sandu (1999): *“the community development level correlates positively with the one of collective consumption of tangible and cultural goods. Two types of structural factors are identified as regards community development: human capital (the stock of education at community level, the number of employees at local level, the weight of employed population in agriculture) and, respectively the infrastructure at community level (the distance to the closest town of at least above the average size (over 30,000 inhabitants). Additionally, are taken into account the weight of the population aged 60 and over, the nearby location of an European road, the historical and cultural context in which the community developed”* (p. 16). Concepts such as *local social issues* or *latent, manifest, and core social issues* complete the theoretical framework of the research.

### *Chapter II. Methodology of research*

The project contains a specific methodology for the applicative dimension of intervention, and a specific methodology to the scientific dimension, both methodologies correlating depending on the objective of the project: activating community from the perspective of the educational process.

The selection of the five communities included in the research was achieved by interspersing some economic, social, and cultural-historical factors. The sociological research included two stages. In the first stage, a socio-economic diagnosis about the community was done, which included also the identification of the main issues encountered by each community, and the stakeholders at local level intending to be involved in activating the community. The second stage is represented by the process of monitoring the implementation of each intervention/activation scenario of the community.

During the first stage of the research, the socio-economic diagnosis for each community was achieved, along with developing intervention scenarios for improving a specific issue identified by the local community. Moreover, statistical data were collected, including qualitative data by structured observation at community level, semi-structured interviews with the main institutional stakeholders, and in-depth interviews with the tutors of school-aged children. The second stage of the research overlaps with the monitoring process, for which specific tools were developed.

As result of analysing the data gathered during the first and second wave, five case studies were developed, one for each community, and a guide of good practices regarding ways for activating the community at socio-educational level.

### *Chapter III. Activating the community from the perspective of the educational system*

The educational system is defined by the authors as the assembly of influences received by the individual from the formal education system (school), the informal one (family, group of friends, community), and from the non-formal system (learning models or instances developed outside school, in dance assemblies, sports clubs, etc.). From this perspective, the learning system is regarded as a sub-system of the educational system.

Special emphasis is laid on the past role of the village community (ethnically and culturally homogeneous) as shaping, and social control factor of the community members' behaviours. Currently, its educational role is severely diminished, the communities assisting to the *diversification of educational factors* from among which mass-media takes the leading position.

In this context, the relationship family – school – community, as educational factors is regarded in the framework of the study as the main pillar in view of the positive activation of the community. Community activation is put into relationship on one hand with the issues encountered by families in the rural area in the Moldova Republic (disintegrated and socially disadvantaged families) and, on the other hand, with the issues of the formal education system failing to meet the needs of the children, as regards ensuring minimal standards for an education of quality.

In this chapter, special emphasis is laid on “*the relationship between the social origin and the 'great moments of the school career'*” (p. 27). Social origin is an important determinant of the school career, and the solution for those within disadvantaged communities for exceeding their condition remains education as propelling force to leave behind the environment of origin. In the second half of the chapter, the changes occurred in the

educational field from the Moldova Republic are presented, as it shifted from a pre-industrial communist society to a post-industrial democratic society. The *educational models* are described (1. Elderly as raw models for the young; 2. Elderly as models for elderly, and young as models for the young; and 3. Young as models for elderly) and, *influence styles* (permissive or authoritarian-directive).

The authors underpin the importance of the migration phenomenon in the framework of the educational process, a phenomenon that subverts the community and its socio-cultural configuration. Also, the pressure exercised by a totalitarian state and the individuals mistaking the community for the state contributed to the decrease in the educational role of the community.

#### *Chapter IV Effects' of parents' migration. The temporary disintegrated family and socially orphan children*

The authors considered as necessary to approach this topic in a separate chapter. The entire paper presents this topic as a true disaster, affecting completely rural communities in the Moldova Republic. Depression, anxiety, the decreasing educational outcomes of children and teens represent the main negative effects of parents' migration. The positive effects are translated mainly at material level; however, they fail to compensate the negative ones as the losses suffered by the children on long-term. Under these conditions, the activation process of the community from the educational perspective becomes even more difficult.

#### *Chapter V Post-communist changes in rural Moldova*

Currently, 58% of the Moldovan population lives in the rural area. The post-communist changes show that the level for the quality of life is very low in the rural area. Water does not meet the drinkable water standards, and the sewer system is non-existent, and only 2% of the rural roads were in a good state in 2006. Even if the state implemented a series of strategies, or national programmes of developing the rural area, the outcomes are still not obvious.

In the framework of this chapter is presented a brief history regarding the five rural localities included in the research-action: the village Parlita and the hamlets Filipeni, Cazangic, Lupa-Recea, and Racovat.

#### *Chapter VI Community activation – from scenarios to actual activities developed within five rural communities. Chapter VII. Case studies*

These two chapters describe the stages of the activation process, the proposed scenarios, and the way in which they were transposed in practice by the local action groups. An important aspect consisted in training the local stakeholders involved in defining specifically one *local issue* (the issue of some children's malnourishment –



Racovat, school abandon – Cazangic, garbage in the community – Pirlita). The challenge for the project team consisted in making the community aware (by means of the triplet educational expert – local coordinator – local group of initiative) about the fact that the issues of the community are also the issues of its inhabitants, and not only the issues of the local institutions (school, mayoral office, etc.). The case studies show that without the involvement of the individuals holding responsibilities within local institutions (professors, social workers, medical nurses, and district police officer), the activation of the community is almost impossible. Their involvement leads to the activation of some other local stakeholders as well, such as various entrepreneurs or heads of local households.

The case studies represent the actual transposition, or the plan for implementing the various solutions for improving the social issues identified by the members of the community. Examples: arranging a playground for children in view of solving the issue of unsupervised children (as the parents are abroad for work in Russia, or in the West – “the rural exodus”) after finishing school program (Cazangic). Moreover, providing free meals at the school canteen for 20 students from 5 to 9 grades (Racovat) in the view of solving the issue of malnourishment; setting up the *Parents’ School* in the view of changing the attitude towards children with CES and benefit from the principles of inclusive education (Filipeni).

### *Chapter VIII. Conclusions. Synthesis of the field research outcomes*

In this chapter the main issues identified at the level of the five communities are synthesised, pertaining to the lack of jobs, parents’ migration abroad (the promiscuity of mothers who often change their life partners), temporary child abandon, increasing social inequalities among the members of the same community, and the weakening of the community spirit. The activation of the community “*requires reconnecting the broken and unravelled threads of the social fabric*” (p.118).

## **Final considerations**

The most important remark about the performed research regards the obvious role played in designing the theoretical framework and the research methodology by the Romanian researchers Sorin Cace and Mihnea Preotesi, the coordinator of the volume. The experience studying the Romanian society in transition was transferred and applied amidst a researchers’ team from Moldova Republic, a country sharing a series of similar issues with the one of the Romanian societies at the time of transition.

The paper represents a model for all social stakeholders intending to be involved in developing a community. The case studies bring to the fore the main issues that will be encountered in the field when they will aim to coagulate a local group of initiative, as *social idleness* is one of the main such issues.

From the perspective of approached social issues (Preotesi, 2016), I believe that special consideration should be paid in the framework of the paper to *Chapter IV. Effects of parents’ migration. Temporary disintegrated family and socially orphan children.*

The content of the chapter by detailing the effects that migration of one, or both parents might have on the children may constitute the background for school advisors who work in schools where this phenomenon is encountered, and for vocational guidance advisors. These advisors, next to their main activity could increase the awareness of parents seeking jobs abroad, about the negative effects of such a decision on their families.

As regards the increasing individualism, and the decrease of the social control of the community over the individual, once exercised especially from the perspective of its cohesion, I consider that a parallel could be made with the current situation in some traditional poor Roma communities., Asking about tradition preservation, especially about the institution of the *Gypsy King* in an interview with a Roma survivor of Holocaust, the answer was memorable: “*Now, each one who has what to eat at home, with children and wife, is a King in his own house*”.

The answer provided by the Roma is similar to the situation presented in the report about Lupa Recea “*where the interviewed inhabitants consider that in their community the people have turned colder, envious, individualistic, and less perceptive to the issues of those around them*”, as “*each retreats behind his own fences*” (p. 118).

By analysing the presented case studies, it is very difficult not to continue the series of comparisons between the situation of the rural communities from Moldova, where we encounter the ‘*rural exodus*’ to the West or Russia, and the Roma communities from Romania characterised by an intense migration phenomenon.

In 2018, in the framework of the National Centre of Roma Culture Research, we performed research in the sphere of intercultural education: *Effects, perceptions and representations over intercultural interaction in school and family* (the outcomes are not yet published). One of the communities where we developed field research was the Roma community from the town Giurgiu. The methodology provided for realising some group interviews with the parents of Roma pupils. The main encountered issue was that during the interviews mainly grandparents were involved, as the parents had left for abroad. From the discussions with the grandparents, it clearly results that they are not knowledgeable over the school issues of the grandchildren left in their care, and that the most pressing concern is to ensure food and physical safety.

For the parents, the main concern was to build a bigger house endowed with more amenities and utilities than the one of the *neighbours*, the investment in the education of children being seen as a road leading to nowhere. Often, these houses remain uninhabited as they are not finished, while the parents migrate again for “*collecting more money for the house*”, and the children follow the parents abroad (France, England, Spain), where they are enrolled with the local schools up to the time of returning in the community of origin. In this way, the educational path of a child within the traditional Roma community is much deviated from what we would call an ‘*usual*’ path, which finally leads to the individual’s inclusion in the labour market. This behaviour of the parents is influenced by a series of *cultural* perceptions as well, as the position one holds within the community being influenced as well by the house one owns.

Taking account of these issues, I believe that taking over and adapting the good practices guide realised in the framework of the project *Community Activation from the Viewpoint of the Educational Process: Stakeholders, Mechanisms, Factors* might be an efficient tool also in mobilisation of the Roma communities as regards education.

Moreover, I believe that a parallel could be made between the communities from Moldova included in the research, where one out of two houses have a family member who left abroad, with a series of Roma communities where we find the same situation. In both cases, community activation in view of social development presupposes investment in education and strengthening *School – Local Public Authority – Community* partnership.

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