

# THE SOCIAL ECONOMY IN ROMANIA, BETWEEN PRAXIS AND THE NEED OF CONCEPTUALIZING PRACTICE

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**Abstract:** *The article contains some reflections about social economy in Romania. These reflections are based on the participatory observations of the author as an expert and they were realized during the initiation and unfolding of some social economy projects in different phases. They are also the outcome of the author's participation at international conferences in Brussels about social economy and conceptualization of the theory in practice. The scope of the article is to draw attention to the necessity of a analysis on the impact of structured projects in the social economy domain, the need of developing some theoretical concepts after the projects have ended, in other words adapting the theory to reality, and the fact that the universities must promote these projects. In the rural environment the perspective for the most communities is that of further developing associativity between vulnerable groups and the persons with entrepreneurial experience. This involves the further developing of trust and participatory spirit. The Universities have the responsibility of promoting new and social innovative learning patterns in the social economy domain for the future social workers and social teachers.*

**Keywords:** *social economy, structural projects, participatory spirit, rural communities, vulnerable groups.*

## **Introduction**

Following the discussions I've had with the participant at different stages within structural projects of social economy (project leaders, facilitators, trainers and

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beneficiaries) and the direct observations, report analysis and other project related documents I felt the need of a analysis and reflection related to the observed. These are the questions that I have searched the answer for:

1. Is there something specific to the social economy in Romania?
2. How does a pattern work that was redirected from the EU Countries where first of all the associative bases of the social economy where institutionalized and later where oriented towards the vulnerable groups?
3. Why does this concept seem foreign?
4. What is the future of the structural projects addressed to the rural communities that are mostly Rroma?
5. What kind of impact do all the social economy projects have? What will happen in the future with these projects?

The article also contains the following themes: 1. Social economy within a European context; 2. The forms of social economy in Romania - Past and Present; 3. What is the situation in the rural communities?; 4. What are the prospects? Social enterprise versus encouraging associability; 5. What possible solutions are there for the existing problems?; 6. Some observations regarding trainings in social economy; 7. Conclusions.

### ***1. Social Economy in the European context***

In the current context, one of the main concerns of the member states, in Europe's 2020 strategy is the growth of the degree of occupation in the active work force area. From this perspective, social economy contributes to the achieving of four major objectives in UE's strategy to occupy the workforce: the improvement of employment for the active population; encouraging the entrepreneurial spirit, especially by creating job opportunities at a local level; improving the adaptability of companies and their employees by modernizing the way work is organized; consolidating the equal chances policy, especially by developing public policies that allow the coexistence of family life and professional life. The objectives to reach by 2020 are: increasing the number of employed persons (75% of the individuals between the ages of 20 and 64 should have a job), innovation (3% of Europe's income should be invested in research and development), education (the school abandon rate during the first years should be under 10% and minimum 40% of the youth should reach the third level of schooling), social inclusion (the number of people under the limit of poverty should be smaller with about 20 million people) and energy (dioxide carbon emissions should drop 30%). For the better understanding of our topic, the term **social economy** refers to those organizations situated between the public sector

(public authorities, etc.) and the private sector (companies, etc.) which are active within the non-profit range.

As new Member State, Romania felt the impact of the expansion of social and economic innovation represented by the single market Europe (Stănescu S. M., Căce S. - coord., 2011, p. 267). The understanding of the functioning way of the work market from Romania is relevant for appreciating the situation and the perspective of the social economical sector (Stănescu I., 2011, p. 73).

The organizations that are active in the social economy area are more influenced by the economic and social development rather than the company's own success. Nowadays, it becomes acute need to monitor and evaluate initiatives undertaken in this sector and to reveal the mechanisms which create a healthy ecosystem and vibrant economy that support this innovative and social entrepreneurs (Căce S., D. Arpinte, Căce C., Cojocaru Ș., 2011, p.65; Koutmalasou E., 2011; Katsikaris L., Parcharidis J., 2010, p. 90). Social economy organisations continue to hold a significant potential, particularly by providing open jobs for the people belonging to vulnerable groups "*goods and services that had to be provided at affordable cost to mainly vulnerable social groups were covered, at varying levels, by the social economy sector*" (Arpinte S., Căce S., Cojocaru Ș., 2010, p. 65). Thus, the social economy can contribute effectively to social cohesion and is one of the main players fighting against social exclusion (Căce S., V. Nicolaescu, Scoican A.N., 2010, pp. 192-193).

## ***2. The forms of social economy in Romania***

Social economy, in its original form, where workers helped each other, started in 1850 during the industrialization period, in England. As an activity, the social economy is bound in historical perspective to corporations and popular associations which form its backbone. The concept of social economy is based on this system of values and principles. (CIRIEC, 2007, pp 2-3). Since then and until three decades ago, four major essential actors have defined the field of social economy: associations, foundations, mutual help societies and cooperatives.

## ***3. Forms of social economy in Romania – Past and Present***

Associative forms have a certain history in Romania, but the communist past has seriously affected these incipient forms of social economy. Centralized economy, the political control that existed before 1989 and forced collectivism are the main causes for discouraging the growth of social economy after more than two decades after the fall of communism. As a member of the EU, Romania must engage in serious efforts in regard of implementing the concepts of social economy, in the current context where development strategies are being established for each member state.

Some forms of social economy have developed also in Romania during the industrialization period. One example would be the forms of mutual help associations such as “MICA Brad” formed by the Romanian miners before the First World War. The “Mărul” cooperative founded in 1921 in Geoagiu de Sus after a Dutch example or the cooperative “Stremteana” from Teius (major supplier during the war), are relevant examples of cooperatives set up before the communist era. You could also find charity associations and foundations.

During the communist regime, social economy was dominated by the cooperatives' activities and by the houses of mutual help. The foundations and associations with economic activities were practically erased from the economic field. Mutual help houses, called originally “house unions”, functioned during the communist period by their own rules, but during that time there were cooperatives, but they did not respect the basic principles of social economy. The Romanian Institute of Evaluation and Strategy studied this issue, its conclusion being that “the associative forms have a certain history in Romania, but the communism has strongly affected these incipient forms of social economy” (IRES, 2010, p. 32).

A qualitative study performed by IRES shows us that in the Romanian rural space the concept of social economy is almost unknown to the local leaders and the disadvantaged groups and this is confirmed also by the interviews which showed: limited knowledge, low predisposition towards associating, volunteering, initiatives and high paternal expectations towards the role of local and central authorities in creating employment opportunities and social protection. The general conclusion of this study is that there is no knowledge of social economy in the rural environment, neither from the part of the authorities, nor from the part of the disadvantaged groups but through information, replicating good practices and implementing projects to stimulate initiative, solidarity, the need of training and developing, correlated with a very clear offer of job opportunities may create in the rural environment, on midterm, the premises of a social economy at an European level.

#### ***4. What is the situation in the rural communities?*** ██████████

There are many similarities, but also differences between the studied communities. Beyond the similarities due to the landscape, positioning towards the city and the existence of traditional production facilities, the difference in performance and identity between the communes in the reference area is represented by the activism of the local authorities in attracting European funds, implementing governmental programs, the openness towards investors and the interest in solving the problems that the disadvantaged groups are facing. In other words, activism, performance, experience, openness and solidarity are the key components that can guarantee the favorable premises for a successful implementation of future projects within the social economy domain.

The support programs for the disadvantaged groups on a local level are limited to giving the minimum social aid depicted by law and within the existing budget limit. This assistance is often blamed by the local leaders because, in their view, it does not encourage work and it creates a feeling of sufficiency and dependence towards the authorities. The programs for professional training, professional reconversion or stimulation of employment initiatives for persons belonging to disadvantaged groups are relatively rare and they are usually run by nongovernmental organizations. Their magnitude is reduced because they are not attractive for the beneficiaries and a culture of learning and continuous training generally miss. The overall reaction of the authorities towards any initiative involving creating work opportunities and social integration is positive (Popescu R., p. 46).

The personal initiative is extremely reduced in the rural environment. Most respondents prefer a more individualist and consumerist attitude on a short term rather than associability and investment on a long term. Business success is associated with thievery thus the businessman is still regarded in a slightly undesirable manner within the rural area, although there is a general expectation in attracting investments and creating work spaces. There are also people that appreciate the entrepreneurs for their courage in assuming risks and creating job opportunities. It can be said, with small exceptions, that there is no significant entrepreneurial culture in the rural environment. The general note within the disadvantaged groups is the dependence on state aid and not assuming risks (IRES, 2010, p. 23).

Roma people represent the most disadvantaged group in the rural area. They mostly live at the outskirts of the commune, in hard to reach areas and far away from schools. Most Roma homes have no electricity and their access to a clean water source is difficult. The general health conditions in the Roma communities are more precarious than in the general populations'. A very low level of education and acquiring skills narrows the horizon in getting a legal income. Most Roma people live out of social aid, VMG and children allowance. With no qualification to speak of, they mostly have season jobs in farms or in agriculture. The perception of the general public on Roma population is tolerant and compassionate, but also reproachful towards their traditional life style and their resistance to change and be socially integrated. There are successful projects in the gypsy communities and best practices that can be multiplied. An example of good practice is the "PATER PAULUS" farm in Bacova, Timis County and The Caritas Association in Campulung Muscel.

##### ***5. What are the prospects? Social enterprise versus encouraging associability***

The question raised in this moment is: what is more difficult? To create forms of social economy on empty spaces, in the absence of any premises, as the process of

creating Non-profit organizations and foundations proves to be, in the rural environment? Or to fight against the perception and the feeling of rejection that people have towards cooperation, the pillar of social economy, because they associate it with forced collectivization?

At the same time, the solution may come from a relative modern form, developed in the last 30 years in Western Europe, called social enterprise or company of professional insertion (in Great Britain, community interest company). These forms have recently appeared within the social economy domain to fill the need of creating work spaces and income sources for those affected by unemployment and social exclusion. It is very useful to guide the social economy towards solving the acute social problems of the society and to facilitate, through different forms of social economy, the third pillar of the active inclusion principle: creating work places.

This change of course however comes after the institutionalization of the associative and citizen bases of social economy, as an appendix focused on disadvantaged groups in the last thirty years. (It is also the attribute of countries with a faster development. Cooperatives and union houses are predominant in southern Europe: Italy, Spain, and France). (Cace C., Arpinte D. (coord.), Stoican A.N., Theotokatos H., Koutmalasou E., 2010, pp. 103-107).

This is not the case for Romania which initially considered the concept of social economy as a major intervention domain within the structural funds and only afterward through conceptual analysis and development. It was assimilated as a major intervention domain for accomplishing the "hiring" objective for the population, hence the preponderant and possibly risky concentration on vulnerable groups in a process seen as extracting the marginalized person from inactivity through continuous training and subsequently placing them in a job.

Without a doubt, for the projects that accept the double challenge, that of creating a social company and that of creating it in a rural environment, this approach is insufficient.

## ***6. What possible solutions are there for the existing problems?***

We consider the following things as a must:

1. The media campaigns for increasing the awareness of the general public on how the social economy works.
2. A proper legislative frame for the social economy, because during our project we found that:

- a. Social economy is perceived as a new phenomenon: nobody seems to make a connection between the traditional form of credit unions developed in Romania Casa de Ajutor Reciproc (CAR) and local cooperatives, although there are cases where local credit cooperatives work fine. (Such as Cooperative Tisa from Albesti, affiliated to Cooperative Rascoala from Botosani)
  - b. The need of defining the social economy sector through a law frame would make a better connection between European financing (that generates centralized forms of social economy) on one hand and the existing/traditional forms of social economy and collective mentality on the other hand. (It could also generate the necessary correction in forming the associative principles).
  - c. There is no way of measuring the impact of social economy, thus valuing the contribution, in absence of the sectors coagulation, so that our results are not measurable in regard of contributing to the country's internal revenue.
3. The creation of a governmental sector for aiding the social economy that would:
    - a. Grant recognition through a social system to the continuously growing number of projects in which social economy units were created in order to support them in their fight with the competition on the internal market and other than through fiscal facilities that are being distanced further apart as a possibility.
    - b. Encourage the use of the social brand under the form of social clause in the process of public acquisition.
    - c. Offer and collect information on a quantity and quality basis in regard with the evolution of the sector and with the development opportunities.
  4. The development of programs that would help acknowledge the importance of continuous training, initiative and association because we noticed that we need:
    - a. Programs, not just projects.
    - b. Continuous training, not just punctual training courses.
  5. The involvement of local authorities in creating social enterprises, a fact that was partially validated in this year of implementing because:
    - a. The local authority members must support the initiatives for creating social enterprises by the villagers.
    - b. The local authority members must avoid establishing their own enterprises through which they create new work places for the villager, but whose stability is directly dependant on contracts with the state and subsequently with the next political election campaign.

6. The development of entrepreneurial counseling programs in the same time simplifying the procedures for starting a social business because:
  - a. It is not possible to establish a professional insertion enterprise or a company per se until the frame law is approved, thus associations must be established that in their turn must establish a SRL where they are soul shareholders. This raises a double administrative problem.
  - b. The administration procedures of the cooperatives makes them unattractive for obtaining credits and other sources of financing in order to achieve sustainability.

### ***7. Some observations regarding trainings in social economy*** ██████████

During our training sessions, the participant groups where formed out of people that where very interested in practicing social behavior and, although some admitted to not knowing the social economy domain, they see it as an opportunity of development and involvement in their community. From the campaigns that have preceded the training, the participants had the knowledge and proved to be very open in learning more about the subject.

The general objective of this training was to familiarize the participants with the concept of social economy and with its basic forms as a way of community development. The expectances expressed by the participants fit within three categories:

1. The desire to know what social economy is, what its mechanisms are and, being a fairly new domain, what are the steps for establishing a social enterprise.
2. Detailed and solid information about how to establish and run a social enterprise.
3. Personal development and cooperation with the members of the group to get the courage to start the best social enterprise for their community.

The fears the participants expressed where not directed to the training itself or to the possibility that the notions will remain only in theory, but towards the project logistics, lack of implication by the co-villagers, difficulties in finding proper funding for the social enterprise, as well as the fear of being left with no support if they meet obstacles in their project. Other fears where: the bureaucracy that can suffocate any new project and also the risks that might appear during such a project.

The course focused on the social economy in the context of community development and valorizing the potential of the communities included in this project. The training had an interactive character by combining tasks that were assigned to work teams for better simulating real life situations in the learning process. The experience

earned during the practical activities became a learning and development opportunity through the analysis of every single event.

The themes that the participants would like to further study were centralized on regions:

Region 1: economic development, project managing and coordination or managing and coordinating a social enterprise, marketing and product promotion, food industry and social economy. Most requested informations were about how they can help within the project and how they can develop their knowledge.

Region 2: the involvement of the work group with an accent on how to communicate within it, team work, development, entrepreneurship and legal aspects, implementation of European projects and starting social enterprise. "All themes" are of interest if they can help in "the actual implementation of theory in the communities' projects".

Region 3: social economy, social enterprise, the implementation of social businesses, the organizing and functioning of a business, planning of activities, community development, the need of information in regard of European funded projects, more knowledge about teamwork and communication.

Region 4: social economy, the founding of social enterprises, the founding of traditional work enterprises, project writing, possibilities and ideas for developing businesses and last but not least, inter-human collaboration.

The way the participants would use this knowledge in real life was also centralized:

The participants from Region 1 said they will use the acquired information in the various situations they might meet, both in their community and at home, in the family, so that in the future "it will be better for developing a business".

For the participants in Region 2, the value of the acquired information resides in the possibility of implementation within the local business plan and the active involvement of the group in local/communitarian activities "for setting up projects with a higher rate of success".

The third region's participants appreciated what they've learned a lot and they have acquired new knowledge that will help them in a social enterprise and also to establish a social business.

The participants from Region 4 mentioned the use of the acquired knowledge in the field applications, fact that will help them start a business in an attempt to apply everything they have learned.

At the end of the course, the main recommendations made by the trainers were:

1. Orienting the participants towards what is possible and adequate.

2. To try and set the acquired knowledge especially in intercultural communities to the thematic of intercultural education.
3. Considering the communication issues discussed, the boarding of conflicts, personal development, emotional and social intelligence.

## **8. Conclusion**

The field of the social economy in Romania initially developed as a major field of intervention through the structural projects, and subsequently as a conceptual model. This is why its first orientation was towards the vulnerable groups, which were initially trained in a specific field and then placed in a job.

The structural projects aimed at setting up social enterprises in the rural area, but this approach did not prove to be enough.

The setting up of social enterprises subjected to the rules of economic profitability as any other enterprise did not prove to be a sustainable solution. Thus, the consolidation of the associativity and the development of responsibility, involvement, trust and participation offers a future in this field for the rural communities. This process proves to be difficult mainly due to our recent past, when those attitudes were devalued and misinterpreted.

On the other hand, the lack of a legal frame and the perception that the social economy is a new field of activity, having no connection with traditional unions set up in Romania make this process even more difficult. How shall we measure the impact and how will be valued the contribution of the social economy remain questions to be answered yet.

On the other hand, the collective thinking in rural areas on the subject of certain forms of traditional associativity is very powerful, and the worst thing is that mainly this forms of associativity beneficiate of massive funds.

We've made above some considerations on how we can approach the development of social economy units within our projects and how the development of these social economic units can be planned by the institutions and organizations with whom we collaborate in this field and on which we depend in considerable measure. The interaction we have with our 24 contacts within the communities shows us that we cannot work only with the vulnerable persons and the social personnel that works with them. There is a need of mobilizing some actors from the community that are not necessarily within the helper-helped dynamic. These actors are generally ignored when the process of planning the activities takes place, but the successful implementation of these activities is impossible in their absence. On the other hand, we have noticed that, if we do not make connections between these units of social economy, we will not be able to have a serious impact on the most isolated regions

of Romania. In the context of current crisis, we should increasingly pay more attention to a sustainable social economy close to social values, where Higher Education has responsibility for these new challenges. The traditional economic model is questioned and goes through urgent changes requiring everyone to find alternatives to the severe economic crisis and the current capitalist economic model. Social Knowledge Transference and Mobilization is targeted as a new responsibility of the university. The knowledge transference of science and technology it has hard support in our country, not so with the knowledge transference from the Social Sciences. The new profiles of social professions need to be creative in social innovation and entrepreneurship. (Social action in Europe Sustainable Social Development and economic challenges – Conference Brussels 10-13 April 2011, Conference Book, pp 203)

Our main aims are:

1. Analyze and develop a theoretical and conceptual framework on social innovation and social entrepreneurship.
2. To identify best practices in Europe and other regions of the World in order to improve social economy growth, competitiveness and quality of life of individuals and communities.
3. To create a Guide for Succeed Social Entrepreneurship and Innovation Learnings.
4. To identify the teaching-learning skills, methodologies, competencies and contents that social entrepreneurs and innovators need.
5. To create a Social Entrepreneurship Learning Guide (SEL Guide) for Higher Education
6. Looking for gender, multicultural and environmental issues.

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