

Social economy - laying the groundwork for innovative solutions to today's challenges (Paris, 10-11 December 2012)

The social economy in Romania¹

Daniela Urse

University of Bucharest

Elena Dobre

Ministry of Labour, Family and Social Protection

1. What are the current situation and the recent trends in your country in relation to social economy?

The concepts of social economy and social enterprises have just recently entered the public and academic debate in Romania although its constituent forms have a long history here as in other countries in Europe. The concept has been launched for debate on the Romanian public arena in 2005 during the programming debates around the European Social Fund Operational Programme for Human Resource Development (OPHRD) in Romania by the NGO Sector representatives, who promoted the concept publicly.

The Sectoral Operational Programme Human Resources Development (SOP HRD) strategic objectives support the fulfilment of the common objectives at the European level, concerning the provisions of an increased participation on the labour market of a highly qualified and adaptable work force, focus on the education system improvement and its adaptability to the labour market demands, to promote lifelong learning, to improve the employees and enterprises adaptability, to ensure the necessary qualifications and knowledge for integration and mobility on the labour market, supporting and facilitating economic development. The Operational Programme aims to promote and develop all the social economy forms as a means to ensure the social inclusion of the persons belonging to vulnerable groups, Roma or disabled people.

The SOP HRD is structured into 7 Priority Axes and aims at ensuring the pre-requisites for continuing the reforms undertaken in the past years in Romania in the fields of education, employment and social policy. Within priority axis no 6 – Promoting social inclusion, the overall objective is: facilitating access on the labour market of vulnerable groups and promoting a cohesive and inclusive society in order to ensure the welfare of all citizens and one the key area of intervention is developing social economy. In Romania NGOs are recognised as service suppliers of general interest in many areas, such as social, medical and educational.

The development of social economy in Romania will benefit from several perspectives. By the strengthening of this sector, on the one hand, the creation of flexible and innovative employment will be enhanced, strong local development

¹ Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by ÖSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.



policies will be set up, services to people, active citizenship, social cooperation and solidarity will be promoted. On the other hand, the emergence of new actors in the economy will be encouraged, such as co-operatives, aid associations, foundations and other voluntary associations. The combined activity of the social economy promoters will result in increased job opportunities for the vulnerable groups that are excluded from the labour market activities, making thus a significant contribution to social cohesion.

The social economy is important because a range of actions other than the actual work are undertaken so as to enhance employability further and maximise their chances of subsequent employment, including training, counselling, confidence building and healthy life style. It contributes to a range of community goals and has the potential to create collective wealth through the production of goods and services.

The ESF funded operations for promoting social economy shall support entities such as NGOs, social cooperatives, mutual associations, other charity and voluntary organisations, to provide a flexible and sustainable tool that can help communities to achieve their own objectives, such as:

- stimulating job creation and skills development;
- enhancing community capacity for social supports;
- supporting economic growth and neighbourhood revitalisation;
- protecting the environment;
- mobilising disadvantaged groups.

Such social services of general interest have specific characteristics distinguishing them from other services of general interest. The activities promoted shall be based on the principle of solidarity and shall also rely on the voluntary participation of citizens and of not for profit organisations. They will be developed as closely as possible to the users, in partnership with local authorities and other important economic players at regional and local level.

The setting up of such partnerships will also result in the empowerment of vulnerable groups in what concerns promoting positive action for the people belonging to vulnerable groups at community level, as well as gaining financial independence based on the income generating types of activities carried out in social economy entities.

By supporting this key area of intervention, it is expected that also in Romania a sector will be developed where a lot of job opportunities will arise in the coming years, making thus an important contribution to the EU growth and jobs strategy.

As a result of increasing social problems, the transition period brought a continuous expansion of the non-governmental organisations in the Romanian society. Thus, whereas in 1996, 13,000 organisations which can be assimilated to the Social Economy field were registered, the number continuously increased, reaching 72,000 organisations in 2011². The relative high number does not reflect the real activity rate, as less than half of them (approx. 36%) were registered as active³ in the statistics of the Ministry of Finances. Among the active SE organisations, the

² The National Registry for Non-Governmental Organisations, hosted on the Ministry of Justice website www.just.ro

³ With reported accounting situation in 2009.



associations and foundations represent the biggest part, followed by the mutual aid houses, consumption and credit co-operatives.

Table 1: Active SE organisations, 2009

	Active organisations (number)
Associations and Foundations	23,100
Mutuals (Mutual Aid Houses)	897
The Mutual Aid House of Salaried Employees (CAR_S)	704
The Mutual Aid House of the Retired Persons (CAR_P)	193
Craft Co-operatives	788
Consumption co-operatives (Cooperative de consum)	894
Credit co-operatives	65
Total	25,744

Source: Constantinescu, S. (coord.) 2011. *Atlasul Economiei Sociale*, data based on NIS, 2010

The regional distribution of the social economy organisations

The social economy organisations are represented in all Romanian regions. Nevertheless, there is a significant correlation between the level of economic development and the distribution of the types of social economy organisations at regional level. Thus, the associations and the foundations are concentrated in the more developed regions⁴, whereas the mutuals, especially those targeting the pensioners' category, are more frequent in the less developed regions⁵.

A special notice is needed with regard to the development of the social economy at rural and urban level - with the exception of the agricultural associations and the agricultural (consumption) cooperatives which are mostly registered in the rural area, the formal social economy organisations are rather absent from these communities - only 20% of the total social economy organisations activating here. The small number of the rural social economy organisations contrasts with a high contribution to the economic side of the non-governmental sector, as these organisations provide almost one third of the income obtained from market-based activities in the whole non-governmental sector⁶.

The NGOs sector

In the context of the global economic crises the number of economic active organisations decreased (3,203 organisations have reported economic activity in 2007 comparing to 2,471 in 2009). Only 11% of the active NGOs reported economic activity in 2009, the economic activities being a source of income for a rather small proportion of them. In the same time, the importance of this source of income increased constantly between 2000 and 2009, representing 18% of the total income in 2009 compared to 8% in 2000⁷. It can be concluded that the

⁴ Center, Bucharest-Ilfov, North-West.

⁵ North-East, South, South East.

⁶ Virjan, D. (2011), *Economia sociala si piata muncii in contextul actual*, Journal of Social Economy, 1. Vol 1, pp. 119-155.

⁷ Constantinescu, S. (coord.) 2011. *Atlasul Economiei Sociale*, Fundatia Pentru Dezvoltarea Societatii Civile.



economic crisis radically affected several social economy actors, whereas in other cases, it has stimulated the orientation towards more market based activities. Along with the increase of the importance of the economic activities-based income, an increasing importance of the public funds can also be noticed (from 4% of the total income in 2000 to almost 9% in 2007⁸), as well as a decrease in the importance of other sources such as donations and external non-refundable grants.

Mutuals/Cooperatives

The mutual aid organisations expressing the interests of salaried people and of pensioners (CARS and CARP) grew constantly within the last years, both with regard to the number of organisations and to the available incomes. An analysis of the income sources shows a non-patrimonial oriented pattern, as in both cases the economic activities generated a small share of the total incomes (in 2009, the economic activities provided 0.2% of the total income of CARS and approx. 6% of the total income of CARP). Based mostly on the members' contribution, the mutual aid organisations income grew significantly between 2007 and 2009⁹, confirming, thus, the important role that these organisations play in reducing anxiety and alleviating social problems generated by economic disruptions.

As with regard to the cooperatives, in Romania, as in most of the ex-communist countries, the sector decreased after the fall of communism, and recovered slowly as a result of more liberal-oriented governmental policies¹⁰ and of a rather insignificant legislative support¹¹. Hence the rather small number of co-operatives (in 2009, the National Institute of Statistics reported 788 craft co-operatives and 894 Consumption co-operatives) and the rather insignificant importance in the field of social protection¹². Nevertheless, the economic-oriented profile of the Consumption Co-operatives, described earlier, can be considered as an indicator of the economic potential that these organisations can add to the social economy field.

The impact of the social economy organisations on the labour market

In the European picture, the proportion of persons employed in SE in Romania is rather small (table no. 3). Moreover, between 2007 and 2009, this type of employment has slightly decreased, mainly as a result of an involution in the activity of CAR_S and of cooperatives (table no. 2).

⁸ Constantinescu, S. (coord.) 2011. *Atlasul Economiei Sociale, Fundatia Pentru Dezvoltarea Societatii Civile*.

⁹ The CARS's total income was 58% higher in 2009 compared to 2007, whereas the CARP's income was 33% higher in 2009, comparing with 2007 (source: own calculations based on National Institute of Statistics data).

¹⁰ Borzaga, C; Spear, R. (ed.), 2004, *Trends and challenges for co-operatives and social enterprisism in developed and transition countries*, Edizioni31, Trento.

¹¹ Alexandrescu, F., 2011, *Functia sociala a sectorului cooperatist din regiunile de dezvoltare Bucuresti-Ilfov si Sud-Est*, Expert Publishing House.

¹² Op.cit, p. 175.



Table 2: Paid Employment in SE organisations (number of employees)

	2007	2009
Associations and Foundations	99,345	109,982
The Mutual Aid House of Salaried Employees (CAR_S)	19,407	16,275
The Mutual Aid House of the Retired Persons (CAR_P)	2,368	2,724
Credit co-operatives	1,315	1,419
Craft Co-operatives	34,087	25,553
Consumption co-operatives (Cooperative de consum)	9,124	7,401
Total	165,646	163,354

Source: Constantinescu, S. (coord.) 2011. *Atlasul Economiei Sociale*, Virjan, D (2011), *Economia sociala si piata muncii in contextul actual*, Journal of Social Economy, 1/2011

The NGOs, which incorporate the highest number of employees, have increased the volume of the labour force in the context of an increasing economic activity rate¹³.

Table 3: Employment in SE organisations and total employment (2009)

	% paid employment in SE	
Paid employment in the Social Economy	163,354	
Total paid employment	6,098,000.0	2.7
Total employment	9,027,000.0	1.8

Source: NIS, 2010, Constantinescu, S (coord.) 2011. *Atlasul Economiei Sociale*

2. What framework measures and models to encourage social enterprises are applied in your country?

In Romania, the term "social economy" was defined in the Law on social assistance adopted on December 2011 as "a sector that comprises economic activities that include social objectives, alternatively, provided that economic performance is maintained".

The Romanian Government plans to adopt a project law on social economy. This project law is to regulate the social economy area, establish measures to promote and support social economy and the establishment of central and local public administration powers in the field.

In this document, the main principles which social economy is based on are defined, the objectives of social economy are established and some terms are defined such as: social enterprise, insertion social enterprise, and certificate in social economy, social trademark, vulnerable groups and other terms. Within the project law there is a chapter regarding the financing of the insertion of social enterprises and the mechanisms to support and encourage them and it is stipulated that the insertion of social enterprises can benefit from support measures provided by local authorities and some other facilities such as tax exemption regarding social

¹³ Virjan, D. (2011), *Economia sociala si piata muncii in contextul actual*, Journal of Social Economy, 1. Vol 1, p. 127.



trademark release, registering in the Social Enterprises Register and some other facilities.

3. What are the main challenges for the future development of the social economy and social enterprises?

- Adopting the legislative framework on the social economy field.
- Ensuring better knowledge and recognition of its specific characteristics by public authorities and other actors in the field.
- Encouraging the cooperative forms of SE organisations, which have a long tradition in the Romanian society, but which, in the context of transition to a market-based economy, lost credibility and registered a continuous involution.
- Facilitating the development of SE within the rural areas; Few, but strong economic SE organisations activate in the rural area, whereas the household-based agricultural economy is highly developed in Romania. In these conditions, lessening the administrative difficulties encountered by the villages' inhabitants (e.g.: distance to administrative institutions in charge of the legalisation of new organisations, which are usually urban-based) and raising the awareness related to the advantages of "producing" within collective structures could be successful strategies in increasing the importance of the SE for the rural communities.
- Enhancing the employment capacity of the SE organisations. Embracing a more *economic-oriented* approach proved to be successful for the NGO sector in the last years. Thus, developing income-generating economic activities will improve the employment capacity of all the relevant Romanian SE actors.

4. A brief assessment of the learning value of the French good practice to your country

As the discussion paper revealed, in France, the social economy is highly developed and well supported. It represents about 10% of GDP, 10% of employment and over 13% of private employment. It is very well supported, especially by the appointment of a minister for the social economy and several government departments "contributing to the policy framework, so that higher level strategies are being developed in line with EU policy"¹⁴. At present it is difficult for Romania to implement such a model.

We also consider that the set up of the Higher Council for the Social Economy as a national forum for consultation between the actors of the social economy and the government is a best practice model.

There are other several good practices from France such as: the establishment of the National Social Economy Observatory or integration of social economy modules into teaching programmes. In France, special attention is given to funding companies in the social economy field but in Romania this is rather not possible now.

For us, it will be very important to know more about the evaluation system regarding the social economy field in France and about the innovative activities and business models in line with emerging social needs.

The French example is most interesting and has a lot of learning value for the Romanian Government.

¹⁴ Spear, R., *Social Economy*- Discussion Paper, p. 11.



Bibliography

Alexandrescu, F., 2011, *Functia sociala a sectorului cooperatist din regiunile de dezvoltare Bucuresti-Ilfov si Sud-Est*, in Stanescu, S; Cace, S, *Intre oportunitati si riscuri: oferta de economie sociala in regiunile de dezvoltare Bucuresti-Ilfov si Sud-Est*, Expert Publishing House.

Borzaga, C.; Spear, R. (ed.), 2004, *Trends and challenges for co-operatives and social enterprises in developed and transition countries*, Edizioni31, Trento.

Constantinescu, S. (coord) 2011. Atlasul Economiei Sociale, Fundatia Pentru Dezvoltarea Societatii Civile, www.fdsc.ro.

Ministerul Muncii, Familiei si Protectiei Sociale, 2011, *Raport de cercetare privind economia sociala in Romania din perspectiva europeana comparata*, www.mmuncii.ro.

Spear, R., *Social Economy*. Discussion Paper.

Virjan, D (2011), *Economia sociala si piata muncii in contextul actual*, Journal of Social Economy, 1/2011, pp. 119-155.

