Social economy in Romania

Current situation, trends, and challenges

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Presentation

1. Where does social economy in Romania come from? – a glimpse in time
2. The Data – Atlas overall data 2010 and main tendencies 2000-2010
3. Zoom in by sector – associations, coops and credit unions (evolution 1990-2010), mutuals and agriculture coops
4. Current issues & main challenges
5. Some possible recommendations
Romanian King Ferdinand attends the Congress of Cooperatives 1925

The cooperative system in Romania goes back 150 years. The first Romanian association of cooperatives was in fact one of the founders of the International Cooperative Alliance in 1895, which still exists today. On a downward trend after 1990, the arts and crafts cooperative system still needs to recover, besides the local market, the prestige of its products.
Romanian Athenaeum
Historical Concert Hall in Bucharest

1885 Public subscription campaign

Give 1 leu for Ateneu!

Literary Society ‘Romanian Athenaeum’ lanched a national public subscription campaign for a modern concert hall.

The Romanian Athenaeum was finalized in 1888 by the architect Albert Galleron, and restored in 2000 – 2004!

Two times ‘Give a Leu for Athenaeum’ initiative! – the people solved a problem through social innovation - Crowd source investment!
Social economy in Romania – the Atlas

• Definitions Social economy vs social entreprise


• Research Partners - University of Bucharest, Institute of Quality of Life and National Institute of Statistics
Main data – FY 2010

• No. of active organisations – 31,152
  (does not include housing associations – more than 15,000)
  6.4% of registered entreprises

• Total revenues
  7,601 mil. RON / 1,805 Mil Euro equiv.
  Comparable to turnover in industries such as wearing apparel, or wood products

• No. of employees – 100,335 jobs
  2.3% of workforce employed in Romania
  Comparable to industries such as financial intermediation and insurance
Social economy in Romania - main sectors
No. of organisations
(registering balance sheets 2010)
Social economy in Romania - main sectors
Revenues RON 2000-2010
Social economy in Romania - main sectors

Paid employment in social economy organisations by type 2000 - 2010

- **Coops**: 34%
- **Credit unions**: 5%
- **Associations and foundations**: 61%

Graph showing the number of paid employees in social economy organisations from 2000 to 2010 for different sectors.

- **Associations and foundations**
- **Coops**
- **Credit unions**
- **Total social economy**
Social economy in Romania - conclusions

• Dominated by associations and foundations, mostly registered after 1989
• Cooperatives declining – mostly registered before 1989, inheriting assets from before 1989
• Credit unions stable / stagnating – survived in a changing environment in the last 22 years
• Types of organisations missing – mutuals – although Romania quoted as one of the most “mutual markets” by ICMA
- agriculture coops – more recently several startups
Social economy in Romania
associations and foundation

- **Social service providers** – 50% of the registered providers (the rest public), 50% of clients of home care services,
- **Numerous WISE and protected workshops**
- **Employment services and training providers**
- **Education** – kindergartens, after schools, higher education
- **Agriculture associations** – numerous but with poor organisational capacities
- **Forrest owners** – commons associations numerous, significant assets – traditional properties of forests - but poor organisational capacities
Social economy in Romania
credit unions

- Employees – and self-employed
  - Total membership almost 1 mil - 16% of employees were members of a credit union at the end of 2010.
  - 28% decline in membership 2004-2010

- Retired – complex services – small loans, financial help, social and medical services, food shops and pharmacy

Estimated 1,5 mil members - 36% of the retired at the end of 2010

The only social economy organisation with an on-line TV system – full transparency

http://www.omeniatv.ro/
Social economy in Romania – Cooperatives

- Membership in consumer coops decreased 30 times - from 655 thou. in 1989 to less than 28 thou.
- Membership in worker coops decreased from 430 thou. to 58 thou.
• No mutual society registered — no legislation for such societies only for subsidiaries of international mutual companies

• Romania - the fourth ‘most mutual’ market

"Like fellow Eastern European markets Slovakia and Hungary, the Romanian market has a mutual sector that is composed of commercial subsidiaries of large mutual groups from Austria, Germany and the Netherlands. These multinational groups have stimulated growth of the mutual sector across Eastern Europe as well as many emerging economies in Latin America." ICMF
Social economy in Romania – Agriculture coops

- **Subsistence (SFs) and semi-subsistence farms (SSFs)** prevalent in the New Member States, in Bulgaria, Hungary, Latvia, Lithuania, Slovakia and Romania 95% or more of agricultural holdings, most living in poverty.

- **Characteristics of SF/SSF**
  - farming activities form a livelihood strategy as the output is consumed directly;
  - the proportion of output sold is low – a significant proportion is not sold
  - difficult to reach through networking/cooperation initiatives
  - reluctant to register

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of farms</th>
<th>% of farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>3,020,180</td>
<td>71</td>
</tr>
<tr>
<td>Poland</td>
<td>1,393,760</td>
<td>56</td>
</tr>
<tr>
<td>Hungary</td>
<td>557,620</td>
<td>78</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>416,550</td>
<td>78</td>
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<tr>
<td>Italy</td>
<td>348,250</td>
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<td>Greece</td>
<td>155,450</td>
<td>19</td>
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<td>Lithuania</td>
<td>124,330</td>
<td>49</td>
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<tr>
<td>Spain</td>
<td>120,440</td>
<td>11</td>
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<td>Portugal</td>
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<td>United Kingdom</td>
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<tr>
<td>Latvia</td>
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<tr>
<td>Slovakia</td>
<td>55,620</td>
<td>81</td>
</tr>
</tbody>
</table>

Number of SF SSF by member state - less than 1 ESU (European Size Unit)*
Social economy in Romania – Agriculture coops

- Roles of SF/SSF in agriculture and rural development:
  - a buffer against poverty, absolute deprivation, providing at least meagre levels of food and income, in environments of weak or absent social safety nets, high urban unemployment, weak nonfarm rural economies and tumultuous economic change, as witnessed in Central and Eastern Europe;
  - suppliers of environmental goods and cultural assets that can provide the basis for diversification into speciality foods and rural tourism.

Lack of market participation due to transaction costs and the inability to meet agricultural standards makes cooperation between small farmers central to improving their access to markets.
Main socio-economic challenges

1. **Low employment rate** – small number of jobs created even before the crisis - emigration

2. **Precarious employment** – Eg. Agriculture workers and farmers (semi)-subistence – 3 mil. small farms and 800,000 agriculture workers – informal work (no insurance)

3. **Highest poverty rate in EU** >40% - eg Working poor; multiple faceted exclusion — financial exclusion – importance of credit for self-employment

4. **Increasing rural/urban and regional disparities**
Main challenges for the social economy sector in Romania

- The social economy landscape in Romania, as probably in other former communist countries, is puzzled and scarcely visible despite its growth.
- The NGO sector - policy entrepreneur - inclusion of the social economy on the agenda of the government – mainly through programming for ESF.
- Recently growing interest of public authorities, still with a limited understanding of the concept – as work integration of marginalized groups in the mainstream economy.
- Unsuccessful efforts to improve the regulatory framework - the draft legislation limits social economy to social entreprises and still under debate after more than 2 years since the launch of the public consultation.
- No coherent social or civil dialogue mechanism.
- The legal and policy issues that affect the sector are more complex than a framework law. Each type of entity (associations, cooperatives, credit unions, housing associations, commons etc) faces obsolete legislations, unclear concepts and requirements, limitations to their entrepreneurial activities. (see M. Lambru - University of Bucharest paper)
Social economy supported by ESF in Romania 2007-2013

Key intervention area 6.1
Social economy development

Results - achievements

• Experimenting various approaches by various stakeholders – NGOs, local governments, even central government for particular target groups – disabled, roma, women, ex-convicts, addicted, homeless

• Increased visibility, research and training

• Start up of 144 social enterprises

Weaknesses

• limited to work integration – new forms of WISE and to extremely vulnerable groups and not long term unemployed, inactive etc.

• did not foresee actions in favor of traditional social economy - worker coops, microcredit, social services
Social Economy agenda for Romania 2014-2020

1. Continue **to develop the associative sector** by removing barriers to registration and operation of economic activities that currently exist

2. **Re-launching the coop sector** in particular agriculture coops and worker coops

3. **Relaunch the credit union system of employees** - develop micro-credit systems within the credit union movement

4. **Consolidate the credit unions of the elderly and their services**

5. **Recognition of social economy** by the public authorities as part of the wider entreprise sector – including through a framework law

6. **Social policy shift** – from passive to active inclusion and clear design of a welfare mix market
European policies - development of social economy in Romania

- the Social Business Initiative (SBI)

+ increased interest in these enterprises

– unintended side-effect - misunderstanding social entreprise / social economy, minimised importance of traditional social economy

- European level measures necessary

These would contribute to increasing economic and social performances of SE organisations and their role in welfare and economic stability. Particularly necessary for sectors were there is already a trans-national dynamic or where social economy in Romania is lagging behind such as credit, agriculture coops and mutuals, social services and employment

Could be:

1. Policy discussions for National Authorities and national social economy networks – particular role for CESE

2. European Funds and programmes to provide support for

start-up and development of local SE organisations in sectors such as credit, agriculture coops and mutuals, WISE and social services and 2nd and 3rd level types of organisations in countries where they do not exist – eg credit unions not eligible under Jasmine and Progress
European policies - development of social economy in Romania

2. European Funds and programmes – cont.
- transfer of know how – European learning not only through commercial subsidiaries of credit coops and mutuals, but also through local membership organisations,
- integration of SE actors from New Members States into their respective European or trans-national networks
- Increased visibility of all social economy actors

ESF in Romania
- Programmatic issues - so far limited to support for WISE
- Implementation mechanisms – currently under Ministry of Labor and Social Protection - too bureaucratic, too slow, with little understanding for the specifics of a business, start-up support programme.

Reccomend use of global grants schemes through intermediaries which combine grant-making know how with business management know how
Institute of Social Economy

A Resource Centre for social economy - associations and foundations, credit unions, coops, farmers associations – for all those interested in social economy in Romania
Thank you!

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www.ies.org.ro