



**ENDURANCE: THE CHALLENGE FOR THE SOCIAL ECONOMY IN
CEMENTING THE BRIDGE FROM EMPLOYMENT TO INCLUSION**

ROMANIA NATIONAL REPORT

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Endurance: the Challenge for the Social Economy in Cementing the Bridge from Employment to Inclusion. Romania National Report.

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*Project Bridges for Inclusion
Caritas Romania Confederation – Romania
Washington St.38, S. 1.
RO – 011796 Bucharest
Tel: +40 212304013
Tel: +40 212304013
Email: caritas@caritas.org.ro
Website: www.caritas.org.ro
www.bridgesforinclusion.reapn.org*

Author:

Florentina Constantin

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Introduction

The present report aims at examining the connection between employment and social inclusion, in particular by means of social economy in Romania. The National Report is one of the products of the transnational project „Bridges for inclusion” which groups alongside the Confederation Caritas Romania, five other NGOs from Portugal, Spain, Belgium, France and Bulgaria as well as the International Labour Organisation and the European Anti-poverty Network, in a co-operation in the years 2008 and 2009. The project exemplifies - through the type of actions developed - the logic of the Commission’s employment and social inclusion strategies and the tendencies at the level of the European institutions with regard to means of ensuring the social cohesion of the Union.

However, this does not necessarily imply that an analysis of the Romanian reality will make way for analogous recommendations and conclusions. In particular, we are not certain that employment *per se* leads inevitably to social inclusion and thus the place of employment in a wide complexity of factors must be identified.

At the same time, we acknowledge the opportunity arising from the project, notably for New Member States organisations, to present their vision on the future of the welfare state within the European Union, a vision that emerges from the confrontation between the mission and vision of the organisations they lead and the reality in the field. The same reality raises also maybe the biggest question in the Romanian cases - namely that of stakeholder participation - and which we try to address through the present project.

For the Confederation Caritas Romania - which grounds its actions on the activities of its 10 member organisations extending throughout Romania and running national social programmes, the present report constitutes the opportunity and at the same time the obligation to put forward its own socio-economic vision for the construction of a social and prosperous European Union.

1. The history of the connection between employment and inclusion strategies

1.1. The evolution and the main characteristics of unemployment and poverty in Romania from the end of the 19th century until the 1970s. Labour and social strategies.

While the present overview follows by and large the scope proposed by the National Studies Index, a slight different periodisation has been adopted due to the economic and political processes of a very different nature which mark the history of Romania in the last century. The evolution of poverty, unemployment and exclusion displays a fluctuating dynamic - yet exponentially negative - corresponding to the specificity of historical periods with a particular impact on the evolution of social and labour strategies, on the phenomena of poverty and exclusion.

At the beginning of the 20th century, Romania, which then incorporated Wallachia and Moldavia, was a rural country. The level of mechanisation in agriculture was extremely low and the agricultural reform by which the majority of Romanian will receive land takes place after the First World War¹, in 1921. For the present report, it is useful to note the emergence of a first category of institutionally excluded - affecting the social tissue until nowadays - the Romanian Roma, who

¹ In the aftermath of which Romania incorporates Transylvania to its territory.

under the impact of Article 84 from the Agrarian Reform Act of 17 July 1921 will be excluded from the opportunity to be endowed with land².

Concerning the emergence of salaried work, of the labour market - i.e. the beginning of the industrialisation process in Romania, the emergence of the first labour associations is documented around the 1870s. At the same time, a tendency towards organizational and action unity at national level manifested itself, tendency which resulted in the creation of "The General Association of All Workers in Romania" in 1872. The activity of unions, reflecting the expansion of salaried work, experienced a rather strong development at the beginning of the 20th century. In 1906 the first conference of trade unions, which adopted the status of trade unions in Romania was held in Bucharest.³ On the 26th of May 1921, the Law of Professional Associations was published in Romania, establishing for the first time a legal framework for the organisation of Romanian labour.

The industrialisation of the country corresponds hence to the emergence of the first labour and professional associations. According to Keith Hitchins, "the proletarianisation of the peasantry was unrelenting between 1905 and 1913" (1994: 181). However, in 1938 10% of the labour force was employed in industry, which then produced 31 % of the total national income. (Romania. Productivity: paragraph 1). In this context, it becomes relevant to mention the peasants' uprising in 1907. During the uprising, in several towns of Romania the employees of the emerging industrial enterprises at the time manifested solidarity with the peasant's protest and arrests were made from the ranks of workers. They were, after all, peasants themselves who had moved to cities to seek work: in 1930 only 15% of the inhabitants of Bucharest had been born in the city (Hitchins, 1994: 181). The Great Depression of the 30s hit the Romanian economy very seriously. The period of 1929 to 1933 was marked by intense social protests, culminating in February 1933 with the workers' strikes at several factories among which Grivita factory, which later during Communist time became the "fight of the workers of Red Grivita" (History Book, 1988). Accurate estimates of the protest participation at that time are hard if not impossible to acquire as the strike from "Red Grivita" was highly popularised and attained a strong ideological interpretation during the Communist regime.

Returning to the industrialisation and unionisation of the country, data in the archives evince that the abundance of available work force, although unskilled, offered employers a very good bargaining position. It is around this time that the first welfare concepts were formulated and it can be asserted that the Romanian welfare benefits and the workers' labour conditions were among the most underdeveloped in Europe.

The industrialisation and urbanisation of Romania coincide thus in a process which stretches from the beginning of the 20th century - with a more intense development in the western part of the country - to a high point in the 1980s. This brief review will prove useful when examining the evolution of social conditions in Romania in the aftermath of the Second World War.

At the end of the Second World War, traditionally Romania possessed one of the lowest levels of labour productivity in Europe. The classic extensive development strategy pursued after the war accomplished gains in industrial output as a result mainly of massive capital and labour inputs, not because of outstanding improved labour productivity and efficiency. For a long period of time unemployment was not an issue and the main effort focused on solving the problem between the

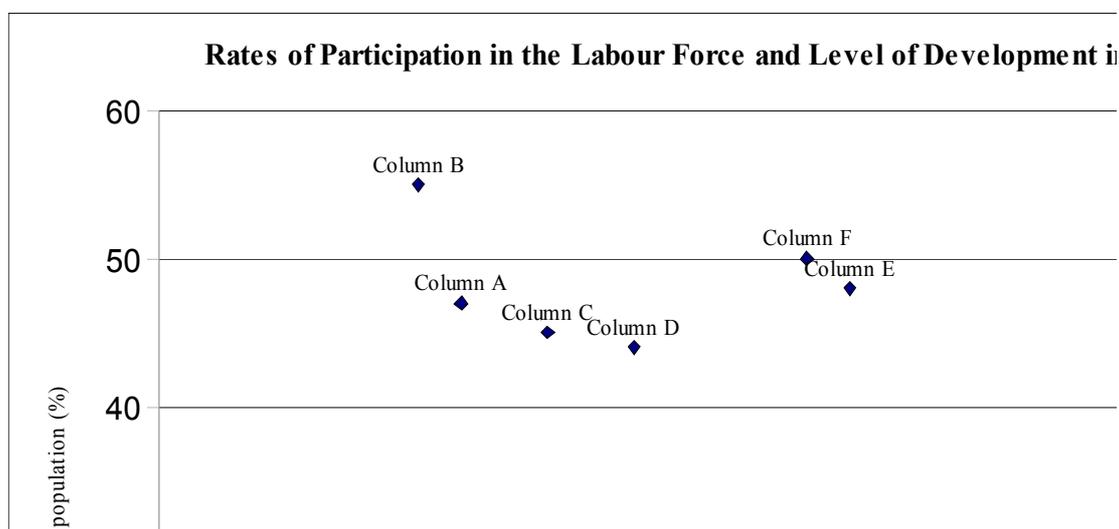
² In 1855, legislation drafted by Mihail Kogalniceanu and Petre Mavrogheni which gave the Roma equal political, economic, social and cultural rights was passed, initiating the process of emancipation of the Roma.

³ However, the unions could not reach agreement in 1921 to organise a Congress.

lack of skills and the numerous jobs emerging in the new sectors of the economy which required skills. However, towards the end of the 1970s, as labour reserves dwindled, continued economic growth required substantially improved productivity. The government's inability to make significant gains in this area and to transition into an intensive development strategy was a primary cause of Romania's social and economic crisis of the 1980s (Romania. Productivity, 1989).

The modernisation process in the aftermath of the Second World War brought inevitably an increase in the labour force in the industrial sector and improvements in productivity in the majority of sectors. Industrial labour productivity improved steadily through the first three decades of communist rule, growing an average 7.9% per year between 1950 and 1977. The industrial labour force grew by an average of five percent per year the period from 1950 to 1977, as Romania was accomplishing its most dramatic economic development, and industrial output was rising by an average 12.9 percent annually. (ibid.). These improvements notwithstanding, Romania ranked in 1980 the highest in terms of rate of employment to population, but last among the East European COMECON⁴ countries in terms of per capita gross national product:

Graph 1.1.



Source: Kornai in Jackman and Rutkowski, 1994

Note: In order of GDP, the socialist countries included are Romania, former Yugoslavia, Poland, Bulgaria, Hungary, USSR, and former German Democratic Republic.

Analysed in a social structure perspective, a prerequisite for rapid economic growth after the Second World War was the wholesale transfer of labour from agriculture, which had employed more than 80 percent of the population before the war, to other sectors - primarily to heavy industry. As late as 1960, 65 percent of the labour force was still engaged in agriculture, with only some 15 percent working in industry and 20 percent in other sectors. (Romania. Productivity. Paragraph 3). Between 1971 and 1978, the outflow of rural labour accelerated to 11 percent per year-more than twice the rate of the 1950s and 1960s. With a serious impact on the social structure was the fact that the countryside lost almost half a million people between 1976 and 1979. The process of collectivisation and mechanisation of agriculture created at the same time an impoverishment of individual rural households from which the young labour force headed to the urban areas in search for jobs in the industry. The reconfiguration of the social structure of the country came with a wholesale welfare package of rigid measures accompanied by strict obligations and duties for the employed, as we shall see in the following section.

⁴ Albania, Bulgaria, Czechoslovakia, Hungary, Democratic Republic of Germany, Poland, Romania, Yugoslavia,

1.2. The economic, social and moral crisis of the 1980s. Romania downwards towards capitalism

By 1980 Romania employed no more than 29 percent of the labour force in agriculture, while industry occupied 36 percent with other sectors the remaining 35 percent (Romania. Productivity). Also by 1980, the reserve of the rural labour that could be transferred to the industrial sector was close to its end. By this time the rural exodus had slowed, and although half the population continued to reside in rural areas while commuting flourished, the reserves of able-bodied young men in agriculture had been reduced drastically. As a result, targets for expansion of the industrial labour force were unattainable, and agriculture was becoming the domain of social groups such as the elderly and women. The rapid realignment of the work force created difficulties for agriculture, particularly during planting and harvest seasons. To compensate for the loss of farm workers, the government followed the Stalinist practice of mobilizing soldiers, young people, and even factory workers to "donate" their labour. Throughout the Communist era, these groups have supplied unpaid labour that made possible the massive civil engineering projects launched after World War II. In 1988 more than 720,000 high school and college students and 30,000 teachers were sent to agricultural work sites, and another 50,000 students and 2,000 teachers "donated" labour at construction projects. (Romania. Demographics, 1989) To sum up, in 1987 Romania had a population of more than 23 million, but the active work force numbered about 10.7 million –an increase of only 550,000 workers since 1975. Women accounted for about 40 percent of the labour force in 1988 and therefore represented the largest reserve of underused abilities.

Addressing public policy, in the literature⁵ regarding labour policies in Communist countries a distinction is made between the Stalinist period and the post-Stalinist one. According to Jackman and Rutkowski, five major policy features were reformed - lifted or substantially relaxed in the Central European communist countries in the 1970s and 1980s (1994):

1. general admonitions to work, i.e. an obligation to work;
2. mandatory assignments of graduates;
3. forced labour;
4. mobilisation campaigns;
5. strict control of migration to urban area.

All these five features continued to be a significant characteristic of the Romanian labour market until 1989. It is one of the reasons for which the literature on Communism refers to the policy regime in Romania as a neo-Stalinist one.

Thus, **if the strengths of the late, post-Stalinist communist system were “job security, essential benefits guaranteed through employment, workers involved in enterprise matters and high labour force participation” (ibid.) in the Central European countries, in Romania only job security and a high labour force participation could be accounted for.** The involvement of employees in enterprise matters was practically inexistent. In addition, the essential social benefits guaranteed through employment deteriorated rapidly. In 1983 the government abolished fixed wages in favour of a policy that tied a worker's income directly to plan fulfilment by the enterprise.

The major weaknesses listed by Jackman and Rutkowski are: low labour productivity, wages not related with productivity, deficient approach to unemployment, inflationary pressures by wages,

⁵ Bela Greskovits, Nicholas Barr, Jan Kornai.

limited international migration and excessive employment in the industry and agriculture. The latter weakness is extensively analysed by Commonder and Coricelli in *Unemployment, Restructuring, and the Labour Market in Eastern Europe and Russia* (1995), who argue that “the legacy of this misallocation is a critical factor in the difficulties Romania faces in the transition, including the need to reallocate labour across sectors, branches, occupations, and regions”.

This misallocation is chiefly responsible for the emergence of disadvantaged regions in the 1990s. As we shall see in section 1.7., the disparities have only increased during transformation. Certainly, a first measure taken by the first post-Communist government was the abolishment of mandatory assignments to work. However major social policy remained at a standstill in the aftermath of the tumultuous events surrounding the collapse of the communist regime in Romania. During 1991, three important laws regarding industrial relations and social dialogue were passed: the law concerning collective bargaining, the law on waging and the law concerning labour disputes. *The law on collective bargaining* did not establish any criteria of representation of the trade unions, federations and confederations at negotiations. According to the unions, the absence of such provision turned out to be quite useful to the employers: many times the existence of several union structures made difficult the building of one union negotiation team. The law did not contain provisions regarding the control mechanisms of the correct enacting of the collective labour bargain either. *The waging law* represented a serious blow for the union institution as its regulations allowed the government to block wage increases for a limited period⁶. *The law concerning labour disputes* established a complicated procedure for the initiation of a labour dispute. Also, according to this law labour disputes at branch or national level such as solidarity strikes were not regulated in any way.

The 90s were characterised by a syncopated pace of enterprise restructuring in which the policy of the government was to grant massive compensatory wages in one post-dismissal instalment. This quantitative approach to social policy continues to remain the backbone of the Romanian welfare state.

1.3. 1997-2007. Formulating and Implementing National Action Plans for Employment and Social Inclusion

Next to the formulation of the European Employment Strategy, the year 1997 is additionally representative for the decision of the European Union Council in Luxembourg to extend the European Union East. For Romania this meant an acceleration of its legislative adjustment to the *aquis communautaire* and the general principles of the union as lay down in the Treaties.

At the Conference in Nice in December 2000 the European Council decided that all member states should put together strategies against poverty and promoting social inclusion until June 2001. The principles and the experience of the 15 plans designed by the Old Member States represented, according to the government, an important source of inspiration when creating the first National Anti-poverty and Social Inclusion Plan⁷. The Anti-Poverty and Promotion of the Social Inclusion Commission (CASPI) was set up in April 2001 and one of its first products was the Anti-poverty and Social Inclusion National Plan. As mentioned, the plan was written according to the model established in the European Council in 2000 for the national plans of the members of the European Union. Nevertheless it was evaluated by the Government taking into account the specific

⁶ Up to one year.

⁷ See: <http://www.caspis.ro/pagini/en/pnainc.php#1>

conditions of Romania as a 'transition' country in that time. This National Plan constitutes a first experiment made by Romania in view of its European integration⁸

According to the Government, in formulating the Plan experts from the governmental system, representatives of the social partners (employers, trade unions, NGOs) have been involved. The plan contains measures addressing two time frames:

- a. medium/long term objectives: 2002-2012
- b. short term objectives: the duration of the current governments term of office (2002-2004).

The National Action Plan for social inclusion encompasses three sections:

- A global Plan of prevention and absorption of poverty and the promotion of social inclusion:
- The components sector of the National Anti-poverty and Social Inclusion Plan;
- An analysis of the current status of implementation.

In addition to this the Government has also signed an intra-ministerial memorandum for Social Inclusion. Within the official pre-accession process, the technical Secretariat of CASPIS and the Ministry of Labour, Social Solidarity and Family Affairs cooperated in preparing the Social Inclusion Memorandum. The document identifies the main sources of social exclusion and poverty in Romania, as well as those segments of the population which are most affected by these two phenomena. The document plays a major role in establishing the main challenges and action course in the social policy that Romania will be facing in the years to come. The document highlights the main policies and measures planned with the purpose to sustainably reduce poverty and consolidate social inclusion.

Alongside the National Anti-poverty and Social Inclusion Plan, the Ministry of Labour also formulates National Action Plans for Employment with actions course on a bi-annual basis. The first national plan for Employment was elaborated for 2002-2003. This was followed by one more National Action Plan for 2004-2005 and another one for 2006. The second National Action Plan for Employment in agreement with the European Employment Strategy established "three strategic interdependent objectives": full employment, quality and productivity at work, cohesion and social inclusion. In analysing the implementation of previous plans concerning employment, the ministry offers a statistical analysis of how different indicators on occupation have modified and a collection of legislative measures corresponding to the outlined action course.

As illustrated by the European Commission, the European Employment Strategy 3-year cycle is based - in line with the Lisbon strategy - on five tools: the Employment Guidelines (adopted by the Council), the National Reform Programmes, which are drawn by each Member State, the Joint Employment Report, the recommendations and the EU annual progress report. Two Action Plans for the implementation of the National Reform Programmes have naturally also been produced by the Romanian government in 2007 and 2008, respectively, the latest launched at the end of May.

One last brief review concerns the Millennium Development Goals. At the Millennium Summit in September 2000, Romania adopted the Declaration of the Millennium. The Technical Secretariat of CASPIS with the support of the UN Office in Romania coordinated a report concerning the

⁸ In the meantime the Anti-poverty and Promotion of the Social Inclusion Commission (CASPIS) has been dismantled.

development objectives of the Millennium for Romania. The report was launched and published in March 2004.

There is a series of aspects that the present report must highlight in relation to the National Action Plans and the national level strategies. Firstly, there is the issue of matching the objectives with the measures and the starting point in reform. If we look at the National Reform Programme Implementation Report from October 2007 we will note that in spite of addressing key issues such as “developing the inclusive labour market” or “the extension of active life” (2007: 1), there is not one integrated strategy to achieve that and/or concrete outcomes to speak of. With regard to active life, we learn that “the Government puts into practice incentive measures for employment of the older workers through development of specialised services for reinsertion of older unemployed workers on the labour market” (2007: 78). The measure pursued by the government has been to subsidise employers the quantum of a minimum wage each month when employing people within 3 years of retirement age. (AJOFM Brasov, 2006: 2). Unfortunately, as we note in Section 1.5., the mismatch between the demand by the labour force and the supply by the employment agencies is one of the main inhibiting factors in including the people furthest from the labour market. Moreover, the absence of specialised services and the inability to diversify services according to needs illustrates the quantitative wholesale approach by the government.

With regards to the role of the social economy in achieving inclusive employment, it is the 2008 Action Plan for the implementation of the National Reform Programme that we must address mainly due to thereof absence. As you will note in section 2.1., Romania is among the new member states of the European Union, which provide structural funds with a major field of intervention the social economy. One of the priority fields is the development of the social economy. Nevertheless, the planned action “to implement an integrated approach in view of increasing employment, the activity rate and levels of productivity” includes no measure addressing the social economy (2008:6). In fact, the term ‘social economy’ is entirely absent from the 2008 Action Plan for the implementation of the National Reform Programme.

It is exactly the lack of an integrated approach and of coordination both between the different action plans/policy papers and between normative measures and the methodological norms of implementation that we feel compelled to point to when analysing the drafting and implementation of National Action Plans.

A second aspect refers to an isolation of Roma matters into separate chapters with separate measures. This approach – without denying that the Roma experience social exclusion as an ethnic group as a whole and therefore require more in terms of anti-poverty policy - tends to create measures uncorrelated with the general policies and strategies of the government and leads to policies unsustainable on the long term.

A third aspect relates to the public debate of the government’s policy papers, action plans and strategies. Public debates must be real public debates, and not mere presentations of action plans, strategies and/or proposals. Caritas Romania considers a serious lack the fact that the questions and answers session occupy a minimal role on the agenda of public debates and are sometimes even cancelled. Moreover, NGOs must have the status of partner of the government, alongside the trade unions and the employers in the social dialogue with the government, in the design of social policies and of programmes relevant for social enterprises.

1.4. The labour market: social protection and local development

The labour market was inevitably strongly impacted by the needed restructuring of the sectors of the economy, as could be seen in the above sections. In addition to that, the massive commuting abroad for work, especially to Italy and Spain but also the border commuting contributed to a strong and lasting mismatch between the supply and the demand for labour at national level.

At the beginning of the 1990s, the Romanian economy had an extremely high degree of horizontal and vertical integration and maybe the highest average dimension of an enterprise in the whole of Eastern Europe (Earle and Oprescu, 1995:241). As the table below shows, enterprises with more than 1000 employees represented nearly half (48.1%) of the total number of enterprises in Romania and included nearly 85% of the total number of employees:

Table 1.4.
Size Distribution of Industrial Enterprises in Romania in 1990

<i>Size of enterprise (number of employees)</i>	Enterprises Number	Percent share	Employees Number	Percent share	Production (percent share)
Less than 200	169	7.6	24,288	0.7	1.9
201-500	456	20.3	162,505	4.4	5.2
501-1000	538	24.0	391,386	10.6	10.7
1001-2000	515	23.0	723,116	19.5	18.9
2001-3000	245	10.9	592,538	16.0	14.3
3001-5000	197	8.8	768,760	20.8	20.6
Over 5000	121	5.4	1,039,263	28.0	28.4
Total	2241	100	3,701,856	100	100

Source: National Commission of Statistics and Earle and Oprescu, 1995.

In these circumstances, the restructuring of the industrial platforms and of the sectors of the economy is at the origin of the present day evolution of the labour market and at the origin of the types of social protection formulated in the 1990s. The transformation process lays base to the impoverishment and social exclusion mechanisms that will function in the 1990s, in the idea that the first "restructured" will also be the first excluded. In this context, one must note that until 1991 the National Statistics Commission of Romania did not measure the unemployment rate. From 1991 the rate is measured and from 1992 we observe that the unemployment rate follows a similar pattern to all transformation countries, whereby women are the most affected group by unemployment.

Table 1.4.2.
The unemployment rate in Romania from its beginning till 2006

Year	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06
Rate %	3	8,2	10,4	10,9	9,5	6,6	8,9	10,4	11,8	10,5	8,8	8,4	7,4	6,3	5,9	5,2
Women	4	10,3	12,9	12,9	11	7,5	9,3	10,4	11,6	10,1	8,4	7,8	6,8	5,6	5,2	

Source: The National Statistics Institute. Statistics Book 2007.

Graph 1.4.
The dynamics of the general unemployment rate and the unemployment rate of women in Romania from its beginning until 2006



Source: National Statistics Institute. Statistics Book 2007.

Before addressing the second structural phenomenon with impact on the labour market, we will emphasise one important shortcoming in our opinion of statistical data about the labour market. Data collected does not incorporate information broken down by ethnicity or family statute (but only by sex and age). This makes it easier for the impact of transformation on particular groups (Roma, migrants, single parents, girls mothers etc.) to go unnoticed and harder for social policies to pinpoint the problem and address it in an efficient manner.

The response to the massive reallocation of economic sectors will be migration for work starting with 1997 and with accelerated intensity after the year 2000. Going beyond the intra-regional flows, according to Sebastian Lazaroiu, the first countries for labour migration were Germany, Israel and France, destinations which outdated soon, leaving Italy and Spain as the new destination countries for labour migration (2005:3).

As Sebastian Lazaroiu also argues "labour migration is the most important form of Romanians moving to a foreign country", with students' mobility less than one-fifth of the total volume of migrant workers after 1990 (2005:3). In addition, according to data of the National Institute of Statistics, permanent emigration has been constantly declining since 1995, with 21,000 people having emigrated in 1996 and just 9,900 in 2001."(Statistical yearbook 2002 in Lazaroiu, 2005: 3).

Thus, if 17 % of all Romanian households reported having sent at least one member to work abroad between 1990 and 2001, after 2002, once the visa requirement was waived, 23% of households affirm to have sent at least one worker abroad, 33% of all of them to Italy.

Italy receives thus one third of all the temporary Romanian workers abroad and this translated in 2007 in more than 1,000,000 in Italy, turning Romania into the first minority nationwide, replacing Albania in the top. Spain too estimates more than 1,000,000 Romanians working in its economy.

The Romanian labour market was afflicted by two major phenomenons during transformation:

restructuring of the economy sectors and enterprise system and massive migration/commuting abroad for work. The second can be interpreted as the informal response for the labour force to the first process impacting them. These along with the rise of the informal economy are two responses with a significant impact on present and future local development.

Strictly focusing on the role of NGOs in the development of local communities, five issues were identified by local actors throughout the debate during the National Seminar:

- social inclusion strategies don't take into account the institutions present in the community, the local tissue of the community, but are rather top-down enforced strategies which partially explains their failure;
- local institutions “accept” NGOs rather than develop partnership with them;
- more needs to be done so that public consultations actively involve the stakeholders into constructive consultations on policies;
- the state develops a localism attitude rather than an assistential attitude as it is generally erroneously perceived: the localism attitude translates into an withdrawal of the state from its fundamental role of evaluation and coordination of implemented policies/services as well as a warrant for quality;
- the exclusion of local institutions from the design of national strategies and policies leads to a focus on the quantitative criterion, with disregard for mismatch between the real needs in the local community and the allocated funds.

1.5. The role of public administration

In its relations with the public administration, NGOs receive funds on a contractual basis in order to develop their own initiatives. The funds are generally of three types: project-based, on limited term with a concrete result, programme-based on relatively medium term (2-5 years) and subsidy – based for providing specific social services under the provisions of different laws – Law 34/1998; Law 350/2005. When it comes to programme-based funds, the general evaluation in the local NGOs is that the public administration welcomes the activity of NGOs “the activities of which they perceive as compatible with their own initiatives” (Peter Gyorgy. Ways to finance home care. 2007). This impression changes when it comes to cooperation based on projects, where the administration focuses on the eligibility criteria of the call for applications and its own political objectives on short and medium term. A report is thus established by which the NGOs try to sell their “goods” according to the demand on the market many times being in a position to alter the initial vision or mission of the project as to match with the eligibility criteria. It is the case of the local organisation in Iasi⁹, who - once Romania joined EU- transitioned in its project for professional insertion of disadvantaged youth from funds through donations to funds via PHARE projects. This meant reducing the type of beneficiaries to youth from orphanages only and doubling the number of beneficiaries. This type of financing evinces the disadvantages, which the lack of an integrated approach and the pressure on quantity as opposed to quality bring to light. What is increasingly demanded by NGOs is a fourth type of funds supplied on a normative basis, which would allow NGOs as social service providers to contract a service as a whole. This means subsidising the NGOs and not the beneficiary.

Of course for the local organisations, the transition from foreign donors to local national or European funds granted through the local or national administration or directly by EC constitutes the transition to a joint working relationship with the public administration beneficial for local

⁹ Iasi is part of the North East Region of Romania, one of the less developed region of the country

development and implicitly for the sustainability of NGOs. This relationship must however lead to a normative cooperation as well as cooperation grounded in midterm programmes built through the joint work of NGOs and the administration. This would allow an integrated sustainable approach and an evolution from social insertion towards social inclusion. It is this kind of approach that the local organisation in Timisoara¹⁰ had for its programme of social inclusion of the homeless realised in cooperation with the County Council of Timis and implemented in the Social Enterprise "P.Paulus" in Bacova.

A special issue which impacts on the local development and in particular on local labour markets is the normative framework of access to health services via the National Health Service. The framework programme of the National Health Service contracts homecare services only to people coming out of hospital treatment and only for 56 days during a calendar year (Peter Gyorgy. Ways to finance homecare. 2007). In the present normative framework we cannot talk about a mechanism of active inclusion for elderly people. In their work within the contracts with the national health Service the local organisations usually take over the elderly in terminal phase while the status of limitation to 56 days makes impossible an integrated approach in which the NGOs would take over the beneficiary when exiting the hospital and would offer support for all phases up to social reintegration through employment.

One more aspect worth noticing is the partnership that local organisations develop with the local employment agencies in order to mediate social inclusion through employment. A big setback here stems from the incompatibility between the labour supplied by the agencies and the needs put forward by the NGOs.

1.6. The two main debates- strategic and conceptual- in the last 10 years

The present report is structured around two main themes which emerged as the two main issues in the debates concerning the role of NGOs in the fight against poverty and social exclusion. A first debate, the conceptual debate, revolves around the concept of ACTIVE inclusion, as a novel approach to doing social inclusion in Romania . Throughout the analysis we observed the debate between promoting a state which adopts passive measures and implements them by means of subsidies, and material support and a state which offers a framework of coordinating support. The Active Inclusion Strategy (AIS) developed by Caritas CONCEPT¹¹ was the conceptual model employed in the analysis of the social programmes developed by NGOs and the role of their social enterprises in fighting social exclusion:

¹⁰ Timisoara is part of the West Region of Romania, one of the most developed region of the country

¹¹ CONCEPT (Caritas Organisations Network to Challenge the Exclusion and the Poverty Trap) was a Caritas EUROPA project co-financed by EC in 2006 and 2007

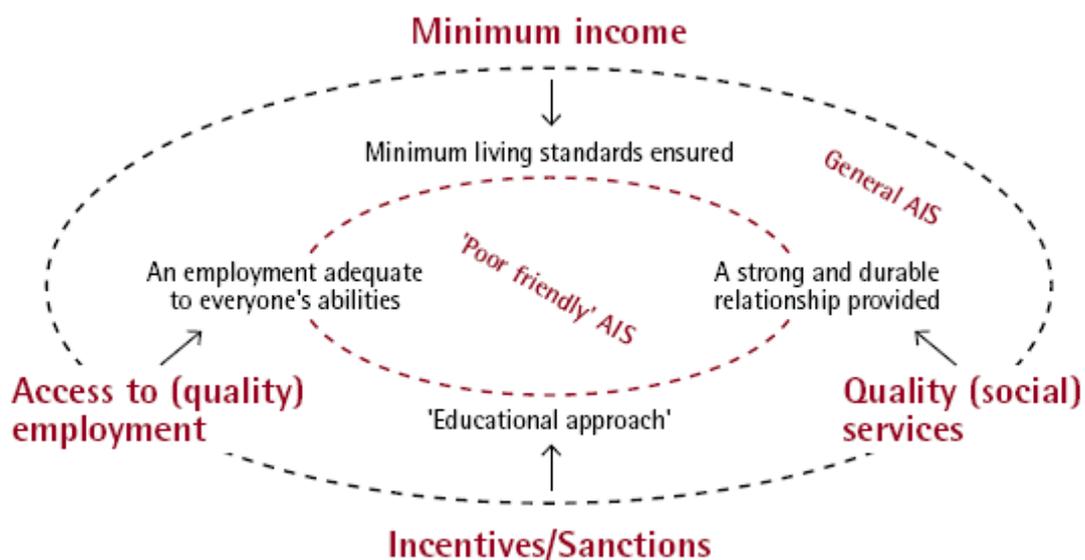


Figure 1. Active Inclusion Strategy and Caritas's contribution

Source:

CONCEPT –The European Social Inclusion Process, Civil Society & the Caritas Contribution.

Throughout the ten local NGO's interviews and the visits of their social enterprises we have tried to identify their role in:

- ensuring minimum living standards to their beneficiaries;
- providing quality (social) services¹²;
- mediating access to the labour market.

Two threats of opposing nature were identified concerning active inclusion as opposed to more traditional social inclusion policies. In the latter instance, the government does not encourage initiative and NGOs fulfil a role of re-distributors of state aid and subsidies.

In the first instance, the danger is for the state to withdraw not only from its primary function of social services provider, but also from its obligation to insure the welfare of citizens and to provide a general framework of coordination between the various stakeholders.

During the debates throughout the national seminar, we have identified as the main strategic challenge: sustainability or endurance, as the title of the report also illustrates. Part two of this report will highlight in more detail the ongoing debate between the vision, mission and the values of local organisations and the way to implement sustainable mechanisms of functioning such as social services provision or even purely economic activities.

1.7. Actual situation. Facts and figures concerning poverty and unemployment.

In this section we briefly summarise the main figures concerning unemployment, absolute and relative poverty respectively while highlighting the main issue we take with the approach to poverty measurement in Romania: the use of a measure of poverty based on consumption as opposed to income.

¹² Many of the local organisations of Caritas intend to specialise as social services providers;

Concerning the labour market, it is important to note that two methods to calculate the unemployment rate are employed in Romania; the National Statistics Commission utilizes its own method of calculation and the second one is based on the International Labour Organisation method. The differences can be observed below:

Table 1.7. 1.
The unemployment rate in Romania from its beginning until 2006

Years	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06
Rate %	3	8,2	10,4	10,9	9,5	6,6	8,9	10,4	11,8	10,5	8,8	8,4	7,4	6,3	5,9	5,2
For women	4	10,3	12,9	12,9	11	7,5	9,3	10,4	11,6	10,1	8,4	7,8	6,8	5,6	5,2	4,9
ILO												8,4	7	6,8		6,5

Source: compilation from the Statistics Book 2006 and the National Prognosis Commission

More could be elaborated on the reasons behind employing two different methods with two different outcomes, but we emphasise here that measuring unemployment by taking into account only those unemployed still in the registers of the National Employment Agency is an artificial way of reporting lower than real unemployment.

On the other hand, we regard as inaccurate also the unemployment rate as measured according to the Eurostat standard indicators, which does not arrive to reflect the two million plus labour force of Romania which works abroad.

Table 1.7.2.
Long duree unemployment rate by gender ¹³

Year/ Category	Total (%)	Female (%)	Male (%)
2001	3,2	3,1	3,4
2002	4,5	4,3	4,6
2003	4,3	4,1	4,5

Source: National Action Plan for Employment 2004-2005

In this context we feel the long duree unemployment rate is also an important indicator of the evolution of the work force, thus we offer above some indication with the caveat of somewhat older data.

Turning to the issue of poverty, in 2007 the World Bank together with the Ministry of Labour and the National Statistics Institute launched its assessment report of poverty in Romania from 1995 up to date. In terms of indicators we speak of absolute poverty and relative poverty respectively. The indicator of relative poverty is based on a methodology approved by the European Council in Laeken in 2001 meant "to allow a comparative monitoring of the progress of Member States with regard to the objectives of the European Union in the fight against poverty and social exclusion" (WB, MMFES, INS, 2007: 3). The indicator of absolute poverty is, on the other hand, based on a national methodology created in 2002 by governmental and National Statistics Institute experts and was included in the Poverty and Social Integration Monitoring System in Romania. The problem with the later is that the measurement is based on consumption as opposed to income, a measurement which artificially lowers the median standard of living in Romania. The consumption of the average Romanian family does not adequately reflect the needs for a decent standard of living and is the reason for a low 13,8% absolute poverty rate in Romania in 2006.

¹³ The unemployed population for 1 year or more as percentage of the active population.

If we look at the absolute dimension, the economic growth of the years 2000 determined a reduction in poverty from 35,9% in 2000 to 13,8% in 2006. In contrast with this positive picture stands relative poverty which has remained virtually unchanged since 2000:

Table 1.7. 3.
The evolution of absolute and relative poverty in Romania between 2000 and 2006

Year	Relative poverty rate (%)	Absolute poverty rate (%)
2000	17.1	35.9
2001	17.0	30.6
2002	18.1	28.9
2003	17.3	25.1
2004	17.9	18.8
2005	18.2	15.1
2006	18.6	13.8

Source: Poverty Assessment Report Romania. November 2007. WB, MMFES, INS.

The incremental value of relative poverty evinces that the reduction in the number of absolute poor is due entirely to economic growth. As could be seen in section 1.3. Romania has formulated numerous social strategies and national action plans to combat poverty and social exclusion. In spite of these initiatives, Romania continues to work on a social agenda largely unfinished, and thus the benefits of sustained economic growth have not reached all segments of the population. In the absence of a coherent social strategy and sound social policies, inequality in Romania is only going to maintain its high level or grow (as it has in 2005 and 2006).

The inequalities manifest in significant geographical differences in relation to the employment rate and labour productivity which have created focal regions of poverty and social exclusion. For example, in 2006, the poorest region of Romania, the north-east was more than 4 times poorer than Bucharest (ibid., 2007: 4). The labour market is a filter meant to distribute economic growth across categories of the population and reduce poverty, but in Romania the discrepancy between supply and demand on the labour market and labour on the black market increase in fact the at-poverty-risk rate. In the rural areas, poverty is extremely high and agriculture still occupies 36% of the labour force. Another important problem remains the ethnic dimension of poverty. In 2006, among the Roma population there were 4 times more people likely to be poor compared with the general population.

The scope of the present report does not allow a more elaborate analysis of the profusion of poverty, but allows us to highlight the two main problems that need to be addressed: as the authors of the Poverty Assessment Report themselves admit, economic growth is going to remain the main engine in the process of reducing absolute poverty in Romania (ibid., 2007: 7) which sounds the alarm concerning the inability to address the grave problem of at-poverty-risk rate in Romania, of the inequalities among the groups of the population. The solution to this problem cannot be to substitute consumption for income in order to report progress in the fight against poverty.

2. Bridge between the national employment and inclusion strategies through the social economy and Social Enterprises

2.1. National definitions of the social economy

A national definition of the social economy merges at the crossroad of two action courses. One of them, characterised by a bottom up mechanism brings to fore various forms encountered by NGOs and other associative forms to unfold sustainable activities or if you wish to support their social activity, while navigating the permanently changing legislative framework and the various opportunities of different transformation periods in post 1989 in Romania. The other action course stems from the top-down move to implement the European *aquis* and functioning mechanisms in Romania which brought with it the concept of social economy. The definition includes of course credit, consumption or production cooperatives, but this not necessarily from internalising tradition in the field but as an automatic component of social economy. Another effect of this top-down mechanism is the incorporation of several actors in the social economy in order to strengthen the capacity to absorb European funds.

This effect is possible because, as the European Anti-poverty Network presents, there is not one common definition at European and international level. The traditional definition places in the category, social economy' organisations such as cooperatives, mutual societies, associations and foundations (EAPN Social Economy Position Paper. September 2007). At an institutional level, the working definition of the social economy proposed in the report for the Economic and Social Committee of the European Union in 2007 keeps with the traditional conceptualisation:

„The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them. (Social Economy in the European Union. Report for the Social and Economic Committee made by CIRIEC; CESE 96/2007)

This „traditional” definition is needed by the Union in the context of a quantifying need, of the intent to register into the national accounts the economic product of socio-economic activities. This matches according to the report, the conceptual limitation of social economy as reflected in the *Charter of Principles of the Social Economy* promoted by the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF).

We can thus speak in the system of national accounts of two major sub-sectors of the social economy: a) the market or business sub-sector and b) the non-business sub-sector. This categorization is useful for the elaboration of reliable statistics and for analysing economic activities according to the national accounts systems in force at present.

The authors of the report admit though that in spite of the statistical reliability, there is a great degree of permeability of the two sub-sectors and close ties between the market and the non-market sector of the social economy, as a consequence of a common trait to all social economy

The market or business subsector of the Social Economy

The market sub-sector of the SE is made up, in essence, of co-operatives and mutual societies, business groups controlled by co-operatives, mutual societies and other SE organisations, other similar companies such as Spain's labour companies (*sociedades laborales*) and certain non-profit institutions serving SE companies.

The non-market sub-sector of the Social Economy

The great majority of this sub-sector is composed of associations and foundations, although organisations with other legal forms may also be found. It is made up of all the SE organisations that the national accounts criteria consider non-market producers, i.e. those that supply the majority of their output free of charge or at prices that are not economically significant.

Source: from the CIRIEC Report for CESE of the European Union , 96/2007

organisations; these are organisations of those who unfold an activity the main purpose of which is to satisfy personal needs of the people and not to remunerate capitalist investors.

The report lists, according to the above definition, the common characteristics of these two subsectors of the social economy:

- 1) They are private, in other words, they are not part of or controlled by the public sector;
- 2) They are formally organised, i.e. they usually have legal identity;
- 3) They have autonomy of decision, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities;
- 4) They have freedom of membership, in other words, it is not obligatory to join them;
- 5) **Any distribution of profits or surpluses among the user members, should it arise, is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organisation.**
- 6) They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, social economy organisations are said to be *organisations of people, not of capital*. They work with capital and other non-monetary resources, but *not for capital*.
- 7) They are democratic organisations. Except for some voluntary organisations that provide non-market services to households, social economy primary level or first-tier organisations apply the principle of "one person, one vote" in their decision-making processes, irrespective of the capital or fees contributed by the members. Organisations at other levels are also organised democratically. The members have majority or exclusive control of the decision-making power in the organisation. (ibid.) [*my own emphasis*]

We notice thus in this report that a very important characteristic of the social economy in its traditional conceptualisation is the democratic control, with equal voting rights („one person, one vote”) in the decision-making process, with strong roots in the history of this type of organizations.

Nevertheless, the functional definition of the social economy mentioned above includes as well voluntary non-profit organisations; non-market services providers for individual households, even

if these do not have a democratic structure. This is because this approach allows prominent social action organisations from the third sector, which produce social goods or of social interest, of indisputable social utility, to be included in the social economy. We obtain hence a variety and we introduce new ways of organising in the non market sector.

According to the European Anti-poverty Network within the larger frame of social economy a new kind of social economy initiatives, called itself Social Enterprises (SE) has become prominent, enterprises „which are driven by entrepreneurial spirit, but focused on social aims” (EAPN Social Economy Position Paper; September 2007). **Social enterprises act as services providers (environmental, social and cultural), in the field of fair trade and other value-base activities and for the integration of disadvantaged people. This last activity has according to the network, a major role in the fight against social exclusion „providing temporary or permanent employment as well as training, skills and empowerment for socially excluded individuals” (ibid.).**

It is in this enlarged form that the social economy is accepted and defined in Romania adapted to a sector with a heterogeneous-modern component. This is on the one hand to encourage as many actors to absorb European funds and on the other hand as a result of the deterioration of the system of cooperatives in Romania and the emergence of social enterprises. We begin by mentioning that Romania is among the new member states of the European Union, which provide structural funds with a major field of intervention the social economy. The Managing Authority of the Sectoral Operational Programme for Human Resources Development (SOP HRD) in the Priority Line 6 „Promoting Social Inclusion” has as priority field of intervention DMI 6.1 The Development of Social Economy – Social Economy and Solidarity. In this context it is useful to identify the way the national authorities conceptualise the social economy. According to the definition of the ministry of work, family and social solidarity, the Managing Authority SOP HDR, the social economy is „the generic term used to make reference to a group of people which group together in order to assume an active economic role in the process of social inclusion, i.e. cooperatives, social enterprises, NGOs (foundations and associations, and other not-for-profit associations which have an important role in activities of management and consolidation (<http://www.fseromania.ro>)).

According to the same Managing Authority SOP HDR, „the development of the social economy in Romania will benefit the whole economy. The creation of new and flexible innovative forms of employment for vulnerable groups will be intensified; the local development of policies will be promoted including active citizenship, the social cooperation and solidarity. At the same time, new groups and functional partnerships will emerge in the economy, such as cooperatives and mutual aid societies, foundations and voluntary associations which will offer new services and new opportunities to people with difficulties in integrating or reintegrating on the labour market” (ibid.).

The expectations of the national authorities are that the new groups, partnerships and organisations to offer local solutions to local problems by facilitating access to and providing social services, health and educational services etc. The structural funds are supposed to finance new social enterprises that would put to use the local labour force. The results of this process would be an increase in employment opportunities for Roma people, for the disabled or for other vulnerable groups exposed to the risk of social exclusion. We note the high expectations with regard to the role of social economy from the presentation of the Managing Authority. The present report intends to extract from the experience with the social economy of the local organisations of Caritas the reality of the functioning of social economy units at local level.

The types considered to be part of the social economy in Romania are thus very varied and numerous: societies for the benefit of the community, friendly societies, mutual societies, consumer retail societies, workers' co-operatives, community cooperatives, neighbourhood cooperatives, social businesses, community development trusts, community development associations, local development trusts, community companies, community development corporations, community benefit corporations, **social enterprises**, social firms, voluntary enterprises, credit unions, community development finance initiatives (selection available at <http://www.csnmeridian.ro/files/docs/Economia%20Sociala.pdf>). The common point of these entities is that a bi-dimensional indicator measures their success: economic sustainability and the contribution to social cohesion, development of solidarity and territorial networks.

2.2. The decline of cooperatives in Romania and the rise of social enterprises

In terms of activity, the social economy is historically connected to the cooperatives and the popular associations, traditionally considered the backbone of the social economy. The value system and the guiding principles of the early associations, crystallised in cooperatives, served to formulate the modern concept of social economy, structured around cooperatives, mutual societies, associations and foundations. In Romania, in the centralised economy, a strong network of cooperatives developed, in a top-down process which had little to do with the guiding democratic principles that infused the early associations. However, cooperatives represented for a long time the most autonomous economic entities in an economy, which was 100% state-owned. The cooperatives were organised in branches and were also the owners of considerable assets.

Following the collapse of the centralised economy, the cooperatives benefited from an early presidential decree which gave them self-regulatory and governing powers. The decree gave for a considerable number of years to the former communist cooperatives authority to decide upon the legality of any new cooperative initiatives. This distortion typical for the early age of transformation can't however be considered the main reason for the decline of cooperatives. Rather, the rise in new forms of social economy corresponds to the challenges of the uncertainty of transformation.

2.3. The typology of organisations. Legal framework. Political context.

Bringing the discussion of the concept of social economy from its international dimension, through its national dimension to the local dimension, we note that within the 10 local organisations of the Confederation Caritas Romania, the most widespread activity crystallises in the form of social enterprise, the innovative organisational type reviewed by the European Anti-poverty Network in its Position Paper. A Social Enterprise can be a commercial company founded by an NGO - A Limited Liability Company (Societate cu raspundere Limitata - SRL). In most cases, they are created with money from external or internal financing and employ people who would otherwise be unable to find a job (Gabriela Tanasan, 2008: paragraph 1). Starting a social enterprise implies the preparation of a rigorous business plan studying the market and the products' competitiveness while at the same time observing the social reinsertion potential for future beneficiaries.

The reality in the field shows us that the funding for the enterprise conditions/limits the options for the type of business that will be developed. In the case of external funding/donors, funds often include a material component. The type of machinery that is supplied to the social enterprise conditions also the type of production, which later faces the competition in the internal market. In the case of internal funding, the majority of funds has come so far from national or local

authorities via PHARE projects and it appears to move towards a majority of funding via structural funds. This type of funding also seriously conditions the type of beneficiary and the relationship with the type of productive activity.

In theory, the profit of the social enterprise created by an NGO is totally reinvested or is exclusively utilised to fulfil the mission of the non-governmental organisation, which is the single administrator of the SRL. The contemporary reality of the local social enterprises shows us though that many social enterprises still finance themselves to a greater or lesser extent from internal or external finances, which ensure continuity of production. At a more careful analysis we notice that the funds are necessary to cover the cost of the social activities or in other words the social part of their socio-economic activity.

2.4. Main features. Dimensions. Territorial implementation.

As mentioned in the above section, in the functioning of the social enterprises in Romania the question of economic sustainability looms large. Extra-funds are often necessary to cover the cost of social activities in Social Enterprises. It is the case of the social enterprises across the country from Timisoara to Satu Mare and Iasi. This aspect brings to fore in Romania a heated debate concerning the vocation of NGOs in the market sector. This debate is fuelled by the existence of economically profitable units as was the case of the Carpentry Workshop of Caritas Bucharest until a few years ago. Focusing strictly on qualified personnel with expertise and judicious management the carpentry workshop was able to rend a considerable surplus reinvested in the social programs of Caritas Brezoi, in particular the centre for people with disabilities.

We thus identify in the debate of the present report in the local organisations a common idea related to the need to associate with partners capable of astute management. In the local organisation in Bucharest, which has close and extended cooperation with Italian partners, there is awareness to the need for flexibility and innovation capacity to such degree as to allow the change of the activity profile and of the type of production realised every year. Learning from the experience of Italian industrial districts, lack of flexibility throws one of the market, and one characteristic of social activities implemented in economic units, i.e. of social enterprises is the level of flexibility far lower than the average in typical economic units. Are the professional training courses, the work placement of teenage orphans, the work of disable people sources of rigidity in the production process, do they reduce the innovation and market adaptation capacity? The debate in the National Seminar suggests this.

Still concerning the innovation capacity an additional element which comes into discussion is acknowledging the need for a business management of the Social Enterprise. A problem raised by the local organisation in Timisoara is the need to associate with strong partners, capable of extending the market share of the enterprise and to open export possibilities. As a main characteristic, the local organisations in Timisoara, Blaj, Satu Mare imagine this partnership as a partnership between NGOs/associations from the old Member States and the local organisations. It is important to note here that the NGOs exclude the opportunity of an association with commercial companies, may they be local or international. The great obstacle perceived is the main purpose of a commercial company: profit. It is considered that focusing efforts on profit puts pressure on a partner that aims at social 'performance'.

In spite of their often similarity of legal status, a conflicting logic is thus perceived between the activities of a purely commercial enterprise and that of a social enterprise. As we concluded at the end of Section 2.1, the success of the social enterprise is measured at the intersection between 2

factors: economic sustainability and contribution to the social cohesion. What ways to make these factors intersect can we find in the Romanian reality? In the obligation to corporate social responsibility by the big companies is there an opportunity for NGOs to develop a partnership with the big corporations?

2.5. The relations with the contracting authorities

At the level of local organisations we discuss the idea that, as the local organisation in Blaj suggested, there is a need for NGOs to be social services providers also when it comes to private social services. Moreover, one big complaint by NGOs social services providers is the need for a normative base in relation with the contracting authority. This means that instead of subsidizing the beneficiary, the subsidies should be turn into payment for services provided directly to the NGOs as it is done in many of the old Member States.¹⁴ For this there is a need for a concrete legislative framework where by implementation norms be swiftly reformed and clearly formulated anew. More on this will result from the recommendations formulated in part III.

Until present the main relationship with the authorities remains the one based on the PHARE projects funding and there are timid developments in the direction of joint programs on medium term, like the one supported by the Timis County Council concerning the Economic Unit "P. Paulus" in Timisoara.

2.6. Relevant experiences for building "Bridges" through Social Enterprises. Main achievements.

In this section, we will present two social enterprises, which stand in contrast in terms of logic for future functioning and which we view thus as very useful for a debate on the conditions that enhance or hinder the success of social enterprises.

I. The Economic Unit "Pater Paulus" – Bacova, Timisoara

The economic enterprise "Pater Paulus" in Bacova, next to Timisoara functions since 2005 with the following two main objectives: the sustainability of its own production activities and additional support to the other social projects of Caritas Federation Timisoara. The unit was conceived as a model of social economy divided into two units: one administrative and economic concerned with the good run of production activities and a social unit. In the social unit the Social Enterprise "P. Paulus" works together with the General Directorate for Child Care and Protection Timis (D.G.A.S.P.C. Timis). The social purpose of the unit is the coordination and cooperation between D.G.A.S.P.C. Timis and the Federation Caritas Timisoara in order to provide shelter and support to homeless adults and families with main focal point social reintegration.

The target group of the project comprises at present 16 homeless adults from the county of Timis (with or without children) and 98 homeless adults, which are beneficiaries of the services at the homeless shelter "Pater Jordan" which also belongs to the Caritas Federation. The centre for socio-professional integration for homeless adults groups two pavilions built within the economic unit in the locality of Bacova, 30 kilometres away from Timisoara. The personnel of the centre groups psychologists and social assistants which unfold activities of individual psychological counselling, hygiene-sanitation education, self-management, design of individual assistance and care plans,

¹⁴ Here the example of social services providers in Germany appears with frequency.

preparation for the job, resource administration in order to maintain a living space, all with the purpose of social and professional reintegration of homeless adults.

The economic unit “Pater Paulus” groups: 1 carpentry workshop, 1 mechanical workshop, mill, pigs and cows farm, 220 ha of land on which cereals and vegetables are grown. For the workshops and the mill qualified personnel supervises the work of the beneficiaries for job selection. At present, the economic unit has 29 employees out of which 8 are beneficiaries of the social sub-unit as homeless adults.

For 2 years the unit has been the recipient of subsidies from the Directorate for Agriculture and Rural Development of the Ministry of Agriculture. The Economic Unit is supplied with energy by solar energy panels, an investment of 18,000 EUR by a German NGO partner.

II. The Agricultural Unit Blaj

The programme “Agrocaritas” has been the main social-economic activity of the Association Caritas Blaj. Within this programme, two major activities are developed: major agricultural land is worked and pigs and sheep are grown for commercial purposes. In September 2003, as a result of the financial accounts and with the purpose of improving the activities in the Romanian-Austrian mixed capital firm “Ecovert” were created in which Caritas Blaj has a participation of 50%. In the year 2004, “Ecovert” was among the companies with significant production of wheat. In the season 2007/2008 “Ecovert” worked 454 ha of fertile land, mainly with wheat, corn, sugar cane. In addition, the company managed also 169 Ha for grazing.

At present the company is in a massive restructuring process due to the need to increase social capital. For 3 years this company has also been subsidised by the Ministry of Agriculture.

In presenting the two models above we wish to draw a contrast between to strategies to support social activities by NGOs: on the one hand, there are units which develop social activities within the unit while still striving for economic sustainability, on the other hand there are units who focus on economic performance in order to support social programmes of the NGO associate in the company. Whom does the future belong to?

To end we will present the situation of the protected workshop, another form of social economy in Romania, of the local organisation in Cluj:

III. The protected workshop “S.C. Candela SRL” - Dej

With the help of Caritas Magdeburg, Germany in 2002 in the locality of Dej, “S.C. Candela SRL” was created having in mind the social reinsertion of people with disabilities, through work. The legislation concerning people with disabilities has evolved through time and the organisation was careful to follow the new developments in order to maximise the benefits to the disabled people assisted in the programme. At present, S:C:Candela SRL was authorised to function as protected unit under the effect of Law 448/2006. A basic requirement of this law is that at least 30% of the employees with an individual work contract be disabled people with a valid certificate of disability. In 2007 the company numbered 12 employees out of which 3 are disabled people.

The main activities developed by the disabled employees are textile production (bed sheets, tablecloths, work uniforms etc.), the production of candles, the creation of some art objects. They are permanently supervised or supported by an employee without a disability.

While developing the activity, the company was the beneficiary of PHARE funds among others. Since economic competitiveness was not one of the initial aims, the company registered losses. In the last years, through more judicious management the losses were downsized and the company hopes to register a small profit in the future. Out of 12 people with disabilities who were hired by the company, 9 were socially reinserted through employment in other companies in the county of Cluj.

The three experiences presented above are relevant to the concept of bridging employment and inclusion through the social economy conceptualised at present in Romania.

2.7. Other experiences of “bridging: between inclusion and employment (local development, minimum income, insertion in the labour market)

We would like to illustrate other experiences with the example of the carpentry workshop “Initio SRL” of Barnova-Iasi with proven capacity to insert teenage orphans into the local labour market through professional training courses. The last generation of graduates had a 100% professional insertion rate within two weeks of graduation, due to the great shortages of carpenters on the Romanian labour market produced by the massive migration abroad.

Relevant experiences for the social economy

Social Enterprise/ Protected workshop	Economic performance (profit)	Social Performance
1.Economic Unit „P. Paulus” Bacova/ Timișoara: agriculture, mill, carpentry	Self-financing production activities, additional support for the social activities and energetic sustainability	Insertion homeless adults/families
2.Carpentry Workshop „Inizio SRL” – Bârnova, Iași	Self-financing production activities, PHARE support for the social activities	Insertion teenage boys and girls from the orphanage
3.Protected Workshop Dej: tailoring, art objects	Negative	Professional insertion for disabled people
4.Economic Unit Blaj	Self-financing	Economic activity meant to fund the social programmes of Caritas Blaj
5.Mill Blaj	Self/financing yearly production activities	Purely economic activity evaluated as lacking potential to support social programs in its present stage
6.Carpentry Workshop Caritas Brezoi	Significant profit for a few years, now decline	Purely economic activity which funds the centre for disabled people
7.Tailoring Workshop, Câmpulung	Profit	Insertion teenage girls from orphanage
8.Fast-food Câmpulung	Profit	Insertion teenage girls from orphanage
9.Mechanical Workshop Satu Mare	Self-financing	Purely economic activity with difficult insertion of a few people with disabilities
10.Bakery Satu Mare	Negative	Purely economic activity with occasional insertion of people with disabilities

3. Conclusions and recommendations

The present report draws attention to the challenges faced by the social economy in accomplishing its role to contribute to the social inclusion of people experiencing extreme poverty. In terms of working concepts, we distinguish in our analysis between social insertion, social integration and social inclusion.

We regard inclusion as the two-way process of involving everyone in society, of making sure all have opportunities to take part in social activities. In its Joint Inclusion Report, the European Union defines social inclusion as “a process whereby individuals gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. It ensures that they have greater participation in decision-making which affects their lives and access to their fundamental rights.” (Joint Inclusion Report in Fremstad, 2005:1).

Integration we hold as a complex concept whose meaning can differ according to the country as well as political and historical circumstances. Generally, integration refers to the broader context of legal access to resources, rights, goods and services, whereas social inclusion includes the individual choice to be part of the community’s social life.

Insertion is a process by which excluded individuals are placed back into a social context, in a social activity, a process which does not, in our view, address efficiently the peril of falling back to exclusion. Our conclusion within the present analysis is that in the case of Romania the policy approach is one oriented towards social insertion. A restructuring of social policies and strategies is needed to put into action the process of social inclusion for the most deprived.

With this conceptualisation in mind, for the present report, we have analysed the processes of social inclusion and the role of the social economy in these processes by employing the Union’s understanding of active inclusion as a three-pillar bridge: minimum income, access to social services and labour market reintegration elaborated on further by Caritas’s Organisations:

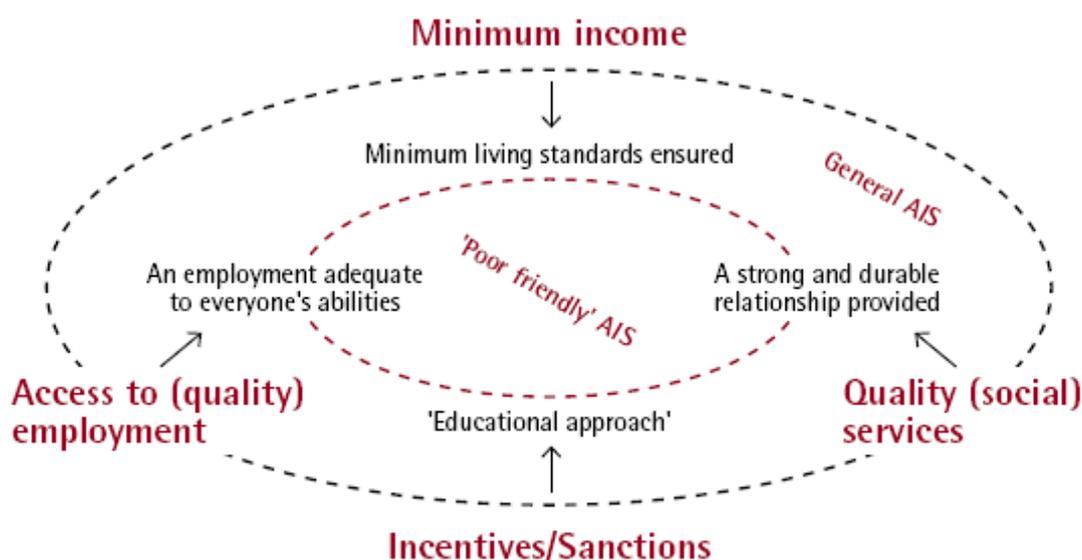


Figure 1. Active Inclusion Strategy and Caritas's contribution

Source:
CONCEPT -The European Social Inclusion Process, Civil Society & the Caritas Contribution.

We start at the top of the circle by considering the minimum living standards ensured. In Romania the state provides through the law 416/2001 a minimum guaranteed income for the most deprived ranging from approx. 49 EUR/month for a family of two individuals up to approx. 100 EUR/month for a family of five. However, in the report we do not focus on the legal provision, deemed totally insufficient for the name 'living standard'. Instead we observe the role of NGOs in providing minimum living means. Romanian NGOs do this usually through granting meals or different products, in general material support, to the most deprived. Concerning the need to ensure a minimum income for excluded groups we note that all local organisations of Caritas are involved, within the existing legal framework, in granting a minimum living support to people experiencing poverty. The analysis evinces that NGOs in Romania have the capacity to play an active role in assembling this particular pillar of the process of active inclusion. The NGOs take issue with the fact that the minimum income is only a life buoy and cannot provide the minimum living standard for an individual to march on to the second pillar. We think that a guaranteed minimum income should be sought at European level, with an amount that would take into account both the poverty risk threshold in the respective country measured by income and the human development factors.

Concerning the next pillar - access to social services - there is agreement that a strong and durable relationship is provided only through quality social services. The question however is how to provide quality social services. The most important conclusion that emerged during the debate of the report within the "Bridges for Inclusion" on our Romanian National Seminar is the need for a legal-normative framework for the relationship between NGOs social services providers and the contracting authority. This requires reform by which instead of subsidizing beneficiaries, the public administration would opt for a contract stipulating payment for services rendered by the NGO. This is considered a *sine qua non* condition in moving from provision of subsistence social services to provision of social services of assessable quality. It is worth mentioning additionally that some of the local organisations of the Romanian partner consider becoming social services providers proper, as an only solution for focusing on quality and span.

The third pillar, labour market reintegration is perhaps the most problematic and must be preceded by an efficient educational phase with incentives and sanctions as illustrated by the case of the Social Enterprise "Inizio SRL" in Barnova, Iași. It is the most problematic pillar due to the low scale labour market reintegration mediation that can be performed by NGOs and social enterprises. Most worrying, is the chronically mismatch between the needs of the people furthest from the labour market and the supply available at the employment agencies, and in general on the labour market. This mismatch is accentuated by the lack of specialised services that would accompany the beneficiary on its path to reinsertion.

In this context, the specialised process implemented by the Social Enterprise "P. Paulus" for the re-inclusion of homeless adults and families is the closest to the ideal type of social inclusion presented above. What needs to be enhanced - and this is an aspect valid for NGOs and social enterprises in Romania alike- is stakeholder participation, i.e. the participation of excluded groups and individuals in the design of programmes and policies that concern them. Here a long process has still to be initiated in Romania which will require considerable educational resources.

The social economy, and in particular social enterprises are thus among those entities best positioned to cover the circular road from ensuring minimum living standards to an employment adequate to everyone's abilities. The social enterprises are better positioned because they address all aspects of social inclusion comprehensively. However, the reality in the field evinces that the

role of social economy cannot be fulfilled under the uncertainty faced by the social enterprises in Romania's contemporary reality.

In the present report we identified two models or rather two strategies to combine economic performance with social performance. On the one hand, there are the social enterprises created by NGOs. These are usually commercial enterprises (SRLs) and sometimes protected workshops that implement social programmes of reinsertion through the economic activities developed in the economic unit. On the other hand, there are those local organisations that started commercial enterprises¹⁵ in which the NGO is associate and which, employing strictly qualified personnel and a judicious management, generate significant profit which is subsequently used to finance the social programmes of the NGO. The conclusion of the present report is that there is a perceived tension between social performance and economic performance or rather economic sustainability. This is one of the reasons for which social enterprises do not envisage partnerships with the corporate sector. It is considered that focusing efforts on profit puts pressure on a partner that aims at social 'performance'.

In this situation, the main problem identified by social enterprises proper is to clinch that market/production niche and that type of relationship that would ensure them sustainability of both the economic and social activities/programmes. For the latter, it is essential for social enterprises to move from a cooperation based on PHARE or structural funds projects to a common work with the public administration within medium term programmes. The public administration is also key in addressing the first matter, that of market niche, through its capacity to develop programmes which would give recognition to the produce of social enterprises as an essential produce to the harmonious development of the local community. Endurance remains indeed the main challenge for the social economy in cementing the bridge from Employment to Inclusion in Romania.

Recommendations

At the EU level

- **We encourage all parties involved in the multilevel governance process of the European Union to acknowledge that employment leads to social reinsertion only and represents only one pillar of the bridge that the most deprived must walk towards social inclusion, in all Member States;**
- We urge the European Union to ensure that all civil society members are involved in the public debates of social policy papers and action plans by pointing out that social NGOs and social enterprises are partners in social dialogue alongside the trade unions and the employers;
- We call upon the European Commission to make sure the best practices gathered from the Member States are translated into European policy and enhanced;
- We recommend the European Commission to encourage governments to put in place improved inter-institutional cooperation mechanisms to avoid discrepancies between the different action plans and worse conflicting social policy measures;

¹⁵ Limited Liability Company -Societate cu Raspundere Limitata or Joint Stock Company – Societate pe Actiuni

At the national level

- **We encourage all parties involved in the national multilevel governance process to acknowledge that employment leads to social reinsertion only and represents only one pillar of the bridge that the most deprived must walk towards social inclusion in Romania;**
- We request the government to reform the current policy by which the beneficiaries of social services are subsidised for a service and replace it with a contracting-out policy whereby the public administration can contract social services providers to supply quality services;
- We call upon the government to improve the practice and mechanisms of public debate of action plans and strategies by ensuring regular renewal of actors involved and a comprehensive participation of all members of civil society (that NGOs are also partners in a social dialogue with the government alongside the trade unions and the employers);
- We urge social NGOs and social enterprises to embark on a process – both motivational and educational – of involvement of the excluded groups, of people experiencing poverty in the design of projects and policies that concern them in order to ensure all stakeholder participation;

At the local level

- **We encourage all parties involved in the local governance process to acknowledge that employment leads to social reinsertion only and represents only one pillar of the bridge that the most deprived must walk towards social inclusion;**
- We encourage the public authorities to move in its relation with the social NGOs and Social Enterprises from cooperation based on projects towards common work in medium and long term programmes;
- We encourage the public authorities to create a framework of permanent and substantial partnership with the civil society organisations, in particular to facilitate conditions for sustainable activities by the local social enterprises;
- We encourage social NGOs and social enterprises to invest in their organisational capacity in order to increase their chances of developing sustainable activities from both economic and social points of view.

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