

THE IMPORTANCE OF COOPERATIVES IN THE ROMANIAN SOCIETY

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In the last years the policy debates around the social economy have increased in Romania. Social economy represents a solution for social inclusion issues. Cooperatives represent border entities based on two components – economic and social. They were marginalized by the economic approaches due to the fact that the main microeconomic principles – the presence of only self-interested individuals and profit-maximisation – has limited applicability to the case of cooperatives. This article aims to present the cooperatives sector in Romania and their role in social economy sector. Starting from the data of a representative research of Romanian cooperatist system, the article investigates the extent to which cooperatives respond to the criteria set up at European level.

Keywords: cooperatives, social economy, social enterprises, hybrid organizations.

In the context of the recent years' global economic crisis, it has been increasingly argued that the state needs to become more actively involved in economy through a stronger regulatory framework for economic activities, so as to avoid possible negative effects over society. The non-profit sector is seen as one of the solutions to the various social problems due to its capacity to create a space dedicated to the development of social and economic forms of organization as an alternative to the traditional ones (Amin et al., 2002; Gidron, 2010). Social economy is part of the nonprofit sector, and it comprises entities that are formally organized and business-oriented (Bidet, 2010). Social economy entities carry out business activities, but their aim is to achieve social objectives, and not to maximize profit. These entities share, as common features, the volunteer involvement of their members, their independence from public or private structures, the democratic governance, the existence of social and economic goals and the limited profit distribution. Such entities are: cooperatives, mutual aid organizations, associations, and foundations.

Market economy evolution involves numerous changes that range from the expansion of businesses from the national to the global/international level to the

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specialized training of human resources, revamping, diversification of production, higher number of competitors, etc. The effects of all these changes over social development were not entirely positive, since social inequalities became more obvious as a consequence of the differentiated access to resources and of market failures. One of the negative effects of these changes is also to be found at the level of the small local producers who, having to compete with large companies, do not have the necessary force to survive on the economic market. A solution to these problems for small producers, as well as for socially-excluded persons or persons facing the risk of exclusion, was their association in order to obtain the economic force required to survive on the market. Ever since the 19th century, the form of association present in the economic lives of most nations was the cooperative, if we are to look at the history of this type of organization. Regarded by numerous economists as representing an alternative form of economic organization, the cooperative managed to impose itself in many fields of activity – industrial production, consumption, agriculture, services – being one of the main instruments in the promotion of local economic development. Cooperatives allow individuals to achieve goals that would have been much more difficult to attain as individual producers, consumers, or workers.

In the socio-economic development process, cooperatives are the economic entities that acquired an increasingly important role, both in developed, and in developing countries. Through their objectives, principles and organizational structure, cooperatives have a major impact on employment, the provision of services and goods in areas with a low development level or in the reinstatement of social wellbeing. The global financial and economic crisis after 2008 has shown that, from among the economic entities present on the market, cooperatives are the ones that efficiently responded to change. They have coped with the new market conditions better than companies held by shareholders and, in many countries, they have entered new niches, such as welfare services or public services. All that, as well as the pressure for new reliable economic growth alternatives, led to an increase of the interest towards these organizations on behalf of international bodies (EU, UN, OECD, ILO). Economic approaches give marginal attention to the role of cooperatives as market economy players partly due to the limited applicability of some of the economic principles in the case of these entities – presence of the individual interest and profit maximization. The impossibility to explain the existence and, sometimes, the development of these entities based on these two major market economy principles imposes the identification of new descriptive paradigms for the cooperatist phenomenon.

The socio-economic duality present in the definition of cooperatives is an important feature of this type of economic entities, aiming at achieving economic goals in order to satisfy their members' needs. This very duality is regarded as the key to the development of these organizations whose "power and strength" are

given by the number of members they have. The relationships between the members of a cooperative are its development “engine” due to the effects they trigger – reduction of information asymmetries, increase of social and human capital, etc. The success and durability of cooperatives on the market rely on their interest in identifying the best solutions to their members’ problems and, implicitly, to those of the communities they come from. Thus, cooperatives can be regarded as an instrument that helps solve communities’ problems.

At a global level, in 1994 the UN appreciated that the means of subsistence of approximately 3 billion people (half of the planet’s population) came from cooperatives (ICA, 2012). According to the International Cooperative Alliance (ICA), the number of cooperatives’ members reaches approximately 1 billion people in the 98 countries where there are affiliates. These figures demonstrate, once more, the important role cooperatives play in the growth process, as a major economic player in employment, and a source for the increase of social capital in communities.

In 2010, European cooperatives employed 4,548,394 people, representing 2.1% of the overall EU workforce (Monzon Campos, Chavez Avila, 2012). Cooperatives active in the field of industry and services include approximately 500,000 companies in EU and in the CECOP-CICOPA-affiliated countries and employ approximately 1.3 million people, most of whom are also members (Roelants et al., CECOP-CICOPA, 2012).

METHODOLOGY

Starting from the concept of social economy, we aim at analyzing Romanian cooperatives from this perspective, so as to observe the extent to which their activity embeds the social enterprises’ features, as set by EMES. The paper aims at reviewing the main evolutions of cooperative-specific economic and social indicators and social economy-related elements (members, social mission, governance, involvement in community development, profit distribution). The study should be construed as an attempt to explore and explain the cooperative phenomenon in Romania and its position in the social economy system. The data analyses mainly rely on handicraft and consumer cooperatives in Romania. The methodology employed in this study, which aims at being a comprehensive one, included secondary data analysis, questionnaire-based survey, case studies, documentary review. The numerous methods and techniques were used in the various stages of our initiative, depending on the type of information we wanted to obtain. Since this field is rather scarcely researched in Romania, the public data on the cooperative sector is rather poor and incomplete because it only concerned cooperatives affiliated to national unions (UCECOM and CENTROCOOP). The research initiative started from the secondary analysis of the data maintained by the

National Institute of Statistics (NIS) on Romanian cooperatives. This data included financial information (data on income and expense, profit and loss, assets), data on the number of employees, their residential and employment areas. The data came from the accounting balance sheets submitted by cooperatives and they helped us to build a general opinion on the evolution of the cooperative sector over the past 10 years (2000–2010). The analysis included all cooperative entities that submitted a balance sheet and appeared in the NIS records. The accuracy of the data is not however the most reliable, since it depends on the cooperatives' fiscal statements. NIS databases were cleaned so that the information contains as few errors as possible.

The purpose of this article is to answer some of the questions related to the cooperative phenomenon in Romania, and not only, which have been the source of current public debates related to the role of social economy entities in social wellbeing. The questions the article answers are: which are the main theoretical approaches of the phenomenon at a global, and especially, at a European level; what was the evolution of the main economic indicators of the cooperative sector over the past 10 years; which is the social impact of the cooperative sector in Romania, materialized in the number of workplaces generated and number of members; to what extent do Romanian cooperatives comply with the social enterprise definition indicators; what are the main challenges cooperative entities face etc.

CONCEPTUAL FRAMEWORK

The main paradigm of the Romanian cooperatives analysis is that of social economy. Social economy is a dynamic, multidimensional framework, including non-profit organizations, mutual funds and cooperatives, entities that are different from both the public, and the private economy sector through certain features, such as the voluntary involvement of members, the concomitant existence of social and economic objectives, democratic governance, the members' involvement in the decision-making process, the limited profit distribution (Defourny, 1988; Defourny and Monzon Campos, 1992). The concept of social economy attempts at stressing both the social, and the economic value of organizations, through the fact that it combines economic and social activities carried out by third sector or communities' entities whose primary objective is to cover society needs (social, environmental, etc) and not to maximize profit (Amin, 2009). Social economy is at the borderline between the third sector, the market, and the state, providing wellbeing in a non-bureaucratic fashion that grants close attention to the needs of the individual and community, thus managing to set a link between the services provided and self-reliance, the development of individual and community capacity and social integration (Amin, 2009; Pearce, 2009).

Cooperatives are regarded as organizations set up through the voluntary involvement of individuals who hold and control them and distribute benefits pro-rata to the use or ownership titles over the services or products (Altman, 2010). Cooperative members are regarded as owners and users of the cooperatives services and products, since they participate in the set up of the share capital, while also being the beneficiaries of their activity. Hence, there is a so-called users' control over the cooperatives' activity because the members, through their participation in the set up of the share capital, are actively involved in their governance, which relies on the principle "One man, one vote" (Zamagni și Zamagni, 2010). The benefits cooperatives can provide may consist of financial incentives resulting from profit distribution, under better work conditions, in the case of production (handicraft) cooperatives, lower services and goods prices (consumer or dwelling cooperatives), a larger variety of goods and services and enhanced quality thereof for the members (such as it is the case of consumer or sale cooperatives), higher goods' sale capacity and access on several markets (farming or sale cooperatives).

Though specialized American literature does not regard cooperatives as belonging to the third sector, the European tradition (Evers and Laville, 2004; Defourny and Nyssens, 2012) places them alongside the other non-profit organizations (associations, foundations, mutual funds) if they correspond to the social economy field, respectively that of the third sector. According to Evers (1995), this type of organizations rely on all three economic activity principles mentioned by Polanyi (1944), and by other authors after him (Granovetter, 1985): *redistribution*, according to which a part of the income/production is transferred, as taxes, to an authority in charge with its distribution towards other population categories; *reciprocity* which supposes the existence of social relations facilitating exchange between individuals, and which, in the case of social economy entities, is quite strong at a community level; and *market*, which includes the goods or services demand and offer based on which their monetary value is set and the exchange is performed. Such third sector organizations are regarded as hybrid entities, because they use different resources and involve different players in their activity. Relying on socio-economic duality, cooperatives are regarded as 'hybrid' organizations, due to the combination of the volunteering and commercial elements. The surplus distribution option does not necessarily deprive cooperatives of their non-profit nature, because it is performed pro-rata to the members' ownership, regardless of the type and quantity of the invested capital.

As compared to private companies, cooperatives are hybrid alternative business entities mainly due to the democratic governance mechanisms (Williamson, 1985; Coase, 1937). Due to this democratic governance principle that underpins the organization of cooperatives, their structure is not a rigid hierarchical one as it is the case with most private companies where a limited number of shareholders

make the decisions (Menard, 2004). The existence of these hierarchies within companies leads to the reduction of their flexibility and can lead to problems related to the personnel and customers motivation mechanisms (Williamson, 1991). Unlike private companies where risks are exclusively undertaken by shareholders, in cooperatives, economic risks are distributed to all members according to their participation in the set up of the share capital of the organization. This risk distribution to all members makes them aware of the importance of their activity and triggers active involvement in the performance thereof. According to the collective action theory, in such cases, individuals may avoid the successful fulfillment of duties, but the control exerted by each member may lead to a situation in which the relationships within the cooperative prevent deviations from the performance of the activity according to the demanded quality standards. One of the reasons of existence of hybrid economic organizations is the market's incapacity to adequately use available resources (Teece and Pisano, 1994). Cooperatives are hybrid economic organizations characterized through problems related to quality control, decision-making decentralization, and the defining of the members' ownership titles (Menard, 2004). In a cooperative, ownership titles are related to the control of the resources held by the organization, the involvement in the decision-making process, the distribution of benefits and the equitable management (Zeuli, 2004).

Such organizations are set up by people belonging to the middle class or people living in relative, not absolute, poverty, in order to achieve economic advantages with a small initial investment (Munkner, 2012; Simmons and Birchall, 2008). Cooperatives are regarded as entrepreneurial initiatives of the middle and lower class leading to the set up of a small business, which allows members to satisfy their social needs (Săulean, 1998).

Certain authors (Restakis, 2010; Zamagni and Zamagni, 2010) regard cooperatives as economic players that contribute to the "humanization of economy" through the labor and commercial relations generated therein, which rely on the principle of solidarity between members, through the principle of democratic governance that grants each member the liberty to express his/her own opinions on the organization and operation of the entity and eliminates bureaucracy and rigid hierarchic organization. Solidarity based on the mutuality principle is institutionalized through cooperatives, which thus also contribute to the development of the share capital amongst its members. The specifics of cooperatives, through which members hold control over activities and decisions, allow them to maintain a certain independence, which triggers higher work productivity and trust in the organization. This can also contribute to higher workplace and life satisfaction among cooperative members. It can be stated that this type of organization is made of people who appreciate liberty as one of the main values.

ROMANIAN COOPERATIVES – RESEARCH DATA ANALYSIS

The Trade Register data available in the 2012 Statistic Yearbook (*Table no. 1*) indicate a relatively small decrease (approximately 8%) in the number of active cooperatives over the past 3 years (2008–2011), i.e. from 1901 to 1766. By comparison, the number of the other economic entities dropped by 26% in the case of joint stock companies, by 20% in the case of limited liability companies and by 43% in the case of companies of the non-cooperative type. A drop can be noticed in the percentage of active cooperatives of the overall registered number, from 91% in 2009 to 86% in 2011, but the percentage still is the highest of all economic entities that had an activity ratio of 20% in 2011 in the case of joint stock companies, 29% for limited liability companies, and 8% for other companies of the non-cooperative type. The analysis of data on active economic entities shows a slight increase of the cooperatives' percentage in the overall number of economic entities, from 0.35% to 0.41%. This is due to a rather relevant decrease in the number of economic operators that suspended their activity due to the financial crisis. Thus, Romanian cooperatives are the economic entities that are more resilient in time of crisis, in line with the European trend (Roelants et al., CECOP-CICOPA, 2012). The features that had a positive impact on the cooperatives' activity during the economic crisis are: the capacity to mobilize members, especially those who also are employees; the capacity to mobilize community members or other stakeholders; the support (professional training, consultancy, financing) of national networks; the development of horizontal collaboration between cooperatives and the set up of consortiums; the existence of a legal framework supporting the cooperative movement (Roelants et al., CECOP-CICOPA, 2012).

In Romania, the cooperative movement has registered a descending trend after the fall of the communist regime, in terms of members, number of employees, production rate, etc. As far as the production rate is concerned, the consumer and handicraft cooperatives now account for 3% of the GDP, as compared to the previous 21%, according to the statements of some representatives of the sector. The transition period brought about changes and structural transformations at the level of cooperatives, too, which had no choice but to adapt to the market economy demands. If the data above was taken from the statistic records of the national cooperatives union, this analysis relies on the information in the NIS REGIS database, which includes the figures in the cooperatives' balance sheets.

According to the National Institute of Statistics information in the REGIS database for 2000–2010, in Romania, there were 2 017 cooperatives in 2010, of which 857 handicraft cooperatives, 958 consumer cooperatives, 75 credit cooperatives, and 127 agricultural cooperatives. In so far as the number of handicraft and consumer cooperatives is concerned, it can be noticed that during 2000–2010 their number remained relatively constant, with slight increases during 2005–2008 (*Table no. 2*). The overall number of cooperative employees reaches 38,164 people, representing approximately 12% as compared to 1992.

Table no. 1

**New and active economic entities in the field of industry, constructions, trade,
and other services per Romanian legal forms**

Year	New and active economic entities in the field of industry, constructions, trade, and other services	Economic entities per legal forms:				
		Autonomous Public Entities	Joint stock companies	Limited liability companies	Other types of non-cooperative companies	Cooperative companies
2008	Economic entities registered with the Trade Register – total	115	33 370	1 287 689	36 310	5 448
	of which:					
	Newly set up economic entities	5	786	100642	2068	51
	Active economic entities – total	115	9 354	517 678	4 928	1 901
	of which:					
	Newly set up economic entities	2	221	80644	259	30
2009	Economic entities registered with the Trade Register – total	116	33 686	1 344 379	34 284	2 051
	of which:					
	Newly set up economic entities	1	316	36 690	10	129
	Active economic entities – total	116	7 462	506 466	3 526	1 871
	of which:					
	Newly set up economic entities	1	177	56 525	297	20
2010	Economic entities registered with the Trade Register – total	106	33 994	1 396 084	34 299	2 038
	of which:					
	Newly set up economic entities	–	308	51 705	15	127
	Active economic entities – total	106	7 055	458 130	2 957	1 832
	of which:					
	Newly set up economic entities	–	199	48 396	243	28
2011	Economic entities registered with the Trade Register – total	98	34 311	1 461 913	34 314	2 047
	of which:					
	Newly set up economic entities	–	109	62 311	14	104
	Active economic entities – total	98	6 900	419 033	2 811	1 766
	of which:					
	Newly set up economic entities	–	105	48 268	229	13

Source: Statistic Yearbook of Romania, 2012, processed, ICCV, 2013.

The review of NIS data reveals (Table no. 2) a drastic decrease in the number of employees during 2000–2010 in the case of consumer and handicraft cooperatives. The decrease was continuous for handicraft cooperatives and represented approximately 70% of the employed workforce (from 78,117 employees in 2000 to 25,109 employees in 2010). The average number of employees in handicraft cooperatives dropped from 98 in 2000 to 29 in 2010. During 2000–2010, a decrease of the number of employees to almost half is also to be found in consumer cooperatives (from 13,402 employees in 2000 to 7,485 employees in 2010). Hence, the average number of employees dropped from 15 in 2000 to 8 in 2010. This decrease in the number of employees is the consequence of the decrease in the cooperatives' business as a consequence of two sets of factors: on the one hand, the ones related to the issues occurred in the process of adaptation to the market economy demands, and, on the other hand, to the lack of legal and institutional support for the activity of this type of entity. The legal, economic and social framework in which the cooperative carries out its activity is important for the fulfillment of the social and economic objectives. Unfortunately, in our country, this framework was unfavorable for the cooperatives' activity, the political environment systematically ignoring this type of organization. In the countries where the involvement of the state was more relevant, for instance in Italy and France, cooperatives saw their activity develop and they became one of the important economic, as well as social players, being regarded as a solution to reduce unemployment. Consumer cooperatives are the ones with the largest number of units in the rural environment (74.2% of the overall number of consumer cooperatives in 2010), this fact being also due to the specifics of their activity and to the fact that, during the communist regime, they mostly operated in the rural area. During the communist regime, most members came from the rural area, consumer cooperatives being the main services provider for the Romanian rural population. Considering that 45% of the Romanian population resides in the rural area, we can say that the number of cooperatives present in the rural area is small. The decrease of the cooperatives' activity strongly affected the population in the rural area, which no longer has access to the services provided by these entities. Moreover, the reduction of the number of employees in consumer cooperatives also influenced rural employment. The evolution of handicraft cooperatives' revenue during 2007–2010 indicates a slight decrease. In the case of consumer cooperatives, there is an income increase during 2005–2009, followed by a decrease in 2010. This may be associated to the effects of the economic crisis over their activity. The specifics of their activity makes them much more vulnerable to the effects of the crisis, the main problem being disloyal competition. The reduction in size of entities registering profit during 2000–2010 is also to be found amongst handicraft cooperatives, from 85% to 56.8%. The income increase during 2000–2007 in handicraft cooperatives was followed by an increase of the declared profit, but not also of the number of units that declared profit. In credit cooperatives, though there is a reduction in number from 191 in 2000

to 75 in 2010, the headcount is not lower, but, quite on the contrary, it is higher, i.e. up to 2,003 from 1,713 people. This decrease of the number of credit cooperatives was the consequence of the compliance with the NBR regulations, which supposed an increase of compulsory reserves, achieved through association or merger. The credit cooperatives' income level increased during 2005–2010, while the percentage of credit cooperatives declaring profit dropped during 2000–2010 from 81% to 59%. As compared to 2009, in 2010, there is an increase in the declared profit and in the percentage of credit cooperatives with profit ranging from 49% to 59%.

Table no. 2

Economic indicators of cooperatives

Handicraft COOP	2000	2005	2007	2009	2010
Handicraft cooperatives	800	771	799	788	857
Rural Handicraft Coop%	0.5%	0.6%	0.9%	0.6%	0.8%
Overall income (EUR thousand)		169 369	184 310	168 993	166 660
Net result for the period – profit (total) (EUR thousand)		6 491	11 585	6 793	6 553
Net result for the period – loss (EUR thousand)		3 056	2 771	6047	5 342
% of Handicraft COOP declaring profit	85.0%	73.0%	69.8%	56.6%	56.8%
Overall no. of employees	78,117	47,457	34,087	25,553	25,109
Average no. of employees	98	62	43	32	29
Consumer COOP	2000	2005	2007	2009	2010
Consumer cooperatives	874	941	927	894	958
Rural Consumer Coop %	76.2%	74.7%	74.3%	74.4%	74.2%
Overall income (EUR thousand)		113 964	127 194	131 439	125 564
Net result for the period – profit (total) (EUR thousand)		1 877	2 279	1 851	1 346
Net result for the period – loss (EUR thousand)		352	596	1 478	1 820
% of Consumer COOP declaring profit	89.0%	83.2%	78.5%	61.3%	55.3%
Overall no. of employees	13,402	11,287	9,124	8,547	7,485
Average no. of employees	15	12	10	9	8
Credit COOP	2000	2005	2007	2009	2010
Credit cooperatives	191	132	93	65	75
Rural Credit Coop %	41.3%	17.4%	12.4%	9.9%	8.3%
Overall income (EUR thousand)		31 220	25 075	29 489	41 137
Net result for the period – profit (total) (EUR thousand)		2 836	1 747	662	1261
% of credit COOP declaring profit	81%	72.7%	65.6%	49.2%	58.7%
Overall no. of employees	1 713	1 456	1 315	1 419	2 003
Average no. of employees	9	11	14	22	27

Source: NIS data, ICCV processing, 2013.

SOCIOLOGIC SURVEY ON CONSUMER AND HANDICRAFT COOPERATIVES

The questionnaire-based survey was performed on a sample of 1,095 cooperatives (of which 491 handicraft cooperatives, 574 consumer cooperatives, and 30 national and county cooperative unions). The sample was of the probabilistic multistage type, stratified per development area and residential environment, representative for the cooperative sector in Romania. The survey was performed based on face-to-face questionnaires, applied through interview operators. The questionnaire-based survey data collection period was September – October 2011. The main directions of the research concerned aspects related to the specifics and activity of cooperative entities (goals, fields of activity, income, profit, customers, promotion of goods and services, employees, business challenges, services and activities offered to members and non-members, membership benefits), as well as social economy elements (members, social mission, governance, community development involvement, profit distribution). The interviews were addressed handicraft and consumer cooperatives representatives and they focused on elements related to the specifics of each type of cooperative, the causes of the various challenges these entities face, governance aspects, profit distribution, the various development strategies adopted. The research sizes were set starting from the nine social enterprise defining indicators set by EMES: deployment of a permanent activity involving the production or trading of goods or services; the undertaking of economic risks; the existence of a minimum number of employees; the presence of a social goal aiming at supporting the community where it carries out its activity or a group of people; its set up is the result of the collective initiative of a group of citizens or civil society organizations; limited profit distribution; autonomy; democratic governance relying on the principle “one man, one vote”; and the involvement of the various stakeholders (users, customers, representatives of other community institutions, etc) in the decision-making process (Defourny and Nyssens, 2012).

Socio-economic duality

Social economy entities' goals represent an important element for their inclusion in this category. They have both economic, and social goals, which is why the field is sometimes not properly understood by economists or political decision-makers. As previously stated, economic objectives intermingle with the social ones within cooperatives. In most cases, these organizations have members and the mutuality principle is largely present in defining the mission and role of these entities.

According to the research data (*Table no. 3*), the main goal of Romanian cooperatives is to obtain economic benefits for their members (68% of the cooperatives appreciate that this is their main goal). Since these entities are regarded as economic entities by political decision-makers, and they sometimes

even define themselves as such, the capitalization of economic goals is a key aspect. Another element to be mentioned is the one related to the motivation of the members' association, which is connected to the achievement of economic or work-related benefits (the guarantee of an income, the workplace quality, the work schedule, flexible work hours, etc). It is to be noted that these economic benefits are for the members, which leads to the mutual nature of the cooperatives' activity. Other important goals for cooperative entities are related to the members' interests representation (50%), the provision of services the community needs (43%), and the improvement of the members' social condition (33%). According to the EMES definition, these are the social goals that should be present in the mission statement of such an organization. The provision of services to persons that do not have access to/cannot afford to pay for them does not range amongst the goals of cooperative entity in the case of 74% of the interviewees. It can be noticed that, even though economic goals prevail, the social ones are also important for cooperative entities, i.e. the provision of services the community needs and the improvement of the members' social condition. All these aspects demonstrate that the criteria related to the existence of economic goals, alongside the social ones in the activity/mission of these organizations are fulfilled.

Table no. 3

The goals of Romanian cooperatives

Organization goal	Main goal	An important goal, but not the prevailing one	Secondary goal	Not an organization goal
obtaining economic benefits for the members	68%	21%	5%	5%
improvement of the members' social condition	33%	42%	15%	10%
provision of services the community needs	43%	30%	13%	14%
provision of services to persons that do not have access to/cannot afford to pay for them	4%	8%	14%	74%
representing the members' interests	50%	30%	12%	9%

Source: Prometheus project data, ICCV processing, 2013.

For the two types of cooperatives that are concerned (handicraft and consumer), the review of data concerning cooperatives shows that the achievement of economic benefits for the members is the main goal for 61% of the consumer cooperatives and for 79% of the handicraft ones. 48% of the consumer cooperatives participating in the survey appreciate that the provision of services the community needs is a main goal. And 38% of the handicraft cooperatives believe that the provision of services for the community is their organization's main goal.

The use of local resources, the members' belonging to a certain community, the pronounced local nature of the activity determine these entities' high interest in ensuring the community's wellbeing and its development. The representation of the members' interests is a main goal for 46% of the consumer and 52% of the handicraft cooperatives. This objective concerns both the economic, and the social interests of the members. If in the case of handicraft cooperatives the members' interests mainly concern workplace security and quality, in the case of consumer cooperatives these are supplemented by the obtaining of goods/services for acceptable prices and with high quality standards.

In so far as the social mission of the Romanian cooperatives is concerned, the analysis of the research data indicates that most organizations believe that their social role is to provide social welfare to their members (54% granted grades of 8, 9 and 10). In so far as the handicraft cooperative is concerned, 12% of the interviewees appreciated that their social role consists of the employment of categories facing exclusion risks (*Table no. 4*).

Table no. 4

Social role of cooperative entities

Grade	Provision of social services			Provision of social welfare to their members			Integration through labor of categories facing exclusion risks		
	Total	Consumer Coop	Handicraft Coop	Total	Consumer Coop	Handicraft Coop	Total	Consumer Coop	Handicraft Coop
1	39%	35%	42%	4%	5%	3%	52%	54%	49%
2	6%	5%	9%	3%	3%	2%	9%	9%	9%
3	7%	8%	6%	5%	6%	2%	8%	8%	8%
4	5%	6%	4%	4%	6%	2%	4%	5%	4%
5	10%	12%	8%	11%	14%	8%	9%	11%	7%
6	5%	6%	5%	9%	9%	8%	4%	4%	5%
7	6%	7%	6%	11%	10%	11%	4%	3%	6%
8	8%	8%	7%	20%	18%	23%	4%	2%	5%
9	6%	5%	7%	15%	12%	17%	3%	2%	4%
10	6%	7%	6%	19%	15%	24%	2%	2%	3%

Source: Prometheus project data, ICCV processing, 2013.

Members

As we have seen from the review of the data provided by the national cooperatives' unions, the number of members dramatically dropped after 1990. An analysis of the evolution of the number of members during 2006–2010 indicates that 58% of the cooperatives registered decreases, 26% maintained their number, and 16% registered increases (*Table no. 5*). Most cooperatives (44%) registered decreases of up to 24 members. 74% of the participating handicraft cooperatives participating in the survey registered decreases in the number of members during

2006–2010, of which 51% had dropdowns of up to 24 people. The percentage of consumer cooperatives reducing their members during 2006–2010 is much lower, representing 46% of the surveyed units. These reductions in the number of members are a consequence of the economic challenges cooperatives faced during this economic crisis period, but they can also represent system exits pursuant to the retirement of some of the employees who also were members or to the mobility of employees-members towards better paid workplaces.

Table no. 5

Evolution of the number of members

Evolution of the number of members 2006–2010	Total cooperatives		Consumer cooperatives		Handicraft cooperatives	
Decrease above 100 members	28	3%	7	1%	19	4%
Decrease between 50 and 99 members	34	3%	9	2%	25	5%
Decrease between 25 and 49 members	90	8%	22	4%	68	14%
Decrease between 1 and 24 members	480	44%	223	39%	249	51%
Constant number of members	289	26%	207	36%	67	14%
Increase between 1 and 24 members	153	14%	89	16%	60	12%
Increase between 25 and 49 members	14	1%	12	2%	2	0.4%
Increase between 50 and 99 members	4	0.4%	3	1%	1	0.2%
Increase above 100 members	3	0.3%	2	0.3%	0	0%

Source: Prometheus project data, ICCV processing, 2013.

For 58% of the cooperatives, membership is subject to various conditions the respective person has to fulfill. Of these, the most important ones are the residential area (25%) and the inclusion in a certain socio-professional category (20%) (Table no. 6). The following were mainly mentioned as “other conditions”: the obligation to contribute to the share capital, the qualification held and the General Assembly’s approval. The analysis of the research data reveals a few significant differences between consumer and handicraft cooperatives, as the former have as a main condition the person’s residential area (40%), while the latter have conditions related to the appurtenance to a certain socio-professional category (32%) or to another cooperative member’s recommendation (22%). An important condition for cooperatives is the one related to the new member’s contribution to the share capital. The specifics of the activity carried out by handicraft cooperatives (mainly the production of goods and services) turns the appurtenance to a certain socio-professional category, i.e. that of workers, into an important condition for the acceptance of new members.

In the case of 56% of the cooperatives, the members are organization employees, as well as other interested parties. Cooperative members are, in the case of 66% of the handicraft cooperatives participating in the survey, organization employees, their defining feature being that they are workers’/employees’ entities. 9% of the handicraft cooperatives stated that none of their members is an

employee. 84% of the consumer cooperatives state that their members are both organization employees and non-employees (*Table no. 7*). The cooperatives' members include persons who belong to several community activity fields – public Institutions (8%), public administration (11%), business environment (18%), non-governmental organizations (1%) or are beneficiaries of the cooperative's activity (62%) (*Table no. 8*). It can be noticed that the wider opening towards members coming from as many community sectors as possible belongs to consumer cooperatives, which, according to the aforementioned features, also have as members customers of the services provided or purchasers of the goods traded within their unit. All these aspects related to the cooperative entities' membership specifics (type of members, their origin, the community Institutions they are part of) are of essence in their characterization, as shown in the definition of the various types of cooperatives, many of them being subjected to hybridization processes, which involved changes in the members' characteristics depending on the challenges they had to cope with. For instance, consumer cooperatives' members also are employees (12% of Romanian consumer cooperatives only have employees as members) though they initially were consumers only, handicraft cooperatives also have members who are not employees (25% in Romania). One of the EMES criteria concerns the very involvement of as many players as possible in the social enterprises' activity, and the research data indicates the fact that Romanian cooperatives actually fulfill it.

Table no. 6

Cooperative membership conditions

Conditions a person has to fulfill in order to become a cooperative member	Total	Consumer cooperatives	Handicraft cooperatives
appurtenance to a certain socio-professional category (employee, retired person etc.)	20%	12%	32%
to reside in a certain area	25%	40%	4%
to be recommended by a member	18%	16%	22%
to be the successor of initial members	11%	13%	8%
other	26%	18%	34%
No conditions required	42%	38%	46%

Source: Prometheus project data, ICCV processing, 2013.

Table no. 7

Cooperative membership – type

Cooperative members are	Total	Consumer cooperatives	Handicraft cooperatives
organization employees only	36%	12%	66%
partly organization employees	56%	84%	25%
no organization employees	7%	3%	9%

Source: Prometheus project data, ICCV processing, 2013.

Table no. 8

Cooperative members' appurtenance

The cooperative members include...	Total	Consumer cooperatives	Handicraft cooperatives
people working in the local public administration (town halls, local councils, county councils) prefect's office etc.)	11%	16%	2%
people working in public Institutions (school, hospital, kindergarten, etc)	8%	12%	2%
people working in the private business environment in the locality/area	18%	21%	12%
people working or volunteering in local or regional NGOs	1%	1%	1%
organization activity's beneficiaries	62%	49%	84%

Source: Prometheus project data, ICCV processing, 2013.

One of the main social entities' defining indicators concerns the organization set up process, which has to be initiated by a group of people with common needs or interests. 80% of the Romanian cooperatives participating in the survey were set up by groups of people sharing the same interests (Table no. 9). This type of association is specific for cooperatives, where the members' involvement is triggered by common interests.

Table no. 9

Cooperative founders

Organization founder	Total	Consumer cooperatives	Handicraft cooperatives
A natural person	3%	1%	5%
A group of people sharing the same interests	80%	82%	82%
A group of people in search for a job	1%	0%	2%
A group of services users or consumers sharing the same interests	2%	2%	1%
One or several cooperatives	12%	11%	9%
A consortium or a federation	1%	2%	1%
One or several public Institutions	0%	0%	1%

Source: Prometheus project data, ICCV processing, 2013.

The cooperative, as an association structure, allows members to jointly contribute with a smaller capital, so as to raise the entire amount required for the organization's operation, and the risks are distributed amongst all members. This participation in the set up of the capital and the undertaking of a risk upon entry makes members much more attached to its activity and triggers higher involvement in the decision-making process.

"The cooperative as an economic structure offers the advantage of accumulating small, insignificant capital contributions from several people. And that is because their small capitals accrued finally lead to the raising of a rather

significant amount. This system involving the joint contribution of members with their own capitals makes them more attached to the company. Thus, they carefully monitor the various ways in which the capital is invested, used, as if it were their own. But we are actually talking about a capital that no longer pertains to them, but to the company” (handicraft cooperative representative).

The quantitative research carried out reveals that the most important reasons for which Romanian cooperatives were set up are: to support economic growth (16%), to employ people (15%), to grant the members the possibility to join resources (14%), the population’s preference to work with cooperatives (11%), the higher trust in cooperatives amongst suppliers (9%), and the support obtained from the communist political regime (8%) (Table no. 10).

Table no. 10

Reasons for the set up of cooperatives

Reasons for the set up of cooperatives	Total	Consumer cooperatives	Handicraft cooperatives
goods and services were not of the desired quality	5%	5%	5%
the prices of goods and services were too high	7%	9%	5%
unavailability of goods and services	6%	7%	6%
to take advantage of new technologies	2%	1%	3%
to employ people	15%	14%	16%
to support economic growth	16%	18%	14%
to help members join resources	14%	10%	18%
the political regime’s support for cooperatives	8%	7%	10%
funding was easy obtainable	3%	2%	3%
low tax level	2%	2%	3%
the population prefers to work with cooperatives	11%	12%	10%
the supplier’s trust in cooperatives was higher	9%	11%	7%
other	1%	1%	1%

Source: Prometheus project data, ICCV processing, 2013.

Activities and services offered to members and non-members

The most important activities/services offered to cooperative members are: the joint performance of merchandise trading activities (33% of the interviewees), the joint performance of works and services activities (21% of the interviewees), and the joint performance of certain production activities (15% of the interviewees) (Table no. 11). The differences between the two types of cooperatives in terms of the activities/services provided to members derive from the specifics of the economic activity carried out. Thus, several handicraft cooperatives believe that the main activities/services offered to members are: the joint performance of production activities (26%) and the joint performance of works and services activities (27%), while 46% of the consumer cooperatives appreciate that the main activity is related to the joint performance of merchandise trading operations.

Table no. 11

Activities and services offered to members

Activities and services offered to members	Total	Consumer cooperatives	Handicraft cooperatives
joint performance of production activities	15%	5%	26%
joint performance of merchandise trading activities	33%	46%	19%
joint performance of works and services activities	21%	14%	27%
joint performance of procurement activities with purchased or produced goods	8%	11%	5%
sale of own or purchased goods	7%	8%	6%
joint use of machinery and equipment	2%	1%	3%
sale of farming goods	1%	2%	0%
building, purchase, preservation, renovation and management of buildings	0%	1%	0%
professional education and training	5%	3%	7%
leisure services	1%	1%	1%
financial services	1%	2%	1%
insurance/reinsurance services	0%	0%	1%
Other	4%	5%	2%

Source: Prometheus project data, ICCV processing, 2012.

Just as in the case of cooperative members, the activities most cooperatives believe they provide to other persons are: the joint performance of merchandise trading activities (32% of the interviewees), the joint performance of works and services activities (22% of the interviewees), the joint performance of production activities (10% of the interviewees) and the sale of own or purchased goods (10% of the interviewees) (Table no. 12).

Table no. 12

Activities and services offered to non-members

Activities and services offered to non-members	Total	Consumer cooperatives	Handicraft cooperatives
joint performance of production activities	10%	4%	19%
joint performance of merchandise trading activities	32%	43%	18%
joint performance of works and services activities	22%	16%	30%
joint performance of procurement activities with purchased or produced goods	7%	9%	4%
sale of own or purchased goods	10%	10%	10%
joint use of machinery	1%	0%	1%
joint sale of farming products	1%	2%	0%
construction, purchase, preservation, renovation and management of buildings	1%	1%	1%
education and training	3%	1%	5%
leisure services	2%	2%	1%
financial services	1%	1%	1%
other	10%	10%	9%

Source: Prometheus project data, ICCV processing, 2013.

Cooperative membership is associated to a series of benefits for the members. In the absence of such benefits, the association of individuals in such organizations is not possible. As rational individuals, the members of a cooperative voluntarily associate only if their involvement generates certain advantages, regardless of their nature. Benefits for the members are: the provision of workplaces (27%), the access to the cooperative's services (22%), the economic benefits resulting from profit distribution (20%), and the access to education and professional training (6%) (*Table no. 13*). Whereas handicraft cooperatives are held by workers, a major advantage also is the possibility offered to members to jointly carry out handicraft activities and thus develop them (17%).

Table no. 13

Cooperative membership benefits

Cooperative membership benefits	Total	Consumer cooperatives	Handicraft cooperatives
development of the members' handicraft activities	9%	1%	17%
provision of workplaces	27%	25%	29%
access to the cooperative's services	22%	27%	16%
facilities in the development of own business activities	4%	5%	2%
ensuring the members' goods retail	4%	5%	3%
provision of raw materials required for good quality production at reasonable prices	2%	2%	2%
technical and material support for the adoption of new technologies (mechanization, planting material, etc.) allowing the transition from traditional to higher output practices	1%	1%	2%
ensures the member's access to retail markets or the expansion of market opportunities	1%	1%	1%
access to lower price goods and services	4%	5%	3%
access to education and professional training	6%	4%	7%
economic advantages from profit distribution	20%	23%	17%

Source: Prometeus project data, ICCV processing, 2013.

Employees

One of the economic indicators used by EMES in defining social enterprises concerns the use of minimum paid workforce. Thus, the dimension related to employment in cooperatives is an extremely important one in the analysis of this type of organization. Social economic entities are regarded as an important player in the settlement of issues related to social inclusion and, especially, to the labor integration of people coming from disadvantaged groups. According to the NIS data, the number of cooperatives' employees drastically dropped over the past two decades. The analysis of the employees' number evolution during 2006–2010 reveals a decrease in the case of 76% of the cooperatives involved in the survey.

The economic crisis also affected the cooperatives' activity, personnel cutoff being a consequence of restructuring. However, an increase in the number of employees in the case of 9% of the cooperatives (Table no. 14). A decrease between 1 and 24 employees occurs in the case of most companies – 59%. In the case of handicraft companies, decreases of more than 100 employees can be noticed in the case of 10% of the surveyed companies mainly due to the restructuring of the activity carried out.

Table no. 14

Evolution of the number of employees

Evolution of the number of employees 2006–2010	Total		Consumer cooperatives		Handicraft cooperatives	
Decrease above 100 employees	72	7%	12	2%	51	10%
Decrease between 50 and 99 employees	37	3%	5	1%	32	7%
Decrease between 25 and 49 employees	78	7%	7	1%	69	14%
Decrease between 1 and 24 employees	650	59%	382	67%	257	52%
The number of employees remained constant	158	14%	109	19%	44	9%
Increase between 1 and 24 employees	91	8%	56	10%	32	7%
Increase between 25 and 49 employees	6	1%	3	1%	3	1%
Increase between 50 and 99 employees	2	0.2%	0	0%	2	0.4%
Increase above 100 employees	1	0.1%	0	0%	1	0.2%

Source: Prometheus project data, ICCV processing, 2013.

Economic activity of cooperatives

The economic size of a social entity's activity is of essence for its definition. The EMES economic indicators concern the provision of a production of goods and services trading activity, the undertaking of economic risks and the use of a minimum paid workforce. These economic indicators are supplemented by the one concerning the limited profit distribution between members. The existence of economic objectives along with the social ones, differentiates social entities from other types of non-profit organizations. Our analysis of the economic size comprises aspects related to the cooperatives' income, the profitability of the activity carried out and the use of profit, the difficulties registered in the performance of the activity, the existence of a quality management system, the goods' promotion services and the use of bank credits.

Starting from the hypothesis that the economic transformations in Romania led to changes in the structure of the cooperatives' activity, the research analyzed the income source. Thus, we started from the two main features of each cooperative type activity, respectively the provision of goods and services in the case of handicraft cooperatives and the provision of services specific to the consumer cooperatives, supplemented by the real estate lease activity, extensively mentioned in the qualitative research. The analysis of the data concerning the types

of income obtained by cooperatives reveals (*Table no. 15*) that approximately 50% of the handicraft cooperatives do not obtain income from production activities, a fact due to a change in the type of activities carried out, as a consequence of market economy challenges. 30% of the cooperatives do not obtain income from real estate leases, but approximately 41% of cooperatives do derive income of up to 50% from real estate lease revenue. This is a survival strategy adopted by cooperatives or sometimes a method to ensure the cash flow required to support their production or services activities. 56% of consumer cooperatives and 48% of handicraft cooperatives obtain up to 50% of their income from real estate leases. 17% of the cooperatives obtain more than 90% of their income from services activities.

Table no. 15

Types of income

Percentage of income obtained from the following business activities	Total	Consumer cooperatives	Handicraft cooperatives
Production activities			
0%	71%	89%	49%
1–25%	6%	3%	9%
26–50%	5%	2%	9%
51–75%	5%	2%	9%
76–90%	5%	2%	10%
91–100%	8%	2%	14%
Real estate leases			
0%	29%	25%	31%
1–25%	35%	45%	25%
26–50%	16%	11%	23%
51–75%	7%	5%	9%
76–90%	5%	5%	5%
91–100%	8%	9%	7%
Services			
0%	37%	37%	32%
1–25%	17%	13%	24%
26–50%	10%	7%	14%
51–75%	9%	7%	11%
76–90%	10%	13%	6%
91–100%	17%	22%	13%

Source: Prometheus project data, ICCV processing, 2013.

Pursuant to the analysis of the types of income that registered increase over the past two years, half of the cooperatives declared that such revenue is the one derived from the business activity, which suggests a slight recovery thereof for this type of entities. The next category of income registering increase is lease-derived revenue

(32%), consumer cooperatives declaring to a higher extent (35% as compared to 28% in the case of handicraft cooperatives) that the weight of this type of income featured an ascending trend (*Table no. 16*). The cooperatives' expectations as to the income that will register increases over the next years concern business activity-derived revenue (54%), followed by lease revenue (28%). It can be noticed that 64% of handicraft cooperatives expect an increase in the weight of revenue derived from the business activities carried out (*Table no. 17*).

Table no. 16

Categories of income registering increases over the past years

Income registering increase over the past 2 years, in percentages	Total	Consumer cooperatives	Handicraft cooperatives
Public funding	0%	1%	0%
Private funding	0%	0%	0%
Business activity	50%	44%	58%
Leases	32%	35%	28%
Financial activities	1%	1%	1%
Members' contributions	3%	2%	2%
Other sources	9%	12%	4%

Source: Prometheus project data, ICCV processing, 2013.

Table no. 17

Categories of income expected to register increases in the years to follow

Weight of income expected to grow in the 2 years to follow	Total	Consumer cooperatives	Handicraft cooperatives
Public funding	2%	3%	1%
Private funding	1%	1%	1%
Business activity	54%	48%	64%
Leases	28%	30%	27%
Financial activities	2%	2%	1%
Members' contributions	5%	4%	3%
Other sources	8%	12%	3%

Source: Prometheus project data, ICCV processing, 2013.

In order to analyze these entities' reliability in economic terms we wanted to see the extent to which they obtained profit at the end of 2010. The accounting financial result for 2010 for cooperatives indicates (*Table no. 18*) that 59% of them obtained higher or lower profit. In so far as consumer cooperatives are concerned, 53% of them obtained small profit, while 6% obtained higher profit. At the same time, 11% of the handicraft cooperatives obtained important profit, while 50% of them registered lower profit. 27% of the cooperatives registered deficit in 2010.

Table no. 18

Accounting financial result for 2010

Accounting financial result for 2010	Total	Consumer cooperatives	Handicraft cooperatives
Significant deficit (below -15%)	11%	10%	11%
Slight deficit (-15/-3%)	16%	16%	15%
Almost null (+/-2%)	14%	14%	12%
Small profit (3/15%)	51%	53%	50%
Significant profit (above 15%)	8%	6%	11%

Source: Prometheus project data, ICCV processing, 2013.

An aspect characteristic to social economy entities is the limited profit distribution. Because of that, the research performed aimed at analyzing the way in which cooperatives obtained profit. This profit was, in more than 31% of the cases, reinvested, but only 11% of the cooperatives declared that it was distributed amongst members depending on the contribution of each one of them to the capital (Table no. 19). 15% of handicraft cooperatives obtaining profit in 2010 distributed it amongst members depending on their contribution to the capital. Within cooperatives, profit is distributed according to Law 1/2005. Thus, according to the law 1/2005, a member can hold no more than 20% of a cooperative entity's shares.

Table no. 19

Use of profit obtained

Use of profit	Total	Consumer cooperatives	Handicraft cooperatives
Reinvested	31%	35%	28%
Capitalized in deposits or other financial instruments	6%	7%	4%
Equally distributed between the cooperative members	5%	6%	6%
Distributed between the cooperative members pro-rata with the contribution of each one of them to the capital/patrimony	11%	8%	15%
Donated/granted as financial support to disfavored members or persons in the community	0%	0%	0%
Other	5%	3%	7%
Did not obtain profit	41%	42%	40%

Source: Prometheus project data, ICCV processing, 2013.

As any economic agents operating on the competition market, cooperatives have to cope with the various challenges in the performance of their activity. The main challenges signaled by cooperatives are related to the high competition in the field (46%), the low public Institutions' support (33%), the lack of liquidities (31%), the lack of retail markets (22%) and the maintenance of the customer database (22%). In so far as the challenges the two types of cooperatives face, several differences can be noticed depending on the specifics of the business

activity carried out by the two types of cooperatives (*Table no. 20*). In the case of consumer cooperatives, these challenges are supplemented by the one related to the informal economy competition (20%). Handicraft cooperatives raised a matter related to the obtaining of raw material for a reasonable price – 25%.

Table no. 20

Main difficulties in the performance of the business activity

Main difficulties	Total			Consumer cooperatives			Handicraft cooperatives		
	Very difficult	Difficult	Not difficult	Very difficult	Difficult	Not difficult	Very difficult	Difficult	Not difficult
maintenance of members' trust	5%	30%	56%	5%	31%	56%	4%	30%	57%
maintenance of the number of members	6%	32%	52%	4%	31%	58%	9%	36%	48%
maintenance of the customer database	22%	50%	21%	21%	48%	24%	24%	55%	17%
obtaining raw material for a reasonable price	21%	38%	31%	18%	38%	34%	25%	39%	27%
attracting professional managers	12%	35%	40%	13%	36%	40%	11%	34%	43%
identifying new leaders	11%	30%	45%	12%	32%	45%	12%	30%	47%
low public institutions support	33%	33%	22%	33%	33%	24%	36%	34%	21%
high competition in the field	46%	36%	10%	53%	33%	9%	41%	43%	10%
informal economy competition	17%	40%	29%	20%	37%	31%	15%	46%	28%
list of retail markets	22%	39%	27%	20%	39%	31%	26%	41%	24%
customers'/population's prejudgments related to cooperatives	12%	35%	41%	15%	35%	40%	10%	37%	44%
lack of new production technologies	16%	38%	34%	17%	33%	39%	15%	44%	31%
lack of liquidities	31%	39%	19%	32%	38%	21%	31%	43%	18%
patrimony maintenance	12%	42%	35%	13%	41%	35%	10%	45%	35%
maintenance of production capacities	13%	37%	38%	10%	34%	44%	15%	43%	33%
maintenance of the qualified workforce	16%	42%	31%	14%	37%	38%	19%	51%	24%
unavailability of personnel able to develop business plans/development projects	15%	42%	29%	18%	38%	33%	13%	49%	27%
access to funding	32%	36%	18%	34%	33%	22%	31%	43%	15%
other	1%	0%	1%	1%	0%	1%	1%	0%	1%

Source: Prometheus project data, ICCV processing, 2013.

The presence of a quality management system is an advantage for many of the economic agents. 11% of cooperatives hold an ISO-certified quality management system (*Table no. 21*). 18% of the handicraft cooperatives stated that they hold a quality management system, as compared to 5% of the consumer cooperatives. This is also due to the fact that production activities mostly belong to handicraft cooperatives. 77% of the surveyed cooperatives do not hold a quality management system, which can sometimes prevent the conclusion of profitable contracts.

The promotion of goods is marketing mix instrument used by 77% of the surveyed cooperatives. The most frequently used goods promotion means are the participation in fairs and exhibitions (13%) and former customers satisfied with the quality of products and recommending them (50%) (*Table no. 22*). This informal products' promotion channel is the most important one, both for consumer, and for handicraft cooperatives. 33% of the cooperatives do not promote their products, but there are significant differences between the types of cooperatives, since the handicraft ones more extensively (80%) use promotion channels as compared to consumer cooperatives (55%).

Table no. 21

Existence of a quality management system

Quality management system	Total	Consumer cooperatives	Handicraft cooperatives
Certified (ISO, etc.)	11%	5%	18%
Pending certification	4%	3%	5%
No certification	8%	8%	8%
Not available	77%	84%	69%

Source: Prometeus project data, ICCV processing, 2013.

Table no. 22

Cooperatives' products promotion means

Promotion means	Total	Consumer cooperatives	Handicraft cooperatives
national level TV spots	1%	0%	1%
local level TV spots	3%	2%	3%
national level radio spots	0%	0%	0%
local level TV spots	3%	2%	3%
door to door campaigns (distribution of leaflets in mail boxes)	3%	2%	4%
leaflets distribution campaigns in public areas	2%	2%	3%
outdoor boards	6%	8%	4%
on-line advertising on the own website	8%	4%	11%
on-line advertising on other websites	6%	3%	8%
participation in fairs and exhibitions	13%	12%	13%
satisfied former customers	50%	57%	45%
other	5%	7%	4%
We do not promote our products	33%	45%	20%

Source: Prometeus project data, ICCV processing, 2013.

Cooperatives do not extensively resort to bank credits to develop their activity, only 29% of the interviewees declaring that they use this alternative. Those who used bank credits did that in order to expand their economic activity (38%), to overcome a crisis situation (26%) or to modernize their business (26%) (*Table no. 23*). Consumer cooperatives resorting to bank credits more extensively stated that they did that to expand their business (43%).

Table no. 23

Use of bank credits in the cooperatives' activity

Use of bank credits	Total	Consumer cooperatives	Handicraft cooperatives
business expansion	38%	43%	33%
overcoming crisis situations	26%	24%	28%
purchase of lands/buildings	4%	0%	7%
business modernization	26%	27%	24%
other reasons	6%	5%	8%
No	71%	74%	70%

Source: Prometheus project data, ICCV processing, 2013.

For the development of the business activity of cooperatives, both training (of employees, as well as of management bodies' members), and interaction with other cooperatives are of relevance. Thus, 31% of the surveyed cooperatives appreciate that the employees' training is of essence for the development of the organization's business, followed by management members' training (28%) and interaction with similar organizations (28%).

CONCLUSIONS

Starting from the EMES indicators (Defourny and Nyssens, 2012), we have stressed in the data analysis, the extent to which Romanian companies respond to these requirements. Thus, the indicators concerning the economic size of cooperatives are fulfilled by Romanian organizations because they have permanent business activity carried out on a competitive market, being regarded as small and medium enterprises and do not benefit from tax facilities or other specific state support by virtue of their standing and features. They use paid labor force, even if the number thereof is constantly decreasing, according to NIS records. In so far as the social dimension indicators are concerned, Romanian cooperatives are compliant because they are set up by groups of persons sharing the same interests, according to the research data, and, according to the law governing their operation (law 1/2005), the profit is restrictively distributed between members if actually distributed, because, the sociologic survey revealed that in 31% of the cases it was

reinvested, and one of the main cooperative principles is special interest in the community's development. If we review the objectives declared by Romanian cooperatives, the ones concerning the provision of services the community needs and the enhancement for the members' social condition are regarded as rather important. The research data reveals that Romanian cooperatives also comply with the participative dimension indicators. Thus, according to the law, important decisions are adopted by the general assembly that relies on the principle "one man, one vote"; they also accept other community stakeholders amongst their members or involve them in their activities, and they are autonomous structures. Pursuant to the analysis of all these aspects revealed by the undertaken survey, we can say that these organizations very much comply with the social enterprise definition, despite their predominant economic activity.

Just as in other countries, Romania also witnesses a cooperatives' hybridization process, materialized through the combination of the various institutional forms into a new structure, due to the need to harmonize social and economic goals, in the context of the permanent changes of the socio-economic environment in which they carry out their activity. The most obvious hybridization processes in Romania are the ones registered in the case of consumer cooperatives where employees also hold the capacity of members. Another hybridization process in the case of consumer cooperatives is the presence of goods production activities.

A great challenge for this research was the identification of the main difficulties that triggered the decrease of the cooperative entities' activities, materialized in a lower number of employees and members. The diagnosis performed on the Romanian cooperative sector in Romania indicates problems concerning: the public policies regulating the activity of these organizations; the various economic aspects, both in terms of the cooperatives' activity, and in terms of society as a whole; organizational culture and identity; the management of these organizations; their perception amongst various social stakeholders.

The fall of communism and the transition period that characterized Romania after the 1990s mark a structural change in the cooperative system, materialized in the redefinition of their role in society, the reorganization of goods production and services provision activities, the redefinition of the goods and services offer, changes in the goods' sale or purchase system, the identification of new production retail markets, revamping, the adoption of new quality management systems, the development of new skills for employees, etc. One of the challenges cooperatives faced in the first four years after the fall of the communist regime was the one related to the lack of orders from industrial companies (traditional customers during the communist period, especially for handicraft cooperatives) and their failure to pay for the products manufactured for them during 1989–1992. These aspects affected the entire Romanian economy of the first years after the 1990s in

the context of the fall of the external markets, as well as of the governors' lack of economic vision. The need to identify new retail markets for the products and the changes occurred in the Romanian population's consumption behavior forced cooperatives to change and enhance the range of products and services and to revamp the production capacities. These activities can be noticed pursuant to the analysis of the cooperatives' main business activities, which reduced their industrial production operations (from 31% of the cooperatives in 2000 to 27% in 2010) and they increased trade and real estate transaction operations. The quantitative research data carried out within Prometeus project indicates a percentage of 33% of the handicraft cooperatives stating that 50% of their revenue comes from production activities, 27% of them state that they obtain more than 50% of their revenue from the provision of services, and 23% of them state that half of their income comes from real estate lease.

For consumer cooperatives, the disloyal competition of other trade and products purchase companies in the rural environment represented the most severe challenge they faced upon the transition to market economy. This led to a decrease in the number of consumer cooperatives and to the waiver of the direct purchase of products from the rural environment. The extensive inflation periods and the introduction of VAT for products were the causes for the decline of these cooperatives' business.

It should be mentioned that, over the past 3 years, we have witnessed the timid occurrence of a new generation of cooperatives, set up in order to facilitate the labor market integration of certain categories of disadvantaged persons (Roma ethnicity, women from the rural environment, disadvantaged people). These new types of cooperatives are strongly supported through European funds, but in the absence of a coherent public policy framework in the field of social economy it is hard to forecast how sustainable they are going to be.

After 1989, Romanian cooperatives went through an "identity crisis" marked by the transition from "state and cooperative" ownership to market economy, which led these organizations from a clear and well shaped identity to a marginal organizational identity, incompliant with the "spirit of the times". During the communist regime, the cooperatives' activity was coordinated by the Cooperative Headquarters, a public institution that controlled and coordinated the activity of this type of economic entities. The chairman of this central institution held a high official position (state secretary minister). The economic and financial activity of cooperatives was very carefully planned and monitored by this central institution, which also approved the investment plans thereof and ensured the retail of products for export, and even at a national level, if required. The roles of this central institution gradually disappeared after the fall of the communist regime because they could no longer be fulfilled at the same level by the newly created structures, UCECOM or CENTROCOOP. The traditional retail markets in former communist

countries started to focus on other types of products, it was more difficult to control the activity of independent private entities, they could no longer coordinate the cooperatives' entities since they could no longer offer economic or tax facilities. The organizational identity crisis was accompanied by the drastic reduction of the number of members. The number of members of 2010, in the case of consumer cooperatives reached 4% of the one in 1989, though the decrease in the number of cooperatives was less relevant – by 60%, from 2 580 units in 1989 to 958 in 2010. We are witnessing a dramatic drop in the number of members and units of consumer cooperatives in the context of the transition to the economy market and of the lack of state support. There also is a drastic decrease in the number of members in handicraft cooperatives, by 86% as compared to 1989, which, however, occurs in the context of the doubling of the number of cooperative entities after 1989. The number of handicraft cooperatives increased during 1989–1998 (from 562 to 1 143 in 1998), followed by a slight decrease during 1999–2004 (from 1 073 to 820). After the issue of law 1/2005, the number of handicraft cooperatives slightly increased, reaching 857 in 2010, according to the records of the National Institute for Statistics. After 1989, we cannot speak about the set up of new cooperatives, but about a reorganization through the division of the communist regime ones. One of the possible effects of this division was the weakening of their production capacities, on the one hand, and the drastic reduction thereof, on the other hand. But this was also a survival strategy, by maintaining those parts of the cooperative that work, and transferring them to other cooperatives so that they are not affected by the various financial problems of the “mother” organization.

Another problematic aspect for Romanian cooperatives is related to the way they define themselves in organizational terms, perceiving themselves as economic agents who only have to defend their members' interests. The data of the research carried out within the project reveals the following aspects concerning the perception on the main objectives of cooperative organizations: the main objective of Romanian cooperatives is to obtain economic benefits for its members (68% of the cooperatives appreciate that this is their main objective), other important objectives for cooperative entities concern the representation of the members' interests (50%), the provision of services the communities need (43%) and the improvement of the members' social condition (33%). As stated in the incipient section, we are dealing with a model of cooperative entities relying on mutuality, considering their focus on the promotion of the members' interests, the most important being the economic ones.

A special matter is the democratic, cooperative-specific system, relying on the decision-making model “one man, one vote”. The differing interests of the members lead to the impossibility to adopt decisions that favor investments and not the distribution of profit among them. There are voices claiming that a decision-making system relying on the capital held within the cooperative entity would be

more efficient, but it would essentially affect the specifics of the cooperatives and their long tradition.

Subsidiarily, cooperatives face greater image issues, because they are associated to communist organizations. All these economic problems are supplemented by the image ones the cooperative system had to face. The cooperative, regardless of its nature (consumer, handicraft, agricultural, credit), was perceived as a communist form of organization. This is mainly due to agricultural cooperatives, which involved the forced collectivization of farming lands during the incipient years of the communist regime. It is to be noted that, during the communist regime, the economic system included state-owned companies and cooperatives. Based on these population stereotypes and in combination with the economic problems they had to face, cooperatives preferred to maintain a “marginal place” in the Romanian society and economy. Cooperative representatives believe that these population stereotypes had as a long-term impact the lack of interest on behalf of decision-makers towards the interests and needs of the cooperative and the failure to include these entities in the various non-reimbursable funding programs (Petrescu, 2011; Cace et al., 2010). Another consequence of these stereotypes was the exclusion from the economic schools’ curricula of training courses dedicated to the cooperative system. This led to an accentuated decrease of the understanding level of this type of economic organization.

Regarded as institutions belonging to the former system, they were faced with the need to find a new identity and reformulate the cooperative system so as to respond the demands of a market economy. Decision-makers granted marginal attention to these entities regarded as “relics of the old regime”. As a best case scenario, they were associated to small and medium enterprises, but they were most often completely ignored.

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In ultimii ani, dezbateră publică referitoare la economia socială a luat amploare în România. Economia socială reprezintă o soluție pentru incluziunea socială a persoanelor vulnerabile. Cooperativele se află la granița dintre economic și social, fiind marginalizate de abordările economice datorită faptului că principalele principii ale microeconomiei – prezența interesului individual și maximizarea profitului – au o aplicabilitate limitată. Acest articol își propune să prezinte sectorul cooperației din România și rolul acestuia în cadrul economiei sociale. Plecând de la datele unei anchete sociologice reprezentative pentru sectorul cooperatist din România, articolul explorează în ce măsură răspund cooperativele din țara noastră la criteriile de definiție a întreprinderii sociale formulate la nivel european.

Cuvinte-cheie: cooperative, economie socială, întreprinderi sociale, organizații hibride.

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