

The future of Social Economy organizations in former communist countries from CEE region

Social economy organizations are influenced by the institutional setting in which they operate to the point that, it determines their nature and the role they play in the society (Borzaga and Spear, 2004; Borzaga and Tortia, 2007; Defourny, Develtere and Fonteneau, 1999; Defourny and Nyssens, 2012; Nyssens, 2006; Zamagni and Zamagni, 2010; Restakis, 2010). They are given social and economic significance based on the political culture in which they develop and on the more or less biased support they get from national and regional public policies. These public policies, as tools that different governments use in their attempt to respond to various social, economic, cultural and environmental challenges, are strongly dependent on key theoretical paradigms that prevail at a given time. Hence, the market fundamentalism that has shaped economic policies worldwide since the 1980s has intensely promoted a dichotomous state–market model where the state plays an increasingly small part in public service provision and market exchanges are limited to profit-driven economic activities (Hansmann, 1996; Jackson, 2009; Rodrik 2011; Stiglitz 2009;). This model – mostly promoted in Anglo-Saxon countries – has pervaded former communist countries since 1990, leading to harsh decisions in terms of privatization, public service provision and welfare systems.

In order to understand the present situation of social economy organizations in former communist countries from CEE region and strategise about their future, we have to keep in mind some historical event that shaped (led to) the present situation of social economy organizations in CEE region. We have a sequence of political and policy interventions that generated a path dependence effect, leading to the present situation of social economy organizations, strongly influencing policy choices and decisions.

In the early 1990s, Central and Eastern Europe was governed by a neoliberal vision of the envisaged economic and social changes with an emphasis on the strategy known as “shock therapy” strongly advocated by Western governments and international financial institutions. The “shock therapy” was centered on the idea that macroeconomic stability could be achieved through rapid privatization of state-owned enterprises and restructuring the budget priorities. In Romania, much as in every other Central and Eastern European country, social economy organizations were treated as almost nonexistent in this “capitalism by design” (Stark and Bruszt, 1998). But before the “capitalism by design” the countries from CEE region went to another historical event market by the domination of the communist system intalled in the region after 1948. In a way this was also a design imposed by external political forces, a “socialism by design”.

In both “designs” the situation of social economy organizations have been difficult. In communism the social economy organizations survived having some core

characteristics (free membership, independent governance) alienated in order to better fit the ideology of the communist regime. In the capitalism restored after 1989, the social economy organizations become irrelevant for the new ultra liberal ideology, placed at the margin of the welfare and economic system.

In the past decades, the landscape of the Welfare State has witnessed dramatic changes worldwide, marked by governments' increasing incapacity to cope with multiple social pressures in a difficult socioeconomic context.

Many studies indicate that CEE countries hold distinctive welfare characteristics based on their common historical, institutional and socioeconomic past. However, we have to understand that the CEE region is not entirely homogenous, and there are differences between the countries of the region. In a comparative study on European social policies, conducted by Golinowska et.al. (2009) and which also includes CEE countries, the authors state that, in this case, we can talk about a specific welfare model based on commonalities resulting from the communist past and similar transition challenges related to democracy and market economy development. The authors identify a series of characteristics for this welfare model which are specific to former communist countries: a return to the Bismarkian social insurance system established before the Second World War; high take-up of social security; drastic social security reform within a short period of time; great influence of foreign experts and organisations in policy design; important issues related to unemployment and labour migration; accelerated demographic transformation; weakness of the associative sector and civil society organisations in general; high level of corruption; increasing inequalities and social exclusion. Other authors have specifically emphasized the weakness of civil society and the low level of trust in state institutions (Ferge, 2001).

In countries from the CEE region we witnessed a rapid evolution of the social economy sector, more accelerated after the EU integration process. New framework laws on various social economy organizations, new institutional structures dedicated to the management of different development funds dedicated to social economy, the development of networks and support centers. Still, in spite of the public debates and interest of policy makers and third sector representatives, social economy organizations are still little understood and marginally supported by the public authorities. The evolution of social economy organizations in CEE countries is shaped by a plurality of factors, both endogenous (as community engagement driven by unmet needs) and externally driven (EU funding schemes, privatization). The main public financial support for social economy organizations is coming from European Social Fund (ESF) sources, with a limited focus on supporting start-up programs for WISEs. Social economy organizations are seen almost exclusively as vehicles for work integration of vulnerable groups, ignoring the potential of these organizations as general interest services providers, innovative partners for public organizations in various policy areas.

The development of social economy organizations in CEE countries is very much linked with the evolutions of factors as: 1) the governmental capacity to address and respond to old and new social needs; 2) the profile of civil society; 3) the degree of institutionalization of social economy organizations and the level of integration within

the public welfare system; 4) contextual enabling factors favouring the development of social economy organizations (administrative and fiscal decentralization, privatization and externalization of services, favourable procurement reform, good management of EU funds).