

RETIREMENT MUTUAL AID ASSOCIATIONS – ACTORS IN SOCIAL INCLUSION¹

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One of the beneficiary categories of the social security systems is represented by the elderly/retired, who contributed to the state budget during their active period. For these categories of people, social policies must fulfil two roles, namely: the redistributive role and the non-discriminatory role (Titmuss, 1963). According to Titmuss, the redistributive role is divided into three sub-roles/processes, namely: social welfare (the social services), fiscal welfare (welfare distributed through the tax system – state pension), and occupational welfare (welfare distributed by industry as part of employment – health insurance, social services provided to employees). This paper aims to present the activity of Romanian retirement mutual aid associations (CARP), focusing on the social inclusion aspect that these entities provide to their members. The data presented are the results of the Prometheus project – promoting social economy in Romania through research, innovation and training at European standards, financed by the European Social Fund.

Keywords: pension, social security, elderly, mutual aid associations.

INTRODUCTION

The end of World War II was a turning point in terms of social policies, considering the consequences after the battles fought by the warring camps. The destruction caused by the war plus the tens of millions of lost human lives generated a situation that would cause long-term consequences: demographic imbalance compared to the damage caused by battles and to the orientation of industries to manufacturing the machines and components needed during the conflagration. The need for social policies became stringent because, to a large extent, the victims were males, both combatant and civilian, and the manpower available at that time consisted mainly of women. Restoring economic structures generated two phenomena, namely industrialisation and urbanisation, which entailed changes in the family and the community. In this context, measures were

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introduced to develop and expand the social security systems, which in Europe were represented by the Bismarckian system (introduced in Germany through successive expansion of the insurance system for workers, by establishing health insurance in 1883, insurance against accidents at work in 1884, and old age and disability insurance in 1999), and by the Beveridgian system (the Beveridge plan for social security was introduced in 1942). The result is the emergence of complex social security systems, able to provide services or benefits both to people contributing to these systems (taxpayers) and to those outside these systems.

One of the beneficiary categories of these social security systems is represented by the elderly/retired, except that these people contributed during their active period (the period when they worked and, implicitly, paid contributions), and now they are “retired” – old people who cannot work anymore. For these categories of people, social policies must fulfil two roles, namely: the redistributive role and the non-discriminatory role (Titmuss, 1963). According to Titmuss, the redistributive role is divided into three sub-roles/processes, namely: social welfare (the social services), fiscal welfare (welfare distributed through the tax system – state pension), and occupational welfare (welfare distributed by industry as part of employment – health insurance, social services provided to employees). As far as the Romanian system is concerned, the fiscal welfare and the occupational welfare can be defined by the concept of “state pension”.

Since the public social protection systems have failed to provide a satisfactory quality of life for the elderly, especially in terms of income, and the social and financial services for these people are underdeveloped, retirement mutual organisations are the ones that cover these needs.

This paper aims to present the activity of Romanian retirement mutual aid associations (*CARP*), focusing on the social inclusion aspect that these entities provide to their members. The data presented are the results of the *Prometheus* project – promoting social economy in Romania through research, innovation and training at European standards, financed by the European Social Fund.

ROMANIAN RETIREMENT MUTUAL AID ASSOCIATIONS

Mutual aid organisations exist in Romania since the beginning of the 18th century (Fraternal storage crates – in 1722 in Reșița, in 1890 – Saschiz), and their purpose was to keep the money of guilds and help the craftsmen who were part of “fraternities” for various events in their lives: marriage, baptism, death or danger (fire, epidemics, floods). Legislative changes led to the adoption of the term “mutual aid” and of the mutualist principles (one man – one vote, limited distribution of profits, autonomy of decision, participative management, social purpose), which marked the evolution of mutual aid associations existing today.

Facilitating the members’ access to capital, to the services offered to them, fighting financial exclusion of persons at risk (the elderly) are the objectives of any Romanian retirement mutual aid association. The connection between *CARP* and

social inclusion becomes obvious due to its activities and to the changes it generates in the community, locally, by supporting its members and satisfying their needs.

In our analyses, we used data from the National Institute of Statistics concerning the CARPs which submitted tax documents at the end of 2010. The sample was made up of 193 CARPs, which were considered active (they submitted balance sheets to the Ministry of Finance). The evolution of CARPs, as shown in *Table 1*, indicates developments both in the number of organisations and in their revenue or number of employees. We analysed aspects related to the number of entities, total income and income from economic activities (expressed in euros), the net result of the previous financial year and the number of employees in these structures. The analysis shows that CARPs had an ascending evolution, but a slow growth: in 2000 there were 133 active retirement mutual aid associations, whereas a decade later there were 203, 53% more. At the same time, the total personnel of these associations suffered no significant changes; the numerical increase was followed by significant decrease. The table shows an apparently paradoxical situation: although the number of CARPs increased, a decade later there was the same number of employees, which leads to the idea that the personnel was adjusted as needed, not according to the size of the organisation. The income from economic activities, other than loans, is small, representing 5–9% throughout the analysed period, which proves that the very purpose of CARPs is to help their members to the detriment of making profits/surplus value at any cost (*Table 1*).

Table 1

Romanian Retirement Mutual Aid Associations (CARP)

Year	2000	2005	2007	2009	2010
CARPs	133	170	178	193	203
% Rural CARPs	6.8%	7.1%	7.0%	7.3%	6.9%
Total income (EURO), of which:	1 961 538	13 938 094	19 105 912	25 475 246	18 127 616
Income from economic activities	175 636	792 476	965 429	1 493 978	834 836
% Income from economic activities	9%	6%	5%	6%	5%
Net result of the year – surplus (EUR)	323 526.22	3 269 411	3 386 367	6 807 551	3 171 173
Net result of the year – deficit	2006.2222	90 142	102 261	227 172	529 257
% CARPs with the net result of the year – surplus	91%	87.1%	88.7%	88.6%	60.1%
Total Personnel	1 306	2 055	2 219	1 959	1 306

Source: INS data, processed by ICCV and UB, 2014.

The economic crisis which Romania is going through since 2008 has produced its effects also on these organisations, as evidenced by the decreased revenues of these entities in 2010, and by their deficit which doubled, compared to the previous

year. This deficit is explainable considering the increased rate of non-performing loans; many members found themselves in the position of not being able to pay back their loans and faced foreclosure. The percentage of retirement mutual aid associations who reported surplus continued to decrease in the analysed period, from 91% in 2000 to 60.1% in 2010, when Romania was in full economic crisis.

RETIREMENT MUTUAL AID ASSOCIATIONS AND THEIR ROLE IN SOCIAL INCLUSION

Social inclusion stands for all measures and actions taken in order to ensure participation in the society of all individuals, regardless of their origin or specific characteristics, which may include: race, language, culture, gender, disability, social status, age and other factors. The primary purpose of inclusion is to fight discrimination and social exclusion, and thus to observe the rights of all individuals and groups in a society, accepting diversity. An inclusive society is, by definition, characterised by respect for everyone's identity and a reasonable balance between the rights and obligations of individuals and of the society as a whole.

As for the elderly, social inclusion is closely related to the concept of active aging, access to goods and/or services, including leisure facilities, and housing quality. An important role in the explanation of the active aging concept is held by financial inclusion, which involves easy access to financial instruments for every person, regardless of age, religion, ethnicity, etc.

Improving the social standing of their members is the main objective of CARPs, as declared by 56% of the representatives of these entities (*Table 2*).

Table 2

The goal of your organization is ...?

Organization	The goal of your organization is ...				
	Obtain economic benefits for members	To improve the social situation of members	Provision of necessary services for community	The provision of services access for people who have not/cannot pay their services	Representation of members' interests
Cooperatives	68%	33%	43%	4%	50%
Commons	62%	23%	16%	4%	72%
Agricultural associations	46%	28%	35%	10%	70%
Mutual help organizations of employees	36%	51%	10%	5%	42%
Mutual help organizations of pensioners	34%	56%	20%	5%	53%

Source: Prometheus project data, processed by ICCV and UB, 2014.

We should specify that, in accordance with the applicable legislation in the field (Law 502/2004 and Law 540/2002, alongside the regulations of the National Bank of Romania), retirement mutual aid associations may provide social services to their members. These services cover: 1) the medical side – there are medical practices specialised in gerontology, dentistry, medical imaging, ophthalmology, 2) the social side – there are low-cost shops where members can purchase basic products at factory prices or subsidised prices (bread, sugar, oil, etc.), 3) the relational side – each CARP provides a space for its members where they can organise clubs, thus providing leisure facilities for its members to spend time with people of the same age, who share the same interests and have similar problems.

CARPs play the role of inclusion agents, due to the services that they provide for their members. The activity of a retirement mutual aid association is based on two directions – grant loans and provide services. The lending activity gives (elderly) members access to financial resources regardless of their age, in order to satisfy their needs. Financial inclusion of members is achieved this way, considering that the main condition required by any commercial bank for a loan is to be legally employed. In this case, the elderly are excluded from access to classic loans/financial services, and their only opportunity is to access the services offered by CARPs.

The second component of CARPs' activity is the provision of services to their members. Depending on the organisation's size (number of members), the range of services provided by the organisation covers the needs of its members: health care, social services, leisure facilities, etc. The access to these services is guaranteed by the membership of such a mutual aid association, thus ensuring social inclusion of the members.

CONCLUSIONS

The Romanian social policies suffered and still suffer changes to adapt to both European standards and the Romanian reality. The inconsistency of these policies has often generated pressure on the public system, which meant allocation of resources to meet stringent needs, oriented towards benefits (payments), and not towards services. According to ANPIS database, in September 2014 a number of 236,183 people were in charge only for minimum guaranteed income, in a total amount of 54,305,506 lei and, in the same period, for 3,613,557 children, the payment of state allowance for children was in amount of 206,984,592 lei (National Agency for Payments and Social Inspection – ANPIS). Old age is a constant issue nowadays, both in the European Union and in Romania; population aging is a major factor that must be taken into account. In a few decades, Romania will face a true systemic crisis, given that the so-called “generations of the decree” have not yet reached retirement age (people born before 1989, when abortions were prohibited).

As Titmuss stated, social policies must fulfil two roles: a redistributive role and a non-discriminatory role (Titmuss, 1963). Since the resources of the State are

limited and the number of retired people is increasing, the redistributive role is endangered: the existing budget cannot provide a decent living to the beneficiaries, and their access to goods and services becomes increasingly difficult. Retirement mutual aid associations respond to these problems by providing members access to financial services and social services, offering interest below the market limit and subsidised prices for basic goods and for the services provided to their members. As far as the quality of life for the elderly is concerned, the components of this concept are positively influenced by membership of a CARP, considering the activity carried out by this type of organisation.

CARPs contribute to increasing the quality of life for the elderly. According to social gerontology theories that analyse the impact of socio-economic, political and cultural factors on the aging process (especially in terms of status and welfare of the elderly) (Hooyman and Kiyak, 2008), the elderly face a series of specific aging-related problems, such as deteriorating health, role changes and labour market exit which entails, in some cases, lower income and fewer social interactions or changes in the social role and lifestyle (Hooyman and Kiyak, 2008; Lambu, 2013). The quality of life for the elderly has an objective dimension which includes external variables (level of income and expenses, family support, access to services, quality of housing, etc.), and a subjective one, since assessments are made based on the elderly's perceptions of the various elements of their environment. The quality of life for the elderly is influenced by emotional, cognitive, physiological, economic and interpersonal factors (Hooyman and Kiyak, 2008). They are considered "stress factors" (low income, widowhood, illness, etc.) which, together with the resources provided by the environment in which the person lives (economic resources, family support, social relations in the community, friends, etc.), determine the quality of life for the elderly (Hooyman and Kiyak, 2008; Xavier *et al.*, 2003). In order to overcome these "stress factors", the Romanian mutual-type associative structures for the elderly are a solution due to the social and financial services they provide to retired people.

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Una dintre principalele categorii beneficiare ale sistemelor de securitate socială este reprezentată de persoanele în vârstă sau pensionate, care au contribuit la bugetul de stat de-a lungul perioadei lor active. Pentru aceste categorii de persoane politicile sociale trebuie să îndeplinescă două roluri, și anume: rolul redistributiv și rolul nondiscriminatoriu (Timuss, 1963). În viziunea lui Timuss, rolul redistributiv este împărțit în trei sub-roluri/procese, anume: bunăstarea socială (serviciile sociale), bunăstarea fiscală (bunăstarea distribuită de sistemul de taxe – pensia de stat) și bunăstarea ocupațională (bunăstare distribuită de către industrie ca parte a angajării – asigurări de sănătate, servicii sociale oferite angajaților). Această lucrare are ca scop prezentarea activității asociațiilor de întrajutorare mutuală din România (CARP), centrându-se pe aspectele incluziunii sociale pe care aceste entități le oferă membrilor. Datele prezentate sunt rezultate ale proiectului Prometeus – promovarea economiei sociale în România prin cercetare, inovare și pregătire la standarde europene, finanțat de Fondul Social European.

Cuvinte-cheie: pensie, securitate socială, persoane vârstnice, asociația de întrajutorare mutuală.

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