

Is Romania Ready for Cooperative Structures? Romania – Italy Comparative Study.

Maria Claudia Preda (Diaconeasa)
The Bucharest University of Economic Studies
maria_preda1990@yahoo.com

Abstract

The new European and global policy emphasis on creation and developing cooperative structures in the agricultural sector as the best way to overcome the gaps between rural and urban. While northern countries talk about the reforming of the cooperative system and introducing new management models for it, in south Europe the system still has great social and economic results. There are still countries, like Romania, where the system had to be started over many times in the last century, which led to today 'situation when the cooperative system is almost inexistent.

The paper aims to analyze how much the Romanian rural area is prepared to integrate into its way of functioning a cooperative system by comparing to Italy, a country with history close to Romania, but with a cooperative system as the base of agriculture.

Key words: cooperative structures; education; rural area; proper development; agriculture.

J.E.L. classification: Q22; Q13; Q15; R23

1. Introduction

The objective of this paper is to compare the Romania's situation regarding the infrastructural preparation for setting up a cooperative system and for the participation of the rural areas of the international economy with Italy's situation. Italy is a country with experience in the cooperative history and has the agricultural sector built on cooperatives.

The cooperative structures are considered to be the proper form of ensuring a sustainable development at international level. In this context, Romania has a rather dry image, with a very small number of such structures, so I wanted to see what are the possibilities that Romania has for supporting a cooperative system by comparing it to another country. I chose Italy not for the high performances of the cooperatives or for their large number, but for the power they transfer to the farmers and because of the high standards they set for the training and knowledge requested from a farmer and also the incomes received by them.

The first cooperatives started in Italy at the same time, the ones in Romania did, both encountered political barriers from the fascists and communists. The differences start to occur after the Second World War, when in Italy, the cooperatives, gained the support of the political regime. The Italian cooperatives are not an international success, as the northern ones are, but they are proof that this type of structures are able to meet the EU's agenda: to reduce the gaps between rural and urban, to raise the living standards in rural and to turn farmers in active parts in the new knowledge transfer economy. I considered the comparison to Italy better than the one with Holland or other country because of the steady rise of the sector and not a skyrocket one.

2. General frame of the two countries

The first thing that comes to mind when one observes the two countries is the high discrepancies between rural and urban in Romania and the fact that Italy doesn't have these kind of differences, not even in national statistics. Studies show that Italy is one of the countries with high yields thanks to the cooperation between local actors and to the support of innovative ideas. The

property of an Italian farmer is not bigger than the one of a Romanian one, the fact that Italians work together is the missing piece of the Romanian puzzle. For example, the average utilized agricultural area of a cooperative in Veneto region is approximately 700 ha (Miron A., 2014, pg. 89). It is important to mention that all these structures function of the law and all of their relations (between members, members and cooperative or between cooperatives) are well separated and respected. They function with the guidance of an agricultural engineer and they have an administrative structure so they are direct actors in the market (Borzaga C., 2008, pg. 4). Meanwhile, Romania has set several plans to develop local communities with the help of Local Action Groups and to set up consultancy and advice for the farmers (<http://agrintel.ro/42921/prioritatile-guvernului-dacian-ciolos-pentru-agricultura-pac-comunitate-rurala-procesare-si-pomicultura/>) in order to raise the number of cooperative structures. The number of official cooperatives in Romania was in 2013, the moment of the last counting made by the National Institute of Statistics, only 66 (Statistical Annuar, 2015).

In a time when global worries head to eradication of extreme poverty and finding solutions for feeding a growing population while maintaining a sustainable development (The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, 2015), two types of countries can be observed: those who invest in developing new ideas and solutions (as in education and research) and those who have an amazing potential, but who miss the solutions for turning that potential into an advantage.

As a study method I will use a quantitative analysis of the data provided by the EU's database and also by Romania and Italy's national databases correlated with other studies made on this topic. Logical deduction will be used in explaining certain patterns that follow from the analyzed data. The study will not expand on a period of time, but will show an X-ray of our time as a starting point for developing new strategies for helping the Romanian rural area.

The initial hypothesis is that Romanian rural area misses basic infrastructure, education and health, that could allow the population to aspire to better life conditions and ensure the possibility to achieve those aspirations.

2.1. Educational base

According to Professor Dumitru Sandu, education stock is a major factor in determining the wealth of a commune. His studies show the importance education has in a community's development by the open-mindedness that it creates and by ensuring the understanding of needs and opportunities both personal and common. That is why I choose to compare the differences the educational infrastructure given by Romania and Italy in order to see if there are gaps in the basic level of development for Romania.

Table no. 1: Educational indicators

| | Romania | | | Italy | | |
|---------------------------------|---------------|---|-----------------|---------------|---|-----------------|
| | Kindergartens | Schools (primary + secondary) | High schools | Kindergartens | Schools (primary + secondary) | High schools |
| 2013 | | | | | | |
| Number of units | 1187 | 3945 | 1732 | 24036 | 25563 | 8150 |
| Number of children enrolled | 568659 | 2649040 | 897963 | 2825400 | 4605158 | 2652448 |
| Number of teachers | 35433 | 184372 | | 92498 | 424871 | 248385 |
| Total population | 20020000 | | | 59685000 | | |
| Enrolled in one unit | 479,07 | 671,49 | 518,45 | 117,55 | 180,15 | 325,45 |
| Number of pupils per teacher | 16,05 | 19,24 | | 30,55 | 10,84 | 10,68 |
| School population (%) | 20,56 | | | 16,89 | | |

Source: www.insse.ro – tempo online – educație and <http://dati.istat.it/?lang=en> – education

Although the total population of the two countries majorly differs, nearly triple in Italy, we see that the ratio is not respected in terms of educational infrastructure, Italians pay much greater importance to the existence of sufficient schools for all ages. The situation is repeated in terms of the number of teachers available in schools, Romania is underprepared in this regard also. Despite the load of pupils per teacher is much smaller in Romania for kindergartens, this doesn't come from a sufficient number of teachers, but from the low number of children enrolled in this category, the preferences and standard of living of the Romanians leads them to other care solutions for preschoolers. The proportion changes for the following school cycles, the low number of teachers is recognized to be a national problem in Romania. The Italians have one million more children enrolled in high schools and even so the load per teacher is lower than in Romania. That gives the teacher more time for each student and so a better care for each one's development.

The percentage of the school population in lower in Italy due to the migration phenomenon, Italy in a preferred destination for working Romanians while their children remain at home.

Table no. 2: Public expenditure on education

| | 2009 (mill. PPS) | 2010 (mill. PPS) | 2011 (mill. PPS) | 2009 (% compared to GDP/inhabitant) | 2010 (% compared to GDP/inhabitant) | 2011 (% compared to GDP/inhabitant) |
|------------|------------------------|------------------------|------------------------|---|---|---|
| E.U. (28) | 635930,1 | 662028,3 | 663029,3 | 27,4 | 28,0 | 26,9 |
| E. U. (27) | 633095,9 | 659311,3 | 660293,4 | 27,4 | 28,0 | 26,9 |
| Italy | 68922,5 | 67263,3 | 66425,4 | 25,8 | 24,7 | 24,0 |
| Romania | 10078,2 | 8846,2 | 7970,6 | 21,6 | 18,7 | 17,5 |

Source: Eurostat database – statistics A to Z - education – total public expenditure on education in million PPS and annual expenditure on public and private educational institutions compared to GDP per capita

One can observe that both countries stand below the European average regarding the GDP/inhabitant percentage spent on education. Even so, Romania stands much lower than Italy, with a difference of 10% below the EU average, while Italy has a minus of 3%. By correlating this information with those already known, like the GDP/inhabitant in Romania being much lower than the EU average, the total result would be significantly lower than the result of Italy.

Also, school facilities are very important, and by personal observations, the Italians give lots of attention to what a school has to offer for its pupils, while in Romania this remains an unspoken topic, especially in rural areas.

2.2. Farmer training

Because the initial hypothesis refers to how prepared are the farmers for adopting cooperative structures as an organizational form and a way of accessing the international market, I see a comparison by degree of training in the agricultural sector of the farmers as fit for further discussion. There needs to be mentioned that in Romania, owner, farmer or farm manager may usually be the same person. It can be observed from the following table that the situation regarding farm managers training is totally opposed. In Italy, more than 90% of the managers have basic training in agriculture, while in Romania more than 97% of the managers rely only on their experience in order to run their business. This can be seen as a psychological barrier for association and cooperation, one can't give up his own hard gained experience to economical or technical indications that come from a cooperative manager, no matter how good they are. It would mean giving up on his own person. Another barrier is the financial one, such a trained cooperative manager would need payment, while personal experience is free and confers moral autonomy.

Table no. 3 Agricultural training of farm managers

| | Total (number of pers.) | Practical experience (%) | Basic training (%) | Full training (%) |
|------------|----------------------------|-----------------------------|-----------------------|----------------------|
| E. U. (27) | 12247850 | 71 | 22,1 | 6,9 |
| Italy | 1620880 | 5 | 90,8 | 4,2 |
| Romania | 3859040 | 97,5 | 2,1 | 0,4 |

Source: Common context indicators for rural development programs (2014-2020), C24 - http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf

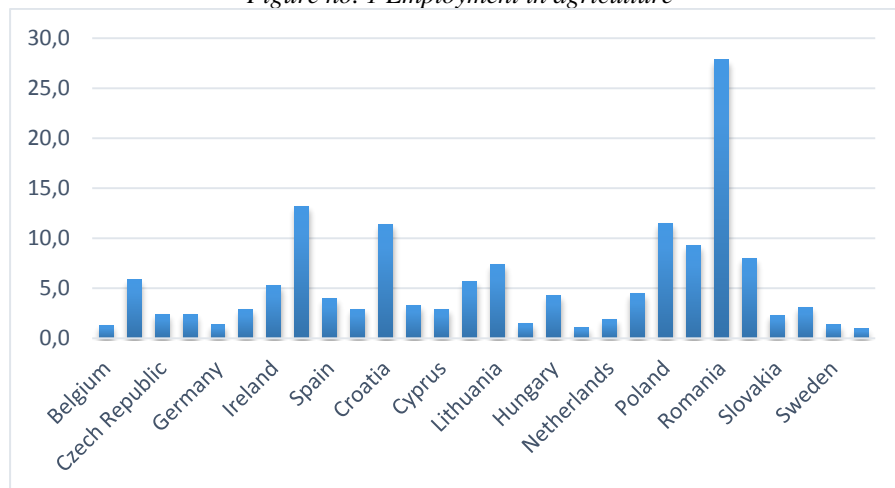
3. The economic situation of the two countries

After the educational indicators, those that give some explanations for the problems Romania has at this time when speaking about performing the tasks given by the E.U. And also those that define a sector that needs great investments in order to overcome the differences between the two states. Knowing that Italy is not one of the richest countries in the E.U., I want to see where Romania stands compared to it.

The first indicator that will be compared is a GDP/inhabitant. In Italy that indicator is 25.600 euro, only 100 euro lower than the European average, in Romania the same indicator is 7.119 euro (http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf , C08) about three times less than Italy. This indicator only supports the negative image Romania has, not only in the agricultural sector, but in every other.

In Figure 1, another disturbing factor can be observed, the employment in agriculture in Romania is higher than in any other country in the EU, more than 27% (http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf , C13). This can have several meanings, one of them is the incapacity of agricultural workers to take other jobs, another is the lack of technical progress in agriculture that has to be compensated by manual labor and so on. No matter the explanations, they all have a negative turn. By comparison, Italy has less than 5% of the population employed in agriculture.

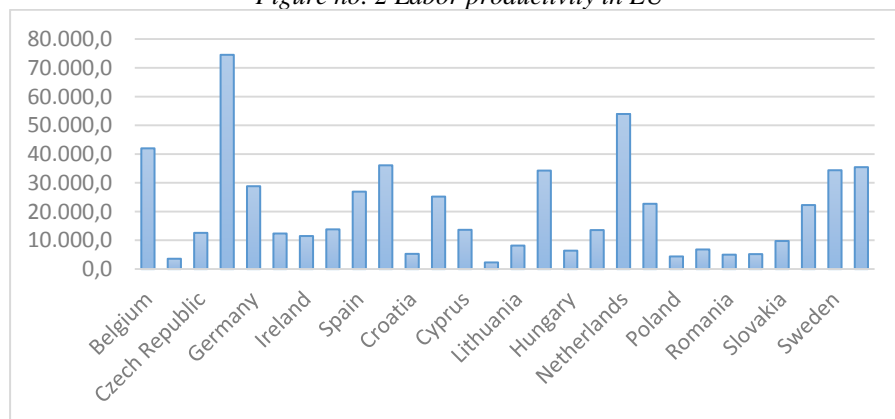
Figure no. 1 Employment in agriculture



Source: Common context indicators for rural development programs (2014-2020), C13 http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf

Labor productivity is another topic where Romania hits a low position in the European ranking. As it has been said before, the potential of Romanian agriculture is very high, yet unexploited. In figure 2, the situation of labor productivity in the EU shows that Italy is close to the average, while Romania has a much lower productivity.

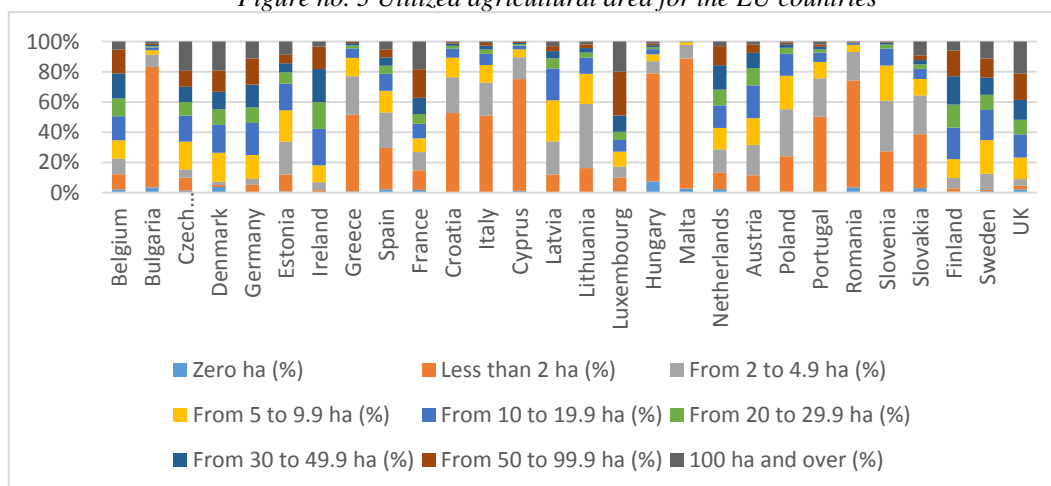
Figure no. 2 Labor productivity in EU



Source: Common context indicators for rural development programs (2014-2020), C14
http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf

In order to talk in terms of profit, competitiveness and active participation in the market, as regards agriculture, the matter of yield correlated to the utilized agricultural area must be explained. A small area used by a farm will create high spending on the one side and low results on the other.

Figure no. 3 Utilized agricultural area for the EU countries



Source: Common context indicators for rural development programs (2014-2020), C17
http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf

As well as Romania, Italy has a significant percentage of small farms, of less than 2 ha, yet we must not forget the importance of cooperatives. As mentioned before, Italy is a country that relies on this organizational structure, while Romania maintains a low number of cooperatives. Italy has 3007 cooperative structures in agriculture (<http://dati-censimentoagricoltura.istat.it/?lang=en>), while Romania has 66, according to the latest data provided by the National Institute of Statistics. The same agricultural area, exploited by Italian and Romanian rules gives significantly different profits, yields and advantages for the Italian farmers.

4. Conclusion

The analysis carried out on some suggestive indicators, from my point of view, the state of the education system and the economy of the two countries, confirmed the initial hypothesis. Romania is not ready at the grassroots level to create such organizational structures in agriculture. No matter how natural such a structure may seem for researchers, or what great benefits it may offer to its members, we must admit that the Romania's rural area faces deep social problems that prevent the natural creation of these structures, including psychological ones provoked by the communist approach on cooperatives. For such problems to be overcome, the implication and dedication of the authorities must be complete, more than that major investments must be made in order to create the wish for a better life with people that lack most of the basic utilities of life.

The paper summarizes the main problems regarding the preparation stage of Romania when it

comes to align to western EU countries. While Italy has many problems, there are nowhere close to Romania's problems. The solution proposed by the EU for Romania, and not only, comes in the form of cooperative structures, but it misses the know-how gathered by the first members of the EU in decades and it misses the proper investment strategy.

The limits of the paper stand in the minimum of indicators compared and it stands as a beginning for a much deeper analysis.

5. References

1. Borzaga C, Depedri S., Bodini R., (2008). Cooperatives: The Italian Experience, http://www.euricse.eu/sites/default/files/db_uploads/documents/1277123347_n472.pdf - accessed online on 15th of April, 2016;
2. Dumitru S., Indicele dezvoltării comunei, <https://sites.google.com/site/dumitrusandu/bazededate> - accessed online on the 5th of April, 2016;
3. Miron A., (2014), Economia. Seria Management, Volume 17, Issue 1, Knowledge Transfer Management in the Italian Agricultural Cooperatives , pg.88-99;
4. Executive Summary of A New Global Partnership: Eradicate Poverty and Transform Economies Through Sustainable Development, The Secretary General's High Level Panel of Eminent Persons on the Post-2015 Development Agenda, <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf> - accessed online on 12th of April, 2016
5. CAP CONTEXT INDICATORS – 2014 http://ec.europa.eu/agriculture/cap-indicators/context/2014/indicator-table_en.pdf; C08, C13, C14, C17 – accessed online on 2nd of May, 2016;
6. www.insse.ro – tempo online – education – accessed online on 2nd of April, 2016;
7. <http://dati-censimentoagricoltura.istat.it/?lang=en> - accessed online on 2nd of April, 2016;
8. Prioritățile Guvernului Dacian Cioloș pentru Agricultură: PAC, comunitate rurală, procesare și pomicultură, <http://agrintel.ro/42921/prioritatile-guvernului-dacian-ciolos-pentru-agricultura-pac-comunitate-rurala-procesare-si-pomicultura/> , accessed online 2nd of April,2016.