

CASE STUDY

"Alaturi de Voi" Romania Foundation – the Util Deco sheltered workshop

utildeco

Dezvoltat și susținut de ADV România

Unitate protejată autorizată

Executive Summary

The case illustrates Util Deco, a work integration social enterprise (in the form of a sheltered workshop, according to the Romanian terminology) established by a social services providing foundation, "Alaturi de Voi" Romania, in a major city in Romania (Iasi).

Over the years, the foundation established branches of Util Deco in two other major cities - Targu Mures and Constanta, and production and service facilities in rural neighbouring area for the socio-professional integration of the clients of its social services. Util Deco started as a sheltered workshop for the disabled, but it currently includes other types of disadvantaged workers.

Util Deco has diversified its services and extended its volume of sales significantly over quite a short period of time. Being one of the few successful work integration social enterprises in the area, Util Deco is a very good example of a social business that is also an important market player.

Section 1: Description of the case

1.1. Context and history

The Util Deco sheltered workshop (Util Deco) is an internal section of the "Alaturi de Voi" Romania Foundation (ADV) located in Iasi county, Miroslava commune, Uricani village. Also, the Util Deco has workshops in Targu Mures and Constanta.

ADV is a Foundation registered as social service provider. The economic activity of ADV began in 2004 with the organizing of some vocational therapy workshops. The social economy activities of ADV started from the need to offer social services to the association's beneficiaries. In 2005-2006 ADV organized several professional therapy workshops and training sessions, having as a goal to support beneficiaries to become employees.

Many beneficiaries of ADV, people with disabilities, attended special schools. Since 2006 the law has allowed the employment of persons with disabilities and the possibility to create sheltered workshops, but ADV noticed at that time that employers had great difficulties in accepting a person with disabilities as their employees, or even in maintaining a person with disabilities as their employee for a longer period of time. In addition, many employers preferred to pay a fee (foreseen by law), rather than purchase goods or services from those sheltered workshops working with people with disabilities. Many companies had the impression that goods created by people with disabilities are of poor quality and they would rather pay the fee to the state budget.

Going further, ADV reached the conclusion that there must be created a dedicated path to enable and prove that a person with disabilities can be a successful employee, if offered the proper package of assistance at the workplace.

This is how they reached the idea of creating protected workplaces and the development of sheltered workshops, in the lines of work in which they had trained some of their beneficiaries.

1.2. Life cycle

The sheltered workshop Util Deco was established in 2008, in order to generate income and re-invest it in social welfare services of ADV. Also it provides a higher impact support service for beneficiaries, supporting their independent living and does not have as a goal the generation of profit. ADV Romania, by developing Util Deco sheltered workshop further pursues the foundation's mission – social integration of people from groups at risk.

The Util Deco was established in 2008, the first internal section being the one in Iasi. In 2009, ADV decided to replicate the sheltered workshop model in the two cities where the foundation had branches: Constanta and Targu Mures. From that moment, all the economic activity of ADV was organised through the 3 internal sections.

In order for the economic activity to be developed, ADV accessed the only market segment established by legislation as social economy – the authorized sheltered workshop – and chose this as the proper legal framework for Util Deco, which facilitated access to a pool of customers. The Util Deco sheltered workshop has separate inventory, according to the Romanian legislation, but all the management decisions are made by the ADV board.

One of the most important conditions that allowed the setting up of Util Deco was that the beneficiaries of ADV had extensive training on most of the jobs set up in the workshop. The ADV's beneficiaries at the time were both the first employees and "helpers" in the organisation and start-up of Util Deco. Additionally, the employees of ADV, with professional backgrounds such as social workers, psychologists etc. made consistent efforts to learn how to run and develop an enterprise and to acquire some

business know-how. The first business professional was hired only in 2013, a sales-person.

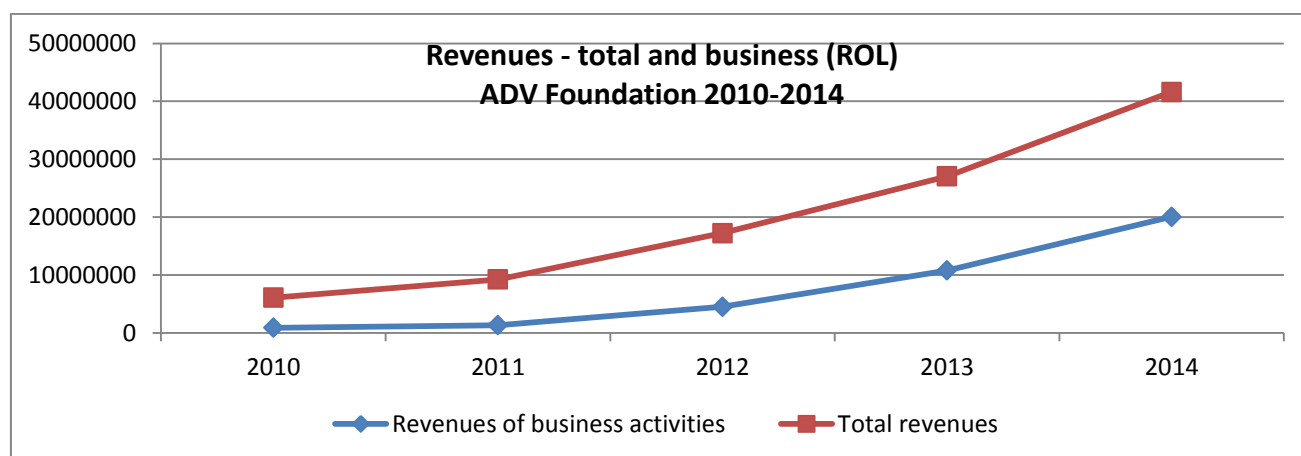
Util Deco identified that the products that can be created by persons with disabilities in the enterprise should be unique, hand-made products. The first products were decorative, such as paintings, handicrafts, candles and clothing. At the very beginning, Util Deco had over 1,500 unique products. They were taking any request they would receive, from painting to the manufacturing of carnival costumes, which made the management and the marketing quite difficult. In the recent years, Util Deco has organised its activity, developing separate sectors of activity: production, services and distribution.

One of the most important growth points in the life of Util Deco was a funding received from the European Social Fund by ADV. The funds were directed to the sheltered workshop which was thus able to increase its number of employees by 28.

Another growing point was in 2012, when ADV was able to build their own premises in Iasi and to offer a dedicated space for all Util Deco's activities in the same building, allowing the sheltered workshop to save the cost of rent. Then, in 2013, the unit in Iasi was able to obtain a credit from the Commercial Bank of Romania (BCR) which allowed them to set up an archive (deposit for achieving) and thus expanding their field of services.

In 2011 Util Deco had its first difficult moment, when, just after hiring a number of beneficiaries and started discussing with them the options of exiting the protected apartments and starting living an independent life, the European Social Fund cut the funding and reimbursements. ADV was then put in the impossible position of paying the Util Deco employees' salaries, and had to postpone their start of an independent existence. This crisis affected several organisations in the whole country, and the payments were made after a public protests and pressure on public authorities.

Another crisis occurred in 2013-2014, when the big project funded from the European Social Fund came to the end. That funding was supporting workplaces and most of the activities. In that moment, Util Deco was put in the situation to be "real businesses", and thus the sheltered workshop had to sustain itself economically. ADV made an extensive analysis of its internal section Util Deco, of all the products and services it offered and realised that some of the previous decisions they made regarding the prices, the products and some of the products, were not proper for the best development of the unit and had to restructure the activity and only keep the productive ones.



Source: Foundation's balance sheets

Stakeholders include all of the ADV's beneficiaries that are also employees of the sheltered workshop and the Board of ADV. Additionally, Ms Cristina Nichita, member of the Committee for Labour and Social Protection of the Chamber of Deputies, who

supported ADV's activity by taking policy recommendations and amending the draft law on social economy.

Substantial investments in infrastructure and human resources have been made in Util Deco through the European funds – Operational Sectorial programme Development of Human Resources, Swiss – Romania Cooperation Programme and NESsT Romania. In order to cover activity costs, Util Deco solicited funding from different sources.

1.3. Core business model



Util Deco means economic activity reinvested in social programs and has as goals:

- To create and maintain workplaces for people with disabilities;
- Continuous professional training;
- Support and guidance at the workplace;
- Handmade unique products in the fields of arts and crafts, painting, tailoring, interior decoration and making decorative candles;
- Services in the field of manual book-binding, printing, personalization through different techniques, archiving at the client's headquarters, storing archives and organizing different events;
- Retail of IT products, office supplies, cleaning products, protection equipment, etc.

The entire offer of products and services can be viewed on the website www.utildeco.ro.

The most important added value created by Util Deco is their offer of high-quality certified products. In 2011 they obtained the ISO certification and also have the CE mark for the production equipment. For the section of archive and achieving Util Deco build a deposit that fully complies with the European standards and it's certified by the National Archives. Practically, Util Deco offers certified quality in all of its fields of production or services.

The biggest difference between Util Deco and a traditional enterprise is the fact that the first one is focused primarily on the social outcome of the activity, while the latter focuses on maximizing the profits. In other aspects, such as production and distribution, the differences are not notable, but a point worth making is that Util Deco, by its position as a sheltered workshop, is able to access a different sector of a business client's budget, namely, the amount that can be the "disability tax" or the acquisition of products or services from the unit.

Another aspect that is worth mentioning is that Util Deco, compared to a traditional enterprise, also offers adapted work settings for its employees with disabilities, work consultancy and professional training. On the market, Util Deco acts as a regular market player that has an additional niche (the enterprises mentioned above).

The distribution of the products is made through the sales department, for the sales to big customers, whereas smaller customers (such as individuals) may procure different

products through the store open in Tg. Mures or through the online store. They have around 500 customers from all over Romania, as well as 200 suppliers.

Since the Util Deco is an internal section of ADV, the investments are made through an internal decision issued by the foundation, from funds attracted by the organization. When there is the case, the profit is reinvested in infrastructure, professional training and development. In the end, the foundation is not-for-profit. There is no collective responsibility with respect to losses; however, there is individual responsibility with respect to the work done.

The Util Deco sheltered workshop is coordinated by an executive team made up of 4 persons: a general manager (who is also the foundation's president), a coordinator of the department of social economy, a sales coordinator, a coordinator of the department of development and communication. Each workshop in the 3 cities is being coordinated by a person, who has in mind the accomplishment of economic results and the needs of assistance of people from the group at risk.

For the executive team, except for the sales coordinator, payment is made according to the salaries negotiated with the general manager. For the sales department, there is a basis salary and benefits according to their performances in sales. The employees from the workshops are being paid according to hours worked and productivity. However, there is a lower limit of income which is always respected.

Twice a year, the employees receive bonuses – gift vouchers, before Christmas or Easter, without mentioning this aspect in the work agreement. Furthermore, the employees are often trained for free in different fields of interest to their professional growth; at the same time, study visits are organized on different projects in Romania or abroad, this also being a form of employee stimulation. About every two years it takes place a meeting with all the employees from the three centres in Iasi, Constanta and Tg. Mures, so that they may socialize, ensure team collision, strategic planning or adjustment planning.

The organization uses several work instruments in order to ensure the supervision of evolution of employees with disabilities, as well as the most suitable intervention for their inclusion. Util Deco has 36 employees with disabilities.

Additionally, Util Deco has several social initiatives addressed to the community in its whole, coming from the need to reciprocate the support offered by the community in the development of the sheltered workshop. Thus, Util Deco offered 2 scholarships of one year for two children in difficulty. Also, the sheltered workshop supports with sponsorships some of the NGO's and clients that they work with.

ADV works in association with federations and coalitions in the social field for advocacy purposes and in collaboration with social economy structures for the production part of the Util Deco activity. One of the strategic partners of Util Deco is the County Direction for Social Assistance, with which they work closely since the beginning of ADV Foundation.

1.4. Institutional/governance structure

Since Util Deco is an internal section of ADV Romania, the team is implementing the strategic directions agreed upon by the foundation's Board of Directors, made up of 3 persons. The Board approves the President's activity report and delegates competencies for the next mandates. All strategic documents are being elaborated within the management team of ADV, with contribution from the managers of Utile Deco directly responsible with different aspects.

Within the foundation, there is an Employees' Council with consultative role, whose members are being consulted especially when it comes to issues concerning the assistance for beneficiaries of social services. The representative of the Council is a

person with disabilities, democratically chosen by the others and has the role of communicator with Util Deco's manager and with the ADV Board. The involvement of the employees has a great importance in the unit's management and in the decision-making process.

The local community as an entity is not involved at all in the decision-making process, but the clients' requirements have great weight in the operational decisions. All the marketing of Util Deco is client-oriented, so the products, services and the market segment are highly dictated by the clients.

An organisational innovation for Util Deco is the existence of the Employees' Council and a series of events for all the employees, such as team-buildings, trainings and different gatherings.

The legal form of the work integration social enterprise (according to the European framework) is not yet formalised in Romania, the only form legally foreseen is that of the sheltered workshop / protected unit.



1.5. External relations

The relationship that Util Deco has with the public authorities is relatively poor, and is limited to several promotion activities of the sheltered workshop. In this sense, Util Deco aims to raise its visibility with the public authorities and to demonstrate that people with disabilities can be valuable employees if they have proper assistance and that sheltered workshops like Util Deco exist and can be valuable market players. Some of the public institutions are actually clients of the sheltered workshop, since they have over 50 employees, but do not have the necessary 4% of employees with disabilities.

The communication and collaboration with the traditional business sector is also very poor. Util Deco is not seen as a competition for most of the traditional enterprises and doesn't share with those important market segments. In the past years, Util Deco participated in some business events (like Business Days in Iasi), but the outcome wasn't an important one.

1.6. Economic data

The financial figures of the Util Deco sheltered workshop are presented in the table below. Although very few, these were the only numbers available for publication provided by the unit's representative.

ADV data	Year				
	2010	2011	2012	2013	2014
Indicator ROL					
Revenues from non-profit sources	4324723	6577719	8187167	5480024	1488744
Expenses of non-profit activities	3670380	6179331	7565259	5223721	1452855
Surplus/deficit of non-profit activities	654343	398388	621908	256303	35889
Revenues of business activities	880710	1335922	4519103	10773949	20055430

Expenses of business activities	872061	1163960	4124155	10710195	21131569
Surplus/deficit of business activities	8649	171962	394948	63754	0
Total revenues	5205433	7913641	12706270	16253973	21544174
Total expenditure	4542441	7343291	11689414	15933916	22584424
Surplus/deficit	662992	570350	1016856	320057	0
Personnel	72	76	89	99	136
Weight of the business income	16,9	16,9	35,6	66,3	93,1

Util Deco data	2012	2013	2014
Total Assets	N/A	N/A	13,087,083 USD
Capital	N/A	N/A	2,257,681 USD
Turnover / Sales	4,341,019 USD	10,335,248 USD	19,651,191 USD
Deficit / Surplus	1,016,856 USD (surplus)	320,057 USD (surplus)	1,040,250 USD (deficit)
Clients	N/A	N/A	1503

The sheltered workshop doesn't receive any grants, donations or any other form of contributions. The ADV foundation applies for projects, either European funded or from other sources and supports Util Deco when the need appears. In 2014, ADV had an infusion of 7% in the Util Deco's expenses, the rest of 93% being supported by the unit's income. The highest revenue comes from the section located in Iasi (almost 85% of the whole income of ADV from economic activity).

In the near future, Util Deco aims to be organised on cost centres and more detailed information will then be available.

In regard to the beneficiaries, the most substantial growth was registered in 2010, when the number of employees with disabilities grew from 12 to 28. After that, they were able to hire more people in 2014, getting to 36 employees with disabilities.

There are no constant volunteers involved in the activity of Util Deco, but there are 5 volunteers that help the unit sometimes, when there is the need to honour a big order.

1.7. Policy environment

Util Deco is an authorized sheltered workshop, a social economy entity known at European level as Work Integration Social Enterprise – WISE. In Romania, this type of enterprise is defined according to the legislation for persons with disabilities, the law 448/2006. The authorized sheltered workshop is the public or private economic operator, with own management, where at least 30% of the total number of employees are persons with disabilities.

The legislation provides that all the enterprises that have more than 50 employees and do not have at least 4% employees with disabilities, have to either pay a "disability tax" or to use products or services provided by sheltered workshops that employ people with disabilities.

In July 2015, The Law on Social Economy entered into force. It defines social economy, social enterprises and WISE, establishes label for social enterprises and accreditation for WISE, has a focus on work integration social enterprises WISE and has limited support measures – only for WISE.

Main provisions:

- Profit distribution limited for social enterprises
- Clear criteria for registering as a social enterprise
- Profit distribution cap – under 10% (cf. European practice); ex-ante (wages) 1:8
- Explicit social mission – may exclude for profit corporations in the current legal context
- Clear support measures for Social Enterprises and Work Integration Social Enterprises
- Institutional dialogue mechanisms

Section 2: Analysis of the case

2.1. Impact analysis

The economic impact is measured only by the annual turnover and by the other indicators requested in the national balance sheet.

A more careful evaluation is made regarding the social outcomes of the activity, the integration and the productivity of the employees with disabilities. For this purpose, there is a constant care among the management of both ADV and Util Deco to evaluate the satisfaction and involvement of the employees, either by regularly applying questionnaires or by maintaining a constant communication through the sections' responsible or the Employees' Council.

The work done by both ADV Romania and Util Deco has a very positive impact on the people with disabilities employed, so that the number of resignation over the years was very low. This might also be a negative point, since the long-term aim in such an intervention for the reintegration of people with disabilities is for them to find a workplace on the free market, once they acquire the needed abilities and training and become productive. Another reason for this situation is that the free market isn't ready either to accept and employ people with disabilities.

Util Deco contributes to the local economic development through its economic activity that generates profits subject of taxation by the local authorities. Additionally, all the employees have "white" work contracts, which further generate income for the public administration. Also, Util Deco highly contributes to the social cohesion by employing some of the most disadvantaged individuals on the work market, and thus taking care of a local issue.

Moreover, the establishment of Util Deco in a rural area of Iasi County generated some positive outcomes in changing the community's mind-set, besides the actual creation of workplaces for the inhabitants. Until now, 3 new social economy initiatives started in Miroslava commune following the example set by the protected unit. The greatest contribution of Util Deco in this matter was its extensive lobby around the local authorities and the Local Council, which became aware of the benefits for the community and the great impact that a social enterprise can have on the well-being of the population.

The major change in the community's perspective is the switch in perception of a person with disabilities, from a fully dependent and unproductive individual to an individual capable to produce added value and live a fully independent life. This fact, together with the high infusion of know-how and trainings brought by the ADV Foundation, has a major contribution in strengthening the social capital accumulated at the local level.

2.2. Looking towards the future

An important topic in both ADV Foundation and Util Deco protected unit discourse, is the lack of public support for social economy initiatives, especially when it comes to fiscal / taxation benefits for this kind of entities. The sustainability of a work integration social enterprise in Romania is highly dependent on such support from the state or the

legislative framework, since it has to face the same market conditions and competition as a traditional enterprise, but with higher production costs and specific productivity factors.

Other difficult points of perspective developments are generated by the frequent changes of the law 448/2006 for persons with disabilities, the only Romanian law that offers some facilities for the sheltered workshops. In this situation, a potential threat is that the deciders might drop some of the stipulations of the law, and eliminate the few facilities available for the work integration social enterprises.

An opportunity may appear once the norms of application of the new Social Economy Law will be available, norms that can give way to further benefits not only for people with disabilities employed in social enterprises, but for the social economy sector in its whole. Also, this is a very fruitful time for the development of social economy entities, since there is a very good promotion and a good image of such enterprises in the public opinion.

The weak points of Util Deco are on the one hand, the difficulties they have in keeping the workplaces for the employees with disabilities, and on the other the unit's momentary incapacity to "set them free" on the work market. This incapacity generates difficulties in adding more beneficiaries of the reintegration process, and Util Deco risks becoming a "stationary" unit for the beneficiaries, not a transit one, where series of people with disabilities get trained and counselled and then get employed on the free work market. In this moment, ADV Foundation is piloting an internship or job-coaching program, to try to overcome the issue presented before.

One of the biggest strengths of Util Deco is the people's strong belief that their work, either in management or in the actual production, is a useful one and the trust they have that the persons with disabilities can be valuable employees.

Additional material

- **Util Deco sheltered workshop's website:** <http://www.utildeco.ro/>
- **ADV Romania's website:** <http://www.alaturidevoi.ro/>

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