

CASE STUDY

CARITAS Campulung Association - social enterprise



Executive summary

CARITAS Association in Campulung is a social organisation that runs a set of successful work integration social enterprises in a medium size city in Romania (30.000 inhabitants) with a limited social service network. It has diversified its portfolio of enterprises given the local market context, and has had sustainable income from its economic activities over the last 15 years, business income funding 80% of their operation. Its activities are aimed at women – young women victims of trafficking, single mothers, and orphan girls coming out of childcare institutions.

CARITAS Campulung Association is a good example of how to manage a work integration social enterprise in a perpetually changing environment of the market and of the beneficiaries. Since the beginning, the managers of Caritas's social enterprises had to creatively adapt to the changes occurred in the profiles of their beneficiaries or in the different markets they were competing on, so that the social purpose of the enterprises and their economic success would have a good balance.

Section 1: Description of the case

1.1. Context and history

Caritas Campulung Association was founded in 1997 as a branch of Caritas Bucharest Association and it became an independent entity in 1999. All Caritas associations around the world function under the blessing of the Catholic Church. Caritas Campulung Association wanted to support young women from Campulung city area who left orphanage at age of 18 and women who were young single mothers.

Caritas Campulung started the socio-professional reintegration activity in 2000 and until today created dozens of jobs and training opportunities for 200 young women from poor families or institutionalized environment.

The story of the social economy initiatives of Caritas Campulung started in 1997, when the association's main purpose was to train and prepare young women for life and for the labour market. The young women coming from disadvantaged environments needed to get used to living independently - having a job of 8 hours of work/day and living together in an apartment. For this, Caritas Campulung purchased 2 apartments in the city, where the girls lived together with a supervisor and advised them to enrol in vocational training programmes for occupations such as hairstyle, IT or tailoring.

Unfortunately, despite the professional training of the girls, they could not find a place to work. Only one of the 14 girls that were in the project in 1999 could find a job. The solution found by the association was to create 2 enterprises, one for pastry production and one for tailoring and to have the girls legally employed in these enterprises. This solution was not an easy one either, due to the fact that the premises where the enterprises were started were improper and located far from the centre of the city of Campulung. However, it was an excellent opportunity for on-the-job training for the young women.

Following this experience, the association decided to buy a building in the centre of Campulung where the girls could continue their activity. After a difficult process of renovation and systematization the building was inaugurated in October 2000 and the young women, who became employees of the association, started their activity in 5 areas:

- Clothing store for women and children
- Store for religious books and objects
- Fast food and pastry laboratory
- Summer terrace and playground for children
- Tailor shop (LOHN system)

Over the years, the store for religious books and objects closed, and the fast-food and pastry laboratory together with the playground were transformed in a restaurant. Additionally, in 2013 Caritas Association opened a farm and a milk products mini-factory.

From the beginning until now, the production is located exclusively in Arges County, but the clients are both in Arges (the farm and the restaurant) and abroad, in England (for clothing).

The main drivers of the Caritas Association's social enterprises were the lack of job opportunities for the women in need, and also their special life-situation (either victims of family violence, or former trafficking victims) which did not make them suitable employees in a traditional company. Most of the women spend several months working in the workshops/ social enterprises until they reach the productivity point needed by the enterprise. During this time, they are paid and offered a range of other services that

enable them to overcome their position (respecting the work schedule, professional training, therapy etc.). All the changes and developments in the social enterprises of Caritas Campulung Association were based on the needs and necessities of the association's beneficiaries, which needed to be integrated or re-integrated in the society.

1.2. Life cycle

The women that accessed the services of the association had very different needs and profiles, and so different activities had to be set up and implemented. Starting in this context, Caritas Campulung Association found and involved a series of donors that would financially support the development of the social enterprises, step by step. All the donors were private organisations and persons, almost all of them from abroad, and no public institution (city council, mayor's office etc.). During the years, all the workshops suffered some changes according to what the market needed and the resources that the association had available.

Caritas operates both its non-profit and its economic activities under the legal registration of an association. The economic activity is conducted by the same legal entity without registering a separate corporate entity. Its economic activity is kept with separate bookkeeping and reported in ten annual balance sheets as such. Registered as a legal entity since 1999, its business activities have started almost simultaneously.

The legal form / organisational design for the social enterprises is that those which are internal sections / workshops of Caritas Campulung Association, are not legally registered as separate entities and their profits are counted as the economic activity of the association (see below – 1.7.Policy environment).

This form of functioning was decided since the starting years of the workshops, after Caritas tried to collaborate with two traditional enterprises whose start-up they financed and would have further sustained, that would hire the beneficiaries. However, the collaboration did not work out, because after those enterprises were settled and fully functional, their managers became more interested in the business part and in acquiring profits, than in the social purpose of the collaboration - the integration of the young women. Caritas had to withdraw their support and thus the managers fired the girls.

In this situation, a solution would have been for the association to set up enterprises with Caritas as the unique associate, but the association's Board decided that this option would be only an extra burden for the management, without having sound advantages. Since the law did neither forbid, nor support this possibility, the girls were all hired by Caritas Campulung and engaged in the different workshops.

The development of the workshops into social enterprises was fully supported by a series of donors that were persuaded by the association's Board to fund the projects based on a strategy discussed and approved by both parties. Some of the most important donors are: the organisation Romanian Link organisation and the association Charity Sister of Saint Disciple Paul.

As described above, the tailor shop and the fast-food (restaurant) had their start up relatively in the same time (around 1999-2000). There were two groups of women that needed to be engaged in work, some of them that presented great potential and were suitable for working with the public (and so, involved in the development of the fast-food) and some presenting a significant institutionalization syndrome and were not suitable for working with the public (thus, involved in the tailor shop, were they could have an adapted work schedule and custom responsibilities).

The tailor shop began its constant production when it benefited from the help of a French professional tailor who trained the women employed at that time how to create

one item (trousers) and then also facilitated Caritas's access to customers that would purchase the products. The production of this item lasted for 7 years. In 2007, the French man withdrew his support and the tailor shop had to diversify its range of products and to find new clients, based on the French man's recommendation. In these days, the tailor shop can produce any item that is ordered and the workshop is fully sustainable.

The second social enterprise of Caritas Campulung Association is a *traditional restaurant*, transformed from the fast-food and pastry shop in the year 2014. The change was necessary and influenced by the market, since the fast-food started to lose its market share and became unproductive. At that time, the association received the voluntary help from the managers of a restaurant in Bucharest, who offered to train the fast-food's employees in everything that running and serving in a restaurant will mean. The employees were trained in Bucharest, and during this period, the space of the fast-food was refurbished and reorganised to fit the setting of a restaurant, with funding from the association's own sources and from different donors. The traditional restaurant is also sustainable.



The agricultural project began in 2004 with the acquisition of agriculture land, followed by the construction and landscaping. The farming project of Caritas created workplaces for 2 young women and mothers in difficulty expressed their wish to work in agriculture and also needed to be additionally protected (coming from extensive abuse or trafficking). Some of the hardest social cases of Caritas Campulung Association work in the farm and milk products mini-factory.



The clothing store was set up in 2000 drawing from the need to re-use a big amount of fabric resulted from the LOHN production in the tailor shop. Thus, some of the women started designing and producing at first women clothing, and in the coming years

original children clothing which was sold in the store. Additionally, there are also sold other items such as children toys or other objects. Specific to the settlement are the products branded "Made in Romania". One of its advantages is that it has high profits with minimum investment in fabrics and accessories.



The milk products mini-factory was received as a donation for the farm in 2011 and both settlements were authorized in 2013, after a long and complicated process. At the beginning, the community was thought to be the main milk provider for the mini-factory, but due to a series of difficulties in authorisation, the idea was dropped and now the farm has 9 cows that provide the milk needed. All the dairy products needed in the restaurant come from this milk products mini-factory.



Caritas Campulung Association finds it difficult to point any crisis moments in its social enterprises' existence, but sees situations as turning points in the development of their activity. The changing of the fast-food into a restaurant was not a crisis, but a moment when things needed to change in order to keep being productive. The tailor shop is starting to face this position in the coming month, since the LOHN production becomes unsustainable, the costs are higher than the income and Caritas has to decide if the business will be closed or it will change its main activity.

Crises also appear when working with supervisors employed from the traditional labour market, that have a hard time in dealing with some of the beneficiaries than are not

used to being in a workplace, respecting a work schedule and accomplishing their responsibilities. To overcome these situations, the association tries to promote as workshop responsible the older beneficiaries that are already on the right track and are also able to understand what the other women are going through in each stage of their recovery.

1.3. Core business model

One of the most important competitive advantages of the social enterprises run by Caritas Campulung is the high quality products it offers, either when it comes to the tailor shop, the restaurant or the store. The restaurant offers only fresh products, most of the raw materials ingredients (50% of the vegetables, 80% of the meat – chicken, pork etc. and 100% of the dairy products) being produced in Caritas's farm. Also, it is the only traditional restaurant in the town, and so accesses a share of the market unoccupied before. The store has a big advantage because it sells uniquely designed items, hard to be replicated even if an order comes for the same product, which is most of the time improved from one production to another.

It is hard to make a comparison between the social enterprises of Caritas and a traditional business, but the main aspect worth mentioning is that the association is not focused on the profits and on the economic gain, but rather on offering high quality products, products with emotional appeal with which the clients are very pleased. The clientele attracted is not intended to be high-income, but persons that appreciate good and affordable products (either food, clothing or kids toys), usually middle-aged families with children and often of average to low income. The situation is different in the case of the tailor shop, which works exclusively for export to England.

The action plan, the work schedule and all management decisions take into account both the needs of the businesses and the needs and wishes of the employees.

In regard to the number of employees, currently the administrative/logistic department has 6 employees, each department has 1 responsible (4 in total), the restaurant has 24 employees, the shop has 3 employees, the farm has 2 employees and the tailor shop has 16 employees. Most the persons are involved in the production activity of the association.

The strategic partners of Caritas Association for the functioning of the social enterprises are: the donors (Romanian Link, Romanian Breadbasket, Association Charity Sister of Saint Disciple Paul), the maternity centre of the town, the centre for community services and the Child Protection Department.

1.4. Institutional/governance structure

Caritas Campulung Association is an association under the umbrella of the Catholic Church. The association has 24 founding members and the main stakeholders are the beneficiaries, the donors and the founding members. It has a Board of 3 members, whose president, who also has a veto right, is the parish priest. Usually they are appointed/ elected annually, but some of them stay in function for several years.

Decisions are taken by the Board and, by bylaw the General Assembly only has a consultative role. The women that are employees and beneficiaries of the association's services do not have a decision right per se, but their expressed and observed needs are the basis for every management decision made in regard to the social enterprise. The local community is not involved at all in the decision making process.

Caritas Campulung Association is innovative through the activities and opportunities they offer, mainly to single mothers that get the chance to work and become useful for society. They offer protection to the victims of domestic violence and work places to

several beneficiaries. Also, their activities are focused on almost lost traditions in the area, developing activities like farming, food processing etc.

1.5. External relations

The public authorities in Campulung are only a silent observer of the Caritas Campulung Association, as they do not provide any direct support to the association's activity. The only collaboration is that the authorities (municipality, the department of social assistance, the maternity centre etc.) contact the association every time there is an individual in need of assistance. The public authorities are overwhelmed by the number of persons that need social assistance, and do not have the means to offer them help, thus they redirect these persons to several associations in the area.

Caritas Campulung Association does not have connections with the traditional business sector, except for the ones with suppliers.

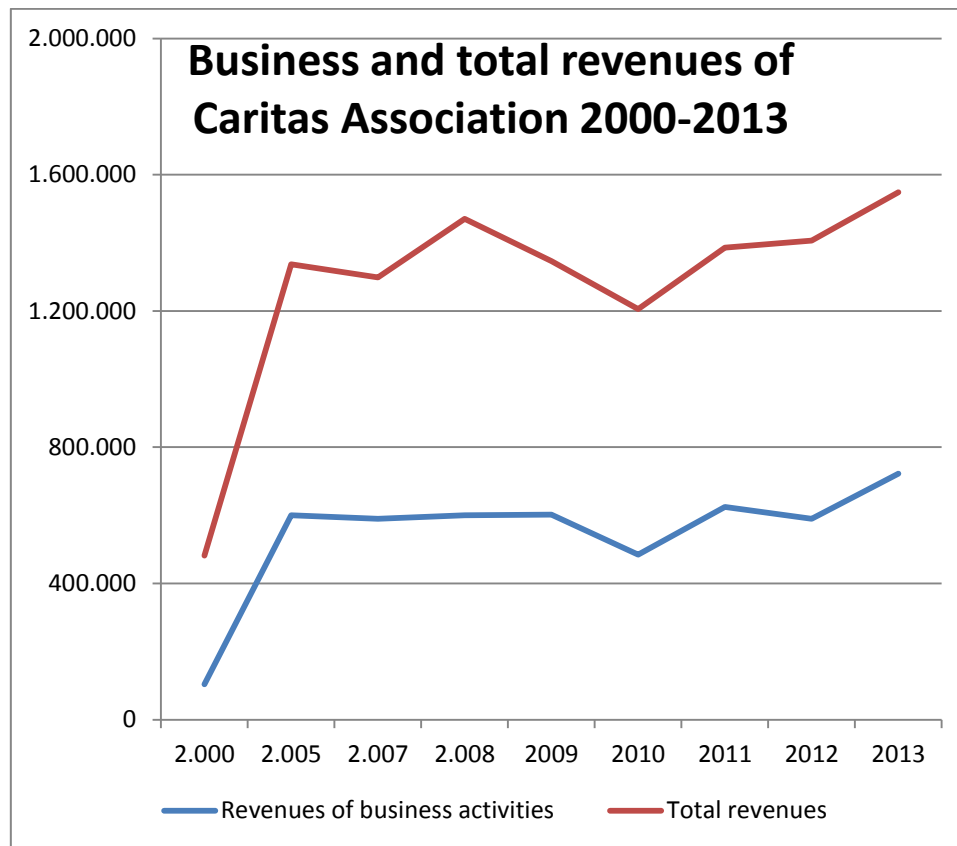
1.6. Economic data

The information available for publishing regarding Caritas Campulung Association is presented in the table below:

INDICATOR (ROL)	2009	2010	2011	2012	2013	2014
Revenues from non-profit sources	142567	235408	137394	226936	103705	347719
Expenses of non-profit activities	65471	35953	40507	189434	-41256	223570
Surplus/deficit of non-profit activities	77096	199455	96887	37502	144961	124149
Revenues of business activities	602057	484904	624225	589687	722366	812247
Expenses of business activities	736006	672472	680312	671711	863851	972930
Surplus/deficit of business activities	-133949	-187568	-56087	-82024	-141485	-160683
Total revenues	744624	720312	761619	816623	826071	1159966
Total expenditure	801477	708425	720819	861145	822595	1196500
Surplus/deficit	-56853	11887	40800	- 445220	3476	-36534
NACE for non-profit activities	Activities of religious organisations	Activities of religious organisations	Activities of non-profit organisations	Activities of non-profit organisations	Activities of non-profit organisations	Activities of non-profit organisations
Personnel in non-profit activities	4	4	4	26	7	5
NACE for business activities	Textile manufacturing	Textile manufacturing	Retail of food products	no business activities	no business activities	Retail of food products
Personnel in business activities	45	45	45	10	37	30
Weight of the business income	80,9	67,3	82,0	72,2	87,4	

Source: National Fiscal Authority - association balancesheet data

The main source of income (80%) for the social enterprises of Caritas Campulung Association is the surplus they register, the rest (20%) being supported by the association's funds, exclusively from donors. The members do not pay any membership fee.



There are no volunteers involved in the social enterprises, although a few participate, occasionally, in the social activities of the association.

Until now, Caritas Campulung Association served 100 young women and almost 40 single mothers in need.

1.7. Policy environment

CARITAS Association in Campulung operates under the legal framework of the Law on Associations and Foundations in Romania which allows associations to conduct economic activities with an accessory character. This accessory character is not defined in other legislation and therefore it is up to the governing bodies of the association. It has so far allowed the Association to generate income both for the work integration of its clients and to fund its social welfare activities. According to the same law Associations are allowed to have any kind economic activity, with the only condition that the profits would be reinvested in the entity's activity.

Caritas is a member of the Romanian Network of Work Integration Social Enterprises RISE and through RISE has been actively involved in the debates related to the new Social Economy Law in Romania which has provisions for the definition of both the social enterprise and the work integration social enterprise. CARITAS is one of the main associations in the city of Campulung, an old medium size city in the South of Romania, a historic capital city of medieval Romania. The city with a population of 31.000 provides services to a mostly rural area with an overall population of about 105.000 inhabitants mostly mountain area.

Organisations such as Caritas solve through their small social businesses issues that the community is incapable of solving, issues that require great efforts, both professional and financial. One of the biggest complaints of the association is that, even if it deals with social problems that overwhelm the state and thus, help the state and the community, there are no policies to regulate some benefits for the association in regard to taxes and other contributions. Sometimes, the association is forced to cover the taxes and other contributions from the donations received from private sources.

Section 2: Analysis of the case

2.1. Impact analysis

Caritas Campulung Association uses both social and economic indicators in the evaluation of their activity, but the social ones are not formalised in a special form or sheet. The social success depends on each woman that benefit from the association's services. Usually, the social intervention process is a very long one, some women needing 5 or 6 years to get back on track with their life and be able to be independent, autonomous and productive. The intervention of the association is considered to be successful when a girl coming from a harsh environment (either victim of trafficking, or of family violence) is eventually able to be productive in the job offered in one of Caritas' departments and even moves from the social houses of the association and independently manages her own life.

The economic indicators are detailed in the section above but are also used in measuring the success of the intervention on the beneficiaries. Thus, the financial support of the association in the social businesses is necessary when a new woman joins the workplace, is unproductive for a while, so Caritas has to fund her salary and activity until she becomes a viable employee.

Although the productivity of the employees may be an issue for the overall financial success of the businesses, all the social enterprises (legally represented by Caritas Campulung Association) respect the legal functioning requirements, including paying all the necessary taxes to the municipality (income taxes, employees' taxes) as all the traditional businesses do. The 4 social businesses of Caritas contribute thus to the local economic development.

The perception the clients have on the enterprises' activity is the factor that has a major contribution on the community's perception. The impact of the products is not the one expected by Caritas, since the community is quite "snob", and although they are aware of the quality of the products, they still do not buy "from charity". This kind of attitude is slowly changing these days, since the most visible activity, the restaurant is starting to be seen as a viable market player and a very qualitative option for families that want to eat out and have a pleasant time.

Strengthening the social capital accumulated at the local level is maybe one of the biggest impacts that Caritas Campulung Association's activity has. The four social businesses that the association runs contribute highly to changing the lives of tens of women who get chance to become or re-become independent individuals, able to be productive in their community.

2.2. Looking towards the future

The social enterprises managed by Caritas Campulung Association are perpetually changing to be able to meet both the changing needs of the organisation's beneficiaries and the market's requirements and necessities. Since the beginning of the businesses, when there were only workshops, the economic activities changed until they reached the most efficient point.

The strengths of the four social businesses are their flexibility and the professionalism of the people that manage their development. When the time comes, the changes in business and activity are not seen as crises, but rather as a way of improvement and advance.

A weak point is the often circulation of the managers of the social enterprises, which tend to find it hard to work and collaborate with the beneficiaries that come from difficult environments and living conditions which made them unresponsive to authority of any kind. Campulung is a small town, and finding suitable people to do both management and social work becomes harder.

Great development opportunities come from the private donors of the association, mostly international organisations that give constant financial support in the benefit of the social enterprises. Also, from a legal perspective, the recent adoption of the Law of Social Economy might be starting point of clear and effective regulations that will positively affect the activity of Caritas Campulung Associations.

Additional material

- **Caritas Campulung Association webpage:**
<http://www.caritasmuscel.ro/?Asociatii:Caritas>
- **Caritas Campulung Association Facebook page:**
<https://www.facebook.com/Asociatia-caritas-campulung-25311577495016/timeline/>

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