

SELF-EMPLOYMENT STRATEGIES OF REDUNDANT PEOPLE

Case Studies in Three Regions Affected

By Mass Redundancies

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Why Focus on Self-Employment?

Our paper uses interviews with redundant people to explore the challenges of self-employment, or entrepreneurship in contemporary Romania. Although some authors make a distinction between the broader notion of self-employment and entrepreneurship, the latter consisting of the more innovative and risk-taking forms of self-employment, we shall use the two terms interchangeably.

Self-employment is not a widespread coping strategy of unemployed people. Actually, in Romania as well as in other countries, it is only a minority strategy among the unemployed. Success in self-employment is heavily dependent on the financial, human and social resources of the entrepreneur – all of these being

relatively scarce for unemployed or poor people.

Our findings provide little support for the popular notion that hard work, frugal living, and a small amount of financial capital are sufficient ingredients for business success. First, young small businesses achieve greater profitability when their owners are well educated, and/or possess specific skills that serve as a basis for business viability. Second, the more profitable young, minority-owned firms compete in the mainstream economy. Catering to minority clients only makes it difficult to achieve business viability. Third, many types of business--particularly more profitable lines--require significant capitalization, both financial and human, especially in the first year or two. And fourth, the type of business itself can be an important determinant of success. Traditional lines of business, such as personal services and small-scale retailing, tend to be favored by clients of microenterprise programs, yet these are the least profitable lines of small business. Lacking income, assets, and a strong support network of family, friends, and mentors, the new business owner may simply be unable to survive the lean startup phase of operations. (Servon and Bates).

For example, studies in the US have shown that about 5 % of people receiving welfare are likely to use self-employment (Raheim). Assistance programs for self-employment targeting the unemployed in the US have had participation rates as low as 2 % (Dennis and William).

Discussions of self-employment acknowledge that it comes in many forms. At one end of the continuum, it can mean proper entrepreneurship: inventive connections between resources that make possible the delivery of new products or services. In the middle, it may be an independent activity in a more or less traditional domain – such as agriculture, retail trade, or personal services. At the other end, it may simply be a form of employment that is less expensive for the employer, when the self-employed person actually works as an independent contractor for a single client. Therefore, self-employment may allow more or less independence, and more or less financial safety.

For an unemployed person it is statistically improbable, and practically difficult to become self-employed. This is even truer for people who have lived in poverty for long, and who have low skills. Facilitating self-employment for socially marginal people can be best achieved by a bi-dimensional intervention: providing training and credit. Training may refer to business skills, on one hand, and to personal management, on the second hand (how to address efficiently one's personal needs, such as parental or familial responsibilities). Without such support, overcoming barriers to entry into self-employment is very difficult for most unemployed.

Still, self-employment has been even more intensively discussed as a poverty-alleviation strategy in recent years. One reason has been the **surge in self-employment** throughout developed economies; more people have become economically independent, often starting with modest financial resources, with home-based businesses. In the US the number of people obtaining income from non-farm businesses has tripled from 1960 to 1994 (Dennis and William), and in the EC countries the rates and numbers of self-employed persons have increased since the 1980's, with some variation from country to country (Luber and Leicht). On the other hand, self-employment may be seen as a strategy of **adding value to informal activities** that poor, unemployed people do for a living. When a stable job is not available, economic initiative may be essential for subsistence, even if it only means collecting scrap iron, working on a daily basis, collecting mushrooms in the forest, or recycling waste. Self-employment also has a special ideological significance: an individual strategy that involves risk-taking may reflect a moral option for values such as individual responsibility and freedom.

Popularity of Self-Employment in Romania

Unlike people in other societies, Romanian self-employed must confront a stagnating (if not decreasing) economy, hit by waves of mass redundancies, with little institutional support. In our three

areas, we have encountered three types of facilities provided to people interested in self-employment: availability of lump sum severance payments, fiscal facilities, and entrepreneurship courses. Fiscal facilities were granted by the severance payment scheme legislation, and also by the statute of disfavored areas; in our case, Jiu Valley was a disfavored area.

The granting of lump sums instead of monthly installments is one provision in the severance payment scheme designed to support entrepreneurship. In these grants, the sums received by all beneficiaries are the same. The same legislation also determines fiscal support: newly founded businesses are exempted from taxation for two years. On the other hand, employees who already operated a business at the time of their dismissal are not eligible for severance payments and fiscal support. Those who choose to become self-employed must take into account the fact that unemployment benefits will immediately cease after they receive legal authorization.

Legal ambiguities and inconsistencies powerfully affect the would-be self-employed. For example: the permission granted to authorized, self-employed individuals to employ others in their turn, although systematically stipulated in the legislation,¹ took a long time to be practically accepted by the administration. Another example: self-employed individuals did not actually benefit from the exemptions from tax on profit stipulated for in disfavored areas (in which they are explicitly mentioned as beneficiaries), because legally they have no "profit" but only "income."

Entrepreneurship courses were financed in some localities (such as Brasov and Galati, in the three regions that we have studied) by the Active Employment Measure component of the Labor Redeployment Program, which was designed in 1997 by a team of experts from the World Bank, the Romanian Ministry of Labour and Social Protection (MMPS), and the US Department of Labor (USDOL). Its implementation was being overseen by the National Agency for Employment and Training (ANOFP). The program was

¹ See "Bursa" Review, 15 April, 1998.

demand-based, and this is why such courses only existed in some regions.

A falling economy, lack of coherent institutional support and a lack of entrepreneurial culture are all serious obstacles for would-be self-employed. Still, starting a business has been quite widely discussed as a solution for unemployment in restructuring areas. On the other hand, various types of self-employment, on a small scale and in the informal sector, do occur in depressed regions, where jobs are scarce. Surveys indicate that Romanian respondents are, in theory, quite open towards self-employment.

National survey data (see Table 1)² indicate that finding a new job and agriculture are the most popular options that people think of, when faced with the theoretical possibility of unemployment. (Still, they are negatively correlated with one another, because of urban – rural differences). On the other hand, migration and entrepreneurship are quite popular too, with 40% of the respondents considering that they may do this in case of unemployment. Migration – whether internal (leaving the locality) or external (leaving the country) – is correlated with the option of starting a new business³.

Migration and entrepreneurship are clearly gender sensitive. Women are less inclined towards leaving their locality, leaving their country, or starting a business in case of unemployment.

The options of starting a business and working abroad are not dependent on urban/rural residence; but rural residents incline more towards leaving the locality in search of a new job, and also, of course, towards agricultural activities.

National survey data also indicate that redundant employees plan to start a business much more often than others, and that they also actually go on to have more businesses. However, they presently have businesses in about the same proportion as the others.

² The database of the Barometer of Public Opinion, May 2000 (prepared by Metro Media Transylvania at the request of the Open Society Foundation). Tables reflect authors' calculations.

³ The correlation is statistically significant, with an error probability of 0.01.

Table 1. Coping strategies in cases of unemployment

If you were dismissed from your present job, would you...	% answer "yes" in total sample	Statistically Significant Differences ⁴			
		Men	Women	Urban	Rural
Find another job?	57.8	-	-	-	-
Leave your locality in search of a new job?	39.7	48.7	29.1	33.2	54.3
Start a business?	40.0	43.8	35.3	-	-
Work in agriculture?	47.9	51.8	43.2	39.1	68.0
Leave the country?	40.7	51.0	28.6	-	-

Source: Authors' computations, based on the database of the Barometer of Public Opinion, May 2000

Table 2. Persons who have a business, had a business or intend to have a business

	Has a business		Had a business		Intends to have a business		Has/Had/Intends to have a business ⁵	
	May	Oct.	May	Oct.	May	Oct.	May ⁶	Oct. ⁷
Redundant employee ⁸	6.7	6.5	5.0	7.3	32.7	23.1	40.0	30.6
Other	5.3	7.1	3.6	3.5	21.1	14.8	25.9	22.1

Source: Present authors' computations, based on the databases of the Public Opinion Barometers, May and October 1999

⁴ Bold characters indicate differences significant with a probability of error of 0.01. Regular characters indicate differences with a probability of error of 0.05.

⁵ The percentages in the first three columns cannot be added, because there are people who both had a business and intend to have one.

⁶ The difference between the percentages is statistically significant (t test for equality of means, independent sample, $p=0.032$).

⁷ The difference between the percentages is statistically significant (t test for equality of means, independent sample, $p=0.000$).

⁸ Redundant employees are those respondents who declared that they had quitted a state factory less than one year ago.

Table 3. Differences in entrepreneurial spirit (0=low, 1=high), relational capital (0=low, 1=high), and money available in case of emergency (ROL), among various categories of population

	Redundant		Entrepreneur		(Redundant and Entrepreneur)		Other	
	Mean		Mean		(Mean)		Mean	
Barometer Date	May	Oct.	May	Oct.	May	Oct.	May	Oct.
Entrepreneurial spirit ⁹	0.49	0.49	0.55	0.63	(0.50)	(0.60)	0.46	0.51
Relational capital ¹⁰	0.24	0.20	0.34	0.37	(0.28)	(0.30)	0.22	0.21
Total number of cases	56	116	105	134	(4)	(8)	1906	1761
Money available in case of emergency - lei ¹¹ (Oct.)	1,275,339		8,956,911		(6,166,667)		1,409,760	
Total number of cases	89		95		(3)		1273	

Source: Present authors' computations, based on the databases of the Public Opinion Barometers, May and October 1999

Still, there are some important differences between the category of redundant workers and the entrepreneurs. The Public

⁹ Index created from the following items: "Only the one who takes risks can win," and using a reversed scale: "It is better to have a small, secure wage, than a large, insecure wage," "One's welfare depends essentially on the state," and "In life, one should act according to habit/the way one has done so before." The difference between the group of redundant people and the group of entrepreneurs is statistically significant according to the t-test for equality of means, independent samples ($p = 0.000$). Redundant people do not differ in a statistically significant way from the remaining population.

¹⁰ Index created from the following items: "Do you have someone who could help you with a problem related to - health, administration, justice, police, banking (obtaining a credit), household issues, finding a job, borrowing money or objects?" The difference between the group of redundant people and the group of entrepreneurs is statistically significant according to the t-test for equality of means, independent samples ($p = 0.000$). Redundant people do not differ in a statistically significant way from the remaining population.

¹¹ Answer to the question: "If you urgently needed money, which is the maximum amount you could raise in one week from relatives, friends, acquaintances?"

Still, there are some important differences between the category of redundant workers and the entrepreneurs. The Public Opinion Barometer indicates both in May 1999 and October 1999 that the average (modal and median) form of education of redundant workers is the vocational school, while for businesspeople (or self-employed) it is high school. Moreover, the (few) redundant workers in the two samples who became entrepreneurs were better educated even than the average entrepreneur: in twelve cases, eight had undertaken university or college studies, three had undertaken high-school studies and one had undertaken vocational school studies. The same surveys indicate that redundant workers have lower relational capital, less access to financial capital and reduced entrepreneurial spirit (see Table 2 and Table 3).

Description of the Research

This paper is based on a qualitative research that took place in three industrial urban areas in three counties: Hunedoara, Brasov and Galati. In Hunedoara we have focused on the Jiu Valley, a conurbation consisting of six towns. The Valley is a mining region and was dramatically hit by the sudden mass redundancies of 1997. The region has also been one of the most troubled in post-communist Romania. Four violent demonstrations by miners, the so-called 'mineriade,' took place in Bucharest in 1990–1991, and another two in 1999.

In Brasov and Galati we have chosen to examine the county capitals – the towns of Brasov and Galati – and the smaller neighboring towns of Sacele and Tecuci, respectively.

Each area is highly dependent on one or two large state-owned companies which can regularly be found on the list of the heaviest debtors drawing on public money and the funds of other providers: the National Company of Bituminous Coal (CNH) in the Jiu Valley (coal mining industry); the Tractorul UTB SA and Roman SA factories in Brasov (mechanical engineering industry); and the Sidex Aggregate Works in Galati (steel metallurgy).

We conducted a total of 142 semi-structured interviews with multiple stakeholders, including redundant and/or unemployed persons¹², local authorities, decision-makers in state agencies overseeing employment and development, trade union leaders, factory managers, and decision-makers in the non-profit sector. The present paper is based especially on the interviews with the redundant employees who thought of becoming self-employed or tried to do so.

Redundant People as Self-Employed

How often do redundant people choose to become self-employed? We have detailed data only for the Jiu Valley, from two surveys and from the County Agency for Employment and Vocational Training in Deva. A survey conducted in 1999 indicates that 6% of redundant mining employees in the Jiu Valley declare that they used severance pay money for starting a new business (Boboc, p. 15).

Still, official data in the Jiu Valley indicate that only about 1 % of the redundant people engaged in formal self-employment activities (see Table 6).

In according to a second survey, the redundant people who were (self)employed in 1999 represented 27% of the total redundant employees. Within the category of employed ex-redundant employees, 19% are self-employed, and 5% work independently in the informal sector. This means that formal self-employed persons account for 0.05% of the total redundant, while informal self-employed persons ("private individuals without contract) represent a mere 0.01 % of all redundant. Still, when compared to the distribution of the non-

¹² Redundant persons represent former employees of plants that have been subjected to large-scale personnel restructuring. At the time of our research, some of them had found another job or were no longer in search for a job, and therefore they were not unemployed any more. We also had unemployed respondents that had not been redundant – this is, they did not leave their workplace as a result of a large-scale personnel restructuring process, but in other circumstances.

redundant employed population, self-employment is more frequent in the Jiu Valley among the formerly redundant than among the other employed people.

Table 6. Redundant people who were no longer registered as unemployed in the Jiu Valley

Redundant people no longer registered as unemployed in the Jiu Valley, because:	8 July 1998 (%) ¹³	6 January 1999 (%)	February 2000	
			Number	(%) ¹⁴
They found a job	8.37	10.6	2,841 ¹⁵	13.4
They retired	4.09	4.8	1,396	6.6
They were suspended (for refusing a job, a qualification course, or for not coming to get the monthly visa) ¹⁶	1.11	2.8	1,250	5.9
They have a private economic project (self-employment, entrepreneurship)	0.97	1.0	139	0.7
They moved to another county	5.07	5.6	937	4.4
They are on compulsory military service	1.50	1.9	343	1.6
Other reasons (death, migration abroad)	0.45	0.8	182	0.9
Total	21.56	27.6	6,728	31.8

Source: Larionescu et al 1999:177 and data provided by County Agency for Employment and Vocational Training Deva (2000) at present authors' request.

¹³ Percentage of 15,899 redundant people in 1997 from CNH Petrosani.

¹⁴ Percentage of 21,174 redundant people, 1997-1999.

¹⁵ Hired with an employment contract for an unlimited period, and therefore excluding those hired in temporary jobs.

¹⁶ Registered unemployed are required to obtain a monthly visa from the local office of the Agency for Employment and Professional Training. This system prevents the unemployed from receiving assistance in more than one locality. Persons who do not come for the visa have their benefits suspended.

Table 7. The distribution of the employed and employed ex-redundant by type of the employment-generating activity, Jiu Valley, 1999

Type of occupation / employment – generating activity	Employed redundant (%)	Other employed persons (%)
Self-employed	19	5
Mining company	3	76
Other state-enterprise or institution	20	6
Private firm with contract	36	9
Private firm without contract	17	3
Private individual without contract	5	1
Total	100	100

Source: Chiribuca et al., p. 10

In the following paragraphs we shall discuss four types of self-employment: retail trade, work in agriculture (farming), working abroad, and itinerant work.

Agricultural Self-Employment

Agriculture has become an “employer of last resort” (Pauna and Pauna, 1999), at least in Romania and Bulgaria – the only East European countries in which agricultural employment has increased during the transition. Statistical data indicate that rural-urban and urban-rural migration flows in Romania have reversed over the last ten years.

Working in agriculture may be more or less entrepreneurial. Dumitru Sandu identifies four types of agricultural work: agriculture oriented exclusively towards subsistence (household consumption), agriculture oriented partially towards subsistence, commercial agriculture oriented towards producing outputs for

trade, and commercial agriculture oriented towards investment – the proper “entrepreneurial” strategy (Sandu, p. 36).

For an unemployed person in an urban area, resources are required in order to start to work in agriculture – e.g. a plot of land, a house, or at least supportive relatives in the countryside. Some initial financial and relational capital is essential. For a redundant person with no resources, moving to the countryside, even if desirable, may prove impossible:

- *We thought to go somewhere, to buy a house, and build our household there. But we made a computation, a house was ten million – ten million means that then you had to spend some more money to make it inhabitable, at least, for the roof and things like this. As we had then 12-13 million, and the transportation was 2-3 million... So we would have been left with nothing, but one still needs something to buy a hen... Some friends of ours left, but they were one family, and then their parents and their siblings, and all three families have bought one house. They came to us and explained to us, so we wanted to go there, but we couldn't.*

(Interview with the 30-year-old wife of a redundant miner, Vulcan)

Moving to the countryside also involves significant changes in the lifestyle – a different type of work, access to a poorer infrastructure. These are additional costs that urban people may find difficult to support:

- *Where could I have gone? To the countryside? What could I have done there? I left there, and those who stayed have their own social condition and meaning in life. And it is not that I wouldn't want, because I like to go and work and so on – but my body doesn't help me any more – we are like incubated chickens, we are no longer like the strong, hardened peasants... And then, my darling, to go and wash myself again in the courtyard – I have worked so many years, I have raised these daughters, and shouldn't I have my own joy?*

(Interview with a 46-year-old woman, previously employed in a textile factory, Brasov)

The Marketplace

Small trade in the marketplace seems to be the urban “last resort employer.”¹⁷

All our respondents acknowledge the fact that small trade in the market is no longer a profitable activity, as the demand is stable if not decreasing, and the supply is increasing. Those of the unemployed who recently began to trade goods in the market have marginal positions in the marketplace, as they were the last to arrive. This seriously affects their sales and, consequently, their incomes. Their strategies range from lowering prices, to (illegally) acquiring an “agricultural producer certificate” with the hope that they might advance towards better places.

- *Did the others in the market help you, give you advice – did you trust them?*
- *No, no... How could I tell you... Already, when I came there, it was as if a nail hurt their back – I didn't see love, harmony, “you came here, you started, this is how you should do”... They showed more before I started, yes, they said, it is good – but when they saw me there, they were very cold.*

(Interview with a 46-year-old woman, previously employed in a textile factory, Brasov)

Still, despite its low profitability, some use it as a means of subsistence. Like agricultural activities, small trade is seen essentially a low-risk option. Those opting for it base their choice of merchandise on uniformity criteria, interpreting universality as implying safety. “Everybody will buy sugar”, said one of our respondents, who was currently selling food in the marketplace. Therefore, they choose to sell basic products – such as food, or hygiene products – because of the generality of the needs these meet.

The few redundant persons in the Jiu Valley who chose to become self-employed also generally opted for small trade. The market represented for them the main opportunity for survival.

- *What did you do with the severance money?*

¹⁷ See the concept of Pauna and Pauna, 1999.

- *I tried to do something... I went with my brother-in-law to sell on the market; this is what the majority did. With vegetables, in the market – but it didn't work. He had a producer certificate from the countryside, so we went with a car, buying potatoes, tomatoes and things like these... most people were doing this, because here it was very difficult to make a legal family association, it would have cost you all those millions. Only the bribes were 2-3 million...*
- *So the market business didn't work?*
- *It worked a little in the beginning, but afterwards it was finished. Because the majority from the Jiu Valley were doing this...*
(Interview with a redundant miner, the Jiu Valley)

Working Abroad

Work abroad means either trade with merchandise from bordering countries – usually Hungary, a practice adopted especially by women, or work for a foreign employer, which is what men tend to do. Both strategies, being anchored in **informality**, incur specific risks and involve developed risk-taking skills.

- *It is good to trade...but it is continuous work, it is a great stress. And you pay, you bring some things to the other, and then you wait – for your own money – and then you hear things said about you...*
- *What kind of things?*
- *“Look, she is doing business. Look, how much she asked me for this” – then go yourself! For example, I went once to Hungary, the first time, I hadn't been there before – my darling, when I came back to Romania, my head was covered with sores! Because of those emotions – I waited a lot in the customhouse; they were asking others to get down, I didn't know how things work...And then the others say it is expensive. It is not expensive: why don't you go yourself, get through those emotions, invest your own money, sell them in installments...And then I had enough of this. I am only sorry that I didn't bring more things for my house. It is worth going there, but to bring only for yourself, because those who are near you don't deserve it, not all of them.*
- *Did you bring wares for friends?*
- *For acquaintances...I asked them what they needed, and when I had*

a certain number of orders, I went and bought them...

- How many times did you go abroad?
- *I went to Hungary six or seven times, and four times to Bulgaria... Since June, until November.*
- And it was not worth it?
- *No, no... I mean... From Hungary, I brought food – whatever I found. Well, my darling, could I have not put a salami roll on my table, or anything, for my children? And if I left these, how could I have had profit?*

(Interview with a 46-year-old woman, previously employed in a textile factory, Brasov)

The costs of working abroad are significant and, according to the degree of informality/illegality chosen, their level and predictability varies. Our respondents complained about the bribes or confiscations to which they were regularly subjected at the border. High risks were involved in the illegal crossing of the frontier, and finding a convenient form of employment afterwards.

- Didn't you think about going abroad?
- *Oh yes! I would very much want this. But to get a visa on the black market – and one cannot be sure, because there are many risks – is 2,000-2,500 DM.*
- But without a visa...
- *Jumping the fence? Fraudulently, no. Even to go there fraudulently, there is a guide, and he would ask you for money. It is risky... My colleagues were like this, in Greece – I still feel like laughing: they got blisters on their feet because of walking, and the blisters cured while they were still walking! I give you my word: they walked hundreds of kilometres. (...) They worked 2-3 days and then another 2-3 days they had to wait, looking for another job and eating into their money. They came home just with the dust on their clothing. (...) I would like to go to Italy, with an employment contract, of course, so that I could have some protection. Italy, Germany...*

(Interview with a redundant miner, the Jiu Valley)

Still, differences in wages between local jobs and work abroad are considerable, and they make the risk seem worthwhile.

People generally mistrust those who mediate between people leaving the country for work and the countries for which they are leaving. They do so as a result of previous experiences of fraud.

- *I tried to leave. I lost a lot of money, when I tried again to leave for England. I did all the papers for England, I paid a life insurance, absolutely everything, I spent 6 million by means of a firm in Brasov, and maybe you have seen on TV when they cheated on 17,000 people... They said they would take us on an oil platform in the North Sea, and we did all the paperwork, we paid all the taxes, but they didn't take us. So I have tried like this with one firm or another, but with no results.*

- *(...) But what trust can you have in these firms?*

- *I have no trust at all. I just tried and waited to see if they ask for money. If they ask for money, it is clear...*

(Interview with a redundant miner, Vulcan)

Going where the money is

Mobility has been an important determinant of subsistence in the Jiu Valley, a region hardly hit by industrial downsizing: it is often necessary to "look for work where the money is". Broadly speaking, people were required to seek resources beyond the crowded and economically depressed perimeter of the Valley – e.g. they had to search for mushrooms on the neighboring hills, for masonry work in other regions, or for employment abroad.

The maintenance of low prices is the key to access for redundant people in the Jiu Valley:

- *After Easter, we go and look for work here and there, together with some friends. They are also qualified – for painting, faience... For example, we find a house in the town of Tg. Jiu, or... where there is still money left! (...) We worked together in the same factory, and we are also neighbors.*

- *But how do you find out about the houses in the town of Tg. Jiu? Aren't there qualified people as well?*

- *We are cheaper! We break the prices. We break the market! For example, a square meter of painting there is 40,000 lei – this is how much a man from there would ask you. While one miserable dog*

from here, the Valley, with the hunger in his throat, as we are already known everywhere, he would only ask for 25,000.

(Interview with a redundant miner, Vulcan)

Resources for Self-Employment

Flexibility: Changing the Definition of the Situation

Those who elect to try to survive on their own, devise a number of strategies to make ends meet. As one of our redundant respondents in the Jiu Valley ironically noticed: *"Before, when I was working in the mine, I didn't need to think: I was going daily to the mine, underground, then coming home and waiting for my wage. I had money, then. Now I have no money, but I must think all the time!"*

Inventiveness, flexibility and mobility must be combined if subsistence is to be achieved. In the town of Vulcan, in the Jiu Valley, we found a family that had tried all the strategies we have mentioned above: they intended to go in the countryside, but could not find the necessary resources. Subsequently, they started a small business in the marketplace, which failed. They started to work as salespersons in the marketplace; the husband also worked as a daily worker on farms from neighboring localities; they had collected used iron until they had no more to collect. They learnt to collect mushrooms, walking long distances over the hills. The husband occasionally worked in construction in other localities, and he also worked in Turkey for four months, until that was no longer legally possible. He participated in the community job program as well. The family applied for various forms of social assistance, but was unsuccessful. The wife wrote a letter to the President of Romania, but the answer she received did not help her to solve her problems. The husband participated in the hunger strike, but eventually gave up because of the emerging conflicts therein. The family had to give up running water after becoming severely indebted, and they also intended to give up central heating, but they could not afford to pay for disconnection. They have tried everything, from protest to entrepreneurship, looking for a new job, working in agriculture, working abroad and simply saving money.

Multiple sources of income were rather the rule than the exception for our respondents. One family in Galati ran two activities: carpentry and beehives. Another family, also in Galati, lived from daily work and work in agriculture, while hoping to start a business in auto repairs.

The loss of an apparently secure job opened a whole range of possibilities, which, for many respondents, gradually turned into impossibilities. Uncertainty is one of the main challenges of unemployment, since those made redundant must now look for opportunities without the economic and social protection afforded by regular occupation and income.

Skills

Starting a business requires some skills, but not all redundant employees have marketable skills. For example, one of our respondents, a woman previously employed in a textile factory, wanted to start a business in order to benefit from all the facilities, but she did not know what to do:

- *"I went to the Chamber of Commerce and I said, look, I want to start a business but I don't know to do anything! But I am the one that has the money and the facilities. Then, they said, you will have to hire somebody"*

(Interview with a woman, previously employed in a textile factory, Galati)

So, she decided to start a business and employ her husband and her son to do auto repairs, sewing machine repairs, and shoe repairs. Still, because of lack of initial funding, her business was not yet started at the time of the interview.

Another respondent from Galati has worked as a carpenter, together with her husband. They have been working for their own customers even before leaving the factory; their products were half price compared to the factory ones. After the factory closed, they started a family association to do carpentry:

- *"They asked us: what would you like to do? Then, I said, what can I do otherwise than carpentry? Could I do perfumes? No, I cannot, because this is not my job. We have both been carpenters"*

(Interview with a redundant woman, carpenter, Galati)

Still, despite their attachment for their profession, it is noteworthy that they also had beehives, which they planned to take care of in parallel with their carpentry workshop.

Network Support for the Self-Employed

- *Family Support*

Our interview data support the hypothesis that family support is essential for starting a small business. Those of our respondents who were not supported by the family in starting their own business gave up this initiative, at least temporarily.

- *(...) What is your wife doing?*
- *She is working in a photo shop.*
- *Wouldn't she co-operate with you in starting a business?*
- *No. She doesn't want us to "do something." Because we would have had such a solution. I told her: "Let us move to Rasnov. We would find a job in Rasnov. I could commute to Brasov – it is not difficult. We sell our apartment in Brasov, we give my brother the money and we keep the house. If we can, we start a business; if not, we continue to work for the state, or for a business owner." But she just didn't want to. She is 100% an urban person – born in Brasov, she doesn't like quiet (...) She doesn't have the courage: if things were already set up, she would accept the burden... Though, we have a firm – we opened it in 1995 – at present it has no activity. It's specific activity is as it was in those times: everything, from A to Z! So I told her: "Look, in this period I can find a room and start to sell funeral objects." But she said, "So that people would laugh at you, that you became a grave digger from an engineer!" We had a bad period, with many fights... Whatever I tried to do, it was wrong... She discouraged me.*
- *But what would she have liked you to do?*
- *She wanted me to find a job according with my qualifications.*

(Interview with a 40-year-old man, formerly an engineer at Roman SA, Brasov)

The family offers unconditional and general support, but the specific support for any chosen coping strategy is nonetheless fiercely negotiated.

All of the active businesses we have encountered, with one exception, were either family associations or commercial societies in which both spouses were working. For example, we have seen in the previous paragraph that one of our respondents relied on her husband's skills to start a business.

Other people intending to start a business failed to follow through with their plans because of the lack of support from their families (spouse, siblings, children).

- *So I thought, I'll go and sell in the market, and my daughters would help me with the records, because they study economics.*
- *And did they help you?*
- *No, they didn't – it was all on me. And I thought that my man would help me with the ware provision – but he didn't. "I can't, because I work ten hours a day" – OK, then. The girls said, "We are going to school. We cannot help you." Then I thought, why should I toil and moil like this? – because you come home in the evening and you still ask me to give you everything. (...) I was lucky with my family, because if I hadn't had my family's support, I would have been lost.*
- *What did your husband say, when you told him that you wanted to sell in the market?*
- *He said: "Woman, don't hurry, because we are going to solve this somehow" – and I didn't listen to him, and I was wrong. My first disobedience.*
- *Did your husband encourage you to go abroad?*
- *He allowed me to go – if I said "I want to do this or that," he said "Go, it's your business!" If I left in the morning and I came home in the evening, he wouldn't even ask. I had no problems – I went, I was circulating, leaving in the morning, going here, there...He didn't ask me, control me - "where did you go," or "what did you do"...He didn't impose anything on me.*

(Interview with a 46-year-old woman, previously employed in a textile factory, Brasov)

Teamwork and partnerships

We have encountered **teamwork** in the Jiu Valley. Neighbors and previous colleagues from the mine gathered together and organized as a team to work in constructions, for example, in

neighboring regions. This type of work did not imply any investment from the partners, so there was a low risk of defection.

Another type of partnership was involved in working abroad. Relatives or acquaintances helped the newcomer to get abroad and to find a job there, even by lending him money, to be repaid from future earnings. In this particular type of activity, where illegal frontier crossing and informality pose high risks for the worker, an effective support network was a prerequisite for success.

- *One of my nephews left for Italy, a couple of weeks ago. (...) He went via a friend of his who left earlier, using a firm from Brasov, as a tourist. It is a little expensive, about 20 million lei (...) I told him: Danut, if you get there and find yourself a place, in the next spring, you send me the money, 20 million lei, and in one month I work, I pay you back, and that is all. He worked at the Gas Distribution, and it was restructured, with all the miserable things that happen in this country...he was unemployed. A brother-in-law of his left too – he had worked in Galati, in the factory. (...) And from Valea Marului [his native village] there are a lot of young men who left. And they came back with so much money that they are throwing it at the dogs!*
(Interview with a 45-year-old unemployed man, Tecuci)

Two of our respondents had some bad experiences with partnerships where common investments were involved, especially because the agreements in which they were involved were **informal**. When conflicts arose, there were no legal mechanisms to redistribute the common assets; informal negotiations and pressures were the only way to achieve justice.

- *What did you do with your severance payment money?*
- *Initially I invested part of the money with a business owner, we opened a bar. It didn't work, then I left abroad, only my wife was left here, and we had problems getting the money back, we took it back very slowly, in small amounts.(...) It was very difficult: my wife went there, with her mother, with her aunts, they barely managed to get the money back.*
- *But what was your relationship with this business owner, how did you decide to associate?*
- *We have had a very good relationship before this; my wife had worked for him for two years. But later, she realized that he didn't*

hire her legally, she had no papers! She worked for two years in vain.

- But did you know that he hadn't hired your wife legally, when you decide to associate with him?
- I didn't know. So we have associated... it was a friendly deal, I help him with money, we buy merchandise, then I will have my share – there were no papers or things like this.

(Interview with a redundant miner, Vulcan)

Financial Resources

Starting a business with scarce resources is particularly difficult. Two of our respondents in Galati had initiated a business but they had to stop because of lack of **initial funding**.

One woman initially started her business in order to get her severance money in a lump sum, so that she could pay her debts for the housing expenses. Now she needs money for renting a place and starting the activity. Her family had low incomes: both spouses and the older son were working on a daily basis, where they could find anything to work. They also worked in agriculture, because they had some land, but she felt that benefits are too little compared to costs. She hoped to sell the land and with the resulting money to start the business.

The other woman started together with her husband a small business (a family association) as carpenters. They received 20 million lei as severance payments. They needed land for a workshop. (Before receiving the money they had tried twice to start a business in partnership – once with a colleague, then with the husband's brother, but both attempts failed and ended in conflict.) Severance money was not enough to buy a piece of land in the town, so they bought a place in the women's native village for 10 million. The other 10 million went into building the workshop. Now they need money for introducing electricity, buying raw materials, etc.

Both women were aware of the existence of a credit scheme at the Chamber of Commerce. The credit was given in USD and had to be returned also in USD, with an interest rate. Although the credit required no collaterals, unlike credits from banks, the two women

were discontented with the short reimbursement period: six months. They both felt that six months was not enough for making their business profitable enough to pay the money back.

Concluding Comments

Our study is by no means representative for the experiences of self-employment of redundant people. Instead, we used the interviews to search for insights into the specific challenges that unemployed people face when adopting an entrepreneurial strategy.

Our respondents who wanted to become formally self-employed could not rely only on the support provided by the Government (the severance payment scheme, entrepreneurship courses, etc). Additional resources were needed for success. One of the most important resources seems to be **family support**. The family can bring in skills and labor force that are essential when starting a sustainable business from scratch. Access to broader **support networks** seems to be very important for strategies based on extensive mobility (such as work abroad).

Our respondents who started a business usually opted either for their previous **skills** (or skills of their family members), if they had any marketable ones, or for the "last resort" employer – retail trade. Still, it is noteworthy that the two persons who had University studies (as engineers) actually thought of starting a business in a different field: agro-tourism, respectively hairdressing.

The transition to self-employment also involves important changes in the **family life-style**, especially compared to the previous period of employment in state-owned factories. Constant uncertainty and risk-taking, longer hours of work, temporary absence from home of one parent, more frequent interaction with state bureaucracies, are often part of the new game.

If self-employment is to play a more important role in poverty alleviation, support policies should take into account the broader resources (besides financial ones) needed by potential entrepreneurs, and the impact that this decision will have on the lives of their family.

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