



Meeting of the SWG SCAR AKIS
Strategic Working Group on Agricultural Knowledge and Innovation Systems

Social innovation role of social cooperatives in Hungary

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Online meeting

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AGENDA

1) Social Enterprise
Concept

2) Characteristics of the SE ecosystem in Hungary

3) Social Enterprises in Hungary (legal background,
objectives, membership)

4) **Social cooperatives in Hungary**
(role in employment, local development,
social innovation)

5) **To do list in the context of
AKIS**

Social enterprise (SE) concept in the EU

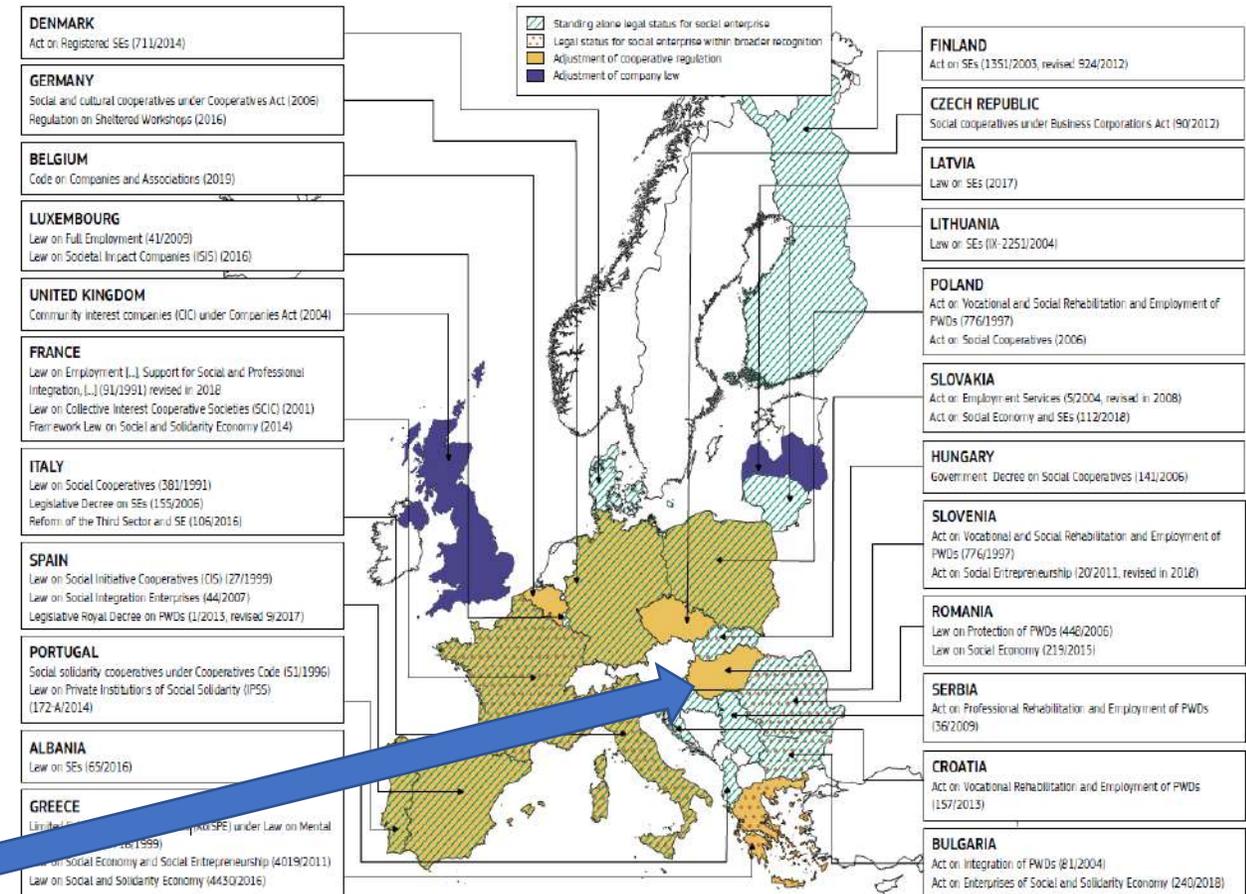
- Diverse degree of understanding and acceptance
- Key concepts used interchangeably with that of SE:
 - Social and solidarity economy;
 - Social entrepreneurship;
 - Social innovation (all of them are to capture the change in mindset involving civil society; their actors, beneficiaries partially overlap with that of SE)

Degree of acceptance of SE concept: Politically and legally accepted but narrow understanding (work integration) – weak self-recognition

Following transition: absence of an institutional framework, suppressed solidarity

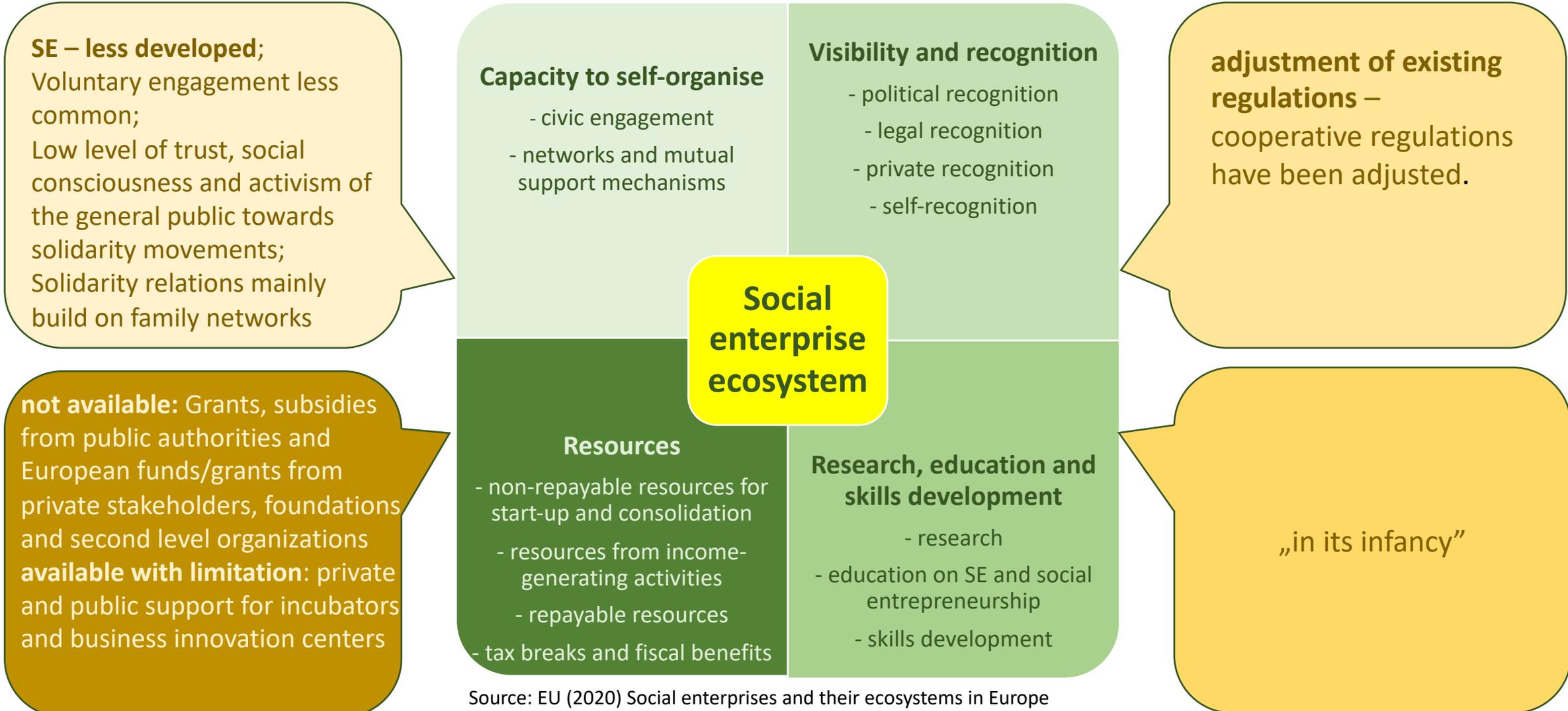
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Countries with laws on specific legal forms or statuses for SE



Source: EU (2020) Social enterprises and their ecosystems in Europe, p.58.

Social enterprise ecosystem in Hungary



Source: EU (2020) Social enterprises and their ecosystems in Europe

Social enterprises in Hungary

**Foundations, associations with
social goals:
app. 9500 pc**

**Not-for-profit companies:
4204 pc**

**Social
cooperatives:
2102 pc**

**Church
organizations with
public service
tasks:
1047 pc**

**Pensioners
cooperatives:
146 pc**

**School
cooperatives:
104 pc**

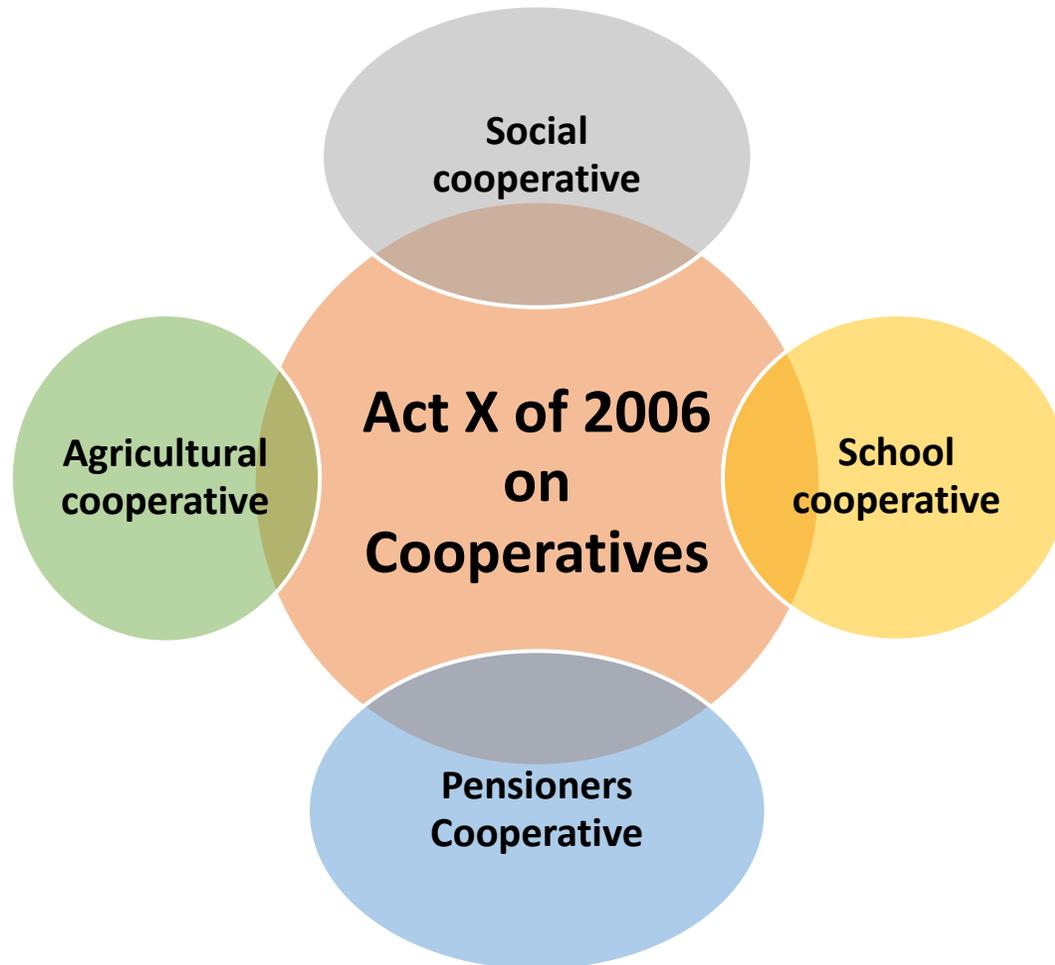
Definition:

- operate between public and private sectors;
- are established to meet local needs that were not covered by private and state institutions;
- create new jobs;
- generate income;
- long-term goal is to become self-financing;
- target group: long-term unemployed, young people having difficulties in finding a job; women with obligation to care, elderly and disabled, people having problems with social integration (Frey, 2007).

Major characteristics:

- Organizational diversity;
- Major focus: role in employment;
- Low social embeddedness

Social cooperatives in Hungary (1)



Objectives:

- create jobs for disadvantaged members, improve their social situation in other ways.

Membership:

- natural person;
- at least one local government or minority local government;
- association of the above-mentioned with legal personality;
- member of a public benefit organization with caritative work

Source: Act X of 2006 on Cooperatives

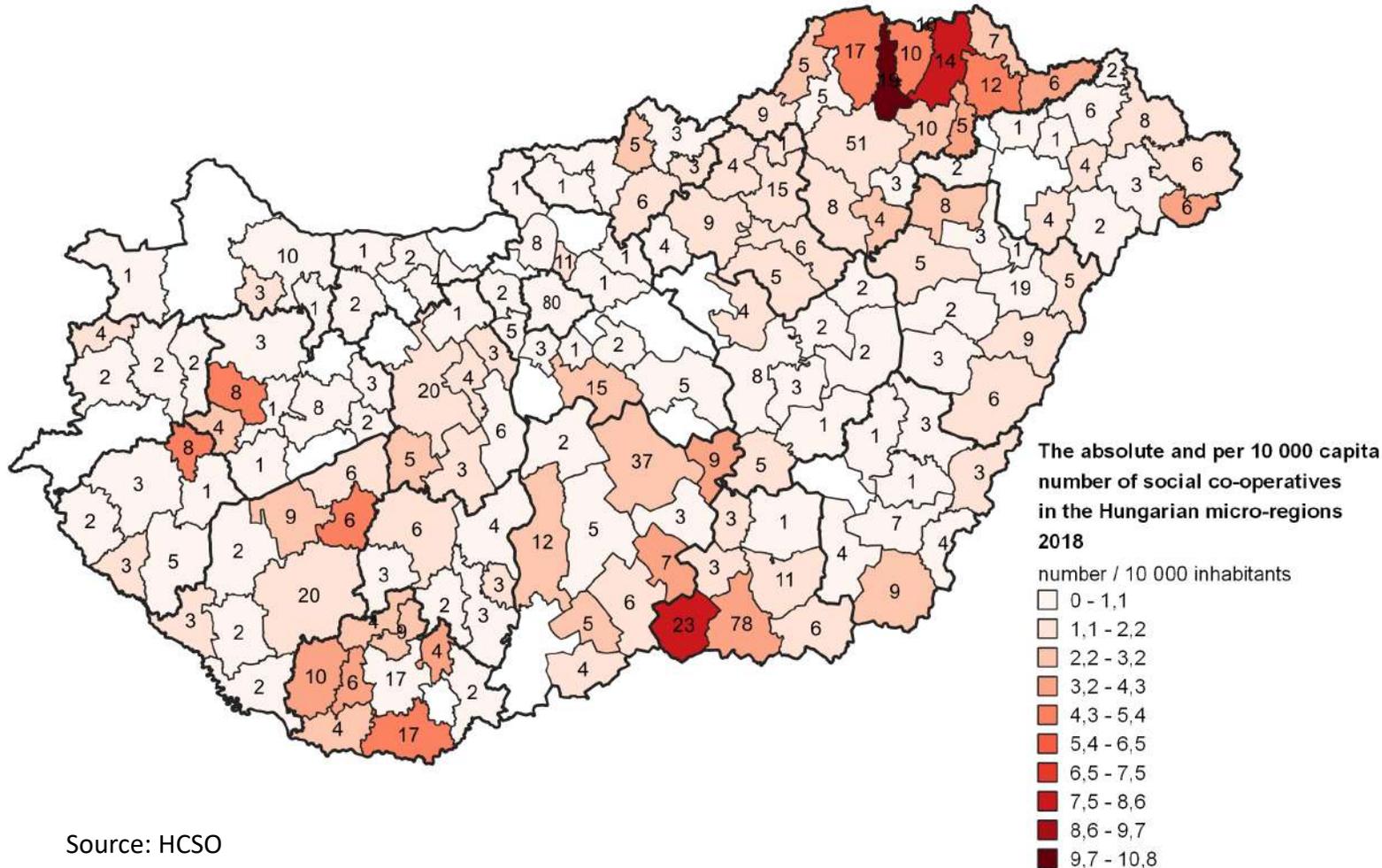
Social cooperatives in Hungary (2)



„START“:

- a **local government** that is a public sector employer plays a role in establishment and operation;
- among the founders there is a person who is **employed by the local government in the Public Work Scheme** or prior the membership - within a time frame of 1 year - he/she had public sector employment relationship;
- during operation the social cooperative has to have **members employed in the Public Work Scheme** or members who were job-seekers according to the act on employment promotion and unemployment benefits while becoming members.

Social cooperatives in Hungary (3)

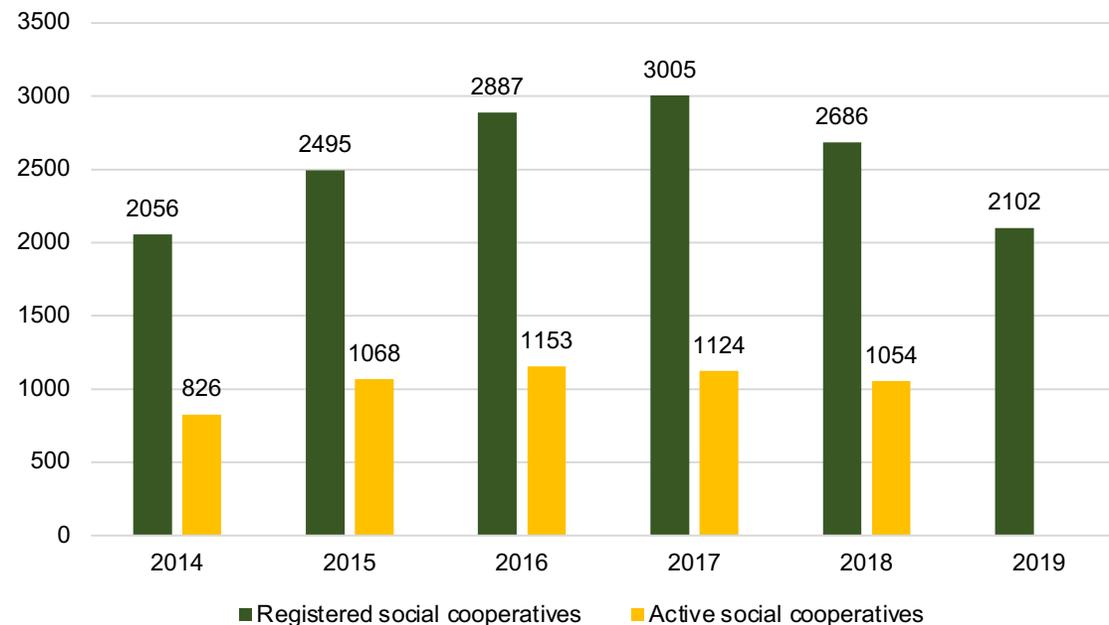


Source: HCSO

- **1054** active social cooperatives in 2018;
- in terms of population the **highest number of social cooperatives** is to be found in **north-east Hungary** , in some **micro-regions on the Great Plain** and in certain **south-west micro-regions**

Characteristics of social cooperatives

Number of social cooperatives, 2014-2019

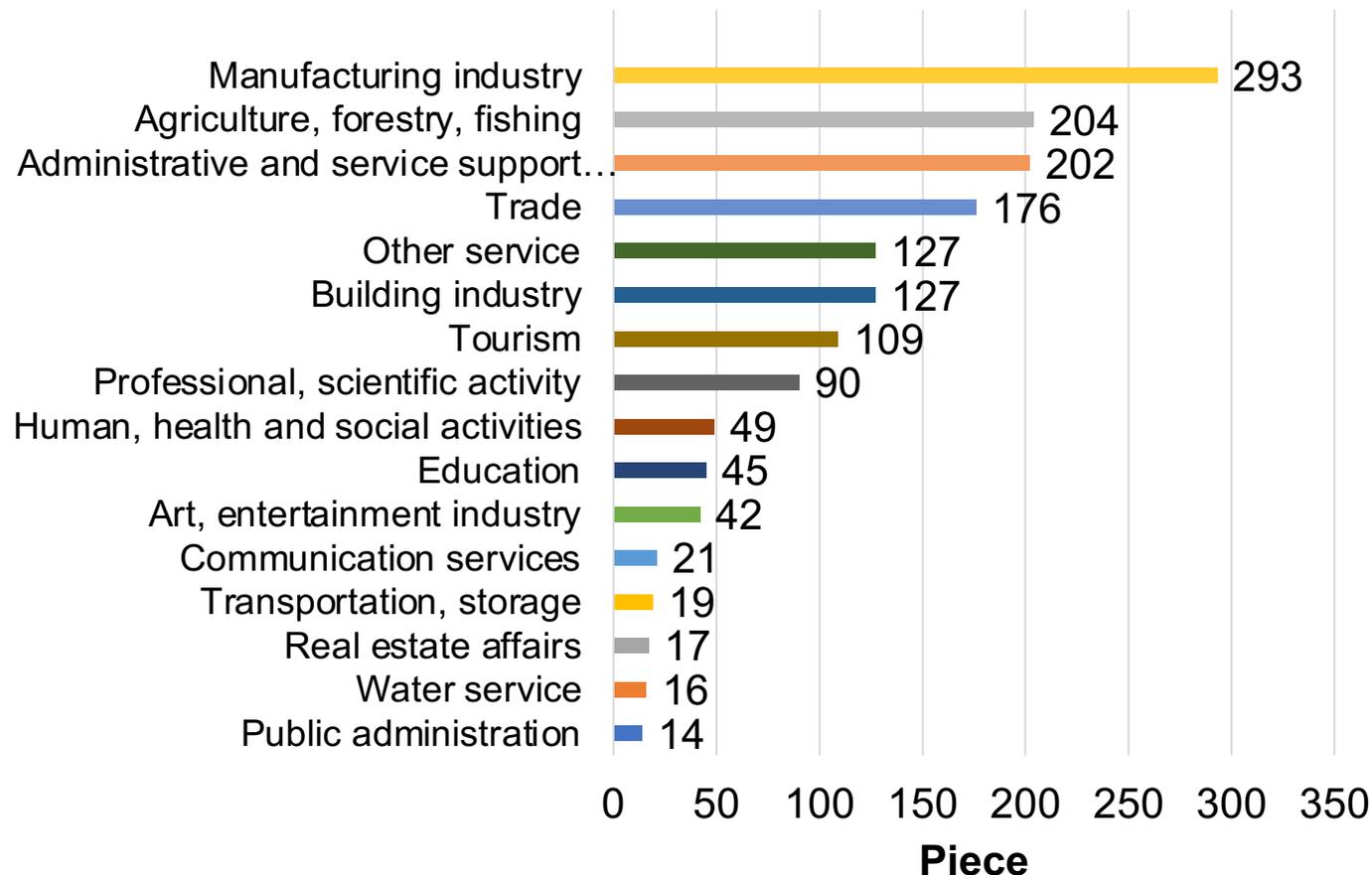


Source: Hungarian Central Statistical Office (HCSO)

- stakeholders of local development since 2006
- only **40%** of registered social cooperatives is considered **active**
- significantly high number in economically **underdeveloped regions**
- majority: with a size of a **micro-enterprise**

Characteristics of social cooperatives(2)

Composition of social cooperatives by main activity, 2019



Dominant food industry profile among social cooperatives

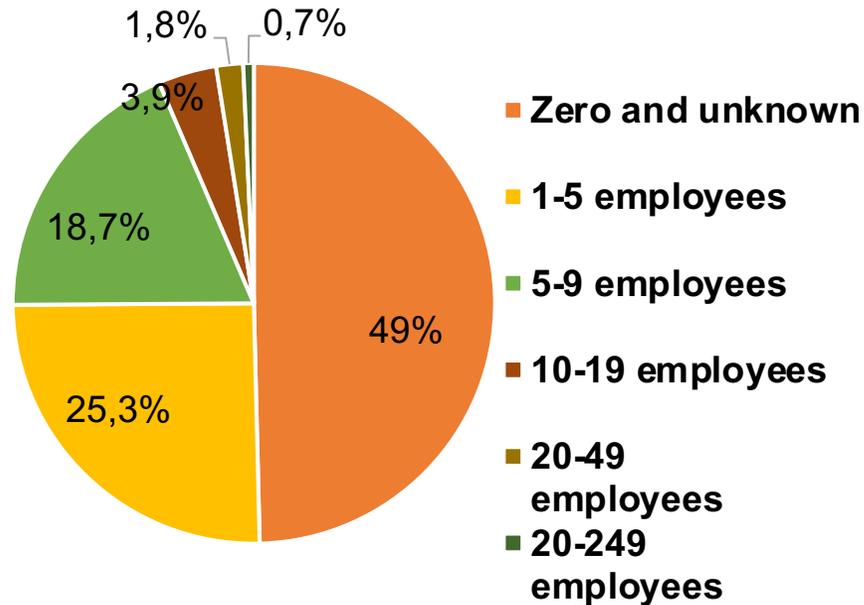
- causes:
 - availability of agricultural resources;
 - relative low cost of entry;
 - labour-intensive activity providing continuous employment;
 - it is closely built upon 'START' public employment programmes

Diversified activities

- causes:
 - more balanced income structure
 - less work-peaks
 - deficiency of local services

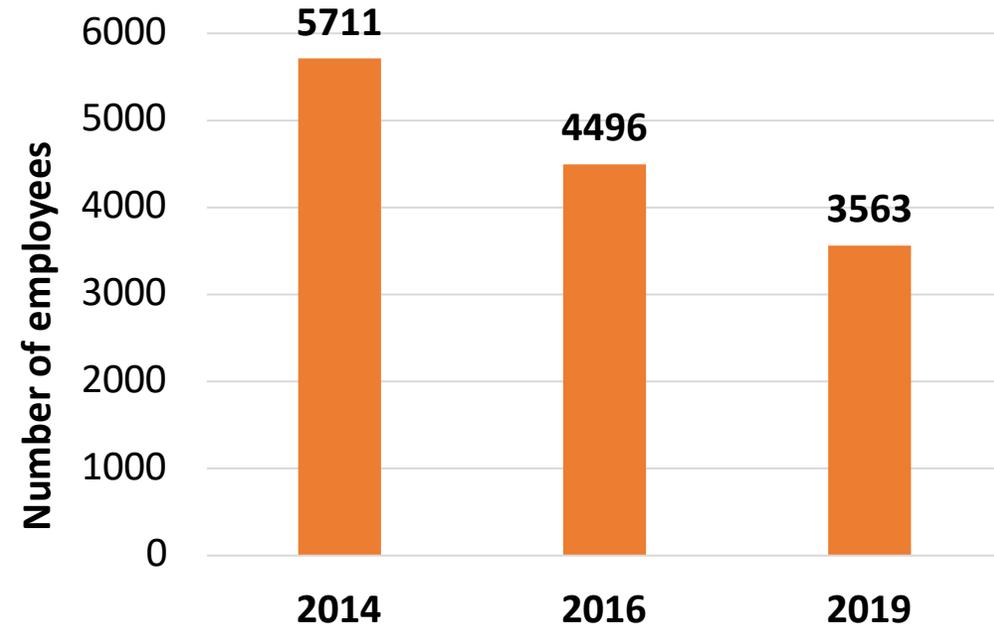
Role of social cooperatives in employment

Breakdown of active social cooperatives by headcount categories, 2019



Source: NARIC Research Institute of Agricultural Economics based on HCSO, Information Database

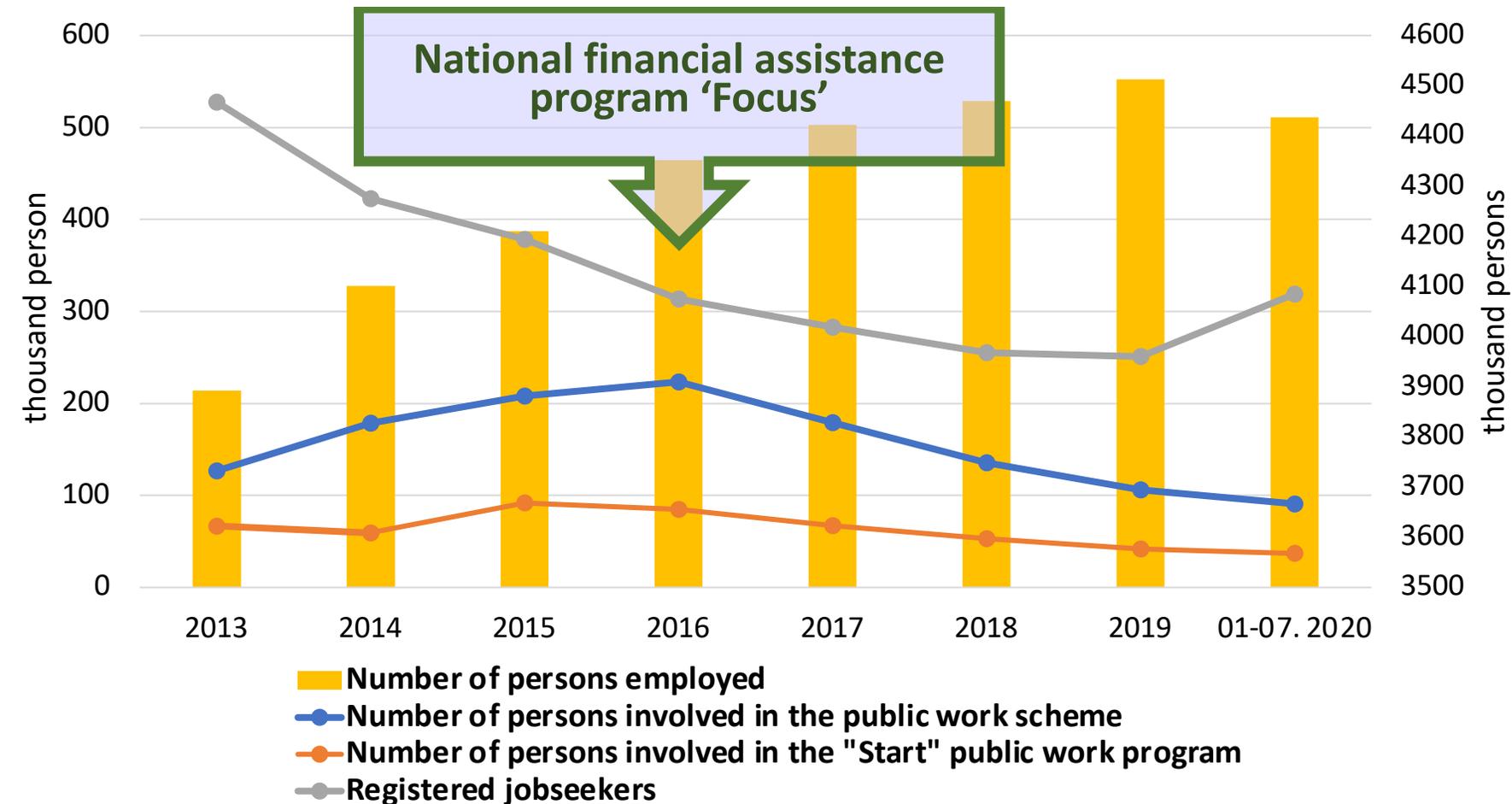
Estimated number of employees of active social cooperatives, 2014-2019



Source: NARIC Research Institute of Agricultural Economics based on HCSO, Information Database

Social inclusion mainly through work integration! Composition of employees matters instead of their number. Based on public sector employees.

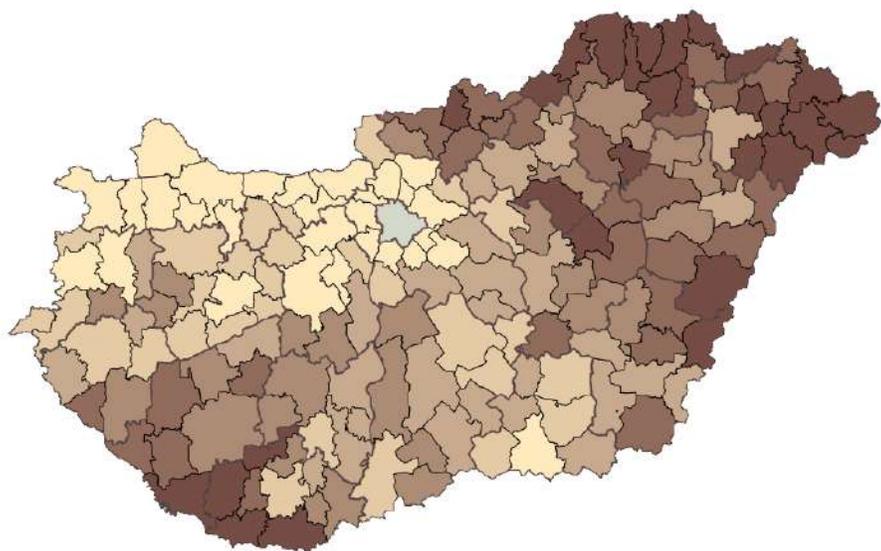
Labour-market trends, 2013-2020



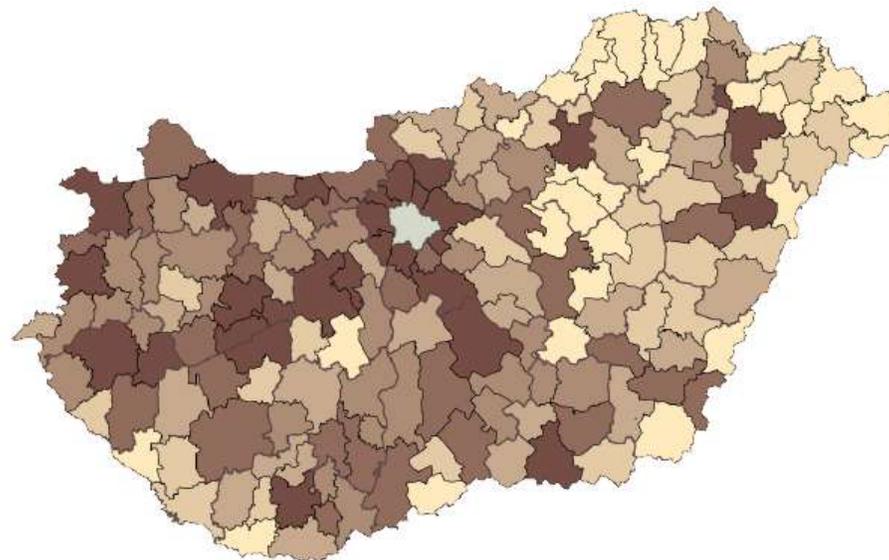
- **Number of persons employed has been gradually increasing since 2013**, while the number of registered job-seekers has been declining.
- **COVID-19**: the trend has changed in 2020
- The number of persons involved in the public work scheme was the highest in **2016**. This year the **Focus Financial Assistance Program** was introduced for social cooperatives. (national budget, based on public work)



Share of persons employed in the Public Work Scheme and registered job-seekers in the population aged 15-64 (%), 2019*



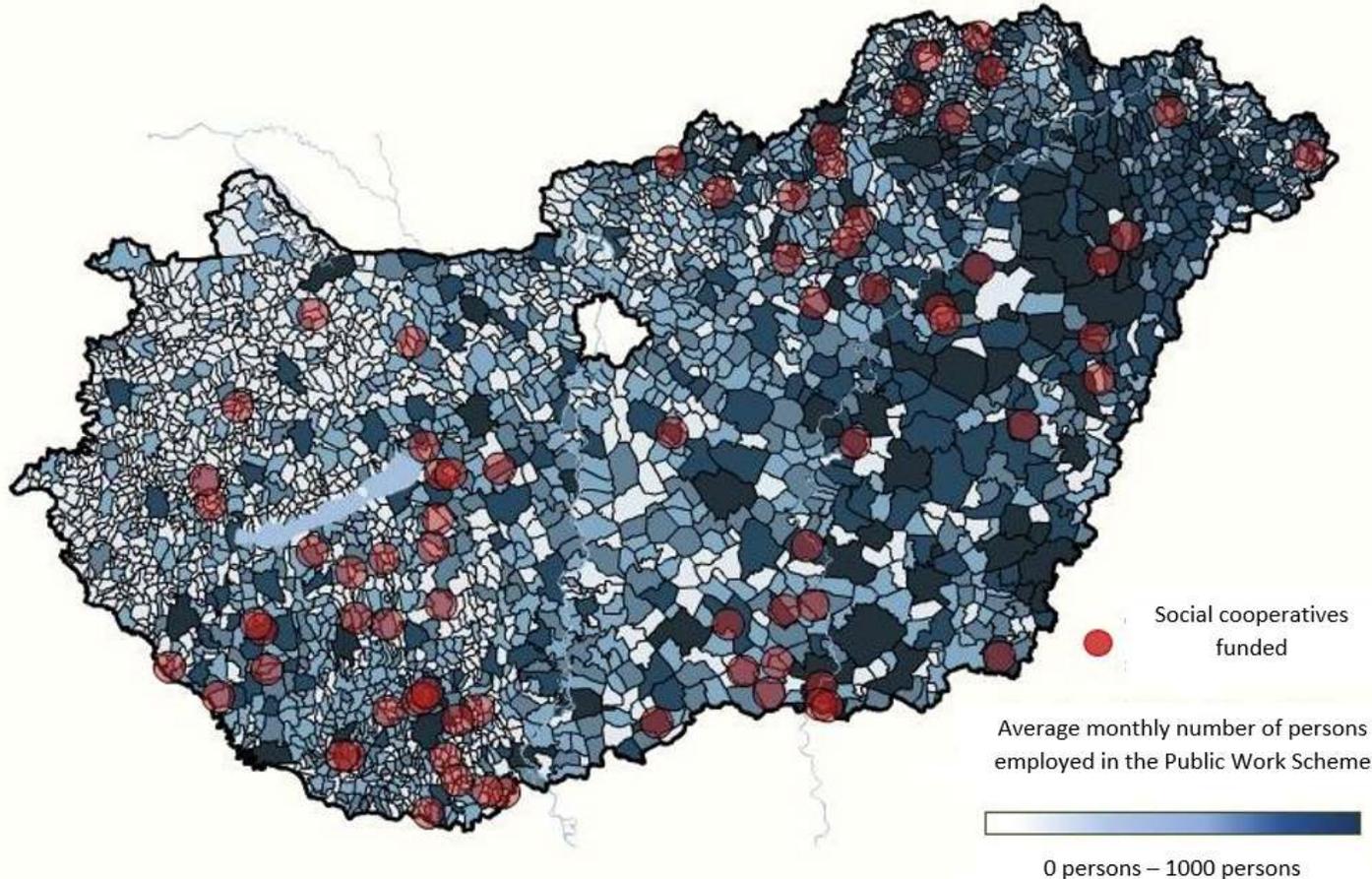
Number of active enterprises per 1000 capita by micro-regions, 2018



*** Highest in the most underdeveloped north-east and south-west part of the count, where the lack of enterprises is significant.**

Social cooperatives have been established mostly in these micro-regions.

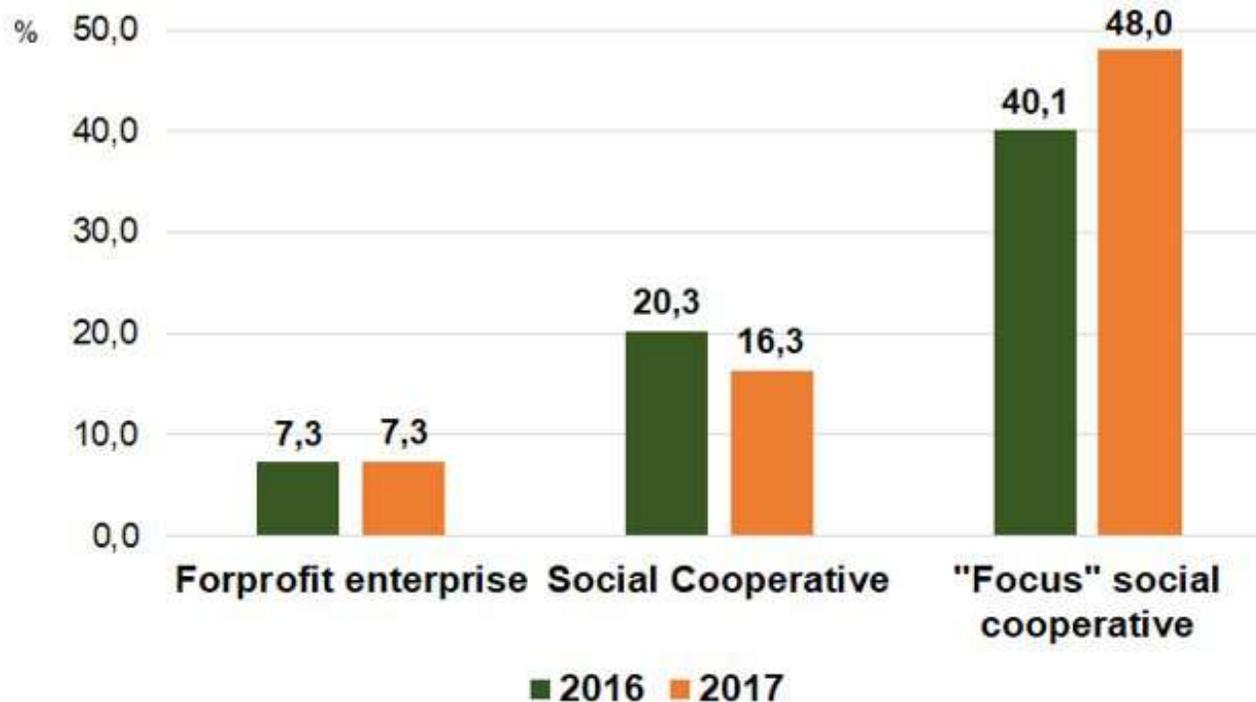
Territorial location of ‚FOCUS’ social cooperatives



- ‚FOCUS’ financial assistance program was set up in 2016, based on public work scheme to support 200 social cooperatives from the national budget
- 40% of settlements where they are located is a small settlement with less than 1000 inhabitants, more than one third with 1000-3000 inhabitants, with
 - limited primary labour market
 - no coordinating local market organizations/ enterprises
 - inadequate tools of social inclusion
 - unemployment through generations
- **Transit employer to improve employee competencies (limited production)**

Role of social cooperatives in employment

Share of personnel cost out of total costs by types of enterprises



Work integration – high share of employment-related expenditure

Supported social cooperatives – **40-50 % of the total costs are personnel costs.**

In the case of **micro-enterprises this share is less than 10 %**

Role of social cooperative in local development

Social

Return to work after unemployment
Work socialization;
Developing employee competences;
Pattern-forming for the next generation;
Increasing living standards;
Partnerships to reduce social distance;
Social inclusion;
Products and services strengthening local identity

Economic

Integration of small farms;
Increasing household income;
Increase in local tax revenues;
Expansion of supply/ of local products and services / increase in variety;
Involvement of local business partners

Environmental

Landscape maintenance;
Revitalization of abandoned areas, closed gardens;
Local production of raw materials;
Region-specific products;
Use of environmentally friendly technologies;
Preservative-free foods

Social innovation role of social cooperatives

**Cooperation to strengthen
labour market
reintegration and social
cohesion**

**Spread of local
development approach
with an emphasis on social
goals**

**Promoting knowledge
exchange, pattern forming,
informal learning to
enhance the resilience of
local population**

**Products/ Production
based on local resources,
strengthening local
identity**

**Local residential services
improving quality of life**

**Integration of smallholders
into markets**

Cooperation to strengthen labour market reintegration and social cohesion

Based on EC definition:

Basically, the concept comes rather close to the term social entrepreneurship, in cases in which the latter is used to refer to an approach driving positive social change.



Spread of local development approach with an emphasis on social goals

Based on EC definition:

As a concept, social innovation may refer to a product, production process, idea, social movement or a combination of the above.

Basically, the concept comes rather close to the term social entrepreneurship, in cases in which the latter is used to refer to an approach driving positive social change.



Promoting knowledge exchange, pattern forming, informal learning to enhance the resilience of local population

Based on EC definition:

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Products/ Production based on local resources, strengthening local identity

Based on EC definition:

As a concept, social innovation may refer to a product, production process, idea, social movement or a combination of the above.



Local residential services improving quality of life

Based on EC definition:

Developing new ideas, services and models to better address social issues



Integration of smallholders into markets

Based on EC definition:

Basically, the concept comes rather close to the term social entrepreneurship, in cases in which the latter is used to refer to an approach driving positive social change.

Developing new ideas, services and models to better address social issues



To do list in the context of AKIS

- **Human capital development:**

- Tailor-made trainings for the management and the employees of social cooperatives to improve organizational efficiency

- **Network development :**

- Exchange of experience, learning from each other, common product package

- **Tailor-made, differentiated financial support :**

- Long-term programs compensating reduced efficiency originating from composition and fluctuation of the workforce
-

References

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- EU (2020): Social enterprises and their ecosystems in Europe
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- Vásáry, V.; Hamza, E.; Rácz, K.; Szabó, D.; Varga, E. (2018): [Resilience and sustainability of social cooperatives in Hungary](#) pp. 1-15. Paper: <https://ageconsearch.umn.edu/record/276070> , 15 p. Conference paper/presentation - 2018 International Cooperative Alliance (ICA) European Research Conference, July 4-6, The Netherlands



Thank you for your kind attention!

https://www.youtube.com/watch?v=60NI_H-KXLY