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The Non-profit Sector and Employment Expansion in the Rural Areas of Hungary

Abstract

The non-profit sector in Hungary has been studied in connection with its number, spread and regional distribution in the last two decades, but now it is necessary to explore the organizational, functional, employment, financial, co-operation possibilities and limitations of employment-related non-profit organizations. Another new contribution of this paper is that it gives so-called regional need-maps, which can explore unsatisfied demands in services for which employment can be organized.

The selection process of the organizations in the study was supported by the list of winners of labour market tenders. These selected organizations are exclusively employment-related ones, and are able to implement labour market programmes. From the point of view of the regional spread of the social economy it is of paramount importance to disclose – even at sub-regional level – the most important unsatisfied needs that would be provided by non-profit organizations. With the non-profit supply of these services in certain small regions up to hundreds of continuous employment problems could be resolved.

Introduction

In the late 1990s, Laky T. (1999) drew attention to the fact that the number of small and medium enterprises increases, but only a fraction of them could increase the number of employees. Long-term trends of international experience, however, serve to remind us that neither the micro-businesses nor small and medium-sized enterprises provide significant growth in employment. Regarding regional differences in Hungary, it is difficult to find an investor who is willing to invest in areas with very underdeveloped communications infrastructure and network, located far from Budapest,

characterized by a lack of skilled labour, so all the features of a dying economy are found there. On the basis of the above problems, after the millennium, we examined the non-traditional or atypical employment opportunities, which gave the following disappointing results. In Hungary – especially because of the qualification differences between telework candidates and the unemployed – telework cannot be expected to decrease the unemployment indicators in backward regions. Due to the methods of employee selections, the potential of geographical openness of using telework is untapped. However, it became clear that several small regions cannot even give a positive response to social crisis at the level of self-care. In the most disadvantaged regions there is almost no demand for financial support of part-time employment, since black employment and seasonal work is common in agriculture. Since there are few employers in the small settlements, employees need to travel. But travelling is problematic because of transport problems and the high costs per unit and consequently against part-time employment (Tésits 2004, 2005, 2007; Tésits, Székely 2007). If the competitive, profit motivated sector does not offer employment opportunities, then the unsatisfied needs are to be found outside this sector (Laky 1999).

Neither the actors of the primary economy, nor the market sphere or the government agencies forced into layoffs can be expected to help effectively in reducing long-term unemployment. Therefore, the non-profit organizations should be relied on to get more prospective solutions. One way can be studying the employment opportunities for non-profit organizations or supporting their initiatives.

The non-profit sector in Hungary has been studied in connection with numbers, spread and regional distribution, but now it is necessary to explore the organizational, functional, employment, financial, co-operation possibilities and limitations of employment-related non-profit organizations. Another contribution of this paper is that it gives so-called regional need-maps, which can explore the demand in services for which employment can be organized.

In 1996 the European Commission started a special analysis in the social sector to improve employment opportunities. Even the European Union appointed this sector as a potential area to increase employment. The social sector is the area of limitless potential (Laky 1999). Even in countries which pay most attention to their inhabitants, the social care could be extended, because people need help in so many different situations. An extensive, more organized care system could create more employment opportunities, if society

were willing to pay the price for this. The main difficulty of making use of these possibilities and increasing employment is that the communities as well as the local and state budget should cover the costs; while the government is considering how to reduce taxes. (Laky 1999).

The international academic debate is mainly about the characteristics of the third sector which vary from country to country. Some of them focus on the European features of the sector in a multidisciplinary way introducing the theoretical and conceptual approaches of social economy, its evolution and definitions, describing the main components of the social economy in the EU. They suggest that it is time to take stock and re-examine some of the basics from which these economic theories operate (Arpinte et al 2010; Anheier, Ben-Ner 2003; Bacchiega, Borzaga 2001; Ben-Ner, Van Hoomissen 1991; Ben-Ner 1986).

They provide not only a comprehensive overview of the existing literature in this subject area but also focus on the legal implementation of social enterprises. Conclusions are on how the social enterprise concept has been legally implemented in a number of representative European countries (Galera, Borzaga 2009). They suggest that these enterprises not only enhance social services in welfare states, but also supply an additional and often innovative provision, mixing public and private resources with voluntary and paid workers. For these reasons, social enterprises deserve serious attention from policy-makers, practitioners and academics interested in a more pluralistic economy and a new Welfare Society (Borzaga, Defourny 2004). Another important aspect of the evolution has been the shift of a growing number of old and new non-profit organizations towards a more productive and entrepreneurial stance. This shift has assumed different patterns in different countries, depending on the role previously played by the sector, its size and relationship with the public sector (Bacchiega, Borzaga 2003).

The role of non-profit organizations in Hungarian employment and economy was not a well analyzed subject of rural development at the turn of the millennium. Local research which analyzed the possibilities and conditions of establishing social economy especially in the North-Hungarian region only started after the millennium. (G. Fekete, Solymári 2004). So it is not surprising that early research dealt mostly with theoretical summaries and West European experiences. The research of the unsatisfied needs and of the establishment and operational parameters of social economy, besides the most important tasks of the establishment, suggests creating and ensuring marketing, with a professional and financial background.

The analysis of regional case maps of the social economy was made with the supervision of G. Fekete É. in 2006 at the Centre for Regional Studies of the Hungarian Academy of Sciences. At this time researchers dealt rather with analyzing central and local readiness for acceptance of social economy development. They searched for answers to questions like whether there is sufficient political willingness, professional and financial background for development. The goal of the research of regional differences is to see whether the appearance of social economy is reasonable according to the economic, employment and demographic situation, or whether other factors are responsible for regional differences in the social sector. These researchers have confirmed, that at least five development sectors are needed (organization development, professional, marketing, financial background and partnership) to expand the social economy in underdeveloped areas. However, they emphasize that on certain regional levels formulated strategies could have an impact on the development of the social economy, if it were defined as an instrument, that is able to handle certain problems and besides that specific financial funds were guaranteed to strengthen the organizations of the sector. The political purpose may affect the professional purpose. If in an area the organizations of social economy have been working well, and they are able to focus the attention of planners, experts and researchers on the importance of their work, then the establishment of social economy will be more likely to get into development directives. Development subsidy may be successful, if they are to strengthen an already running process, so it is not irrelevant whether there was any antecedent or it is a brand new opportunity (G. Fekete 2006).

The well-known social and economic cohesion also means reducing regional differences and supporting underdeveloped regions. This, however, can be achieved by increasing the efficiency and competitiveness of the regions and by the expansion of employment. If in the underdeveloped regions the profit motivated sector does not offer enough jobs, not even in atypical forms, then it is worth searching in another sector. The primary economic sectors – *profit-motivated and state-run companies* – are not able to permanently reduce unemployment. Therefore NGOs are expected to offer more opportunities. Supporting the NGOs' employment programmes, so creating employment opportunities beyond the primary economic sectors is a potential way. The primary task for regional research – with leaning on the results of the analysis of non-standard forms of employment – is to designate the most disadvantaged regions in Europe, size up the possible ways of increasing employment, then make suggestions to the decision-makers on behalf of the NGOs. Accordingly,

the organizational, functional, employment, financial and co-operational opportunities and limits of non-profit organizations are analyzed in this essay.

Research Methods

This chapter deals mainly with regional differences of organizational and employment opportunities, so in the secondary analysis the most useful essays are logically analyzed. This type of analysis has been made mostly at the North Hungarian Department of the Centre for Regional Studies of the Hungarian Academy of Sciences.

The primary source of data gathering is the database of the Hungarian Central Statistical Office, referring to sub-regional populations, numbers of non-profit organizations, employment ratios, organization forms – including every single town in Southern Transdanubia. The regional differences of employment capacities are presented through the calculated employment rate. In the calculation the weighting follows the logic that the number of full-time employees is multiplied by 1, part-time employees by 0.5 and casual employees by 0.1 in the formula. To illustrate this sub-regional and Southern Transdanubian maps have been made which have become the basis for regional analysis.

The evaluation essays unfold specifically the organizational, functional, employment, financial and co-operational opportunities and limits of the employment-motivated non-profit organizations with the help of open and closed surveys. The selection process of these companies was supported by the list of winners of tenders of National Employment Foundation (NEF) and Human Resources Development Operational Programme (HRDOP), as well as the list that contains the non-profit organizations charged by employment offices to buy services in connection with their basic functions. These NGOs differ in many ways from the total list of Hungarian non-profit organizations. These selected organizations are exclusively employment-related and are able to implement labour market programmes, evidence of which is that they won the employment tenders and implemented the mainly training and/or employment programme. So the research includes 300 domestic companies, 100 from Southern Transdanubia. The results of the surveys were complemented with interviews with the directors of Southern Transdanubian employment offices. Information coming from these interviews in connection with the unsatisfied local needs and services.

Results

Organizational Forms and Functions

The analysis contains winning companies of NEF- and HRDOP-tenders, as well as the non-profit organizations charged by employment offices to buy services in connection with their basic functions. More than 75% of the 300 analyzed organizations are foundations and associations. However, over half of the non-profit organizations are associations, in the analysis the majority are foundations (42%). Only one third of the analyzed organizations are associations, one sixth are public companies. So besides foundations, the public companies participate in employment programmes in a much higher ratio than their territorial ratio (3%). The analyzed umbrella bodies, unions and public foundations altogether do not reach 10%.

The function of more than four fifths of the analyzed organizations is in connection with some type of public service, either dealing with them entirely or with part of it. The companies taking over the entire function are mostly public foundations, public companies or foundations with a notable past and competence.

An analysis of the scopes of the organizational activities shows that most of the scopes are limited either at regional or town-city level. As a matter of fact, the county coverage is the most typical, it is one third in the pattern. A quarter of the organizations have regional coverage, and one third have country, sub-regional and town-city coverage. So the scope of organizations able to operate employment programmes is usually administration at medium level, not town-city or sub-regional.

If the organizations from Budapest are not taken into consideration, the result will be even more significant, over 50% of South Transdanubian organizations have county coverage. Over half of the centres of employment motivated organizations are in county central towns. As a matter of fact those organizations which have been able to expand their scope since their establishment have seats mostly from Central Hungary or Central Transdanubia. Over half of these organizations, approximately half of the West Transdanubian ones and a quarter of South Transdanubian organizations have been able to do this. So it is possible, that those regions, that have fewer non-profit organizations correlated to the population, fulfil the needs with greater scope and coverage.

42% of the directors of the organizations think that the business position of their organization is stable, however most of them think that the future is doubtful. Over half of the organizations are developing dynamically, a few have temporary problems and the smallest number have permanent financial problems or are about to be shut down. According to the results, the economics of the organizations do not seem to be dependent on the seats, scopes or organizational structure. The organizational structure, however, may have an affect that the position of budget organizations is more calculable, however their chance of growing is smaller, because of the tight tender opportunities.

If we talk about non-profit organizations, the keywords are community interest, social matter of work and community building. Profit and personal interest are the least important. In other words, over half of the respondents think profit is not so important or even irrelevant. The economic matter of work and development is essential but not the most important factor. So the long-distance importance is the well-being of community and society. The building of community is also relevant, because the economic development can be based on this. Perceptible, though, the traditional point of view, that focuses on groups of people not on work based function. Exceptions can be employment motivated and communal work organizations, contractor groups.

The mentioned groups are mostly unemployed, gypsies and women, because three quarters of the organizations mentioned all of them. Nearly two thirds of them focus on entrants, a little more than half on people from minor areas, on people with disabilities and on those with low education. A third of the organizations mentioned the returnees from childbirth, elderly people and people with social disorders; under a fifth mentioned addicts.

Most of the analyzed organizations depend on the state sector and on the state budget, only a small segment is business motivated. This seems to be demonstrated by the non-profit character of employment motivated organizations. Half of the respondents mentioned the patron-supporter character as a primary function. Only 2% mentioned that the business function is the most important. These organizations decisively deal with rural development or ecology. 15% said that the business function is important (but not most important), principally with complex HR services, business development, innovation and training programmes. However, half of the organizations thought this unimportant or totally insignificant.

As regards employment, over two thirds of the respondents mentioned “bridge” as the main function of their organizations, so they are committed

to employment reintegration, mainly with offering temporary employment, business development, communal work, labour exchange and registry, training and co-operations. Over half of the organizations mentioned the protector role, so they offer job opportunities to those people (the disabled, the homeless, permanently unemployed, people with systematic social aid, so basically the minorities) who would not be able to find jobs without support. These are the organizations, that run – besides employment programmes – employment agencies, job hunting clubs, job exploration, mentor programmes and connect training to employment. Only 11% of the organizations think that the business function is most important. Usually they are interested in supporting small enterprises (running business incubators, guidance, economic services, accounting), care and attendance of public premises, cultural services (brochure making) and specifically in production and sales.

It is important though, that most organizations have – even if it is not always among their scope of duties – community and prosperity functions. The prosperity functions are mainly social (providing accommodation, services like training, guidance, home assistance, home care, daily attendance, family care), hygienic (family health care, health care for the homeless) and cultural-environmental-town development (town catering, running internet club) services. The latter can be direct, like forums, field trips, team building, organizing spare-time activities and camps, running youth clubs, community centres, art groups, workshops and civil networks, or it can be indirect, like cultural programmes, training, professional conferences, study groups which work as a small community.

Almost every function of the organizations is for the integration of staff members, not for profit. The long list also contains amongst others organizing programmes and education, community, employment and family care services. The list can be extended with guidance, tendering operation, project management, making brochures and community development etc. The list of profit motivated functions is much shorter, only production and sales, lease-work, guidance, different services, making brochures, accounting and administration belong here.

However, most of the organizations think that their functions are innovative, lateral-thinking, especially the education-training and HR services. Either with or without bringing home foreign examples, they provide new types of education and outlook that have not been presented in Hungary so far. Sometimes they record new professions. The complexity and customer centricity of the services and supporting new ideas help innovation. Reactions

for changing needs, open-mindedness, customized, special services and the realization of model and experimental programmes all seem to be different forms of innovation.

Employment Role

The relative employment efficiency of the analyzed employment motivated non-profit organizations exceeds by far the average of all national non-profit organizations. This latter ratio in case it is weighted average barely gets up to 1.5 heads per organization, and even if it is not weighted it is still under 2 heads. The results of South Transdanubia certainly lag behind the national average. With this logic the number of employees of the analyzed employment motivated non-profit organizations reaches 20 heads per company. Certainly the biggest employers – except for the national organizations with great traditions and a few hundred employees – are rehabilitation and other public companies, communal work organizations, business centres, regional education and training centres, umbrella bodies and the county organizations of the Red Cross.

So the analyzed organizations run employment programmes. Most of the civil organizations – approximately half of them – deal with projects that provide alternative, unique services to permanently unemployed people, the disabled, gypsies and entrants. Another part of civil organizations focuses on transit employment projects (youth training and work socialization), protected employment projects (rehabilitation of people with disabilities), and permanent employment projects. However, some nationwide organizations provide holistic services.

The role of females is significant in the structural distribution of the employees, only a third of them are males. So in view of the results of Southern Transdanubia we are entitled to say that these organizations are able to offer jobs mainly to females. The gross average salary – especially because of the higher ratio of communal work organizations – barely exceeded 100,000 forints. However, there are 200,000 forint salaries – probably for positions such as chairmen, assistant chairmen or directors. The average age of employees is surprisingly high. However, the group of 26-35 year-old people is the largest (over a third are under 35), the average age converges to 40. This is obviously because of the high – 25% – ratio of 50 year-old or older people.

The ratio of professionals is significant in the occupational distribution of employees. According to the ratio of big organizations with a couple of

hundred employees – that deal with communal work, rehabilitation, public utilities – in the pattern, the ratio of professionals varies between 40 and 60%. In case of non-profit organizations the group of professionals can contain administrators, managers, registrars, social workers, teachers, trainers, doctors, project managers and assistants, mentors, youth care experts, accountants, employment mentors, coordinators etc. In the order the semi-skilled workers are followed by skilled workers, and last in line are the unskilled workers.

Approximately half of the employees belong to – in employment usage – disadvantaged groups. The organizations for the permanently unemployed and for the disabled have the highest ratio, that is approximately three quarters of all employees. They are followed by gypsies, entrants and lastly returnees from childbirth.

Considering regional aspects, over one tenth of the employees do not live in the city where the organization is located, so they live in surrounding towns. So these organizations can help the employment stabilization of the towns in their sub-region or county.

The dynamic analysis of fluctuation shows that the growth has been considerable since 2005. The starting HRDOP-programmes (supporting goals such as the return of the permanently unemployed, employment integration of youth, fighting against exclusion, integration and employment support of the most disadvantaged people – mainly gypsies) provided employment to the most disadvantaged people by non-profit organizations. The prominent ratios of 2008 signify the beginning of a new period (Social Renewal Operative Programme – SROP, Regional Operative Programme – ROP). In 2008 the employment expansion was supported by the spread of order regulated social employment.

If the organizations had to decrease employment that was usually due to the expiry of assistance, since the organizations were unable to employ on the same level. The resources were provided through tenders (employment offices buying employment services, ESF, etc.), and in order to access these tenders they can enrich their profile or take on new tasks. *If the state, the municipality sphere were open to the civil sphere leaning on helping purpose and competency, then the local employment initiations could help the stabilization of employment in disadvantaged areas. Strengthening non-profit organizations, continuing outsourcing state/municipality services, the appearance of new duties and expansion of functions are possibilities.*

According to the directors of the organizations, in the future the expansion of employment is still impossible without assistance. So their

future is unpredictable, because it is dependent on tenders. Only 10% of the organizations thought that there is no possible way to recruit more. In their cases the tendering source was insufficient for operation. And furthermore, sometimes the payments of the tenders were overdue or the amount insufficient. Sometimes, however, the infrastructure and the volumetric capacity are the limit of the employment. The organizations would expect increased assistance from the employment offices because they often think that the present salary support is insufficient.

If they are able to expand employment, then the new functions can be – besides manual workers – project leaders, project assistants, tender writers, accountants, administrators, education organizers and teachers. They intend to employ entrants and women, however more than half of the potential employees are permanently unemployed, gypsies or people from disadvantaged areas. The recruitment of employees usually happens through personal acquaintance, or with the assistance of employment offices. Regarding acquaintance the former mutual work is the most significant. Job advertisements are not as important.

As a matter of fact more than two thirds of the analyzed organizations use HR expansion opportunities, which is mostly supported by HRDOP and SROP funds, and usually happens through courses, training, supervision and professional forums.

Partnership

All the analyzed non-profit organizations think that partnership is important, most of them have already sized up the possible partners. Only one tenth of them do not have a fixed partnership agreement, they usually have a short tradition. The organizations have 3-5 partners on average, but the traditional foundations and national organizations coordinate more than 20, sometimes even more than 100 agreements.

So it appears that with EU accession, besides the operational conditions (judiciary environment, financing, administration, connection with partners), the social involvement and the roles in interest representation have been changed. Partnership, adequate professional background, growth of interest representation, faster information, they are all of primary importance for more efficient use of funds and capacity.

The organizational structure, which is required for operational functioning is not always worked out, so most of the partnerships are simple and continuous

connection is not provided. Partnership models and experience do not always recognize the cooperation possibilities because of the lack of self-confidence and initiative skills, in these cases the partnerships become formal.

However, the cooperation field of an area could be extended, because it affects other non-profit organizations with similar functions and goals, and other municipalities. Two thirds of the analyzed organizations are in partner connection with other non-profit organizations, and more than half with municipalities. The connections with state organizations (ministries, public administrations, employment offices), sub-regional associations, county municipalities, development agencies, professional organizations are marginal.

The co-operation with the employment office is also important because the growth of the role of the civil sphere helps to realize the goal that is sought for by the employment organization, namely the social/employment integration of disadvantaged areas. Because of the professional/functional limits of state employment it is necessary for the expanding network of civil organizations to play their part in the flexible operation of employment. So permanent co-operation should be created between state and civil employment organizations. In order to realize the new employment goals a new type of co-operation needs to be formed between the employment ministrations and civil organizations regarding the services (lack of capacity and competency of the employment office) and the employment (social economy, transit projects). This co-operation is supposed to fit these services to active employment policy. The introduction of alternative employment services is an important part of service development, especially in order to reintegrate permanently unemployed people. So this builds upon this type of function of non-profit organizations, helping their employment generative, skills and other services offering activities. So the establishment of an employment service network is very important with the participation of state, municipality, business and non-profit partners and organizations.

But only 5% of the organizations are in connection with research institutes and only 10% with finance institutes or business centres. If they bid together with research institutes or higher education institutions, then these co-operations would meet the criteria of partnership, and also new information fields could be opened in the research. The co-operation with financial and business companies would help the financing and employment seeking. The media connection could also help the work of civil organizations.

The co-operation is very diverse, for example the municipalities usually help with the arrangement of programmes, financing, information transfer,

sometimes providing an infrastructure basis for out placed services. With the sub-regional associations the service and maintenance contracts are very important. Other civil organizations could help with experience exchange, consortium partnership, common tenders, project planning, realizing educational, employment and equal opportunity programmes, and the common tendering is also important to provide necessary funds. The employment co-operation of employers and contractors can help to make the work of non-profit organizations more efficient.

The analyzed organizations think that the development of partnership is important, although still rather with municipalities, contractors and civil organizations. But in the future they want to expand their partner network to organizations with similar services from distant counties or even other countries. The list also contains some other important organizations, such as adult and vocational training organizations, Regional Integrated Vocational Training Centres, employment offices, and hygienic, social, employment and training trade associations.

The opinions about interest representation possibilities are diverse. Three quarters of the respondents think that their organizations' abilities are ordinary or good, under one fifth think that it is inadequate and only 6% think that it is excellent. To get a better view of interest representation let us mention that approximately half of the analyzed organizations are members of umbrella bodies or civil conciliation forums. Only a third participate in civil workshops, and a tenth take part in the work of local and county government. In this last case they are usually (more than 50%) either municipality delegates or the mayor's assistants. The other half is shared alike between mayors, members of committees and presidents.

They are more active in the preparation of local decision making, half of the organizations participate in this. The participation can be – in lower ratio – direct decision preparatory or maker function. But mostly they are indirect functions, such as residential surveying, participation in social and civil forums, and judging proposals.

An important element of partnership is the relation to the target group. Almost two thirds of the organizations think that the relationship with service users is good, one third think it is excellent. Less than 10% think that the relationship is ordinary or inadequate. Sometimes they take the accomplishment of an employment programme as an example of excellent partnership with the target group. They explain their valuations with the results of satisfaction surveys filled within the confines of a standard controlling

programme, and the areas that should be improved are also mentioned in the yearly self evaluation. In other cases they use the target group's continuous, spontaneous feedback, since the customers often come back with their needs or offer a service to others. The systematic, daily contacts and the high participation ratio on the programmes are important feedback for the organizations.

Business and Finance

Approximately two thirds of the organizations use government subsidies. Most of these – except for the government agencies – are normative subsidies needed for the improvement of operation. Hiring experts and the lawful salaries and allowances consume most of the budget, and the decreasing amount of normative subsidies does not cover these. Another obligation for civil organizations is to create a reserve fund, which also reduces their incomings. Under these circumstances the organizations struggle for existence and for the survival of their services. At the same time, calculable normative subsidies could be the basis for a steady financial environment. It could be the background for the future development of these organizations. The other incomings are less calculable, however the size of municipality subsidies is related to these incomings.

Almost three quarters of the organizations make their own incomings which partly come from business activities. In addition, there are tender funds, employment offices' subsidies, 1% of income taxes, membership dues, interest, sometimes income from selling assets and donations. The subsidies of employment offices that are – according to their target groups – used by three quarters of the organizations for – besides wages subsidy – public benefit work and getting work experience. Certainly the distribution of income is uneven. Most of the income (60% on average) of non-profit organizations, though, stems from tender funds. The most popular tenders, besides those by NEF, are the ones from EU funds (HRDOP, SROP, ROP, Phare, Equal). The winning NEF- and HRDOP-tenders total up to half of all winning tenders. It is necessary to mention – besides the Phare subsidies – that the municipality and town tenders are also important resources. Important resources are the National Civil Fund (NCF) -tenders, but besides the Leader and the Interreg, the ministries (particularly Health, Agriculture and Rural Development, Local Government and Regional Development, Social Affairs and Labour, Education and Culture) and different foundations (Hungarian National and

Ethnic Minorities Foundation, Hungarian Gypsies Foundation, Partners Hungary, etc.) also play an important role.

These subsidies are followed by state subsidies, business, employment and other income and subsidies. The business income exceeded the average usually at those organizations, which provided – mainly for enterprises – economic or business services (office, professional, accounting, tender writing, lending credits), or produced and sold products. Rural development and business development foundations as well as rehabilitation employment public companies belong to this group. This is usually missing, or does not reach 10% of the incomes. The amount of government subsidies was the highest in those organizations, which received projective development subsidy. Government subsidies and tender funds together total up to the majority of the incomes. Other resources are significant in those organizations where the business motivated founders provide most of the income.

Over half of the organizations make business plans to ensure efficient operation, reduce defencelessness of external circumstances, convince supporters, create a long distance strategy or inform about the future operation. An even higher ratio (76%) makes strategy planning with defining the development directions and priorities. It is in close connection with the needs of the target groups. Most of the organizations do market research mostly by using the results of their own surveys and the databases of the Hungarian Central Statistical Office. In the order of importance they are followed by office databases and the information of professional associations. Only 1-2% of the organizations do not use these opportunities, they are mostly small, traditional, cultural organizations or organizations with a steady financial background.

More than half of the analyzed foundations, associations and public companies think that their risk assessment and conformity ability is good, since they try to be proactive and look forward to changes, and only a small percentage follow the changes. Only 1-2% think that change means crisis. The developed risk assessment culture does not mean that these organizations do not have financial problems. Approximately two thirds of the analyzed organizations mentioned such difficulties, mostly because of the delays of tender payments, accounting problems and problems deriving from the self-preservation motivated business functions. Besides the doubtfulness of tender funds there are other problems, such as lack of funds (small number of tenders), repayment obligation in case of unsuccessful process, and also the changing legal environment, that makes business hardly calculable. It applies especially

to the unpredictable normative financing. Everyone can feel the difficulty of starting because the 1% of income taxes and tenders are only available after one business year.

Those organizations which have not faced any business difficulties are usually budget companies with a stable financial background or cultural associations with few employees and simple functions. Large associations with member organizations, umbrella bodies, successful EU and other tender participants and organizations with significant business functions also belong to this latter group. The organizations with significant government subsidies are in a similar situation.

Opportunities and Limits

The main difficulty of the organizations in 2008 was the lack of funds. Almost three quarters of the organizations mentioned financial limitations as the main or common problem. According to over half of the civil organizations the lack of solvent demand is also significant and it is – especially for business organizations – also a common, temporary problem. This is remarkable, because most of the services of the organizations are affordable, but not free. Over half of this group does not see any opportunity to reduce the prices. The organizations that try to reduce the prices usually plan to use tender funds, tax allowances or other subsidies.

The HR deficiencies and the mistrust of customers and partners do not seem to be a significant problem for the organizations. As a matter of fact, the municipalities are the main supporters of the civil organizations at local level, so it is a common interest to maintain a good relationship. The reason of mistrust between the municipality and civil spheres is usually that they do not know each other's functional logic. The municipalities usually expect the civil sphere to take over local services and make them more efficient, but sometimes they face the fact, that the civil organizations are not prepared, they need to create the services together based on municipality funds (Osváth 2005). This research does not see the mistrust – in connection with efficiency, professionalism, misuses – which was significant earlier.

The rarest difficulties are the lack of partnership and organizational mistrust. Only 15–20% of the civil organizations think that they can be temporary problems. The respondents are split over the question of infrastructural opportunities. Half of the organizations do not look at it as a problem, but at the same time one third think it is a common, temporary limitation indeed.

The self evaluations rhyme the results above in many ways. 95% of the civil organizations take their professional preparedness as being excellent or good, and three quarters think that their connection networks are also outstanding. The infrastructural circumstances are thought to be good by only half of the organizations, others think it is average or correct. Two factors have low (average) grades in the self evaluation, and they are the business preparedness and the new employment creation ability. So they can be the main directions of future development.

Analyzing the reasons for success, capacity for living, or even unsuccessfulness, the organizations usually mentioned positive factors. Reasons for success can be qualities such as innovative thinking, complexity, experience, professionalism, flexibility and open mindedness. The problem is focused and comprehensively planned, personalized, quick, precise. Reputation, and county level fame, and the professional, employer and connection network – possible in all three spheres (municipality, state, business) – are also important. But this could not be achieved without the trust of supporters and the public, or without sufficient interest or representation ability. Besides a steady financial background business and market orientated approach and good communication and PR function may also be reasons for the success of the analyzed organizations.

The continuous social demand of civil organizations' services, diversified functions and providence also help. Among the aspects of inefficiency and unsuccessfulness, the post-financing of tenders, delays of payments – hence the obstruction of subventions – and sometimes even manipulating the results of tenders are mentioned.

Irrespective of the positive attitude above most of the organizations (87%) necessitate the increased adjustment of the services to the customers' needs and the improvement of services' standards. To fit the services more to the needs the expansion of supply and more efficient scheduling (open hours) would be needed, to improve the quality, besides the HR (own educational group, project leader, business manager, etc.) and infrastructure development (energy supply, engine modernization, office modernization) improvement of services' quality, thus mainly faster mediation and adjustment to the needs of customers mentioned in surveys.

Processing profile expansion is not so obvious. A little less than half of the organizations see chances to enrich their business activities with the exploration of new jobs, the establishment of a civil umbrella, introducing new employment services, online job consultation, or with capacity

expansion to enrich business activities. Pessimists blamed the possible default of profile expansion on tax liabilities, financial difficulties, shortage of human resources, irregular timing of tender funds and the already existing wide range of services.

Only one tenth would like to change the structure of the organization. Organization and conformation changes are generated partly by the expansion of functions, but mainly by the law which forbids public companies to function after July 2009. Most such organizations probably become non-profit Ltd.

It follows that long-term success is mainly dependent on the expansion of tenders, the success of the tenders and the effective implementation and development of the projects. Financial success may also depend on thriftiness and efficient fund use. Opening for business activities can also be significant (business planning, salesmanship, increasing production). But at least three other factors are needed for tender success, such as profile and service expansion, connection network development and primarily the partnership of municipalities. Purchasing services and signing long-term contracts can increase the chance for survival and development. The system and HR development as well as information access increase the successfulness even further.

The enlargement of financial funds for civil organizations, so basically expansion of employment project opportunities could help the unfolding of the social economy. The process would surely strengthen by a reduction of collateral costs of employment and support for employment, HR development and partnership formation. Besides the favourable changing of tax and subsidy policies, the opening of state and municipality spheres to civil organizations and acknowledgement of professionalism and professional calling are also significant. Besides the factors above, providing calculable law environment and the development of interest representation ability are very important according to the organizations. The favourable processes are also supported by solidarity and social responsibility, so by the change of point of view.

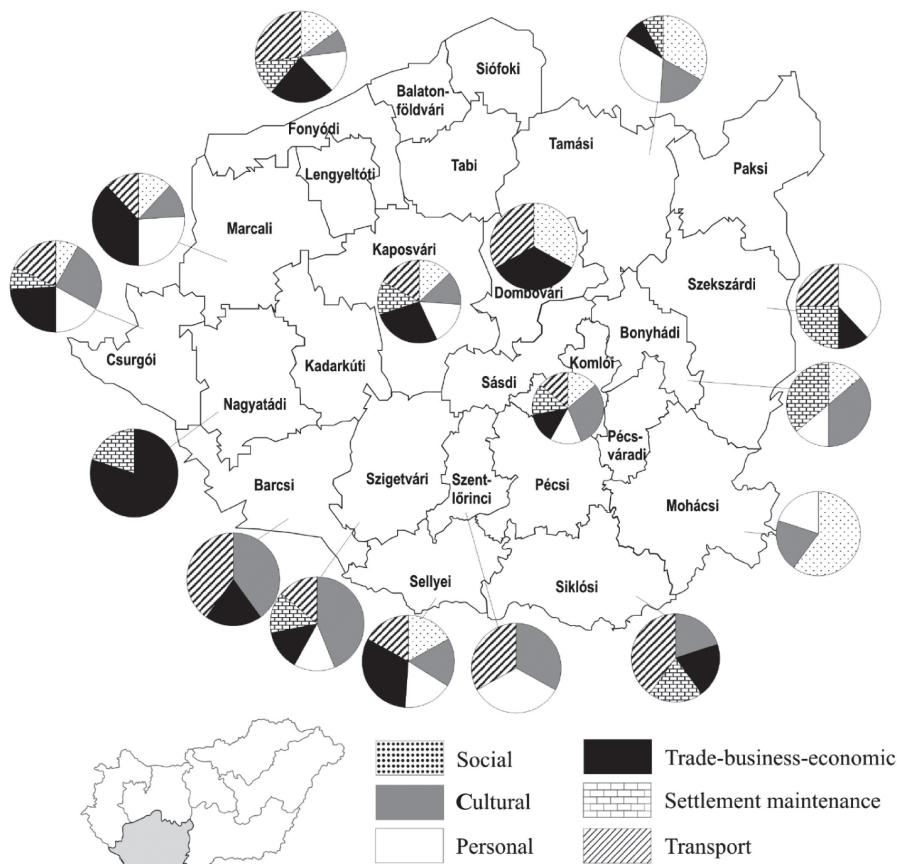
Unsatisfied Demands

It is obvious that regarding the territorial extension of social economy it is significant to discover yet unsatisfied (not covered by business companies or municipalities) needs, that could be supplied by non-profit organizations. In Southern Transdanubia these needs are mainly personal (home care, child care, garden and yard catering), or transportation services (community

bus, vehicle, moving house, moving library and shop), these are 40% of all opportunities. However, a notable ratio of business, town catering, social and cultural services are supplied by business companies, municipality funded organizations or temporary workers in the year of the analysis.

There are underdeveloped sub-regions, though, in which – due to the special location of the area – different needs were mentioned. They usually come into view with a number of social and existential difficulties and an unfavourable hygienic situation. The people living in these areas are getting further from the way of life, standard of living and life expectations of those who are able

Figure 1. Example for the unsatisfied needs/services in rural and urban regions (in the opinion of the labour market experts of the regions, South Transdanubia)



Source: Author's own research.

to improve their own situation. The number of alcoholics and addicts is high. It follows that the importance of social care and mental health care for addicts is higher than the national average. The establishment of the civil sphere is meant to be the future for these areas, which starts with community building. So besides social services such services are also significant.

The most underdeveloped areas are mainly agricultural areas with structural problems. The main role of the primary sector is even more important here in the distribution of active employees. Even though agriculture used to be a priority sector, but after the breakdown of collective farms this segment could not be renewed. However, agriculture (forest economy, extended cow breeding, herbs and spicy plant growing) can be a dominant sector in these areas, and it can be complemented by agritourism. Forced by the needs of survival and the market – recently unsatisfied – agricultural co-operation could be the most important task among agricultural services. In the future commercial, mainly rental and transportation services may have a significant role, because the density of public conveyances and the disused road system make it hard to get to work. The mentioned – recently unsatisfied in most towns of these sub-regions – services are meant to be the basis of social and cultural well-being. With the non-profit establishment of these services 20-30 people could be permanently employed (Figure 1).

Conclusions

Geographical research, after the change of system, analysed the Hungarian non-profit sector from two important points of view (Rechnitzer 1998):

- Is the appearance of non-profit organizations determined by geographic location?
- Is regional income potential or economic activity connected to the rate of non-profit organizations?

The answer is unambiguously yes. Moreover, non-profit organizations followed the spreading of economic innovations.. Thus, economic potential and the rate of non-profit organizations show close ties. The Hungarian non-profit sector shows remarkable regional differences. The rate of the organizations does not follow the east-west dichotomy, but rather the economic power of the regions. Thus the socio-economic situation is reflected by the non-profit sector.

It is well known that in the underdeveloped regions the profit-oriented economy hardly offers employment opportunities, then the unsatisfied social needs are to be found outside of this sector. Thus, social service, social sphere has to be mentioned, which is the field of almost unlimited possibilities. Broader and well-organised care can create regular employment opportunities, but only if individuals are able pay for it, or – if it is imaginable in the most underdeveloped regions – society is willing to foot the bill.

It is no coincidence that social economy gets established within the confines of non-profit organizations. This new, rational way of creating employment opportunities seems to be very viable in many countries in Europe. Unfortunately, in Hungary the few economic opportunities and low social cohesion make the establishment of social economy very difficult.

According to the research this study is based upon, in aspect of the work of non-profit organizations communal interest, the social matter of work and community building are very important, but profit and individual interest are marginal. In their aspect the traditional approach is typical; they rather focus on people, not on employment. If we take a look at the function of the organizations it is conspicuous how hard the ambition is to deepen the social integration of employees.

The employment and economic role of the non-profit sphere did not get enough attention at the millennium. Consequently, the efforts to support development and help regional employment were less efficient. This study also confirms the fact that in order to increase work efficiency, the demands of regional society and are not satisfied by municipality or profit orientated companies should be discernible so the non-profit sphere could take care of them.

In order to establish social economy more steady financial funds should be created, because non-profit organizations need more employment projects to increase efficiency. Besides favourable changing of tax and sponsorship policies the state and municipality sphere should recognize the vocation and expertise of civil organizations. It is also a problem that long-term planning is barely possible, because the organizations are overly dependent upon tender opportunities. Most of the analyzed organizations are dependent upon the state budget, only a small proportion is open for profit orientated activity.

Considering regional aspects it is edifying that more than one tenth of the employees do not live in the city where the organization is located, but in surrounding towns. So these organizations can help the employment stabilization of the towns in their sub-region or even in their county. And

another important observation is that the scope of employment motivated organizations is not so much of town or sub-regional level, but administrative medium level. This fact is also a proof of the lack of local information available to employment motivated organizations.

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