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Development of local employment



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DEVELOPMENT OF LOCAL EMPLOYMENT

1 Locality and labour market

1.1 *Interpretation of locality, and the processes evoking local development*

1.1.1 Interpretation of locality

It is essential to explain the concept of locality and to understand its role in local territorial development in understanding the concept and processes of micro-regional and local development.

The terms “local” and “micro-regional” mean the levels of the establishment of the society, according to geographical area, community and society at the same time.

In *sociology*, the term ‘local society’ carries much deeper and more complex meaning than simply linking to a definite geographical area. When we want to explain social groups linked to a certain geographical area as local society, community¹, effective communication and identity² are the key phenomena. The geographical districts have undeniably important role in their emergence. It is enough to refer to the fact that in the early stage of the development of social formations, in the Greek “polis”, the concept of “community” has meant a group of people, their inherence and also the link to the same place that is locality.³ The sociological definition of local communities is based on their different organisation from the total society and different qualities. Locality appears as an “intermediate substance” in the public thinking, having a kind of middle position between individuals and the “large society”. Beside the rational division of labour, the settlement community bearing traditional (reinforced by socialization) connections, *local society* has such important elements like local governance, and relation-system between local communities and local governments.⁴

The concept of locality based on sociological communities is not tightly related to the settlement borders. Communication and identity can draw smaller, or even bigger – expanding to more settlements – areas. We can find different examples for communities extending over several settlements; like so-called “islands” based on strong ethnic homogeneity and/or opposition to surrounding societies (e.g. Székely, Matyó, Gascgonian or Celtic communities); or “municipalities” which are organised by public administration into one settlement. In these cases, communities of several settlements can form a common local society, with own (self-)government, clear division of labour for all members, effective communication, written and unwritten rules, and, naturally, common “we-consciousness – that is they really function as locality. In case of looser inter-settlement relations, the common geographical situation can provide frameworks for relations between settlement communities and large society rather than between individuals and society. Similarly, communication and “we-consciousness” are also defined on institutional rather than individual levels. Another phenomenon is micro-region – which is geographically adjacent, having a lot of inter-settlement relations and reasonable measures for even individuals – such micro-regions form a kind of transition between locality – interlaced with relations between individuals – and the so-called secondary community level, which is based on inter-institutional relations.

¹ Pál L. 1984.

² A.Gergely A. 1993.

³ Vercseg I. 1993.

⁴ A.Gergely A. 1993.

On the other hand, we have to mention that present processes are really favourable for shaping primary communities on micro-regional level, too. *Space is widening* for the members of settlement communities – as a consequence of the changes in demands, the mass demand for some services which have been required only by a few before, the technical improvements and the deepening of the functional division of labour between settlements. Bigger geographical territory can be experienced personally, people become able to view and directly “live” in a bigger piece of space. Their lives are influenced not only by the traditional settlement but also by the fate of the wider district. It is matter whether the institutions – used by them as well – is closed in the neighbouring settlement; whether they are just rivals to their services and reduce their markets; or whether the new investment in the neighbouring settlement can indirectly revive their economy, too. All these questions do not remain troubles only for the leaders of the communities, but citizens would like to participate directly in their formation. For these intentions they can easily find allies from the inhabitants of other settlements, too, by the development of communication. By this means, in the individually experienced space, a *regional relationship-system between the citizens* can come into being, resulting the emergence of *micro-regional communities*.

In the political sciences, locality appears as a level occupying the lower level of the social hierarchy, being subject to the central power, being opponent at the same time on the basis of its natural interests, being able to common political actions, and having autonomy in attending its own businesses.⁵ Political power here ensures status and participation possibilities for small communities and individuals. According to a citation from András GERGELY: „all local societies are in a bit disadvantageous situation. “Place” as a pejorative phenomenon has existed in the centuries-old history of centralization politics. ... All territorial units, in every territorial structure with a settled centre, have need of the central guidance; certainly they hate it at the same time, and try to shake its reigning tethers. ... Local self-governance, self-regulating liberty compared to the entire political body, independent target and value systems are all mean the measuring instruments of locality.”⁶ In this sense – being opponent to the central power – micro-regions behave as localities. The definition of Ilona PÁLNÉ KOVÁCS neither excludes the political interpretability of micro-regions as being local communities. According to her: „local community is a community of people, which is organised on territorial, neighbourhood basis, besides its total social determination, adjusts itself principally to geographical and ecological conditions; its further conceptual criterion is that a local community possesses the chance for separate political participation and ability to enforce interests, the direct basis of which is ensured by the sameness of the demands and requirements made on the place of residence.”⁷

Among the frameworks of the global world, the defence and enforcement of local interests receive new accents, and after the medieval isolation, then the subjection attending their engagement into the global economic circulation and – through the media – the spiritual – cultural unification, the localization, which started in the present period of globalisation, project a new phenomenon for locality.

The development of the human society can be explained in a constantly widening geographical space, the space, which is determined by the main economical and social relationships and interactions, is continuously growing. Nowadays, everyday life and future of even the most peripheral regions are essentially influenced by the external and global factors. The general globalization of the world is identified with the increase of external definiteness

⁵ Weber, M. 1970.

⁶ A. Gergely A. 1993.

⁷ Pálné Kovács I. 1990.

of development by some authors.⁸ Globalisation became a dominant principle in every field of social life in the 1950-60s years; but parallel – from the 60s years in the United States and from the 70s years in Western Europe – locality appeared again generally in the 1980s, and became an important counterpoint to globalisation.⁹ There are some authors who explain this process with the cyclic changes of the internal and external drivers of development.¹⁰ According to their opinion, externally (or from above) and internally (or bottom-up) directed territorial development periods have alternated in the history of human society. In some so-called rational periods of history, which were strongly determined by economics, highlighting the possession of material goods, the former influences were characteristic; while in more emotional metaphysical periods, giving a free way to emotions and human relations, highlighting human life and love, the latter influences were determinant.¹¹ At the same time, our age is extremely interesting because of the dichotomy of globalisation – locality, where both phenomena succeed at the same time. Globalisation cannot exist without localisation. The essence of the new locality is autonomy (now not in the national, but the global world), and potential function-transfer to previously functionless individuals under locality. Localisation became such a global process where localities become independent, in better cases obtain relative autonomy.¹²

Another consequence of the widening of geographical space is that the fence of localities, who want to gain autonomy, can be defined above the level of villages and towns, more level higher than the level of neighbouring settlement communities before. Localization can only speed up at the local units – being under pressure of globalisation – when settlements, regions league and step up as unified localities, along a common strategy. Only allied settlement groups – micro-regions, regions – can reach their targets, facing globalisation, or even towards exploitation of the benefits of globalisation.¹³

In economics, the phenomenon of „local economy” has got a new meaning by globalisation. The local economies – which can be defined as the sum of economic activities carried out on a certain, relatively small geographical space – have come through outstanding changes during the economical internationalisation after the 2nd World War. According to the argumentation of Arto HAVERI¹⁴ division of labour and deepening of specialisation have become the main means of the increase of productivity and efficiency – in the course of internationalisation, which appears as the growing of export activities exceeding GNP in developed countries, widening of international relationships of companies, expanse of culture and lifestyle over frontiers. The changes in the division of labour have gone hand in hand with the changes of territorial division of production processes as well. The strengthening territorial division of labour has brought the specialisation of local economic activities and the places themselves. On the other hand, during the growing territorial division of labour, the different local economies have become more and more interdependent, which resulted in economic integrations. Thus, two strong features of the changes of local economy can be highlighted:

1. Local economy, which was formerly limited to a certain settlement, stepped out from settlement borders, the main points and resources of relevant economic activities can only be found among some bigger – micro-regional – territorial unit, and, furthermore, the range of these economic activities is even narrowed down. In the core areas of

⁸ László E. 1974.

⁹ Bóhm A. 1991.

¹⁰ Schumpeter 1939.; Rostow, W.W. 1978.

¹¹ Hall, E.T. 1966.; Greenbie, B.B. 1976.; László E. 1977.

¹² Varga Cs. 1999.

¹³ Varga Cs. 1999.

¹⁴ Haveri, A. 1994.

development, smaller and smaller parts of local economy can be considered as really local. Those activities which are built on local bases or controlled by locals can only survive as local or micro-regional market based, and becoming connected to international specialization.

2. Internationalisation, however, do not weaken or merge localities, but affects even just the opposite. As CAPPELIN emphasizes¹⁵, globalisation processes do not lead to higher homogeneity of localities. On the contrary, they strengthen differences, as – in the growing competition – all companies, towns, regions are forced to the utilization of their special features and outstanding values, or further specialization in their comparative advantages.

In another economic approach, the theory¹⁶ of FRIEDMANN and WEAVER about the territorial development and the role of development potential attached to territories, emphasizes the role of localities – as a network of local organisations, institutions and people – in the economic development. According to their opinion, the development of regions arising from their own potentials operates especially where there is enough space for activities based on local markets. Although in the recent territorial approaches, territorial potential is not based on local markets, rather than on local cultural milieu, they consider localities bearing special cultural contents as strategic resources of development; and furthermore, they attach importance to reaching the optimal territorial size in the operation of localities. Locality, as local environment of economy, is required to be such an integrated entire which can socially and territorially be separated but has its own economic reproduction base.¹⁷

In the examination system of regional studies, the formations of neighbourhood, living districts and settlements – which can be distinguished in space, too – form the local level of social space, while micro-regions represent the smallest category of regional level.¹⁸

A set of settlements can only be considered as micro-region when the settlements are linked by voluntary and/or compulsory, vertical and/or horizontal, functional, administrative and/or community relations. For instance, marriages mean voluntary, horizontal, community and inter-settlement relations among individuals and families; working in another settlement integrates certain groups (employees) into relationships with economic organisations in another settlement, which relations are voluntary, vertical and functional; while public administration generates mainly compulsory, vertical and administrative connections.

Some specific formations of territorial division of labour deserve special attention in terms of regional development:

- a) the so-called *commuter belt type relations*, which appeared due to the deepening of the division of labour between towns and villages; and
 - b) territorial relations due to economic *clustering processes*, which comprise the sectoral and territorial organisation of the economy.
- a.) The range of human demands, the quantity and level of requirements are continuously growing. At the same time, on the basis of the establishment possibilities of the technical conditions of their satisfaction, and the profitability of their functional operation, it is rarely possible to provide these services – which are technically accessible (and morally allowable) – locally, anywhere and at any time. The functions, which are socially expected, but rarely used or used by a narrow group of people, concentrate in the most suitable settlement of the

¹⁵ Cappelin, R. 1990.

¹⁶ Friedmann, J. – Weaver, C. 1979.

¹⁷ Haveri, A. 1994.

¹⁸ Nemes Nagy J. 1998.

region concerned.¹⁹ (The functions settled in the centres can only play real role in the fulfilment of the needs of the population of the neighbouring villages lacking these functions, when their accessibility is guaranteed.) These functional relations mark out exactly definable territorial units – commuter belts – in the geographical space, and the space – more or less – can be covered with them. Commuter belts are based on a hierarchical relationship-system between towns and their countryside, the products of vertical division of labour.

b.) By the appearance of economic clusters, horizontal relations based on cooperation of equal partners also emerge. The geographical space – which is determined by the premises and movements of productive or service companies, related to the production, sales and development of certain products or product groups – depending from the products can form smaller or larger regions. Its size, however, exceeds the size of the micro-regions in our concept.

Besides the inter-settlement relations, which are based on the voluntary decision of the members or leaders of the concerned settlements, there are *compulsory linkages* as well, which are driven “from the top”, by some external power body. The most characteristic examples are the *administrative districts* formed by public administration power. From the history of our near past, we well know the procedures and consequences of the compulsory “zonation”, linking neighbouring villages together against their will.

Summarizing the considerations of sociology, political science, economics and regional studies, the basic characteristics of inter-settlement relations called micro-regions in our concept, are the following:

- the presence of *primary communities* consisting of individuals (civilians), transparency and direct communication,
- unity of interests and communication between secondary communities (organisations),
- *volunteership* based on the necessity of common activities, the local recognition of its possible fields and forms,
- formulation of *own interest* different from the central ones, aspiration for *independence*,
- *complexity* of potentials and circumstances,
- *horizontality* marking the interaction of equal parties.

The *content* of horizontal cooperations between settlement – based on territorial division of labour and mutual interests – is formed by the needs of settlement communities, strategies followed during their satisfaction, and the conditions of its realization. The *spatial boundaries* of cooperations are marked out by partly common and partly complementary potentials based on partly traditions and partly interests; and *communication* realizable among the given technical level and social conditions. All these factors are categories changing in time, thus the size of the regions cannot be considered as constant, too. The homogeneity of potentials can be captivated principally in the geographical small environs; while intensive communication as a precondition of common activities, together with the present technical level and strong needs for personal communication can mark out a smaller, but continuously growing area.

In the spirit of these thoughts, under the concept of “*micro-region*” we mean a *territorially connected piece of the geographical space, which is transparent and personally experienced by wider and wider groups of inhabitants; where the settlement communities are closely linked together by their common past, the character of their culture, the sense of belonging to the same place framing their economic and social activities; horizontal relations based on functional (economic, human, service, infrastructural, communal) interdependence*

¹⁹ Beluszky P. 1985.

and intensive communication; the apperception of common interests and regional identity; at the same time these relations separate it from its environment, that is other settlements cannot be linked to it on the same basis.

In spite of the possible expansion of micro-regions, they are much closer to locality directly related to individuals than to regions, which are formed mainly by secondary communities and approach the national level. All above characteristics of locality can be found in micro-regions. Therefore, all territorial levels under the regions – having central or very similar authority – have to be considered as local, in the spatial politics.

1.1.2 Processes evoking and shaping local development

There are five main processes having basic influence on the development and its principles, based on localities, which are in close connection to globalisation:

1. Challenges of economic globalisation
2. Formation of the information society
3. The idea of sustainable development
4. The formation of participation democracy
5. Changing paradigms in the regional policies

Economic globalisation, the unification of the world means definite challenges for localities. In the first period, globalisation has found shape on the unification of trade and commerce, its consequences have been the loss of own markets of the local economies, and more and more difficulties in local sale of locally produced products. The first challenge for local economies was the reaching of any mass-production products at any small settlement, which meant the *loss of internal markets*. Several new steps became necessary to keep the internal markets through services being more compliant to the demands, moreover, *to keep the external markets* in the close competition. In contradiction to global economy, which can utilize resources in international level and is able to optimise from its own aspects, local economies only have to opportunity *to find market niches* and *utilize alternative resources* which are not available for global economy.

Globalisation, which is manifesting itself mainly in the mobility of capital, is able to completely change the economic structure within a certain geographical region. *Moving of production into the countries of the third world* and *the application of new technologies* has brought the ceasing and transformation of workplaces, which resulted in *employment crisis* in the local level. Because of the abstraction of globalisation through electronic service transfer, the solution can be the widening of the *service sector* mostly related to localities. The *80-20 society*, where 20 % of the population possesses the traditionally meant workplaces, produce the needed goods and receive a share of the benefits of economic growth, is not only a far vision any more.

The importance of horizontal relations in regional development is increasing, while *local communities become more and more under competitive pressure*. They start an immense fight for obtaining the economic activities, especially high-tech sectors.²⁰ Those can reach results in the competition which are able to represent their uniqueness and make it attractive for the global economy.

The *unequal utilisation of resources* – both in over-utilised and under-utilised regions – raises environmental problems. In the first case pollution and surfeit, in the second case

²⁰ Stöhr, W. B. 1988, 1990.

desolation and employment problems have led to conflicts to be sold locally. The *externalisation of the environmental and employment costs* which can improve the competitive positions of the global economy has brought new tasks for localities, which can be solved only by strong local economies and societies.²¹ Global economy, which is insensible for local characteristics, is interested in the *quick application of the latest technologies*, and is able to do so through its networks, neglecting the local *cultural, moral and employment conflicts*. Against the *power* of multinational companies, which *outgrow of economic spheres* and more and more influence people's everyday life, can only be protected by strong local society and local economy.

It was proved by the 70s years that global economy is not able to solve the problem of territorial backwardness, on the contrary, further increases the number and measure of shortfalls, arising several other conflicts. Opposite the big economic structures, humanistic economists emphasized *small-scale solutions* which are able to adjust to local potentials, flexible, minimize risks, and integrate into the local communities.²² During these solutions, two phenomena appears at the same time on local level: competition with other localities for the patronage of the "biggs" to get into the game of the big companies and obtain territories which are left free by them; and the fights against the disadvantages of global economy, the success of which further strengthens global processes.

Information society, which relieves the industrial and customer societies and appears on the basis of globalisation, demands the local accessibility of technical tools of communication systems – being the basic condition of unification – which guarantees the preconditions of joining in communication, and the formation of the needed know-how and attitudes. Preparations for managing the information dumping and rational management of information also belong to the later.

Entry into the information society – by connecting localities – establishes their information supply, but, at the same time, give the opportunity for localities to show their own characters, values, give them new impulse to create the necessary technical and human conditions needed to the integration, and enforce to draw their own 'face'. Information society puts new values, new qualities forward, where localities have to prepare themselves for strengthening anthropocentrism, uniqueness, free creation and ecological way of life.²³

The requirement of *sustainable development* has appeared as an answer to the ecological and social unbalance, as the basic problem of globalisation, in the Maastricht Agreement in 1993. The document "Growth, competitiveness, employment – The challenges and ways forward into the 21st century", published in 1993 by the Commission of the European Communities confirms the acceptance of sustainable development as new development model.²⁴ The six principles of sustainable development are the following:²⁵

- *Environmental sustainability:*

1. The rate of the use of renewable resources does not exceed the rate with which ecosystem is able to reproduce them.
2. The rate of the use of non-renewable resources or transformation into not reusable waste cannot exceed the rate as people develop and gradually utilize renewable resources instead of them.

²¹ Korten, D. C. 1996.

²² Schumacher, E.F. 1991.

²³ Varga Cs. 1999.

²⁴ Gibbs, D.C. 1998.

²⁵ Daly, H. 1990., Korten, D. C. 1996.

3. The rate of environmental pollution does not exceed the adaptive capacity of the ecosystem.
- *Economic equity*: those who give more to the society have to get back more, but just after the satisfaction of the basic needs of everyone, when the options of the next generations are not damaged, and economic power do not have destabilizing effects.
 - *Biological and cultural diversity*: diversity is the base of evolutionary potential, its maintenance is basically important for creative participation in the evolution processes.
 - *Subsidiarity*: “What certain individuals are able to do by their own power and abilities are forbidden to remove from their authority and give to communities. Likewise, it is illegal to devolve to a bigger community on a higher level all what a smaller community on a lower level is able to realize, and, at the same time, it is heinous crime, too, to confuse the social order; as every social activity, by its essence and internal power, is obliged to help – subside – certain parts of the total society, conversely, it must not disorganize or incorporate them.”²⁶
 - *Internal responsibility*: neither individuals, nor companies or political communities do not have right to devolve the costs of their consumption to other units.
 - *Common heritage*: the World’s environmental resources and the common knowledge of the species constitute our common resource-heritage, and it is every person’s right to receive from their benefit; at the same time, it is the duty of the owners of environmental resources to manage the goods representing the interests of the next generations; moreover, it is the duty of those having special knowledge to share it with those who can benefit from it.

Participation democracy, as a new way of building society, emphasizes the individuals’ direct participation in decisions on common affairs and in the solution of common tasks. The starting of the process in the developed countries can be derived from the middle of the 1970s, when the crisis started from the market sector has reached the public sector, too, and the extent of the public sector has decreased, thus social consequences of the welfare state have become visible. One of them was the wide spread of dependence attitude²⁷ as such a dominant approach of people, according to which every problem is someone else’s responsibility, “they” will solve the problems. “They” normally meant the state and its employees, but this attitude could appear in every “service” organisation, too, like the Church, community groups, or even within a family. Parallel with the weakening of the welfare states – going back to the traditions of western democracies – independent and responsible individuals were highlighted. The change of the social role of individuals – as higher direct and indirect role in public services, responsibility for the environment – has reinforced the need for direct role in the exercise of power. Citizens are less and less satisfied with the possibilities of representational democracy; they want to personally participate in the decisions on questions related to the whole community.

The establishment of the frames requires the preparation for the new techniques of the exercise of power, both from the reigning elite and the individuals. The natural environment of the individuals’ preparation and actions is the local community.

Another feature of the new democracy is the increased defence of the interests of the minorities, assuring their participation through positive discrimination. Identity of minorities is usually accompanied by territorial identity too, thus it is a special opportunity and challenge for localities.

²⁶ Quadragesimo Anno, enciclic, 1931.

²⁷ Macfarlane, R. – Laville, J.L. 1992.

In regional policies, the relation of the state to localities has been fundamentally changed from the 70s years. The failure of the development actions in the countries of the third world has drawn the attention to the insufficiency of the neoclassic development theories and the regional policies based on them. On the basis of externally – from above – directed development, territorial differences did not decrease, on the contrary, it became higher.²⁸ Soon, the need for changing approach reached the western welfare states, too. Before the 70s years, regional policies all over Europe supported the industrialization of the rural centres, which was carried out by the state itself – from above – in the capital-intensive and workforce-intensive sectors. From the 80s years, this industrialization policy became ineffective and unsustainable; new regional political targets have been formulated for the support of the establishment of small businesses and the rationalisation of the existing enterprises (product development, marketing, etc.). In the 80s years, the expansion of the welfare state in the public services has also slowed down, there was a high pressure on national budgets, workplaces – which have been established in great number before, mainly in rural areas – became in trouble. The slogan of “use of local resources” appeared in the economic policies, and also in public services.²⁹ As a way out, the application of the self-development model has been offered, as alternative development strategy, for instance by the mobilization of local resources in the satisfaction of local needs, local organisation and control of the spending of external subsidies.³⁰

From the 1980s, new national regional policies have been formulated one after another, with such principles as the decentralisation of decisions in territorial developments, or the acceptance of the importance of local initiations.

At the same time, vivid professional debate has been started about the possibility of local development. Starting from WALLERSTEIN’s world system theory³¹, world system operates on the basis of the principle of regional division of labour between poverty and wealth, core and peripheral regions. Under the pressure of the global economy, local communities can do only one thing – conform. According to TAYLOR³² global level, the logic of international economic growth determine every development, this is mapped on lower levels and determine the frames of the local choices. But, the effect is not direct, as there is a filter between the global and local levels, that is the national state, seeking stability and smooth development, as an opposite to demand for diversity of the global economy. An opinion became dominant in regional policies, namely: it is a natural process that there are differences between developed and underdeveloped regions by the strengthening of the private sector, so the task of territorial development is: to help the territorial mobility of the population, to elaborate such local development strategies which can mean real alternatives next to, or instead of, programs leading to certain anomalies.³³

Centre – periphery and dependence theories explain the territorial differences, which should be decreased by territorial policy, by subordination of regions. Starting from the fact that inter-regional interactions determine development and the stronger partner sets the conditions, they conclude as establishment of dependence relations hindering the development of peripheral regions. On the basis of the previous, endogenous and self-development models came to the front, seeking political and economic independence, the use and strengthening of local resources.³⁴

²⁸ Myrdal, G. 1956.; Schumacher, E.F. 1991.; Friedmann, J. - C. Weaver 1979.

²⁹ Oksa, J. 1991.

³⁰ Galtung, J. 1980.

³¹ Terlouw, C.P. 1989.

³² Taylor, P.J. 1985.

³³ Faragó L. 1992.

³⁴ Coffey, W. – Polese, M. 1983.

In national policies, mainly in the developed countries, the self-development model has been reinforced by the vivid citizen activities, the strengthening of civil society and their intentions in the participation in territorial development.

By the deepening of the international integration ambitions, parallel to the national territorial policies, *international territorial intervention systems* have also appeared. Development programs of continental areas or even of several continents (e.g. OECD), can form the local ideas, the principles and methods of development, by their tenders and transferred models.

The principles of the new regional policies are:

- subsidiarity and decentralisation,
- partnership,
- concentration and addition,
- transparency and controllability,
- program-based development.³⁵

Behind the new regional policies another new development model can occur, which derives from a *human-centric development theory*, as an opposite to the former phenomenon taking only economic growth into consideration.³⁶ According to its starting point, the driving force of development is the main motivation of human activities that is the need for satisfying the demands. After the formation of the more complicated structures of society, not all, recently observable activities can be derived directly from the satisfaction of human needs. The economic and state power system and its certain institutions – which originally had to satisfy needs – have their own needs and therefore own interests, which can get out of the citizens' control, and start their own "life", sometimes contradictory to the original targets. The human-centric approach considers the level and extension of the satisfaction of *primary human needs* as the measure of development. Starting from the hierarchy of human needs by MASLOW³⁷, besides the material needs connected to the economy, the satisfaction of *non-material needs* is also very important.

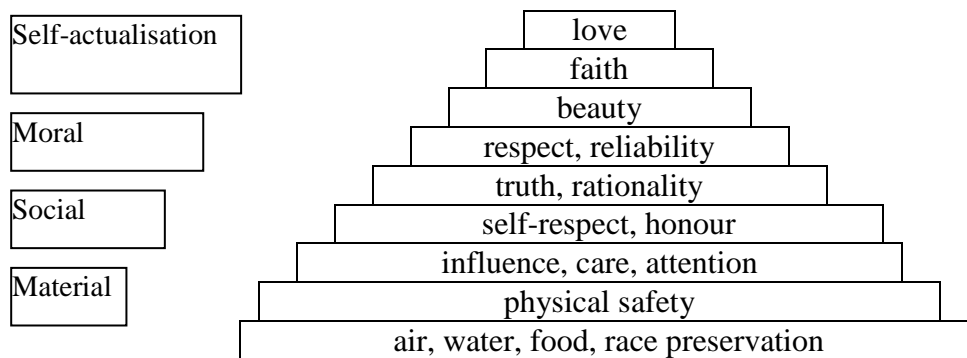
The base of the pyramid of needs is constituted by the physiological needs, as air, food, healthy drinking water, sleeping and sex as race preservation tool. These are followed by physical and emotional safety, as more or less also material needs. According to MASLOW the satisfaction of higher level needs is not possible until the lower level needs remain unsatisfied, but social and moral needs are as much important in the human perfection as the material conditions. Without their satisfaction, we cannot talk about welfare, individual and social contentment. Needs induce different – but interrelated and territorially appearing – social activities and institutions organising them, the accessibility and operation of which are the basis of welfare.

³⁵ Horváth Gy. 1998

³⁶ G.Fekete É. 1998

³⁷ Maslow, A. 1943.

Figure 1
Maslow's hierarchy of needs



According to the above, in the human-centric approach, under the phenomenon of regional development we mean the following: the process resulting in more and more complex satisfaction of the needs (not concentrating only on materialistic needs) of people living in the area, spreading over bigger and bigger proportion of the population, in a sustainable way.

One of the most characteristic features of the theory thus is including the non-material factors into the development phenomenon. *The range of needs being determinant in development*, their weight in the value system of societies, *changes in space and time*. The last decades, or even centuries of western societies have been ruled by materialistic values. In other cultures living in our time, however, some metaphysical elements get bigger role, innovations related to materialistic world are less appreciated. At the same time, in our own culture, we can well observe the changes of eras emphasizing materialistic and metaphysical values. Thus the Greek city-states, the Middle Ages, the age of romanticism, the periods before and between the two world wars represent rather the later; while the Roman Empire, mercantilism, the period of classic free trade and the era of expansion after the 2nd World War represent the former cycles.³⁸ According to LÁSZLÓ E., this change shows close connection with the oscillation of the range of social and regional interactions, and the cycles of economic growth.³⁹ Consequently, there is not a common value and demand system being relevant for all mankind or a nation. Different elements are important for communities living in different time and geographical space. That is why human-centric approach starts from the real demand system of the given community, not targeting the satisfaction of artificially made needs, which are external, unfamiliar to the community, representing the value system of another society being considered as developed. (The realization of development targets which were unfamiliar to the local culture has been put to trouble especially in the developing countries.)

The regional policies examined along the four segments of globalisation and its effects, and along the shaping human-centric development model, there are challenges – proving the inseparability of globalisation and localisation – which are determinant at the local level. Localities, thus self-organised micro-regions, have – and will have – key role in the exploitation of the positive opportunities of globalisation and in the prevention of the negative

³⁸ Stöhr, W.B. 1981.

³⁹ László E. 1974.

consequences. But they have to prepare for this they have to formulate their own answers. The formation of micro-regions, which can give acceptable and even desirable solutions for the challenges summarized in the table below, is elementally important regarding the inhabitants and the whole society.

Table 1
Summary of the processes determining local development

<i>Global challenge</i>	<i>Local consequence</i>
<i>Economic globalisation</i>	
<ul style="list-style-type: none"> - economic growth at any price - globalisation of markets - globalisation of investments of capital, transfer of production - continuous demand for new, original - externalisation of production costs - unequal use of resources - quick application of new technologies, decrease in living labour force - increase of the importance of service sector 	<ul style="list-style-type: none"> - keeping back of human needs, growing territorial and social inequalities - loss of local markets, increase of external dependence - opportunities in market niches - external dependence - possibility of obtaining and loosing workplaces - increase of the value of local potentials - increase of the costs of local environmental protection, labour force and social expenses - overload or underuse - cultural conflicts, employment problems - development possibilities for local services
<i>Information society</i>	
<ul style="list-style-type: none"> - time becomes quicker - information boom - dissolving individualisation - increasing spare time - longer life - increasing mobility - globalisation of culture 	<ul style="list-style-type: none"> - quick response is of vital importance - requirement of information management - upgrading the role of small communities - increase of touristic and recreational needs - appearance of seniors' needs for special services - loss of population, appearance of foreigners - threats for local culture
<i>Sustainable development</i>	
<ul style="list-style-type: none"> - highlighted environmental aspects - keeping and restoring diversity 	<ul style="list-style-type: none"> - upgrading environmental resources - importance of defensive aspects - upgrading of local unique potentials
<i>New type of democracy</i>	
<ul style="list-style-type: none"> - decrease of the role of the state - transforming democracy - new horizontal relations - defence of minorities 	<ul style="list-style-type: none"> - possibility and requirement of self-governing - citizens' participation needs - upgrading local partnerships - upgrading the role of identity
<i>Change of paradigm of regional policies</i>	
<ul style="list-style-type: none"> - bigger role to local initiatives - narrower central sources - international development programs - human-centric development 	<ul style="list-style-type: none"> - need for initiatives - pressure for mobilisation of local sources - unification of local development - importance of local needs and values

The principle of “think globally, act locally” influence all fields of development, necessarily evoking and spreading local developments. The solutions of developments according to the local people’s value system mark out the potential fields of local developments and innovations.

The examination of territorial development, namely the joint resultants of processes shaping the role of localities calls the attention to an interesting paradox. One of the consequences of globalisation is “loss of places”. The place of geographically restricted areas is replaced by “the place of flows” based on the relationships between people, activities and decisions not restricted to any localities. At the same time, human communities and the society operates according to the logic of “place-centricism”. While the space of economic activities is widening, political and cultural activities become more and more local. Moreover, the changes according to global decisions can be perceived on local levels, too, as experiences, knowledge and the needs of local actors are all derived from local level. Subsequent upon this, the “locality-specific” experiences of locally interpreted organisations and movements can get into contradiction – and according to the observations they do so – with the “flow-specific” logic of global organisations and interests. Thus, regional development appears as resultant of the common activities (not by all means fights) of “place-losing power and power-losing places”.⁴⁰ One of its manifestations is that the more the global factors reign localities, the more local institutions, organisations and persons work on the representation and strengthening of the uniqueness of localities.⁴¹ Regional and local identity is that particular counter-force which grows together with global orientation.⁴² Thus, one part of the participants of local developments serve the specialisation interests of globalisation, others wish to strengthen localities in preventing the damages of globalisation.

1.1.3 Interpretation of the local dimension of development

Under the concept of territorial development we mean conscious intervention into the formation of territorial processes. Certainly, every territorial development is linked to a certain geographical place, refer to some localities. The development interpreted as conscious intervention into the settlement and micro-regional territorial processes, however, cannot always been explained as “local”, even if it serves the increase of the welfare of a certain local society. From the sociological – political interpretation of locality, the “local” feature of development can be guaranteed by the participation of local society as initiating and monitoring force, and the “own scope for action” in comparison with developments starting from national level, or higher level than local. Local development, according to each interpretation, has definitely “bottom-up” character, opposite to developments initiated by higher levels of power with “top down” character. Arising from the conformity to localities, the most characteristic feature of micro-regional development is also the “bottom-up” determination.

On the other hand, opinions are different in another aspect: what we should consider as local development and its determining element; the traditional sector of civil society within local society or the development activities of local power. There are some who interpret “bottom-up” not only as a territorial level but also as social structure, and they speak about developments “from below” in this sense, too. There are some who interpret local development as self-helping activities of disadvantaged groups of the local society. There

⁴⁰ Castells, M. – Henderson, J. 1987.

⁴¹ Stöhr, W.B. 1988.

⁴² Brugger, E. A. 1986.

are some who expect development initiatives directly from individuals, families (grass roots), while others focus on the development work and results only of local municipalities and the local élite, and emphasize mainly the differences from the central development efforts.

After defining the dominant local actors of local development, the next dividing line is the rate of the included local and external resources in the interpretation of local development. Namely, there are two modes for local communities in favour of their own welfare: the full utilisation of their own resources and greater involvement of external sources. The former arises from the fact that “in the market economy, the judgement of resources also depends on market conditions. Larger and smaller parts of local resources can remain unutilized in the main stream of market economy, because of the lack of demand. Local communities, and their elected leaders, can yet reveal alternative utilisation possibilities and can manage local interests.”⁴³ Involvement of external resources is – in some cases – unavoidable to start development in certain regions, because of the insufficiency of the internal ones. There are some who consider development as local, in case of involvement of external resources together with the local forces, while others consider only developments utilizing local resources as “local” (self-sufficient, endogenous development). The utilization of local resources resulting in development is equal to the strengthening of local markets in the development strategies. The key to the expansion of local markets is diversification, which targets not only the serving of local small economies but also the integration of the settlement of micro-region into bigger territorial systems. The strengthening of local markets preconditions, on the one hand, and helps, on the other, the widening of the resources of those entering the market. One of the most important criteria of local markets is that the owners of resources – labour force, land and capital – have to be local in the highest possible rate.⁴⁴

Thus, it is possible to distinguish the different interpretations by the dominant local actors and the provenance of the involved resources. Categorization – as every similar – is naturally schematic, it is not able to reflect the slight shades of different explanations, moreover, some authors use the same expressions in different senses. In spite of this, the systematization in the second table below can help finding the way in the related literature.

Table 2
Review of different schools of local development

Initiators of development	<i>only internal</i>	<i>internal and external</i>	<i>not described</i>
	<i>development resources are involved</i>		
<i>Individuals, families</i>	grass roots		from below
<i>Disadvantageous small communities</i>	self-help		
<i>(settlement or micro-regional) communities</i>		(inter)community economic development	
<i>Local power</i>		local development	
<i>Not described</i>	self sufficient endogenous	bottom up	

⁴³ Faragó L. 1992. 27.p.

⁴⁴ Miklóssy E. 1999.

In spite of the sharp interpretation differences, there are three common elements in the different explanations of local development, which appears in territorial dimensions instead of sectoral frames⁴⁵:

- involvement of local actors,
- investment of local resources,
- practice of local control.

Maybe this last criterion can be considered as the most emphasized. In case of the involvement of external resources and actors, it is the only one guaranteeing the enforcement of local interests.

The basic condition of “bottom-up” territorial development is that local communities can set their targets, the routes to their realization, and the modes of accommodation to the changes of the outside world in autonomous way. Besides formulation of own strategies, the following are needed for the successful realization of local and micro-regional initiations:

1. local control of local resources
2. own political, management, financial and development organisations
3. stable own financial bases.

These conditions can give the self-determination of developments, the possibilities for being “bottom-up”. We cannot talk about local development when these are missing.

Further principles considered as generally accepted during local developments:

4. People and the complex satisfaction of human needs are in the focus of developments.
5. Development is not equal to economic growth, development can only be complex.
6. Assuring sustainability.
7. Development can only be realized through chains of partnerships.
8. There is not only one way; considering the phenomenon of subsidiarity, the choice of strategies is the opportunity and responsibility of the community.
9. Geographical place of development: micro-region organised on the basis of horizontal relations.

1.2 The existence and importance of local labour market

The separation of living and working places is an about thousand years old process. First, the place of work has been separated from the place of living, then, by the appearance of manufacturing industry, the settlement of work has been separated from the settlement of living. Globalisation, more and more encompassing everyday life, completely rearranged the world's economic and social structure. Elements, like “borderless” flow of operating capital, production outsourcing to developing countries, universal increase of technical level, appearance of new sectors and the revolution of info-communication, brought drastic changes in labour market. It has four sharp symptoms:

- (1) The decrease of labour volume and the increase of the qualitative requirements from labour force. The volume of accessible working possibilities has been decreased by the demand of living labour force because of the technical progress. Progress has changed the quality requirements, too. Instead of the tested practices, the simple repetition of practiced moves, the abilities for the use of newer and newer tools and continuous adjustment have been highlighted.
- (2) The transformation of the structure of the employment sector has brought the further decrease of the employing capacity of agriculture and the number of industrial employees

⁴⁵ Green, G.P. - Flora, J.L. – Flora C.B.- Schmidt, F.E. 1993. 38.p.

on the one hand; and the increase of labour force demand of services and innovative sectors, which have to satisfy the diversified needs.

- (3) The geographical mobility with labour target has become lively, the distance of moving has increased. The specialisation of professions and the geographical rearrangement of labour force demands have started new migration waves – within and between countries.
- (4) The forms of labour have become more flexible. The sectoral, competence-based and territorially flexible labour market has become stronger, which enforced the spread of different from traditional, so-called atypical forms of employment.

Summing up, we can see that labour market becomes globalised as well, together with the whole economy. The question arises then why we talk about the upgrading of the importance of local labour markets. The answer can be found in the unbalanced environmental, social (within this labour market) processes and the efforts for their re-establishment.

Unemployment has become en masse and visibly permanent in Europe from ... years. The unemployment – which was thought to be characteristic and temporary – has reached ... persons by the year of ..., that is ... percentage of the population, next to bigger and bigger territorial differences.

Unemployment, as social phenomenon and economic category, has become in the focus point of economic theories from the end of the 19th century, and started to build in – as “risk factor” – into social policies from the first half of the 20th century.⁴⁶ Unemployment, as the consequence of the unbalanced labour market conformably occurring in the capitalist society – reinforced by the experiences of the economic crisis of the 1930s – has been revealed by KEYNES’s (1883-1946) theory. Keynes also raised the question of the necessity of governmental interventions in maintaining production and employment. The American New Deal, then, after the 2nd World War, the welfare states of the western countries have been built on the acceptance of state interventions, and assuring the economic rights (right to work also included). The later has been realizable only by keeping the rate of redistribution high, and the establishment of state institution system. In the operation of welfare states – until the 1990s – unemployment has been considered as a necessary – but temporary – accompanying phenomenon of the operation of the economy, which can be treated by some tools of social policy.

Influenced by the economic crisis started in the 1970s, some views claiming cut back of welfare expenses have been strengthened, built on the neoclassic economics⁴⁷, which have been combined with the absurdities of welfare state, like critics of the individual- and society-destroying effects of “welfare dependency”⁴⁸. The functional disorders of welfare states have also been listed into the reasons for continuously growing unemployment, and, opposite to social political solutions, they saw the solutions in the establishment and strengthening of enterprises, in the formation of individuals’ independent and responsible behaviour.

It was in the 1990s, when the phenomenon of permanent unemployment in the developed countries became obvious.⁴⁹ The main reasons, intensifying the process, are – among others – the globalisation of the economy, outsourcing of production, technological modernisation becoming determining competitive factor and the unification of commodity markets. By the increase of the number and rate of permanent unemployed it came into sight that primary

⁴⁶ Egresi 2005

⁴⁷ Friedman 1962, Hayek 1958

⁴⁸ Segelman – Marsland 1989

⁴⁹ Although Hannah Arendt has written the often cited sentence in 1958, namely: „What is in front of us is a labour society, which loses work, that is the only one activity what is able for. What can be more horrible than this?” (cited by Török 2006)

labour market is less and less able to engage labour force. The decrease of work, parallel to the increasing number of labour force because of demographic processes, projected the consolidating labour market tensions, and – for individuals – the increase of uncertainty of existence. Among the factors of uncertainty of existence, Castel considered the lack of participation in social division of labour and the deprivation from community relations as dominant.⁵⁰ Unemployment has important role in the emergence of both. It is proved by several researches, from all possible factors, unemployment – especially permanent one – is in the closest connection with sinking into poverty and exclusion.⁵¹ One of the most important fault lines of developed societies is between employed and unemployed people.

Unemployment turning into permanent is noticeably not only a problem of economics. As a consequence of the role of work in human societies, our basic social values, the bases of the organisation and functioning of society can become in danger. As in the existing societies individuals are appreciated on the basis of their work and place in the division of labour, work is the basis of social redistribution, and work is a duty according to our generally accepted norms, and, moreover, work is the main tool of self-realisation and identity.⁵² Thus, by the loss of work(place), individuals can get into danger not only financially, but also mentally and morally. Their social relations can be loosed, transformed and can fall out from their networks.⁵³ All these can be followed by mental and moral degradation, too. The symptoms together can start the process of social exclusion. When this phenomenon concerns masses of people, then we can talk about heavy social crisis. It is the interest of the whole society to avoid the total polarisation and collapse of society, and its consequences, like the increase of social deviations (divorces, addictions, crime, suicide) resulting in higher burdens on the economy. When the vision of the 80-20 society is widely spread among experts⁵⁴, that is we have to permanently count with the fact that 20 % of society keep the further 80 %, nobody can think to stay outside the problem. The existential, mental and moral traumas of the 80 % will press heavily on the rest 20 % as burden, direct threat. As a consequence, the paid work = work interpretation of the modern societies is in need of change anyway.

READING: New capitalism – after the thoughts of Csaba Varga⁵⁵

Economy and society are driven by market mechanisms, but transnational economic companies have stepped out from the frames of classical market economy; their competition is not on the basis of market regulations. Classical market economy is more and more repressed to national market economies, among small and medium sized enterprises. Within the economy, *electronic money market* has a central role, limiting and reducing classical production. The returns of speculative capital is triple than that of the returns of productive capital. Therefore, the economies of the first world *consciously outsource smaller or bigger part of their production* into the second and third world, resulting in a previously unpaired level of unemployment in the developed countries. Thus, social classes get new, other meaning as well. *Society continues to split into two parts*. Integrated power class stands opposite to civil class. The former possesses the bigger part of the economic, financial, political, knowledge and communication capital, while the latter can gain only a small part of the previously listed capital. While the former class-conflict was the contrast of capital and labour, in the new society the power class possesses both the capital and the labour. For the civil class, work is less and less guaranteed, not even the workplaces. *Social slope becomes more and more steep* in the developed countries, too.

The era of *measuring economic development in GDP* has terminated. Those ambitions are getting stronger, which, for instance, measure the level of development of a country or a region in the amount of fortune per person. Fortune is composed by the “produced goods”, natural resources (not only the minerals and croplands,

⁵⁰ Castel 1998

⁵¹ Gábos-Szívós 2004, Spéder 2002

⁵² Dahrendorf 1994

⁵³ Castel 1998

⁵⁴ Martin – Schuhmann 1998

⁵⁵ Varga 1997

but also water and other environmental resources) and human resources (including the level of nourishment and education) together. The value of goods (products and services) is determined by the intrinsic *knowledge and creativity*, in higher rate than ever before. The strengthening of *environmental consciousness* has speed up the predominance of the requirements of eco-social market economy. The revaluation of the relationship of natural environment and humans appears in the daily economy. Environmental protection becomes one of the most important economic branches. Among other fields of the economy, services, especially information economy obtains higher attention. This branch employs the biggest part of the labour force and produces a significant part of the GDP. The arrival of the *information society* leads to changes like that of the industrial revolution in the 19th century. Due to the digital revolution, within one or two decades, a global interactive information and communication system will be born; in normal case, it will make it possible for the first time in history that not only the integrated power classes but also the whole society can possess directly and unlimitedly information and knowledge.

Diversity – according to ecological patterns – became a basic value, both in economy and society. Diversity is the basic requirement and guarantee of adaptability and sustainability.

In the new globalism, world economy does not “eat up” regional and national economies. On the other hand, as a paradox, globalisation brings the upgrading of local economy and small enterprises. It is partly as a defence against the unfavourable effects of multinational companies, partly as a guaranty of uniqueness and flexibility providing advantages in the global economy. There are three levels of society side by side. There is no totally global world society; local societies are not subject to globalisation. Influencing and manipulating abilities of the higher systems decreases continuously year by year. While people downstairs made preparations for the new, those upstairs still believe that they hold the direction of life. This invisible revolution causes the independence ambitions of the civil societies of the second and third world. The watchword has been issued in 1980, in Toronto, in the first global future conference: “Think globally – act locally!” The reason was the realization of that our common problems can be solved only by global thinking, but the level of really sensible and effective actions is locality. The role of local societies gains better recognition, the role of local politics and *local self-governing* increases.

State bureaucracy, political power is forced to compensate, with direct and indirect tools, the global and regional new capitalism, to moderate its unfavourable social effects. But its tools are limited; the problem overpasses the frames of state administration. In the developed world, welfare states have become unsteady. The same welfare state of the 70-80s will never appear again. But the most important principle is much truer than ever: *the Europe of the future can only be social Europe*. While we are rushing into capitalism without work, the question arises: how can democracy exist beyond work society? The global economy and the less globalised society in the countries of the first world struggle with model crisis and system crisis; thus the nations of the second world cannot choose the globalisation of the past, the social-economical system leading to model crisis.⁵⁶ As an answer for the challenges of the new capitalism, the conception of the development of local employment, as a new solution, emerged; as a tool moderating the unfavourable effects of high unemployment and social differences, satisfying the needs for a flexible and diversified local economy, utilizing the sources of the local civil communities. There are also international and national ambitions, started in the 90s, towards this conception.

There are several management methods for the territorial inequalities of labour market and the unbalanced demand and offer relations.

In the beginning, there were large actions as state interventions, spending enormous amounts of money.

- (1) First in time – in Western Europe, in the 1950s and 60s years – they started to resettle the labour force, as a solution to the conflict, from the economically empty places to centres concentrating workplaces. The increase of the capacity of the centres on the one hand, and the help of the moving of the inhabitants from the emitter areas on the other, were necessary. The desired process has started, but still went on when the centres were not able to receive more movers and there were not enough workplaces or housing infrastructure. The problems of overpopulation became more severe, while in the peripheral areas exhaustion brought unexpected problems.
- (2) In the next period – in the 1960s and 70s years – they changed the direction of the intervention, and brought workplaces into free labour forces. The stimulation of the outsourcing of economic activities from the centres has brought results, but because of the

⁵⁶ Varga 1997

decrease of the accessible financial sources after the oil crisis, this policy could not be continued any more, furthermore, the outsourced new workplaces were not sustainable. Its main reasons – among others – were the keep-back of market aspects, obsolescence of technologies and the unpreparedness of the local labour forces.

- (3) In the third period, big moves were given up, and the enlargement of local workplaces has got into focus. The lack of state sources and the failure of the former policies have induced the state to withdraw. With the starting of the territorial policy based on local potentials and local initiations, the conception of the development of local employment has also strengthened.

On the part of the local, seeking of solutions slowing down unemployment has been motivated by being personally touched and the direct experiences of the consequences.

The stressing of local solutions has been strengthened by the diversification of local needs, their shifting towards services, loose of the trust in global products, and the widening of the possibilities of remote work with the help of technical appliances. Later on – also as defence against the harms of globalisation – the defence of local markets, preserving local identity also became reasons for local labour market interventions.

1.3 Some characteristics of the local labour market

Under the phenomenon “local labour market” we mean the total number of workplaces and labour forces within 50 km, about 40 minutes travel, from the place of residence. For the predominance of locality, we emphasize the maximization of the time spent on daily travel. Distance in kilometres, by the (technical) development of transportation, can be changed.

Local labour market is not only geographically separable part of the national labour market, but (similarly to local society) has own features; because of the social, economic and cultural character, demand – offer relation is remarkably different from the neighbouring areas.

According to the general structure of labour market, local labour market is also built from three elements:

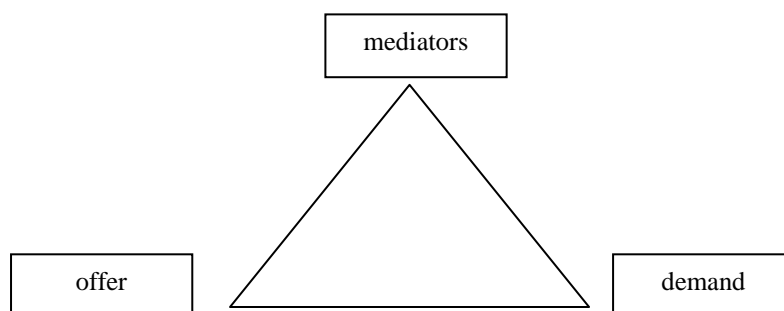


Figure 2: Elements of the local labour market

Offer: composed by the local labour force, its characteristic features:

- Demographic features: number, composition: gender, age, family status, dynamics
- Cultural features: knowledge (school qualification, skill, IT-abilities, knowledge of languages, local knowledge), values, motivations, working culture, experience,
- Employment status: active, inactive, dependant, looking for a job

Demand: composed by the local employers and the workplaces, its characteristic features:

- Density of enterprises,
- Size (according to the number of employed, revenues)

- c. Enterprise form (for-profit, non-profit, public service)
- d. Sectoral and activity structure
- e. Financial standing, efficiency, profitability
- f. Dynamics.

Mediators: connecting demand and offer, its characteristic features:

- a. Number
- b. Number of clients
- c. Connecting services (training, consultancy, mentoring, administrative help)

Offer

1.3.1 Long-term unemployment and its consequences

Stabilization of long-term (permanent) unemployment is extremely dangerous next to the unemployment rates. Under the term permanent unemployed we mean those who are looking for jobs for a long time, not finding, being in active age. According to the Hungarian laws, the conditions for being registered as permanent unemployed are: over 18 years of age, minimum one year labour registration, cooperation with the territorial labour centre, and, breaks and active supports cannot exceed 31 days. (In labour statistics, registered persons over 180 days are considered as permanently unemployed.)

Permanently unemployed in rural areas

Permanent unemployment is stabilized by the high rate of those having low school qualification – who are in high number among unemployed and can be employed with great difficulties – and the general lack of workplaces. Both conditions are given in rural areas, thus the rate of permanently unemployed (over 180 days) is typically higher in rural areas than in urban ones.

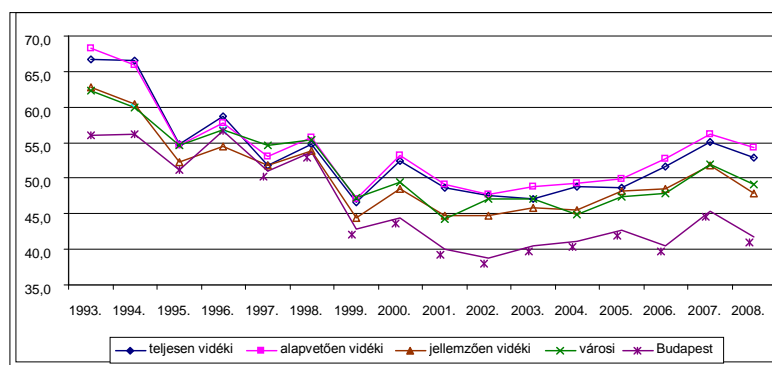


Figure 3: The rate of unemployed over 180 days related to all unemployed, between 1993 and 2010, in the micro-regions of Hungary, according to their rural features

Source: on the basis of KSH T-STAR data, own compilation

Opposite to the visibly unstable, but till 2003 decreasing tendency of the rate of permanent unemployment shown by the statistical data, rural permanent (long-term) unemployment is increasing. The differences between the statistical data and the real situation are derived partly from the difference of the number of registered and really unemployed persons, partly from some labour market subsidies, mainly communal employment, which interrupt the permanent unemployed status for more than 31 days but do not provide long-term employment.

Namely, those people who are not in relation with the labour institution, because there was no success in finding a job for 1,5 year, are not registered. Those, who are employed for some weeks (at least for 30 days) but unemployed for the rest of the year, also get out of the statistics. It refers to the scale of the phenomenon that even for the year of 2000, more than 55 % (in some counties 60 %) of the entrants into the labour provisions were not first entrants. Furthermore, the situation is corrected by that a part of permanently unemployed escape to inactive status. The rate of those who step out from the registered unemployed to the open labour market and find more or less long-term job, especially in rural areas, is insignificant. Behind the decrease of the number of permanently unemployed, the main reasons are the formerly mentioned labour regulations, statistical movements and the increase of the number of inactive statuses.

Because of the accumulated disadvantages, permanent unemployed have restricted possibilities in choosing from the strategies of finding a job, becoming agricultural small-scale producer or entrepreneur, or finding a job after re-education. There are two dominant layers: (1) those who is dragged into the periphery of the society, re-producing their disadvantageous situation, giving up self-care, and (2) the group of those who settling down for survival, living on occasional works and household activities, and, at the same time, signing on working only to that rate to stay in the circle being right to get some financial aid. Both layers count with state aids, but the later tries to insure subsistence by some kind of work, too.

The threats of permanent unemployment occur in both groups, but not in equal proportion. One dangerous consequence is *impoverishment*. From financial point of view, the main problem is being without incomes, and the following poverty. Unemployment allowance and income-supplementary aids are not enough for a family to live on, though they are compelled to do so. At the same time, social situation of those who lost their jobs becomes worse and worse, and after a certain time, *employers also become suspicious of them*, while the process can reach the constraint of passive unemployment, because without hopes people find senseless to search for jobs. Thus, those who are concerned are not only burdened by financial depression but weakened morally by the *total social segregation*. There are such social political damages like segregation, decrease of social prestige and self-respect, family conflicts, health problems, even the danger of suicide. In the concerned settlements, as the consequences of untreatable and permanent unemployment, such phenomena occurred like begging, impoverishment of village middle classes, consuming reserves, increase of the number of divorces and alcoholics. Younger educated population with entrepreneurial senses migrate, and the layers of elders, under-educated, less ambitious and more simple people stay. Permanent unemployment *stultifies human capital*, which even more *injures the chances of finding a job*. Thus, the permanent unemployment starts such a vicious circle which brings, beyond individual and family tragedies, the failure of certain regions, accumulation of social and economic problems.

1.3.2 Employment being sensitive to social genders

Modern society is typically masculine.⁵⁷ The high rate of women's employment in Hungary seems to contradict this. Women's employment has exceeded 70 % in 1990. The first round of the drastic unemployment – which has appeared due to the change of economic structure enforced by the *globalisation and post-industrialization processes*, having effects independently from the changes of the political system – afflicted mainly men. As a consequence, the rate of women among the registered unemployed is lower than that of men, less characteristically in modern societies.⁵⁸ Due to the mass reductions in the light industries,

⁵⁷ Little – Owain 2000, van Hoven 2001

⁵⁸ Asztalos-Morell 1999

although delayed, but the rates continuously approached each other, while by 2004 the rate of unemployed women became higher than that of men. It is also contributed to this fact that communal employment, marked out for moderating unemployment, prefers men. Partly because it is based on infrastructure-building manual work, partly because employer municipalities follow the principle of “men are breadwinners”. When both man and woman are unemployed within a family, the man is called for work. This affected the composition of permanent unemployed according to gender, and the process of escaping into inactive status. Escaping into inactive status is more frequent among women, shown by the fact that while there is an increasing tendency in the change of women’s rate among unemployed, their rate within permanent unemployed is continuously decreasing. (It slightly increases from 2006.)

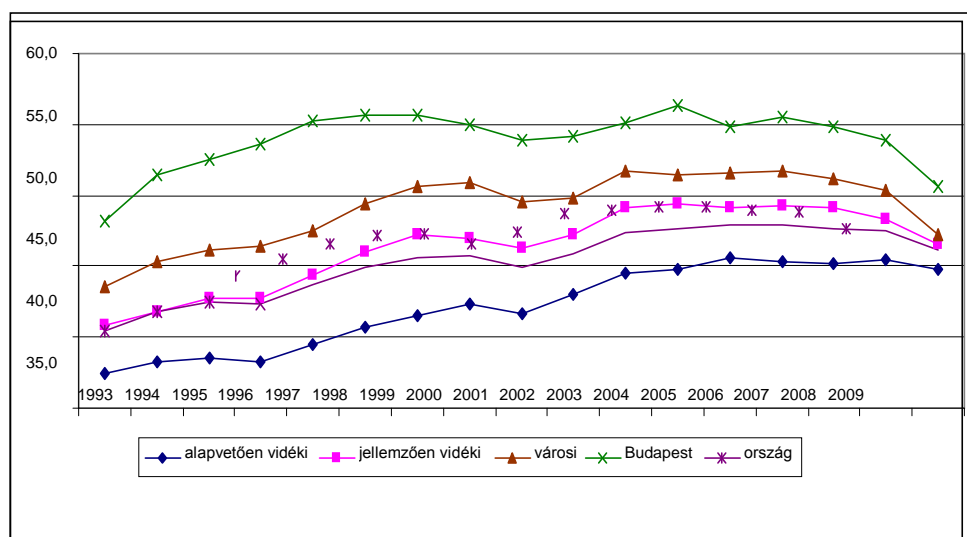


Figure 4: Rate of women in registered unemployed between 1993 and 2010 in micro-regions of Hungary, according to their rural features
Source: on the basis of KSH T-STAR data, own compilation

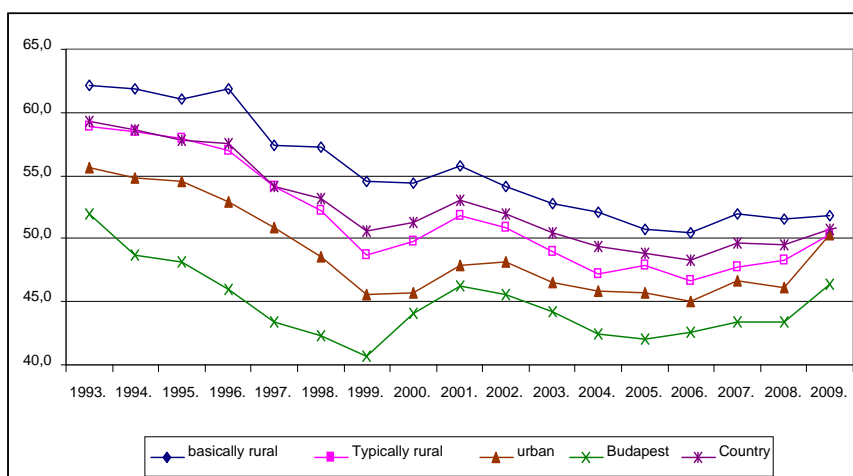


Figure 5: Rate of women in registered permanent unemployed between 1993 and 2010 in micro-regions of Hungary, according to their rural features
Source: on the basis of KSH T-STAR data, own compilation

1.3.3 Extremely low employment and extended deep-poverty among Gypsies

The employment of Gypsies has drastically decreased between 1985 and 1993⁵⁹. The number of Gypsy employees in this period has decreased by 50 %, from 125 thousand to 57 thousand persons, while regarding the total Hungarian society this decrease was 13 %. In the northern and eastern regions, which are very labour sensitive the employment rate has decreased by 17 %, while this rate was 59 % among Gypsies.

After this period, the number of Gypsy employees has slightly increased (between 1993 and 2003, from 57 thousand to 80 thousand persons)⁶⁰, but it has not meant the increase of the rate of employment, on the contrary, there was a slight decrease. During the national Gypsy survey in 2003, 21 % of the Gypsy population aging between 15-74 was employed (according to KERTESI it was 25,6%⁶¹) opposite to 22 % in 1993.

The number of *registered Gypsy unemployed* has increased from 57 thousand to 90 thousand.⁶² Counting with these data, the registered unemployment rate is 52 %. The rate of unemployment – while regarding the total population of Hungary, the unemployment rate decreased from 11,9 % to 7,5 % – among Gypsies slightly increased, which increased also the default from national average.

Place of residence has primarily determined the labour possibilities of Gypsy men even in 1993. In the eastern part of the country they were employed only in half part as in Budapest or in Transdanubia. Among the participants of the survey, less than one fifth of the capable men were employed, opposite to the central industrial areas where this rate was more than 40 %. These regional chance differences were higher than the geographical differences regarding non-Gypsy men. In 2003 the situation was the best again in the capital and its surroundings. In the central part of the country, almost 43 % of Gypsy women and men had some kind of work. In Transdanubia, 28 % of Gypsies have work, while in the eastern part it is only 14 %. Within this, less than 10 % of women have workplace. The activity rate of rural men is higher everywhere than that of women, but it is far behind the rate of 64 % measured among men in the capital. In villages, opposite to the rate of 27 % measured ten years ago, only 20 % of men are working.

Gypsies' labour market situation (rate of employment, pensioners, being on maternity payments, students, youth finding a job, school qualification, skill-structure, regional dispersion, type of work, doing unregistered activities, instability of work) is remarkably different, nevertheless it is characteristically far behind from the Hungarian national average.

The main obstacles of Gypsies' employment are:

- (1) low school qualification, lack of competences,
- (2) lack of financial interests because of the state support policy, low and/or one-sided motivation,
- (3) lack of followable samples because of the dominancy of introverted networks related to segregation, isolation of segregated places of residence (not by means of transportation, rather socially), and
- 4) discrimination. Naturally they follow the main reason, that is:
- (5) the unfavourable work structure for them, the absolute lack of suitable work.

As a complement to the above reasons, it is possible to outline the factors determining the employment situation of Gypsies, and the system of cause and effect as a consequence of the low rate of employment. (See Chapter 6)

Among the consequences of the low rate of Gypsies' employment there are social, moral, economic and political factors as well, and these influence not only individuals and families, but the entire Hungarian society. The main problems are:

⁵⁹ Kemény–Janky 2003

⁶⁰ Kemény–Janky–Lengyel 2004

⁶¹ Kertesi 2005a

⁶² Kemény–Janky–Lengyel 2004

(1) *Poverty* – if we consider 50 % of the monthly average income per person as the margin of poverty, 3/4 of Gypsies belong to the poor.

(2) *Moral problems*: exclusion from society, aggressiveness, crime – basic change of behaviour, the damage of value system forming the base of social coexistence.

(3) *Economic problems*: labour shortage in certain areas, destruction of private and common goods – in case of the high, in certain regions 40-50 % rate of Gypsy population, almost alone the active aged members of Gypsy population can form the human resources for local development; when they are not able to effective work, it is a draw-back of the economy of the whole region; also, the necessity of stronger property protection due to high number of crimes has hindering effect on economic performances.

(4) *Political problems*: conflicts of living together, diversification and hate – all of the above consequences increase the emotions towards Gypsies in the majority society, which is combined with the ineffectiveness of Gypsy programs can lead to the increase of prejudices and even open opposition.

The social and economic effects, due to demographic trends and the expected tendencies of labour demands, will further worsen. Some favourable tendencies, which were projected in the labour structure at the beginning of the decade, utilisable only in case of dynamic improvement of competencies and labour culture of Gypsies, remain as a future promise. Experts predicted the increase of labour demand mainly in the construction industry, services related to spare-time activities and public health, but this has come to a sudden stop due to the financial and economic crisis.

1.3.4 Manpower reserves and motivations of access to employment

Labour has a determining role in the satisfaction of demands. Labour – in a wider sense – has key role both in the direct, outside of market forms of satisfying needs, and in the market utilisation of labour force in favour of obtaining the necessary amount of money to satisfying needs. Refusing employment means the preference of work outside the labour market, in households, and of forms of obtaining incomes without work.

During the examinations of employment motivations, we try to observe the motivations in the directions of becoming employed, and the decision processes of searching and finding a job.

A basic feature of modern society is the market sale of labour force, the purchase of products and services necessary for the satisfaction of the needs from the money got for labour. The sale of labour force in the labour market can happen either as self-employment or becoming employed. The later can be legal or illegal work. When we talk about employment, we mean the establishment of legal employee status.

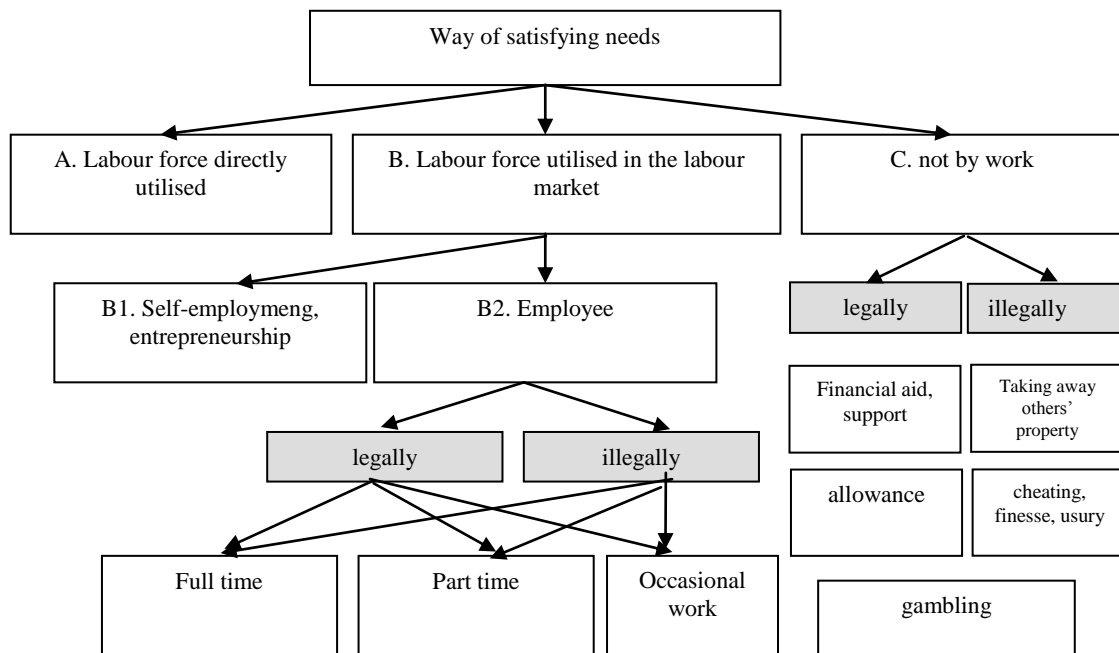


Figure 6: Pattern of employment decisions
Source: own compilation

The solutions, which were chosen or rather got for the satisfaction of needs, determine the individuals' labour market status. However, there are several inter-situations among the main labour market categories. One possible model is drawn by ISTVÁN GÁBOR R. in his study.

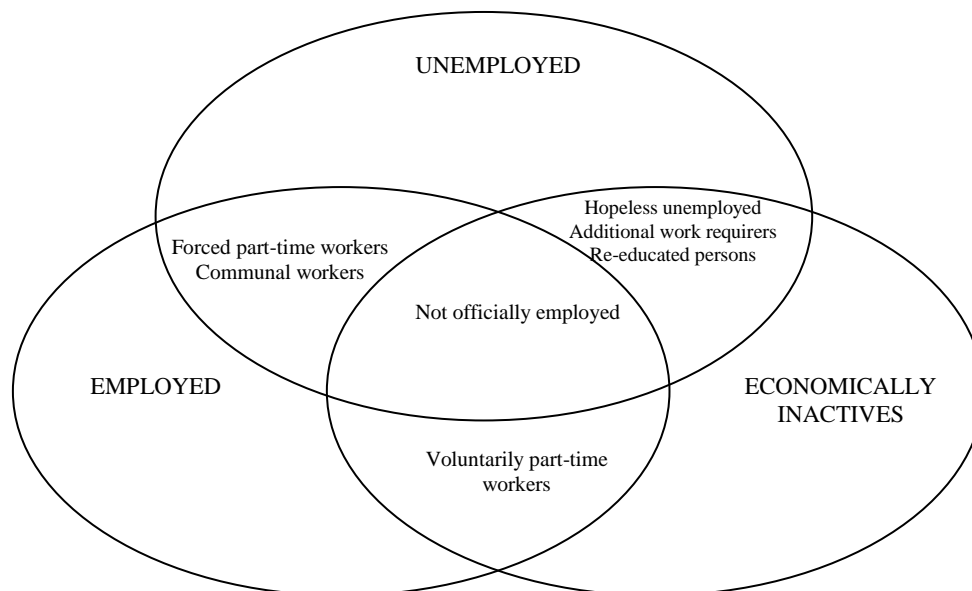


Figure 7: Labour market statuses and inter-statuses
Source: own compilation

Regarding our topic, “hopeless unemployed” and “additional work requires” can be especially important. These groups are described by István Gábor R. as follows:

„Those “passive unemployed” are considered to be “hopeless unemployed” who cannot see real hope to find a job and give up searching, thus they are regarded not as unemployed but as

economically inactive, outsiders of labour force. According to the experiences, their number fluctuates oppositely as economic boom – upwards in recession and downwards in growth – which, compared to the real situation of the rate of unemployment, deforms the rate downwards in recession and upwards in growth. As an opposite to the boom-similar fluctuation of hopeless labour force, additional work requires, as their number boom-similarly fluctuates, effect inversely: in the direction of boon-opposite fluctuation of labour force. Those officially regarded as unemployed are ranked among them who just temporarily step into the labour market to replace the income of a member of the household who lost his work.”⁶³

There is 1,5 % shortage in the employment rate caused by the absence of those who are able to work but do not want to. Thus, the 70 % employment level named by the EU, can be reached only by (as there is no other manpower reserve) the employment of motivated unemployed and inactive people, and by motivating further inactives. We have to keep in mind that employment chances can only be reached mainly by decreasing the “objective” conditions and low school qualification level, legalisation of household and seasonal works, the improvement of transportation conditions helping commuting, and by the opening of the difference between salary and welfare payments.

Motives for employment are the following: (1) *Needs*: the lack of something, the dissatisfaction of which causes stress and pain. Needs has directing roles. They determine what will happen in a certain moment from several possible activities. It cannot be embedded completely into the topic of needs, but *drive*, as the motor of behaviour, is in close relationship with it; it appears when internal balance gets loose because of lack in needs, and inclines to such specific behaviour which can decrease these needs. After the appearance of mass unemployment, keeping back needs is a typical family strategy. (2) *Habits*: It is the sum of behaviour samples and perceptions of the meaning, acceptance and role of work in satisfying needs, which were transmitted by the family and the school during socialization process; it was notably injured during the political transformation. Old patterns disappeared, and were not followed by new ones. (3) *Expectations, correspondence*: It is the sum of requirements and preferences related to employment towards the external environment, and the related motivation tools. The social acceptance of unemployment has undervalued labour as the tool of correspondence. (4) *Emotions emerging from experiences and observations*: evaluative and qualificative spiritual phenomenon, they indicate the positive or negative, favourable or harmful character of the stimuli reaching us. Our subjective relation to the experienced reality is reflected in it. The so-called higher level emotions are evolved by experience and learning. The basic emotions are joy and pain. These move us to keep up the pleasant situation as long as possible by proper behaviour, or to stop or avoid unpleasant one. Fear is also such an emotion based on experience. Fear from punishment, fear becoming stable, anxiety can affect employment, too.

The time changes of the employment motivations were greatly influenced by macro-economic and –social changes. In every era, there were significant changes in each employment motivation. However, “phase delay” is quite striking, that is the lasting of attitudes established in the former period. This time shift has led to stress, functional disorders of social functions trying out individuals and communities as well. Another perception of understanding the recent problems is the survival of formerly established norms and habits among new conditions. Thus, within the conditions of “goulash communism”, on the basis of common property and integration of co-operations, the household plots and the connected accepted techniques could survive among the conditions of private property, too; leading to partly everyday conflicts, partly to the acceptance of some levels and forms of “black” economy and “free rider” behaviour reflected in the high number of inactive people.

⁶³ Gábor R. 1999

About the *spatial changes of employment motivations* only careful statements can be formed. It is, on the other hand, clearly proved that the motivations and labour expectations are different according to settlement types, namely towns and villages. In villages, where the average school qualification is lower with a class than in towns, the rate and number of the persons speaking foreign languages is also low, the self-estimation of labour market position is more unfavourable, and the change of labour market situation is considered to be less probable. The demand for independent, part-time and flexible work is less popular, as well as the interest in becoming entrepreneur; the rate of those who do not want to work at all is much higher. Regarding regions, the characteristic employment motivations were established differently according to economic structure, economic traditions, dominant sectors, distance from economic centres; their role in employment intentions and decisions are also different.

The “subjective” conditions of employment can be strengthened – according to „best practices” by:

- (1) formation of the safety of employment;
- (2) strengthening the children’s and youth’s labour socialization;
- (3) wide introduction of successful employee behaviours and break-out possibilities;
- (4) involvement of those being in the worst situation into networks with external relations;
- (5) increase of labour sense of success and self-confidence, setting out requirements achievable for individuals by work, gradual increase of performance requirements; and
- (6) continuous „learning by doing”-type training and mentoring.

The determining factors of job-hunting behaviour and employment decisions of unemployed; characteristic employment strategies

It is the result of the individual that which way he chooses for the satisfaction of his needs. But we have to see that this decision is not at all voluntary. Employment decisions, next to the presented motivations as internal drivers, are the resultants of four, basically external factors. These are the basic factors determining the conditions of decisions:

1. *Individuals’ demographic, social-economic background* (social gender, age, school qualification, skill, place of residence, family status, transport mobility) – determines the employee’s labour market situation, his values related to work, relationships and partly knowledge.
2. *The type, quality, distance and work conditions of the accessible work* – are depending on the economic features of the region, but the person’s labour market qualities can also narrow down the possibilities.
3. *Return service for labour, salary* – is depending from the given work, but the basic question is that how it is related to the acceptable salary threshold based on the person’s self-estimation and knowledge.
4. *Alternatives and knowledge* – are determining the person’s self-estimation, his requirement related to work and salary, and the complexity of considering all possibilities.

The employee’s decision is born from his knowledge about the labour market situation, and work features valued according to the employment motivations (needs, habits, expectations, experiments and emotions), and through the consideration of the probable salary.

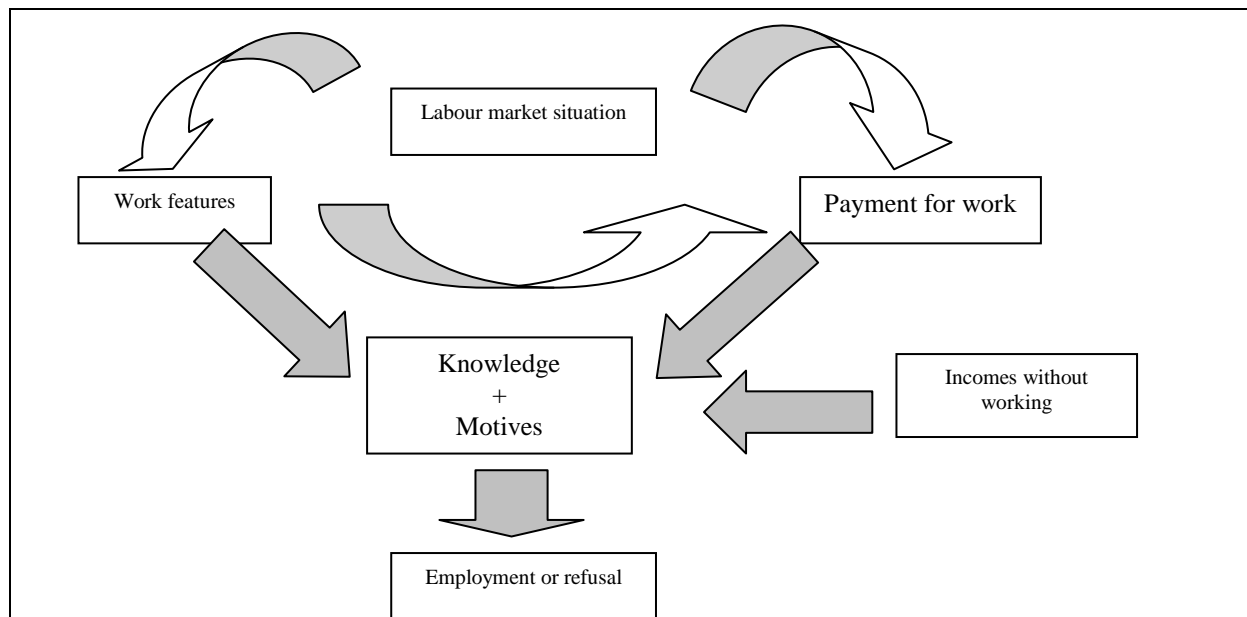


Figure 8: Aspects of employment decisions

Source: own compilation

Those who choose the legal employment as the way of satisfying their needs can follow different strategies to reach their target. The most characteristic components are the following:

1. Job-hunting.
2. Improvement of skills, qualification.
3. Acquiring references, becoming “engaged” into the topic.
4. Acceptance of commuting.
5. Removal.

Demand

1.3.5 Interests and preferences of employers

On the employer side, we can find profit-oriented businesses, public and civil organisations, NGOs as well. The interests and preferences related to labour force of the employers of the three sectors are different.

Competitive sector: the main interest is profit maximization, and the strengthening of competitiveness. In market competition, quality, productivity, property protection and flexibility have distinctive importance. To reach these, they desire qualified and further teachable, trustable, careful and loyal labour force, but, at the same time, they try to keep back the personal costs. They can follow different strategies:

- a. they make concessions to the quality requirements towards the employees for the sake of saving personal costs, which brings its own punishment as the decrease of the quality of production,
- b. they are satisfied with less but quality labour force, the price of which is the exaggeration of the employees.

Public sector: it is conducted by the supply of public services, the decrease of public costs and reaching the satisfaction of the citizens (voters). Regarding this, they expect from the employed labour force to provide public services for the citizens cheaply. They carry out

employment for business activities being independent from direct public purposes for the operation and enlargement of public property, or for some other public interest. Economic, social and political interests can sometimes be mixed, thus causing social – political conflicts.

Civil sector: they are interested in work as living (income for livelihood) and creative possibility, source of joy. The direct result of work is less interesting for them, except when it is connected to the satisfaction of some concrete demand. Regarding employment, solidarity is an everyday phenomenon; they willingly employ persons being ousted from the labour market but being able to carry out the certain task.

1.3.6 Forms and rules of employment

The forms of employment are fixed and regulated by laws. In Hungary, the Code of Labour Legislation (1. Law of 2012.), and the Civil Code referring to the rules of the contracts (IV. Law of 1959, 474.§-487.§), contain the definition of the typical and atypical forms of employment.

Labour contract forms of employment (typical)

- *Traditional, full time employment contract for an indefinite period of time:* The employment is for an indefinite period of time. Such a contract which is signed by the employer and employee for not a previously defined period.
- *Employment contract for a definite time:* The labour contract contains the period of employment, but it cannot exceed 5 years. This term does not relate to leading position employees. This kind of employment can only be terminated by mutual consent, exceptional termination or effective immediately during the test period.

Not typical (atypical) forms of employment

- *Part-time employment:* It can be adapted only when the employer agrees with the employee previously in the labour contract. It means daily, weekly or monthly working hours, its less extent is not limited, and it can be even half an hour per day, four hours per week or ten hours per month. The shortest working time cannot be less than four hours per day, but it can be different in case of part-time employment, if the parties have definitely agreed on this.
- *Flexible working hours:* One form of the mixing of free and fixed working hours. The employer defines the working hours compulsorily spent in the workplace, the further working hours can be organised by the employee. For instance, according to the parties' agreement, the employee has to stay in his/her workplace between 9:00 and 15:00, it is called core time; the periods before and after it is called edge time, between 7:00 and 19:00. Thus, the employer organises only a part of the working hours, the employer can decide on the utilisation of the other part.
- *No set working hours:* Its control is very difficult, thus, beyond the leaders it is accessible only for a very narrow layer of employees. This is also called as working hours adjusted to tasks. In this case, the employee can organise his/her working hours by him/herself. For instance, independent workers (like insurance agents) can work in such a form.
- *Outworker legal relation:* It can be for defined and indefinite period of time. The outworker works, generally, in his/her own house, by own tools, independently, without the direct leading of the employer, but with the materials (raw material, finished or semi-processed products) ensured by the employer. The so-called “insured outworker” legal relation is a more guaranteed form of continuous employment.

- *Employment by more employers:* More employers and the employee can agree on carrying out a certain task in a certain sphere of activity in the labour contract.
- *Division of the sphere of activity:* In this case, the employer contracts with more employees for the same sphere of task. The conditions related to each employee can be defined according to this. The employees undertake to the certain task together. They have to use the rules of the no set working hours.
- *Homeworking and its types:* It can be carried out by labour relation or contract, or in entrepreneurial relation, it can be full- or part-time, or occasional. The employee can carry out the tasks belonging to the spheres of activity of the employer in a place being different from the seat of the employer, with information technology tools, and sends the results also by electronic instruments.
 - *Homeworking:* It is the basic form, some work generally at home; some divide a part of the working hours between home and their workplace.
 - *Mobile homeworking* (E.g.: consultants, territorial representatives, sales clerks): The work is carried out by “mobile” or “wandering” workers, travelling is needed for the realisation of the tasks.
 - *Work in virtual office:* The ICT tools can make it possible for the multinational companies to carry out group/team tasks without physically being together. In case of network organisations, the office infrastructure resolved the problems of time and spatiality, thus the organisation became continuously productive in “online” working method. The reaction time of information flow became minimal.
 - *Work in homeworking centres (tele-offices or tele-houses):* They are such organisation solutions when the office infrastructure is provided – generally close to the seat of the company or the living place of the workers – thus moderating travelling costs.
- *Lend labour force:* The lender lends the employee – who is in contract with him – to the borrower for carrying out certain work, for a certain amount of money. All the employment obligations are charged on the lender.
- *Simplified employment or occasional work contracts:* This kind of labour relation is generally used in agriculture, tourism and occasional works. In case of simplified employment of occasional works, on one certain day, the number of simplified employees cannot exceed the average statistical number of employees in the first six months of the year.
- *Work by calling in:* The part-time employee can carry out his/her tasks in six hours per day, according to the falling due of the certain task. In this case the period of the working hours range cannot exceed four months.
- *Self-employment:* The working owners of the enterprises without legal personality (in the Hungarian common language: small entrepreneurs), independently from whether have employees or not.
- *Employment of students:* Students can be employed in normal full-time employment, in other relations (e.g. contracts), in simplified employment, as domestic servant (e.g. babysitter). There is another form of employment especially for students: the work within school co-operatives, of full-time students, students with student-contracts or by cooperation agreement.
- *Scholar employment* (established for obtaining working experience): The career-starter, who does not have practical knowledge, and have not have employment contract before, for obtaining the necessary practice, can have a special legal relationship, for minimum 9 months but maximum one year; this practical period can contain training as well, for starters with higher education.

- *Contract* (regulated by the Civil Code): The parties are in co-ordinate relation with each other. The contract is a so-called care obligation. Namely, the contracted person is not responsible for the successful activity but for carefully represent the interests of the employer. It can be distinguished from the entrepreneurial relation on the basis of the result orientation.

Intermediates

1.3.7 Labour market services

Labour market services can help in searching for working place, in finding proper labour force, and in keeping the working place.

The target groups of labour market services are the persons seeking employment, employers, and the organisations working for the increase of the spatial employment.

Forms of labour market services:

1. Information service on labour market and occupation,
2. Work-, career-, job-hunting, rehabilitation, local (regional) employment counselling,
3. Labour exchange.

1. Information service on labour market and occupation

The primary target of information service is to help finding a job and filling the empty working places. It contains information on professions, trainings in the given region, labour market situation of the region, county and micro-region, local characteristics of the labour force demand and offer; possibilities of subsidies helping employment and unemployment provisions; regulations and laws related to employment. It has different forms, like independently (individually), consultancy, job fair, and labour exchange.

2. Work-, career-, job-hunting, rehabilitation, local (regional) employment counselling

Work-counselling: can help in choice or modification of career, in individual labour market possibilities, in increasing employment chances and in obtaining certain knowledge helping job-hunting.

Career-counselling: its target is helping individual choice or modification of career, formation of career-plan according to the individual interest, ability, personality and labour market needs.

Job-hunting counselling: those are targeted by this service who want to find a job, have a clear and realistic job target, but do not have proper knowledge and practical information. There are also job-hunting techniques training and Job-Hunters Club as well.

Job-Hunters Club: can help the participants in practising job-hunting techniques, and find the proper working place within the shortest possible period of time with the help of the club.

Rehabilitation counselling: can help persons with changed working abilities in defining and finding the proper sphere of activity, working place and training.

Psychological counselling: can help in disclose and solve the factors obstructing employment of certain persons, mainly derived from their lifestyle and personality problems.

Local (regional) employment counselling: its target is to contribute to the improvement of the employment situation of the certain area, to the establishment of cooperation between the economic actors, to the handling of employment tensions, to the increase of entrepreneurial activities and to the establishment of new working places, by professional and methodological counselling.

3. Labour exchange

Within labour exchange, they keep in touch with those employers who wish to employ people in labour contracts, thus helping employers and job-hunters meeting. It can be individual or group labour exchange.

Sources: <http://www.afsz.hu>; <http://vallalkozas.munka.hu>

1.4 Measuring local employment potential

The local employment potential that is the ability for engaging labour force of a locality (settlement or micro-region) is determined by the sides of local labour market and their components. It can be calculated by:

- a. Forming one certain formula from the relations,
- b. Bennett-method,
- c. Quantic statistical analysis.

All three methods show the strength or weakness of employment ability in comparing several fields.

- a. We can use the following formula for our analyses:

$$HF/MKK = V/N * N/MKK * HF/V$$

where:

HF:	locally employed
MKK:	working age population
V:	enterprises
N:	population

In this case, we derive local employment ability from the density of enterprises (V/N), demographic vitality (N/MKK) and the employment ability of local enterprise (HF/V). The final result can be interpreted according to these factors.

- b. We can choose the following factors for the method on points:
 - Total number of locally employed
 - Number of active labour force: employed + job-hunters
 -

Inhabitants able to work

- Number
- Age composition
- Gender composition
- Education
- Professional composition
- Territorial distribution
- Employment strategies

Labour market services

- Spectrum of services
 - Information flow
 - Mediation
 - Training

- Mentoring
- Career planning
- Safeguarding of interests
- Capacities and scope

Existing and potential employers

- Number
- Number of presently employed persons
- Annual result
- Rate of wage costs
- Value added
- Employment strategies
 - Number
 - Gender composition
 - Education
 - Professional composition
 - Form of employment
 - Wages, benefits

c. On the basis of the same factors, we can carry out factor and cluster analysis by SPSS program.

Task: calculation and assessment of local employment potential.

2 Development of local employment

2.1 Tools and programs of employment policy strengthening local employment

Politics regarding unemployment being temporary; leaves problem handling to the care of the market or try to relief the financial difficulties of the unemployed people with benefit in order to slow down poverty.

Benefits have been determinant part of social policies of states since they were formed. Target groups of donation type of allowances that were characteristic for poverty policies until the mid-19th century were made up by marginal stigmatized and displaced elements. For this purpose workhouses were set up where only basic allowances necessary for subsistence could be reached. Poverty was handled as moral issue, according to for example Spencer and Durkheim its overcome could be managed by giving individuals moral and intellectual education so these people would be able to take care themselves.⁶⁴

In the first phase of mass availability of wage labour that also brought labour movement to become political force, risks impending work were in the focus of programmes of social policy and left-wing parties. Against risks – including accident, illness disability and unemployment – the development of institutionalized defence was urged. Introduction of voluntary and compulsory social insurance (Beveridge Plan) served this purpose. *Social insurance system* after the Second World War was completed by increasing the number of insured people and expanding the duties the state took over – by strengthening welfare states – until the 1980s.⁶⁵ Though there was no mass unemployment to take into consideration until the economic depression in the 1970s. Practically regional – mainly rural – unemployment emerging beside full employment was tried to handle within *regional politics*, first by sending labour force into the cities then by setting up workplaces in the country.

Within handling mass unemployment appearing during the economic depressions in the 1970s then in the 1980s passive allowances could not be maintained any more. Reasons for this are on the one hand the decrease in sources of income and on the other hand the social critics of welfare policies. Welfare states were forced to narrow down their services because of the decrease in financial resources. State appearing as the only support for the individual and driving a wedge between the individual and its natural communities became an obstacle for self-care. Furthermore because of the permanent presence of state individual's initiative and its intention to change its fate suffered a severe damaged.⁶⁶ In connection with later statement, passive benefits of unemployment brought the danger of unemployment trap with itself as a disincentive effect. *Aid trap position* is formed on the one hand by low amount of money to be the difference between the benefit and the net wage at the time of taking up work that is not an incentive for being employed and on the other hand as opposed to secure allowance the possibility to work that may lead to uncertain and periodic phase when re-launching aiding procedure can occur again has also low motivational force.⁶⁷

A lot of analyses appear dealing with the negative effects of benefits, proving the operation of unemployment trap, searching alternatives for these problems.⁶⁸

⁶⁴ Egresi 2005

⁶⁵ Egresi 2005

⁶⁶ Castel, 1998

⁶⁷ Dahrendorf 1994

⁶⁸ Emmerij 1994, Dahrendorf 1994, Giarini 1995, Castel 1998, Foucauld 1996

By the 90s it was proved that handling unemployment from the scope of social policy hardly bring real solution. Benefits can only bring short term solution besides bringing substantial financial burden. Financial help for those who lost their job can only compensate disadvantages resulting from losing their job only in a small amount. It can maybe protect against starvation but does not give back self- and public estimate, broken network connections, continuous training, individual, meaning of life as an incentive- serving public interest. Real solution can be only provided work in its complex interpretation. Main goal of employment policy and more increasingly related welfare policy were to *lead back the individual to work*.

An alternative was to give *more rigorous conditions for aids*. Therefore under the American Welfare Reform Act of 1996 payment of allowances was bound to severe job search conditions and was maximized in 5 years, furthermore to increase financial incentives they introduced so called income supplement aid. The reform – with developing the general state of economy to be experienced at the end of the 1990s – could increase the number of labour supply living on benefits by 32-50 percent and their employment by 28-35 percent.⁶⁹

Another possible alternative was to help getting back to the labour market by improving employability, for example with training, retraining, developing travelling terms and resettlement. However primary labour market absorption capacity is restricted, solutions mentioned above give advantage to only certain individuals, unemployed individuals change and it can only decrease the number of unemployed people to a substantial degree, if the economy is also dynamized spectacularly and workplaces appear in great quantities.

In case dynamization does not occur or comes later third alternative can be providing – most of all temporary – possibility for work from central or local governmental public funds. An accepted way of this is *public employment* situated between real employment and allowance. Originally, public employment served to redeem the costs of governmental-local governmental tasks, developments with work. It got bigger emphases in eras when earlier economic and employment forms had been transformed, during the transformation period a labour market demand and supply equilibrium came into being. For this reason a scare in income forced intervene of central power.⁷⁰ Operation of continuous employment form can be marred by barriers of governmental budget. In spite of the fact that public employment decreases the amount of income loss for those labour market leavers and stabilizes distribution of goods within labour central societies, it has also got severe critics that were proved to be true. According to them public employment has a blind alley character - leading nowhere. Critics opposing public employment tell (1) it has only temporary character, (2) it does not lead back to the primary labour market, (3) it does not improve employability (4) it disturbs competition and outplaces permanent employment facility, (5) it transforms social reasons of poverty into individual ones.⁷¹

With all these public employment can be useful both for the individual and for the community. On the one hand beside good organization settlement can be nicer, healthier and more liveable, work becomes stable – with public moral. On the other hand the profit for employments because they get higher wages than benefits for their work, they can get job experience growing their chances to get back to the primary labour market, set an example for their children; they can consider themselves as useful members of the society. With these their self-esteem increases as well as esteeming individual from the point of the public. However, all these positive effects come only true in case of optimal situation. In better case public employment is a trap leading nowhere. In case of weak organisation it does not generate value, does not increase esteem, what is more, it does not provide higher income than benefit

⁶⁹ Firle – Scharle – Szabó 2007

⁷⁰ Csoba 2010

⁷¹ Same.

does. Public employment has also dimension restrictions at the same time. Government and local government cannot become the employer for the mass of unemployed people.

For handling unemployment generated by technological development and economic crisis of 2008 the three methods (benefit, improving employability, public employment) that have been applied so far are unsuitable.

From two ways for dissolving tension - by Judit Rimmel ⁷² -the first is moving toward the full employment in the area of traditional wage work that demands the exploration of new fields. Analysers preferring this way- also can be found among objectives of the European Union Lisbon Treaty – see reserves in services, atypical employment methods (part time employment, telework, engage in home industry, subcontracting, self-employment, hiring labour force, sharing sphere of activity, fixed term contract) - as they face restrictions of private and public sector –the role of non-profit sector in employment, classical type based on lease work satisfying community needs.

Today nearly half of the employers in the former members of the European Union work within one of the three atypical employment forms (part time, fixed time contract, self-employment) also recorded separately and EU seem to consider this way the most feasible under present framework to increase employment.⁷³

Others go beyond the above mentioned with voting the way that re-evaluates the concept of work. That is according to them in order to avoid the collapse of civilizations based on work, the concept of work has to be revalued.⁷⁴ Instead of the concept of lease work connecting to the so far dominant primary labour market (capitalist companies and public sector) they turn their attention to the concept of “socially useful activities. This conceptual group include all the activities that serve need and properties in connection with social reproduction of the community regardless that economic profitability and market based financial viability. Paradigm of “workplace” is replaced by paradigm of “work”.⁷⁵ Duality of paid-not paid work is dissolved; activity is qualified by its role in social reproduction.

Unemployment in the modern sense becomes uninterpretable, if every individual able to work can be involved in the solution of socially useful duties.

Separating work from wage, work done for payment can solve passivity, commitment toward the society / community, problem of self-expression; however it can arise a severe problem of ensuring living. The idea of providing basic income independent from work arouse in this way in the 1980s. It was changed by the so called ideal of dual economy based on basic income combined with occupational activity in the nineties – last but not least in consequence of dissolving hopes within redistributable income production of technical development. Measuring its dangers, and harmful consequences stemming from spreading number of badly paid employees Vobruba quoted by Judit Csoba got to the theory of work and income system based on mixed income. From the mixed income economic model outlined by Vobruba based on wage income, social benefits, capital gain and own work Judit Csoba misses service exchanges to be included in the model. While she recognizes that among the advantages of the system presented “there is a possibility for more people to be the get into the world of work according to their ability, no 8 hours of work is specified to be obligatory or performance above capability”, she finds it extremely dangerous that “not all the unemployed people can gain from more resources” and they are marginalized again. The author also highlights “diversity within working time and employment forms lead to value differentiation which has to be followed by new organization forms.”⁷⁶

⁷² Rimler 1999

⁷³ Török 2006

⁷⁴ Robertson 1985, Martin – Schuhmann 1998, Vobruba 2000 Idézi: Csoba 2001a

⁷⁵ Csoba 2006

⁷⁶ Csoba 2001a

2.2 Local labour market management

Growing labour market imbalances going out with the spread of globalization calls attention not only to the reconsideration of the concept of work but also to find local solutions for the problems. What is more, alternative employment attempts focus characteristically on local level and avoid bigger structural transformation of the world of work. From the 90s heaps of local employment programmes were launched in Europe that were supported by the government. Direct model during improving developing countries stemmed from local economic developmental ambitions followed by a lot of good experiences. Experiences of World Bank, UNDP, OECD programmes were involved in the employment policy of the European Union and called new forms of local employment into existence.

LED (local employment development) type of employment developmental program does not place emphasis on handling individual and social consequences of unemployment but increasing business capacity of the regions.

*Local human resource management*⁷⁷ with the interest of local employers, local human resources and local economy in view focuses on creating their harmony. It looks into the employers' innovation and diversification possibilities with the labour force they require and its satisfiability in order to manage to create one or more workplaces or to preserve the former job for the local population. Knowing the relationships explored, efficient labour force management firstly concentrates on the mobilization of actors connecting the demand and supply side of the labour market, network development, and informing. Such actors are for example the local labour market observers, educational institutions, universities, developmental agencies, local governments, employment and business consultants, managers of employment project, local communities and their leaders, trade unions. Duties of local labour market management:

Defining local labour market problems

1. Creating the strategy of local labour market management (determining professional political goals and institutional background)
2. Making action plan

Determining local labour market problems starts with exploring demand and supply for labour force.

<i>labour force demand</i>	<i>Labour force supply</i>
employment structure of the region <ul style="list-style-type: none">• industrial branches• professions• full time and part time employment	general situation of demography <ul style="list-style-type: none">• natural increase• age composition• proportion of men and women• territorial disparities
trends and forecasts <ul style="list-style-type: none">• employment• important industry branches for local economy	activity rates according to <ul style="list-style-type: none">• according to age• according to sexes
Regional and national comparisons	migration <ul style="list-style-type: none">• migratory balance• mobile layers• migratory tendencies

⁷⁷ Campbell, M. at all. 1995.

<i>labour force demand</i>	<i>Labour force supply</i>
differences between micro-regions	commuting
Local infrastructural developments expected	special groups <ul style="list-style-type: none"> • ethnic minorities • handicapped people • older workers • returning people
technological changes, legal, changes in local rules	
external economic factors (economic cycle, inflation, movement of exchange rates)	
changes of local labour market expected	

After that reasons for losing balance between the two sides were explored. These can be explained characteristically by businesses lacking intensive human resource, human resource without suitable capabilities, and difference between the demand for human resource and the supply of human resource groups, human resource recruitment, and the weakness in information flow. It is the easiest to solve the later ones.

After analyses priorities and possible methods were determined. In regions struck by significant unemployment, developing labour intensive industrial branches and facilitating “heavy core” of unemployed people to get involved in them are in focus of the strategies.

Four basic methods for employment centred local economic development

1. preparing labour force to fill positions where employers need them
2. widening market facilities to provide products or services to widen employment facilities.
3. exploring socially useful – even only temporary- job facilities
4. organising/mediating unemployment people to fill positions

(Therefore training and retraining is only one among the methods, solving employment problems solely with training is impossible)

The following innovative solutions spread among the member countries in the European Union:⁷⁸

- *Partnership agreements:* Agreement is reached among schools, universities, educational institutions in order to connect directly education, training and employment. Training is planned with involving employers and vice versa, employers accept that they would employ some or all the participants. In this case employer demands and the skills of potential employees meet

Statement can be made between the local developmental agencies and local employers in form of proper contracts in which employers agree to employ some numbers or portion of the local unemployment people. It can be applied for expanding the employment of people at disadvantage.

Within the form of agreements on the basis of mutual advantages organisations can be motivated to set up goals and determine quotas for the employment of disadvantageous groups.

- *Customized trainings:* preparatory trainings for the members of disadvantageous groups in connection with given job facilities. They have three types:
 - a. Recruitment training: training of -14 weeks that prepares participants to have successful performance in the recruitment process.

⁷⁸ Campbell, M. at all. 1995.

- b. Assisting training: a training of 1-3 months that gives an insight into the operation of the branch/company providing employment facilities. It is rather applied to react to bigger developments (department stores, industrial park)
- c. Introductory training: it can last from 2 weeks even until a year, it can happen before or after recruitment; it is based on considering the employer's demand, skills required and the skills of the participants.
- Setting up "*Training Facilitating Points*" that increases the scope and availability of information concerning the existing training and educational facilities. It usually targets some kind of special target group or region, as those who are disadvantageous in the labour market also lack information.
- *Safeguarding interests*: Value of local labour force can be increased by introducing and accepting classifications showing the tension of labour market participants, and setting up local reference system.
Motivating employers serves also the interest of employees – if possible, its obligation – concerning choosing recruitment methods that neglect discrimination of applicants in sex, ethnics, age, etc., and paying acceptable wages.
- *Organizing public services* can also promote the participation of regionally, socially disadvantageous people in the labour market. It contributes to overcome obstacles that are not in connection with skills. For example with providing babysitting, shaping opening hours.
- *Return strategies* aim to re-employ those disadvantageous people in any way who left labour market for a while. Such a strategy can be education within part time employment, creating commitment, refreshing skills and preparing for work.
- A characteristic way of *direct job creation* can be the employment of the most disadvantageous people in the local public institutions to carry out public work to meet the local demands (e.g. environment protection, making settlement nicer, public utility services, building, building repairs, security service, looking after elderly). The same can happen in forms of public companies.
- *Promoting self-employment* with advising, giving long term professional aid, especially widespread method for helping the employment of younger people.
- Not market methods for services focusing *local exchange and trade* are carried out with direct exchange of "vouchers" and it makes those newer works recognised that are done in order to meet the communities' need and requirements.

2.3 Local employment initiatives in international practice (OECD, Canada, Australia, EU member countries)

During the recession after the first and third oil crisis unemployment practically tripled in the developed capital countries as well, what is more, in certain countries (Belgium, Spain) it grow six or nine times bigger.⁷⁹ At the same time, within certain countries extreme regional differences developed. Handling unemployment became a central topic both in local and central developments. The report of European Commission on its welfare policies draws a frightful picture of the dual society. A picture of such society, where there is a sharp boundary between rich and poor people and among the workers, unemployed, participants and excluded people. Dual society becomes apparent mainly in the field of employment. Unemployed people refer to underutilizing resources in the local economy, and with their marginalization

⁷⁹ OECD, 1992.

they have negative effect on the whole local society. Within rural environment, unemployment can be also better or worse than the one in town. Community is a key factor. The existence of the community, its operation can strengthen the soothing influence on experiencing unemployment against disadvantages stemming from less employment facilities, becoming unemployed, being unable to hide the fact of unemployment. Therefore passivity is chased by the duties around the house and land, avoiding isolation is supported by family, neighbourhood and friend relationship networks.⁸⁰

Solutions handling problems with traditional therapies based on centralised, vertical decisions and coordination mechanisms that tried to solve unemployment with paying social insurance allowances and unemployed benefits stayed ineffective. As unemployment benefit and social welfare system was unable to help with the families and communities struck by unemployment with hindering to sink into poverty – eventually the deprimization of the whole local society, an increased demand was formulated that means instead of passive income support active support programmes, local labour market management techniques and local development programmes have to be emphasized.

Governments operating in developed market economy, local governments within the mentioned regions, advocacy organizations, companies and other social and business institutions reacted relatively fast to the changes and new, increasingly widespread and practised employment crisis handling methods focusing on local initiations to create regional workplaces outside the mainstream of labour market were made in a short term. Bottom-up local employment initiatives are different from supporting profit oriented companies and traditional labour market tools. Their basic characteristics that significance of active labour market tools increase and the importance of subventions to increase labour force demand decrease, while labour market training becomes more important and supportive programs for growing the enterprise capacity of the region come to the front. “Such developmental programs that usually focus not only on personal services or to provide useful work for some smaller community that organises such works which could not come true without special employment support. These are important mediums and mediatory forces for cohesive society. On the other hand it gives employment possibilities for disadvantageous group in the labour market, especially for permanent unemployed people. On the other hand the work places created are also useful for the society because they provide low cost services for the people and dependents living in bad financial situation, furthermore they help to create new markets often on local level and in small size. They have usually self-supportive character. They can be particularly successful with developing new products and services, especially to stimulate the growth of ecological markets. As these projects become viable in a financial point of view only after a relatively long period, governmental sectors have to play role in providing financial support for their launch and giving help with setting up the organization and develop their workplace structure.”⁸¹

The exact aim of these programs therefore is to reach those groups that got to the periphery of the society and endangered to get out finally of the world of work in order to be able to get back to the society. So these programs have primary role in changing their chances for employment.⁸² In this sense, these initiatives can achieve the first and most important movement toward making these people suitable for getting normal jobs after a while. These need comprehensive, coordinated activity having more elements (employment, education, social care, mental handling, providing information and giving advice). These methods are operated by “existing” actors of the labour market, mainly non-profit organizations. They sell

⁸⁰ Benedek L. 1994.

⁸¹ Frey M. 1998.

⁸² Fazekas K. 1993.

their services and products made within the projects and have own income from them. Beside their economic activities they have important social functions as well. These functions cannot be expected from profit oriented companies; therefore it is important to support them for a longer or shorter period, usually concerning their launching.

Thanks for the support of European Social Fund; these initiatives exist in every member states. They also appeared in former European “socialist” countries thanks to the Phare supports. However their labour market role is not yet significant.

As for the European countries there were three different reactions for these challenges. These reactions were made certainly according to the own particular problems of the given countries (groups of countries) considering local conditions.⁸³

A. In Great Britain developing local market forces were emphasized. In consequence of these expenditures on both active and passive support was carried out. Within active tools, less expensive job searching incentive programmes became more significant against supports promoting employment that practically ceased to be. For handling the problem of permanent unemployment this model supports three kinds of initiatives:

- bridging support (intermediate labour market), within its frame unemployed people get such trainings which also gives work experiment,
- supporting community businesses from which they expect to be self-sustainable after a while,
- supporting young unemployed people to become entrepreneurs (giving them benefit, loan, advice).

B. System of actions in Germany creating workplaces is called *second labour market*, it is becoming an independent sector (socio-ecological sector) depending mainly on public funds. In consideration to the employment situation in the eastern and western part of the country, the programmes launched in the two parts of the country have significant differences. In the western part the priority is to lead back permanent and other heavily employable unemployed people to the labour market. Whereas in the eastern country, a lot of employment agencies were set up reacting the total collapse of the economy and their target group for these initiatives are the better educated, more motivated younger people. Employment projects serve three goals:

- setting up companies that can be self-financed in medium term,
- bridge role, its goal is to train, socially and psychologically stabilize unemployed people within public employment that prepares their return into market sphere by recruiting them.
- creating protected workplaces where such people are employed temporarily or regularly which are not able to involve the mainstream of the labour market not even in long term.

C. France achieved the biggest improvement since the EU White Book with the model called “social economy”. The aim of the model is to widen employment, creating market for services that can be available for household and individuals. In the country these actions are applied for a decade in order to develop service sector. According to estimations, in these areas more hundred thousand full time positions can be created. Utilizing these facilities depend three factors, development of real demand, organising supply, and the level of services (high level of professions)

The first and most important condition for these *services is to be affordable for households*. Term for this is to provide some support for them in order to lower the prices

⁸³ Velkey G. 2000., Frey M. 1998.

of these services. (Lowering prices bring the facility to work that also gives these supports economic proof)

Such supports can be:

- tax incentives, business support for the personal services of the employees, decrease in costs of wages, supported labour contracts.

Using these services also depends on the width of supply. It is facilitated by:

- introducing supported organisational forms and giving tax incentives

In order to *increase the level of services*:

- quality trademarks are introduced, and
- with promoting and supporting vocational training, the process of professionalization is made to be quicker.

2.4 Employment agreements

Employment pact is an increasing tool for serving local employment on the basis of the above mentioned principles, serving them together. It is a contractual cooperation among the collaborating partners with regional character in order to achieve predetermined goals. Among the goals providing workplaces, increasing level of employment and creating workplaces are priority. In the member states of the European Union – on an experimental basis – first employment pacts were created in 1997. After their success, such projects were included in the system of European Social Fund as part of Structural Funds. Since then European Union has mentioned employment pacts as the best practise to be followed, as this local, county, region level cooperation contribute to increase the level of economic activity and employment in a concrete, tangible way.

In Hungary - following and recognition of the Austrian example that “duties of employment policy are too complicated, actors are present widely in the labour market, therefore without collaboration we would not have chance to solve employment policy duties.”⁸⁴ – Since 2002 first employment cooperation was made. First Hungarian sub-regional pact was signed on 3rd May, 2002 in Vas County. It was called Kemenesalja Employment Pact. Vas County Job Centre initiated its creation and it was signed by the president of Kemenesalja Regional Development Association, the director of the Vas County Job Centre and the leader of the Celldömök Employment Branch Office. Beside them 55 organisations joined.

Pacts were created with the support of PHARE and INTERREG then they were made within the framework of the Regional Operative Programs of the National Developmental Plan (3.2.1. measurement). Work of the later ones was also supported by ROP network of the Hungarian National Employment Public Foundation with trainings, informational materials and experts.

In the created Hungarian employment pacts role of employment organisations and local governmental sphere is significant besides involving non-profit sector, education institutions, interest organizations, companies and R&D partners.

⁸⁴ László 2010

Operational experiences of the employment pacts – according to the research results (2010) of the research group led by Gyula László⁸⁵

They could identify altogether 47 pacts from which 29 were found to operate continuously. Most of the pacts were made in the West Transdanubian region. North Plain region has similar intensity. South Transdanubian, South, Plain and North Hungarian regions are considered average. Most populous (population: 2,8 million person) and most developed (GDP) Central Hungarian Region has the least pacts. The 3rd most developed Middle Transdanubian Region is also tail-enders.

Most pacts are sub-regional (66%) that is not by chance, tenders were formulated mostly with the consideration of this level. In most cases local governments were the initiators (38%). Regional (or county) Job Centre played a role with about similar intensity (15-17%) as well as the multipurpose sub-regional association of the given region. Civil organisations however became initiators in exceptional cases.

Most of the pacts (28 pacts, 59%) operate within formalized cooperation, but without separate legal entity organization. Management works within the managing agent that is typically a founder member. Altogether few pacts (2-2%) operate in form of single association or business organisational form. Further 6 pacts (13%) operate within some kind of other organisational framework (for example at foundation). In case of 5 pacts (11%) there is no formalized framework for cooperation.

Most of the pacts have between 26 and 50 members. In the smallest pact there are 4 members, the biggest pact can be proud to have 178 members. Size structure generally follows normal distribution.

Five basic functions for pacts:

- a. *Planning*: Pact Programme Plan, Common Situation Assessment, Suggestions from the participants, Employment strategy, and Educational strategy.
- b. *Training*: Preparing partners, Meetings, Workshops, Conferences.
- c. *Organization*: Partner-meetings, Governing Board Sessions; Contacting pacts; authorities, trainers, etc., Developing information systems, Organizing network cooperation, Cooperation with other pacts (Hungarian and foreign).
- d. *Project generating*: Submitted tenders; Projects generated by the pact; Cooperation organised by the pact, supporting businesses.
- e. *Public Relations*: Press, Politics, Publicity, Transparency, Webpage, its latest content, Publications, guides, brochures

From the 47 pacts examined 41 have signed, formalized partnership agreement, 38 pacts made situation assessment and again in 38 cases sub-regional employment strategy was set up. In 26 cases these strategies were detailed on the level of work programs and in case of 30 pacts action-, and project plans were formulated, while 32 pacts have regulations for the directing group.

Among the strategies “increasing employment” is the most formulated goal. This is followed by the group including “the support of disadvantaged labour force groups”, “labour market information and communication, and “decreasing unemployment”. Functions of “economy development” and “providing labour market services” are only highlighted by one third of the pacts.

79 % of the pacts pointed out that they have been financing their operation from the financial sources of tenders in connection with pacts. As having dependency on tender sources, significant portion of organisations consider pacts a project and not the framework for cooperation, local coordination and development. They also consider it as something based on local facilities, local solutions for the cooperation of local community. As pact basically was not created to give a framework for cooperation but in order to achieve immediate formal results (having more partner, adequate number of workplaces) that was also resulted from the tender system. Considering the role of tenders, five types of pacts can be identified.

- free riders who only intend to gain easily accessible tender sources,
- “those who intend to have pact only until tender”, they took pacts seriously, but only until tender finances it, after that they become uninterested,
- successful and unsuccessful beginners, who became to get acquainted with partnership during tender, some of them achieved considerable success, while others could not solve all these,
- those who have also pacts independently, they try to create partnership even without tender sources and

⁸⁵ László 2010

- successful professionals, who genuinely live with the facilities given by tenders and using all of these they could create a productive local partnership

According to the evaluators' point of view it is only worth to operate pacts if on the one hand employment policy and local community really needs and support it and on the other hand the pact itself meet the quality requirements.

As for the first condition that is whether employment policy itself considers pacts, evaluators gave a clear no answer according to the research results. Employment strategies and action programs do not get into the scope of Regional Developmental Operative Programs; however, they may get support from there by chance. They call the attention to the duality that as in the other European countries, "governmental" level was the primary initiator for creating pacts in Hungary, but following this, we lagged behind exactly – in most cases- in the essence of pacts: local initiation, collaboration, activity. Nowadays considerable parts of pacts are sustained by rather governmental intention, central funding and not local intention.⁸⁶

So called multidimensional programs, having significance beyond the public employment, supported by European Social Fund in the European Union, help in developing and operating local systems of alternative labour market services. According to the analysis of Judit Csorba their common features are the following:

- Multidimensional: More types of handling for labour market disadvantages are done within the framework of the same program.
- They do not require the existence of skills but their intention is to create and strengthen them.
- They are suitable for handling mainly structural unemployment.
- They require groups with a lot of members and differentiated life situations from which they create smaller groups to work with after thorough recruitment procedure.
- Duty: after acquiring technical knowledge they do skilled work.
- Employers: mainly civil organisations.
- Sources: coordinated resource use from Hungarian and EU funds.
- Work: within socio-ecological economy and private sector.
- Degree of further employment is high: above 70%
- Aim: providing long term incomes, developing new skills
- Effect: long term, strategic character
- Prestige: high, motivation is high and internal.⁸⁷

⁸⁶ László 2010

⁸⁷ Csoba 2006

3 Enlargement of employment in local primary labour market

It can seem paradox, but local economic development was strengthened by globalization. Within all the answers to globalization challenges local conditions and their utilization locally are getting more appreciated.⁸⁸

Core countries reacted to the new world economic trends with resettlement of mass production into developing countries and transforming the structure of Hungarian companies according to the requirements of flexibility, cutting and outsourcing different scopes of activities to subcontractors or external contractors. However this solution can lead to the quick increase of unemployment and drastically segmentation of labour market from where there is only a way into high-tech sectors or service sectors. Another solution can be strengthening small-scale plants that are able to get into the market gaps as well as their integration. Widening self-employment as employment possibility can be also good. The latter can be performed within the framework of local economy development.

In the semi-peripheral countries two characteristic answers were as reaction for transition from mass production into flexible production and new economic trends showed by cycle change of globalization and neoliberal economic policy. One of answers –characteristic for Latin-American countries – is industrial mass production with liberal economic policy, while the other answer – characteristic for south-eastern small tigers – mass production with protectionist economy policy. Both of them proved to be blind alleys. Competitiveness achieved by depressed wages and not existing environmental protection barriers can only secured in a long term by strong governmental intervention and at the same time it causes irreversible environmental damages. Only way to avoid totally lagging behind is to find a feasible mode for transition from mass production into flexible one. For the countries while finding their most suitable way, an increased attention was drawn to flexible small-scale businesses using handwork and local economic development based on self-employment.

Earlier *peripheral regions of core countries* drew the attention to the importance of the local economic development and their favourable chance for being successful. In the flourishing period of the mass production after the Second World War, these were considered to be underdeveloped, rather agricultural areas, yet more of them are nowadays some of the most dynamic regions of the European Union. Their success can be explained by reviving “craftwork paradigm”. During the crisis of mass production, craftwork and small-scale industrial traditions were preserved. Small-scale industry became a flexible supplier for modern manufacturing industry thanks to modern technology and region also gave a basis for boosting economy by organising the complex manufacturing unit. Common features for successful regions:

- diversified economic structure
- regional independence
- practice of self-and part time employment.

3.1 Basic strategies of local economical development

When determining the areas for local economic development we have to distinguish three strategy types according to the goal they serve.

⁸⁸ Matolcsy Gy. (szerk.) 1998.

1. strategies helping with joining up to the core regions and strengthening the competitiveness of the region
2. strategies that handle meeting the requirements of sustainable development as a priority
3. strategies with the primary goal to remedy social problems

Common feature for the three main directions mentioned above, although having some differences in motivation and method are:

- they are based on local conditions
- during local and sub-regional development their intention is to manufacture unique, producible in small series, possibly area specific goods instead of mass production
- they try to get into market gaps with the products manufacture and for this profile they follow suitable, specific high level marketing strategy,
- instead of applying high technology they use handwork-quality technologies and concentrate on labour intensive branches.
- the significance of original ideas, unique construction increases that requires creativity and innovative population,
- quality development of the human resource and new ideas and those procedures that bring the traditional knowledge needed for them get extraordinary important role.
- human resources excluded from labour market get involved in the local economy including women yet without workplace, people with changed working abilities, permanent unemployed people, people starting their career, aged and informal economic actors.
- beside vertical integrations of branches they generate widespread partnership that result in horizontal integrations

“Community economic development is such a process, where community, local government use local resources and motivate economic activity through cooperation with the private sector and create new working possibilities and welfare.”⁸⁹

Community economic development is based on five basic strategies.

1. *Attracting outer entrepreneurs within the basic sectors of local economy (production, tourism, insurance, computer services, wholesale, public services)*

In this case premise potentials have to be developed and sold that are provided by the region. Regional premise value and the possibility for its utilization can be increased:

- development of industrial areas and public utilities
- improving transport accessibility (airport, railway, freeway, highway),
- development of communication (newspapers, telephone, IT systems)
- development of business services (banks, computer networks, legal advice, accounting),
- development of local and regional services,
- development of recreational facilities (parks, hunting areas, restaurants, hotels, entertainment centres)
- detailed knowledge of the labour market situation
- exploring local capital funds and using them for attracting new branches (bank loan),
- governmental preferences, obtaining funding for the new settlers,
- providing local government incentives,
- exploring employers of the highest potential and giving them details on the possibilities

⁸⁹ Ronnby, A. 1996.

2. *Increasing effectiveness of the existing companies*

Solutions are partly similar to the ones already mentioned, but developing innovation capacity gets bigger emphasis. Latest applicable tactical elements:

- organising training programs to improve the preparedness of the management,
- exploring investment and loan capital resources in order to achieve business growth,
- organising training programs that promote the introduction of new technology and the increase of the efficiency of the former one,
- supporting employers by providing them training, employment counselling, and social services for workers.

3. *Promotion of launching a new business and strengthening starting businesses*

Starter businesses usually need support. Its forms can be:

- helping companies with having the capital to set up their business with recruiting secondary capital market and community capital resources,
- creating capital groups for investing local private financial sources,
- making market research for new companies,
- training those who want to have enterprise and training also starter entrepreneurs,
- monitoring market needs and encouraging entrepreneurs to start businesses to meet those appearing market demands outside from the settlement
- providing preferences and incentives

4. *Developing ability to “retain” money*

Outflowing income that was earned in the region often appears as an obstacle for development. If spending money can be solved within the region, we can induce further development as a consequence of multiplier effect. According to some calculations, every forint spent locally promotes at least the earning of another two forints. Due to the essence of things, tactic solutions related to this strategy is mainly characteristic for retail. Therefore the followings can be applied successfully:

- assessing customer behaviour and market demand and with the results strengthening retail sector and promoting their shaping according to local requirements,
- making the settlement centre more attractive for retailer units, architectural renovation and transforming them to improve shopping facilities,
- developing the accessibility of retailer stores with providing parking and public transport facilities,
- giving opening times and using sales promotion that meet the consumer requirements and adjust the behaviour of the competitors,
- organising training programmes that increase service levels,
- promoting shopping of non-residents (tourists, inhabitants of the settlements in the neighbourhood) with advertisement at the right place, time and in the right style,
- organising information campaigns for local population to convince them the advantages of shopping in place
- close cooperation with chambers and trade organisations

5. *Increasing allowances and supports received*

Perhaps it is the most often applied strategy in Hungary. The following tactic steps can make it successful:

- adequate utilization of the possibilities provided centrally (tenders)
- giving information to the government and governmental offices on the shaped strategy, programmes and their realization,

- supporting political companies that fight for enforcing local interests
- having an effect on the amount and the aspects of centre redistribution and shaping support system through representatives and lobbying circles,

Table 3: tools for widening the capacity for local employment

<i>In case of existing businesses</i>	<i>In case of starter businesses</i>	<i>To become self-employer</i>
<ul style="list-style-type: none"> • obtaining new markets - expanding sales 	<ul style="list-style-type: none"> • Decreasing administration costs for registration 	<ul style="list-style-type: none"> • legal compliance
<ul style="list-style-type: none"> • Increasing quality- achieving higher prices 	<ul style="list-style-type: none"> • Reduced priced premises/ shops 	<ul style="list-style-type: none"> • Professional and entrepreneurial skills
<ul style="list-style-type: none"> • Launching new product 	<ul style="list-style-type: none"> • Reduced labour costs for quality labour source 	<ul style="list-style-type: none"> • Business services
<ul style="list-style-type: none"> • Cost savings - reducing labour costs 	<ul style="list-style-type: none"> • Strengthening market position 	<ul style="list-style-type: none"> • Market research
<ul style="list-style-type: none"> • Introducing atypical employment 	<ul style="list-style-type: none"> • Community purchases 	<ul style="list-style-type: none"> • Community orders
<ul style="list-style-type: none"> • Improving labour quality – increasing efficiency 		
<ul style="list-style-type: none"> • Developing the environment of the business 		
<ul style="list-style-type: none"> • Community purchases 		

Source: compiled by the author

For launching local economic developmental programmes there are some preconditions to meet. Therefore according to Károly Fazekas:⁹⁰

- region has to own material conditions, within this with shipment, transport terms, communicational infrastructure, educational and training infrastructure,
- an important precondition is the attitude, professional culture and custom system of the local population beside the qualification of the labour force to involve that can be found within human conditions. Other very important elements are the level of innovation, business management and entrepreneurial skills of the managers of existing local companies, regional presence of institutions dealing with researches, universities, research institutions, the availability of local managers with organisational and management skills that are needed for developmental and execution of programmes,
- beside the above factors creation of relationship systems providing determined, effective and coordinated activity has also key role.

In most of the cases the above conditions are not provided, their creation can only achieved in more phases.

In the first phase, local actors have to learn how they can create, manage and finance supportive institutions for the achievement of local economic developmental goals.

Characteristic actions:

- setting up such economic developmental centres that are well-known by the regional actors and are able to forward and spread the knowledge obtained,
- organisation of animation, information and demonstration programs
- launching business foundation and support actions

⁹⁰ Fazekas K. 1993.

- starting consulting and training activities

In the second phase – as a result of the first phase – region has already fulfilled three basic conditions: local specialists and institutions are already available for planning and realising the programs, knowledge and technical background for the programs were created and the programs were formulated. Emphasize is on increasing the efficiency of the action programs, organising higher level knowledge, setting up and developing companies serving businesses.

Characteristic actions:

- business developmental programs targeting determined groups or sectors (for example women, national minorities, etc.)
- setting up and launching technological innovation centres and programmes
- consultancy and training that aim is to develop the efficiency of existing local institutions and programmes.
- Supporting private companies providing business services within the region

Third phase is the beginning of self-supporting development when a lot of knowledge, institutions, action programmes that are needed to continue development are provided. From this time effort focuses on refinement of action programmes and exploration of new facilities. Non-market based services are changed to profit oriented businesses in more areas.

Characteristic actions:

- development of small business finance system
- exploring new market opportunities
- development of relationships between businesses
- identifying and eliminating the regional service "bottlenecks".

3.2 Techniques of local economical development

3.2.1 Development of small businesses

In consequence of the processes described in the introduction, supportive ambitions to increase small business capacity came to the front. While earlier the basic aims of the local governments were to attract the profitable companies into the region and increasing local tax payment potential in this way, from the end of the seventies focus became rather the support of existing companies and the security of employment.⁹¹

Business developmental offices were set up to create viable small companies and provide them professional support to get stronger. Offices are financed by local or regional governments, chambers of commerce and sponsorship from big enterprises. They have typically three main activities:

Entrepreneurial trainings provide range of subjects for both start-up small businesses and former ones. Beside legal, financial knowledge, they focus on marketing knowledge helping their entering the market and communicational skill development for partnership cooperation. "Learning by doing" type of training is the latest form of small business trainings, where participants learn the knowledge needed for operating their company by trying it in practise. As for their efficiency, courses for career-starter emerge from such trainings.

Information and specialist services become not only available but can be used for lower price thanks for the operation of business developmental institutions. Presently, big companies also recognised that their survival and growth depend on small enterprises, so they

⁹¹ Bennett, R. – Krebs, G. 1989.

are ready to pay for developing the preparedness of the small companies. In the Netherlands big companies finance specialists helping the small enterprises, in France for example an efficiently working monitoring system was developed, within its frame large enterprises some small enterprises under their managerial wings and help them with their expert advice to help them with getting stronger. In the Netherlands big companies finance consultative work helping small companies.

Another feature for successful small business consultative activity is its following nature. In order to be successful companies follow the whole process not only occasionally but also from the preparation of the tender through its launch until its evaluation. Following the basic principle of tender cycle management, consultative work is almost algorithmic, there is an improved methodology in each phase of development, and related documentation helps the consultant.

Improving capital supply is to handle the problems the small companies consider the most important. The capital to invest can come from governmental sources. At this time they help the small businesses to provide them information in connection with the tenders and preparing the tenders. For gaining bank funds, business developmental offices can also help them. Today their new or old/new ideas concentrate on mainly the possibility to move local capital reserves. From this method the following are highlighted:

- loan associations,
- local investment companies and
- organization of loan circles

Loan associations appeared and in the finance of agriculture in the biggest number and spread a century ago. Today's content and form developed as a result of integral development to be able to meet the needs of agriculture. General principles of associations are self-assistance, self-management and autonomy, from them self-assistance could only achieved in finance till the deposit of association members could provide a collateral for gaining loan. After that point they also invested external resources in their finance. On the one hand they were ready to involve other layer from the local population, on the other hand they started to do more and more banking services, and the profit from it was used as a source for loan. Former loan associations became universal association banks with widespread function for the whole region. They remained to be the main funders for agriculture, but it is now only a smaller portion of their work.⁹²

Local investment companies provide venture capital to such small businesses that meet certain criteria and that the traditional credit institutions are not willing to finance. (In Sweden for example Local Governmental Development Companies have such role.)

Local investment companies mainly invest in such small companies, that:

- innovative in their product, technology or marketing,
- grow potentially quickly,
- can possibly have sales outside the regions,
- have suitable executive knowledge,
- are willing to involve experienced staff in planning.⁹³

⁹² Nechay V. – Szűcs Z.né 1994.

⁹³ Ronnby, A. 1996.

“Loan circle” is a solution for providing loans and comes from Bangladesh. Actually it was created by the poverty characteristic for the whole country as a kind of alternative solution to provide capital. In Bangladesh as usually in the developing countries, only few people have official job and salary, significant portion of population live on black economy, and the poorest people provide living from creating their own micro-companies. As these people have not any kind of loan guarantees or capital contribution it is impossible for them to get any loan through the bank systems. Lacking other possibilities they take loans from the private sector and therefore they become the vulnerable to the loaners. Loaners purchase their products for much cheaper than the market price. Muhammad Yunis an economist from Bangladesh recognised that the cause for poverty is that people do not work but they are exposed to the loaners of the micro-entrepreneurs. As a result for this recognition, he set up Grammeen (Regional) Bank that expected its clients to create a group of 3-6 and take part in primary education before taking loan. From the 3-6 members only two obtained loan at the same time and another two members could only gain loan if the former members had paid their debt back. The system motivated all members to pay back their debt together as soon as possible.

Idea for having business incubators was created at the beginning of the 1980s. The aim of institution of business incubator houses was to increase the chances of new businesses and help their development in the beginning phase (decrease the possibility of cancel, business vulnerability and increase their profitability.) Business incubators are combination of such premises, support and services that are formed to meet the special need of start-up companies. The conception of business incubator houses is supported by *four reasons*:

- *Political reason*: it refers to the suitable transformation of new technologies in production. The aim of the transformation is to make economic structure fit into new economic system better and to create new possibilities for employment. Local communities try to attract or sustain companies and local employment to provide the suitable financial incomes. They have bigger attention to take over scientific achievements, to apply new technologies in industry and commerce. Small and medium sized companies proved to be the most suitable for taking over new technologies and creating new workplaces. In this context, we can mention business incubators as a new tool for social and technological development that is also the strategic element of innovation policy.
- *Management reason*: it refers to the complexity of industrial and commercial activity. International competition demands an increased adaption from the companies, on the one hand with the introduction of new management methods and on the other hand creating more flexible organisation. Small and medium sized companies meet these requirements much easily than cumbersome bigger companies. At the same time management experience is often missing from small companies, especially in the start-up stage. Business incubators try to replace this absence.
- *Social reason*: it strengthens basically the view that urge to rethink the quality of wage and work conditions.

Internal reorganisation of the business increases the flexibility of the production and therefore it promotes more advantageous market situation for the company. New relationships between the branches create a less hierarchical structure that relies on cooperation and interdependence better. Integration and participation of labour force within decision making becomes more general. Physical environmental changes, “industrial zones” transform into “function zones” and become rather the part of settlement structure. New social requirements can be met easier within the frames of small businesses. Incubator houses offer a solution for the realization of changing worker ambitions shaping the behaviour of the owners.

- *Technical-economic reason:* emphasis is on new technologies, main task is to follow process from the idea to the industrial application. Process is not without problems, statistics show that in the United States 80% of the companies ceased to be in the first five years. On the other hand more complex finance for the program is more expensive and demands precise market knowledge, etc. - preparations are also longer. (32% of the program preparations take about 6 months, at 43% it takes from half a year and two years, while 25% of them say they need more than 2 years. (Preparation is a basic element for business success.
- *Shared services* – using equipment and services together that are mainly concerning administrative functions (secretariat, telex, conference hall, etc.) Services are much diversified. Every business incubator has basic services (secretariat, letter delivery, telex, standard, typing, maintenance, etc.) for which companies always and usually need. Other supportive type of services are also common, there can be also unique solutions, these are consultancy, business plan study, support for sale and export, price calculation and control, accounting, legal, technical and technological consultancy, training, etc. most often existing institutions provide these services that is also operated by business incubators in corporate form and whose preconception is profitability.
- *Consultancy for entrepreneurs* – in its transfer areas of management, marketing, accounting, research and technologies, privileged contact with the scientific environment,
- *Field for exchange relations among entrepreneurs*, integration in professional networking, supporting board of directors technically and morally. Incubator house solves the isolation of the leadership in the vulnerable stage of the business and strengthens creditability of the new company. Availability of information and services has basic significance.

There are different *solutions for financing and managing incubator houses*. These are usually normal actions in connection with the incentive and financial scheme. Incubator houses have two groups: governmental or private. There are several private incubator houses in the United States while only of few of them can be found in Canada and France in exceptional cases.

Financial solutions change according to their unique situation: according to the aims of initiators and partners their financial capacity, etc. Possibilities provided by governmental or regional programs are related to them (subventions, local conditions, etc.), finance of incubator houses have to be separated from the companies moving there, although these can be also connected.

Types of incubator houses can be determined as follows:

- According to the developmental stage of the company: (during preparing business, at the time of opening and between the first 6-18 months of its operation),
- According to its function (incubator houses specializing to high technology, they represent about 30% and they operate mainly near scientific parks or universities, beside general incubator houses,
- According to programme or investment type: (governmental programmes with small investments of 3-5 million francs, relying mainly on local governments, regions, etc, governmental programmes with significant investment of 10-60 francs in which more governmental and private institutions, banks, companies take part. These investments return in long term and private, private incubator houses have mainly investments of 20-80 million francs and have their participation rate is 20-80% within management).

Incubator house is created in several stages. Stages of creation according to international practise: setting up an organising group, making campaign, choosing plans and making a

study for the incubator house. It takes on average one and a half year from launching the programme to introducing the first companies.

We can actually grade the significance of incubator houses emerging in the new practise of local and regional development after some decades. For that time it will become clear whether it was an economic developmental fashion or durable strategic solution.

3.2.2 Organisation of economic integrations

The idea of *cooperatives* is not considered of recent origin, yet they are found within innovations. Not least, because they have their renaissance in the Western European countries from the 1980s. It is typical that in the United Kingdom the number of cooperatives increased from 400 to 8000 and the number of people dealing with it also grew from 1500 to 150 thousands. This was a company form that could show an increase during the recession period. Another characteristic data is that 120 million people live in the United States of America whose lives are somehow influenced by cooperates (4500 agricultural, 19000 saving, 7000 consumer and 2500 housing cooperatives as well as nurseries, insurance companies, handcraft industries, health houses, undertaking companies, phone companies, electrical plants, taxi companies, resorts, restaurants work in forms of cooperatives.) Cooperates were founded for almost all types of services. From every 6 American farmers 5 are members of one or more cooperatives. Farmers sell 82% of their dairy products, 30% of their grain, 29% of their vegetables and fruits, 7% of their meat and 25% of all their products through cooperatives. At the same time they purchase 36% of the artificial fertilizer, 35% of the fuel, 34% of the pesticides, 19% of the forage, 15% of the seed and 20% of their total purchase through cooperatives. Cooperatives are the biggest employers and tax payers in many rural settlements.

Founder for success of cooperative movement launched a hundred year ago in Denmark was people's academic training and enforcement of recognised interests to take the goods directly to the market. Advantages and methods for cooperation, participation in democratic decision processes of cooperative companies were taught. After that, recognising their interest, farmers had conscious aspire to take their goods produced directly to the market.

In Western Europe economic necessity led to the strengthening of agricultural cooperation. In the recent decades European Union and its member states made quality competition stronger among certain producers at the same time with demolishing internal custom borders despite national quotes they gave export boost. This boost can be utilized by those companies that have well developed institutions, are able to react to real market information, and can stay competitive. European countries realising big agricultural and food industrial export (Denmark, Netherlands, France) could reach internationally competitive quality good production, effective manufacturing and secure producing existence wit cooperative collaboration. Without cooperative marketing activity producers could hardly obtain direct genuine commodity market knowledge. At the same time operation of producers in food industry restrict price increasing and income subtracting effects of monopolies of mammoth companies and black market therefore it creates consumer protection as well.⁹⁴

Renaissance for agricultural cooperatives was accomplished *in the USA* in the nineties. On 22nd January the American prime minister expressed his views on the village development of the nineties then in the same year Farm Bill gave legal power to the Ministry of Agriculture to provide support for the foundation of Technological Centres for Cooperative Development. In 1993 and 1994 six centres were set up including Cooperative Development Service Wisconsin

⁹⁴ Szeremley B. 1997.

and Iowa states. In the Agricultural Research Centre in River Falls for example a two year project was launched to help with organising cooperatives of not agricultural type, covering more settlements. Within the frame of this project staff of the research centre got foundation support to choose 4-5 locations and local initiations while working to together with local population launching cooperative in the field of any service and help with setting up cooperatives meeting the population's demand that have clear function and goals and financially grounded and accepted by the general public.

According to the American formulation, cooperative is such a business organisation that is owned and controlled by the users that share in the profits generated.

New cooperatives have two types known:

- a. primary or worker cooperative, in which groups of people come together, they produce goods or organise services and sell them. This cooperative type have significant role in employment programmes.
- b. Secondary or marketing cooperative that is not for the collaboration of people but the cooperation of business enterprises. It has role, where there is no market for the given product or service or it is difficult to access.⁹⁵

Concept of new type of cooperatives used in Hungary related to the second type: "Under cooperative we mean such association in which economy or an economic operation is carried out in common premises in a way that they keep economies independent of their separateness."⁹⁶In this case production is done mainly in private farms, processing and sales, producer orientation is organized by cooperatives. Main tasks for cooperatives as agricultural marketing organisations are secure market entry of the product and achieving the highest possible revenue.

Principles for cooperation:

- *Open membership:* membership is voluntary and open to every member willing to use the services of the cooperative.
- *Democratic control:* one member can have only one vote, regardless of the size of the shareholding and his investment.
- *Limited interest payment:* they pay only a very limited level of interest after paid shares if they pay any.
- *Members share savings:* operating costs, surplus costs of service development have to be divided among the members in the portion of their activity done within the cooperative.
- *Attitude shaping:* cooperatives have to educate its members and generally the public constantly about the theoretical and practical issues of the cooperation.
- *Collaboration among the cooperatives:* cooperatives actively cooperate with other cooperatives in order to better serve the members and their local communities' interests.

According to the Western European model, cooperative fundamental law operates as an internal law in the relationship among the members. Normal business guarantees are confirmed by mutually binding performances and acceptance of sanctions. For example the capital required to establish cooperative food processors is provided by taking loans, they guarantee loan repayment together. Business management of the cooperation is done by the manager with full responsibility, who is the employee of the members. He recruits his own staff. For the development related to his duties, approval of the board of directors is needed. Management functions do not focus on power.

⁹⁵ Reynolds, J. 1994.

⁹⁶ Márton J. - Szeremley B. 1995.

Hangya (Ant) cooperative movement has to be highlighted as the most significant traditional Hungarian cooperative form. This was launched for French pattern in 1896 with the determination of Count Sándor Károlyi. Cooperative was organised by Elemér Almásy Balogh who was the chairman and the chief executive officer of Hangya until 1936. The cooperative movement operating until 1947 had 700 thousand members, 4 thousand businesses, 2 thousand member cooperatives and more than 40 industrial– especially canning factory and winery - establishments before the war. About one third of the Hungarian economy was held by Hangya at that time. From 1990 there was a determined effort for the revival of the movement. As triple objective common sale and purchase, the development of cooperative convenience store network and expansion of rural employment were formulized.⁹⁷ However, in contrast to Hangya concept, adaption of cooperative product line model prevails according to the latest patterns.

While organising supplying systems, multinational companies, similarly to cooperative systems, build according to vertical integration but top-down construction develops within less democratic forms, based on a narrower social layer and profit withdrawal from producer layer is significant. This cultivation relationship spreads mainly in those sectors where value added is multiple of raw material. Strengthening supplying relationships within local development can be helped on the one hand with strengthening local incentives of integrating organisation, with special services and on the other hand with strengthening local small businesses.

Organising economic cluster is not typically local or sub-regional developmental tool. The cluster space requirement exceeds the local dimensions. Nevertheless, there are attempts that are linked to some region products and complex system of related functions is based on them. Development of cooperation abilities needed to the connection of the small businesses to the regional clusters appear rather as local duty. These abilities can be developed with small entrepreneurial consultancy, training as well as exploring possible connections and sending information to the target group.

3.2.3 Shaping of innovative technological environment

Bangermann report marked ISDN, broadband leading to multimedia, mobile communication enabling area growth, satellites enabling expansions of communication and new basic services like email, Internet, etc. as the building stones of informational society in 1994.⁹⁸ For today technical achievements have become part of our everyday life. In global technical base several local projects were launched. 4th chapter deals with the generation spread of innovations in connection with local and sub-regional developments and regional innovation structures. Here we only mention the areas that are affected by local initiative developments:

- creating conditions for telework and distance learning
- creating technological parks, innovation centres
- telematics services for small and medium size companies
- logistic services
- e-commerce and administration
- settlement and regional informational centres

⁹⁷ Kiss J. 1990.

⁹⁸ Varga Cs. 1999.

Creating conditions for *telework and distance learning* includes improvement of local reception of communicational systems and informational centres: creating the flowing of telework and training centres into the region. Improvement of receptiveness includes providing equipment, preparation of human resource and development of connecting background services. In case of telework and distance learning we cannot forget the experience of pioneer Scandinavian states in the field according to which people bear working at home variously and they generally demand direct personal communication as well.⁹⁹

Technological parks, innovation centres, and innovation transfer centres provide help to companies, industrial parks, professional organisations, and research sites with technological type of research development work for modernising industrial production and for solving their innovation task to launch and strengthen start-up enterprises operating in high technological branches. Their aim is the creation of technological developmental innovation system, operating database, spreading modern corporate management organisational techniques and organising innovation organisation into network. They are created typically in the framework of non-local development

Providing telematics (telecommunications and IT) services to small and medium businesses, citizens can happen within the above mentioned incubator house framework, or tele-houses and in other service areas specialising this.

E-commerce and administration are services expanding rapidly and exceeding the frameworks of local development. Local/sub-regional developers can set targets concerning preparation of users in this area and developing technical and human conditions to local government and small entrepreneurs to enter as service providers. Preparation of areas that are far from the developmental centrals and sparsely populated is particularly important. Biggest regional developmental effect can be also expected in these areas, although it is the most difficult to create conditions especially human conditions.

Local and regional information centres collect, systemise and spread information about the region according to some kind of determined strategy. Regional database helps with local developmental planning, following changes and communication of region with the external world. According to it, it has to contain data on every essential element of natural, economic, social and technical environment. Besides quantifiable statistical information, “soft” information helping with orientation within the region, qualitative analysis has also importance. Beyond setting up database, its continuous maintenance, availability to the users determine the usefulness of informational system. According to the experience, mainly the last one is usually problematic as for meeting the requirements. Spreading information can happen in the form of on-line service, publication, brochures, booklets or boards, or with personal information transfer (direct by phone). Already mentioned telehouses get important role in this area.

⁹⁹ Erdősi F. 1991.

4 Self-governing (public) employment

4.1 Possibilities and limits of public employment

Across Europe, from the nineties leading (back) to work was the main goal of employment policy and closely related social policy. Besides making the conditions of benefits more severe and improving employability, as a third alternative central or local government can provide –at least temporary- job opportunities for unemployed people from public funds in case of failure or delay of dynamization. An accepted form of this is *public employment* situated between benefits and real work. Public employment was originally redemption of governmental – local governmental tasks, developmental costs serving public interest with work. However, it got emphasis in the eras when former economic and employment forms were just being transformed and during the period of transition labour market demand-supply balance became unbalanced, and as a consequence of it lack of income emerged that forced the intervention of governmental power.¹⁰⁰ Operating as permanent employment form can be hindered by the constraints of governmental budget. In spite of undeniably decreasing income loss for labour market leavers and stabilizing rules for the distribution of goods within the work-centred societies, public employment has always had sharp criticism and its blind alley nature –leading nowhere- nature was proved. Against public employment the following critics were formulated: (1) it has only temporal nature, (2) it does not lead back to the primary labour market, (3) it does not improve employability, (4) it disturbs competition and can outplace permanent employment possibility, (5) it transforms social reasons for poverty into individual reasons.¹⁰¹

Together with this, public employment can be useful to both the individual and the community. On the one hand with good organisation the settlement becomes healthier and more liveable, work remains stable – with this community moral. On the other hand, its advantage for employment people is that they get higher wages than in case of benefits and can get working experience that may increase the chances for getting back to the primary labour market. For example they can set an example for their children, can feel themselves useful members of the society with this their self-esteem, their individual esteem in the eye of the society grows. These positive effects come true in only optimal cases. In worse case public employment is a trap, leading nowhere. In case of weak organisation it creates no value, does not increase esteem and does not provide higher income. At the same time public employment has also size limitation. State and local governments cannot become employers for the mass of employees.

4.2 Forms of public employment

From the mid-80s structural crisis could be much more sensible and reacting to the increasing number of excluded people from the economy, State Wage and Employment Agency launched the first public employment program of the Hungarian modern history.

From 1987 from the budget earmarked for public employment settlements could organise employment for those “who were unable to find work not through their fault”.¹⁰² After the political transformation, public employment remained in the new institutional structure. Its

¹⁰⁰ Csoba 2010

¹⁰¹ Same .

¹⁰² 8.001/1987. (MU K.15 ABMH-PM) [a common guide on public utility work by State Wage and Employment Agency]

operation was stabilized by the III of 1993 law on Social Administration and Social Services. The law classified population within scope of public employment and the performance of duties by the government or local government – according to law – concerning settlement that could be both compulsory or voluntary responsibilities by the local governments. Direct costs of employing work seekers carrying out these duties could be supported according to the application at the employment agency. Local governmental institutions and civil organisations both could take part in organising public employment.

Public employment has been present in the Hungarian employment policy since 1996.¹⁰³ Its goal is to boost governmental employment policy and strengthening active tools against passive benefits. Within its framework permanent job seekers and active aged people excluded from provision could be employed temporary within sphere of activities achieving community goals. System of central support to governmental institutions and local government associations is controlled by government regulations.¹⁰⁴¹⁰⁵ Public employment program give advantage to the most disadvantaged settlements, regions and social groups in terms of labour market. Since 2001 it has been possible to get support within the frame of tenders.

Public purpose works are the third, latest created pillar of public employment forms¹⁰⁶. It was introduced in 1997, but its foundation was based with the amendment of the Social Law of 1993 in 1997.¹⁰⁷ The law – recognising the barriers of benefit – created a possibility to the local governments of settlements within their regulated framework to oblige people living of benefits to cooperate with an organisation providing services and participate within employment. Detailed regulation for cooperative obligation was helped by the Guidelines issued by the Ministry of Welfare.¹⁰⁸

After slow run-up from 2001, public purpose employment became determinant an active employment political tool. Its reason was amendment stipulating that for socially deprived people from the ones exhausting the period of benefit local governments have to provide employment facility and only those can get regular social benefit who take up employment.¹⁰⁹

From 1st May it was a generally stipulated obligation to accept employment by the law and appeared as the basic term for getting benefit. On the other hand it meant that local governments were obliged to organise at least a 30 days of employment and widen the cooperative programmes. In the following years financial sources that could be spent on the employment of people getting benefits and the organisation and employment providing capacity of the local governments became barrier.

From September, 2005 labour market return of permanent unemployed people that was obligatory for local governments was reinforced by the preparation of so called “Integration Programmes”.¹¹⁰ In 2006 regular social benefit transformed into family allowance¹¹¹, about which it turned out soon that active people getting benefits are less motivated to be employed

¹⁰³ 6/1996. (VII.6.) Decree of the Hungarian Ministry of labour on support promoting supports as well as the grants to be provided to handle crisis situations from the Labour Market Funds.

¹⁰⁴ 49/1999 (III. 26.) Governmental decree on the support of public employment programmes

¹⁰⁵ 199/2008. (VIII.4.) Governmental decree on the support of public employment programmes

¹⁰⁶ In addition community service appears in the Hungarian practice, it is one of the three main penalties indicated in the Penal Code. Person sentenced to community service has to serve his sentence at an enterprise assigned by the penal judge. Employment is not created with the assigned workplace during the period of community service [Penal Code 61 § (1)], however the people sentenced carries out work

¹⁰⁷ XXII. Act number XXII of 1996 on the amendments on certain social care

¹⁰⁸ 7001/1997. Directive from the Ministry of Welfare

¹⁰⁹ Act number CXXII of 1999 on the amendments of certain employment and social acts

¹¹⁰ Act number CXXXVI of 2004 on employment and social care

¹¹¹ Act number CXXVI of 2006 on the amendment of social laws. Amendment number III of 1993 of social administration and social care.

so its amount was limited in 2007 and it was stipulated that people getting benefit are obliged to cooperate with the branch offices of employment offices. ¹¹²

In spite of all the modification, the spheres of authority change between the local governments and employment agencies it became clear that the system is not able to moderate the Hungarian employment anomalies, does not contribute to increase employment effectively, to make people socialised for work and increase the ability of self-care. Inactive persons per share of active workers increased from year to year. The degree of impoverishment and with this dissatisfaction increased, conflicts within society sharpened. Beside this, sustaining employment system – with narrowing income side, and increasing indebtedness parallel – consumes significant public resources.

Table 4: Number of participants in public employment and size of the budget expenditures

Year	public purpose		public utility		public employment		total	
	person	million HUF	person	thousand HUF	person	thousand HUF	person	thousand HUF
2003	190190	12134,7	76892	-	6756	4940,0	273838	17074,7
2004	219604	14402,3	63998	-	9757	4337,1	293359	18739,4
2005	199981	14420,6	79429	12800,0	17242	7050,0	296652	34270,6
2006	183927	12359,1	66403	-***	35173**	7600,0	219100	19959,1
2007	199742	14667,4	63098	11066,0	22769	8894,4	285609	34627,8
2008	195096	14651,4	63100	11754,6	25388	9500,0	283584	35906,0
2009*	103247		20507		15596		130350	

*Completion to the original table by Hungarian National Employment Service: “Operation of active employment political tools in 2009”

**Short cycle program moving large number of people in the year of election

***Because of uncertain, from time to time contradictory data sources, we disregard presentation of the amount of expenses related to public employment in 2003-2004 and in the year of 2006
Source: Esély journal 2010/1, website of Hungarian National Employment Service, Ministry of Social Affairs and Labour, report on annual public employment, data by Ministry of Local Governments and Rural Development)

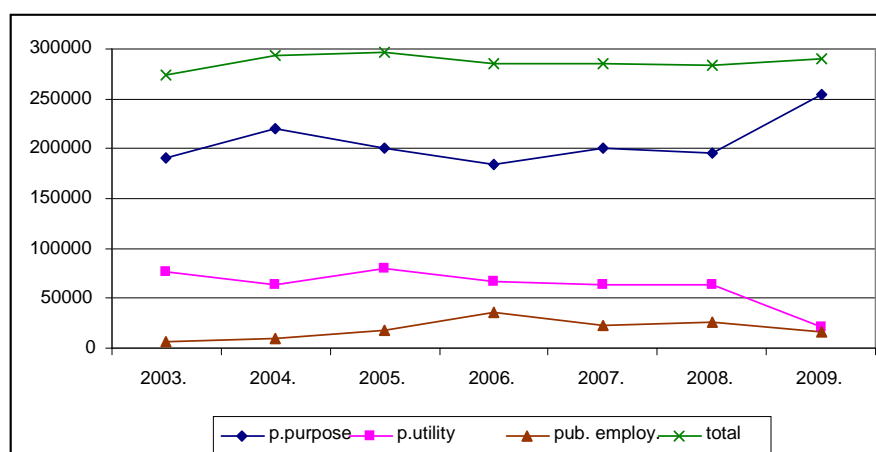


Figure 9: Number of participants (person) in public employment between 2003 and 2009 according to employment type

Source: Esély Journal, 2010/1, based on Hungarian National Employment Service, Ministry of Social Affairs and Labour, annual reports on public employment, data by Ministry of Local Governments and Rural Development)

¹¹² Act number CXXI of 2007 on the amendment of social laws. Amendment number III of 1993 of social administration and social care

Table 5: Data of public purpose employment operation

Year	Allowance (million HUF)	Spending		Number of employed people (person)				
		Million HUF	%	full time	part time	With occasional emp. book	total	Monthly average
2000**	3 773,0	1 156,6	30,6	4 068	1 406	NDA	5 474	456
2001	10 488,2	5 904,3	56,3	87 140	29 603	NDA	116 743	9 728
2002	14 565,6	9 377,2	64,3	112 834	39 986	NDA	152 820	12 735
2003	13 000,0	12 134,7	93,3	142 027	47 346	817	190 190	15 849
2004	15 120,0	14 402,3	95,2	155 789	62 366	1 449	219 604	18 300
2005	15 120,0	14 420,6	95,3	127 356	61 920	1 826	199 981	16 665
2006	12 618,0	12 359,1	97,9	109 822	48 071	2 043	183 927	15 327
2007	15 120,0	14 667,4	97,0	124 272	71 237	4 233	199 742	16 645
2008	15 073,7	14 851,4	98,5	121 164	68 184	5 760	195 096	16 258

*Data based on Ministry of Local Governments and Rural Development

** Introduction of public purpose employment according to law: 1st May, 2000

Source: Esély Journal 2010/1. (Website of National Employment Service, annual reports on public employment, Ministry of Local Governments and Rural Development)

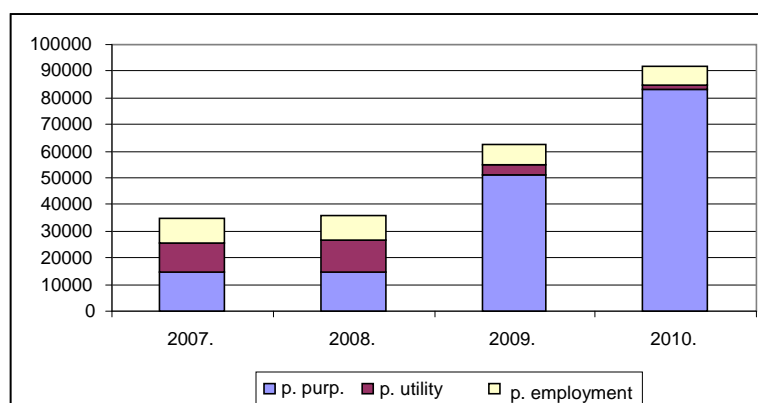


Figure 10: Public sources spent on public employment (million HUF) between 2007 and 2010) by employment type

Source: Esély Journal 2010/1 homepage of National Employment Service, Ministry of Social Affairs and Labour, annual reports on public employment, Ministry of Local Governments and Rural Development

4.3 Hungarian programs of public employment

4.3.1 „Road to work”

To exclude the above anomalies development of “Road to work” was launched in 2008. Legal preparation happened before the year was over^{113 114}. In the year of 2009 the program was launched and its aim was to achieve “

The program launched in 2009 tries to make permanently unemployed people who are able to work to take part in some public employment form to a greater extent than before in order to receive regular income by “series of complex actions.”¹¹⁵

The objectives of the programme included driving back concerned groups into the labour market, widening of projects that support the creation of workplaces and at the same time reducing illegal work. These have to be carried out in order to decrease benefits and its harmful effects. Its target group is made up by economically inactive population, registered job seekers and people living on social benefits.

Most important elements of the programme:

1. Provision of active age people within social assistance, besides getting regular social benefits introduction of availability support for that period when local government cannot provide public employment. Only those can get regular social benefit who are not able to work because of their health state, are over the age 55, bring up child under the age of 14, where day care is not provided. As result of the measures, the number of people living on social benefits decreased from 222 thousand people to 33 thousand people. Highest portion of them was represented by people over 55. The number of health impaired people did not reach 10 thousand people in 2009.
2. People getting availability support were obliged to take part in public employment. If it was not possible outside their fault, they have the right to get availability support in the future too. The amount of this was the smallest amount of old-age pension determined, that was 28500 HUF in 2009. According to the plans, they are willing to involve 63 thousand of people that is every second person in public employment from the 130 thousand of workforce getting availability support. However another 70 thousand people appeared in the system who were not involved in former welfare care. Therefore people who had right to get availability support increased to 260-280 thousand that remained still 167 thousand person, however 90 thousand could be successfully involved in public employment. Compared to the preliminary calculations, people obtaining availability support, proved to be more by 40 thousand people (28,5%) that made the programme significantly more expensive.
3. Number of people to be involved in public employment was increased for which normative source was provided to local governments. It has resulted in a drastic decrease in public utility employment and sources for public employment. With this public employment was purely based on the pillar of local governments. It also meant that initiations of governmental companies, institutions, non-governmental organisations were pushed into the background. The number of people involved in public employment

¹¹³ Act number CVII of 2008 on the amendment of certain social laws. Amendment of Act number III of 1993 on social administration and social care.

¹¹⁴ 34/2008. (XII.31.) Governmental decree on necessary measures to expand employment and make it more flexible: Act number CLXXX of 2005 on the execution of law on the amendment of joint decree number 55/2005. (XII. 29.) PM-FMM

¹¹⁵ ÁFSZ 2009 [Hungarian State Employment Service]

decreased to 60% of the former year and public utility programmes fell back to about 30%.

4. Within the three public employment forms altogether 280-290 thousand people were involved in the last two years, monthly 30 thousand of people on average. This only made short term, 30-45 days of employment a year. The programme “Way to work” promised worked for the whole year. Finally they had to make a fixed-term contract for at least 90 days with the employees.
5. Motivating local governments to organise employment with creating a contribution to get support. While for benefit they had to provide 10-20% contribution, they could demand 95% budget support to be able for their employment expenditure. Motivation was successful, local governments were willing to employ – even only on paper – rather than paying benefit.
6. To get support, they had to make settlement or sub-regional public employment plan exploring the characteristics of people to be employed and employment facilities. According to the original intentions, employed people should have been involved in work that was important for the community and to improve the relation to work and self-esteem. However– similarly to the former public utility and public purpose employment – communal and operational tasks that were obligatory to the settlement provided jobs to 78-80% of employed people with low qualification. Their smaller portion proved to be able to make tasks that needed higher qualification.
7. For participants without primary school qualification under the age of 35 the specified condition for getting benefit was to obtain primary school qualification. Measure postulated the education of 7-8 thousand people.
8. The willingness of entrepreneurial and non-organisational sphere was motivated to employ people getting availability support with contribution discount. Employers employing workforce with availability support could also get contribution discount. What is more if the employer had given job to workforce with availability support with Start Extra Card from any of the 47 more disadvantageous sub-regions, he could have obtain further contribution discount.

The programme operated for more than two years. Experiences on the first half year of the programme “Way to work” can be summarized in the followings according to the exploratory study on this:

- number of people involved in public employment did not grow significantly despite increasing possibilities – today most of the people participating in public employment are those who could only obtain income in this way in the previous years;
- only people living in hopeless situation – people with low qualification, population of the smallest settlements, gypsies, permanent unemployed people – get involved in the system of public employment and they are the only one who are willing to/obliged to take this opportunity;
- participation in public employment clearly prevents getting back to labour market – the system preserves the present financial and labour force status for these people. Reintegration efficiency of black economy with its several individual and social disadvantages is significantly better than the one of public economy.

Besides from the local governmental point of view:

- local governments in settlements cannot give meaningful tasks for the people
- employment is short, lasts for the minimal duration that is defined in the law (for 4-5 months on average);
- supplementary costs for employment cannot be provided (devices, material, occupational health and safety, administration, etc.);

- human resources of the local governments are inadequate to perform such a significant size of employer role.¹¹⁶

After only two years of operation, from 2011 system of public employment was changed again.

4.3.2 START Public Work Program

According to the new governmental regulation on supports that can be provided to public employment¹¹⁷, and certain social, child protection, family support, disability and employment laws¹¹⁸ system of public employment until that time was changed to the National Public Employment Program from 2011. With the transformation of public economic forms, from 1st January, 2011 public purpose, public utility, and traditional public employment ceased to be, as well as the availability support for active aged, unemployed people and it was changed for wage supplement benefit.

New types of public employment:

- Public purpose employment was changed with *local governmental short term public employment*. It is the type that can have 4 working hours a day and can spread between 2-4 months with 95% support of wage, its related taxes and real costs.
- Instead of supporting public utility employment, *local governmental employment for longer period* that can have 6-8 working hours a day and can spread between 2-12 months, wages and its contribution and other related costs are supported by the state in 70-100%.
- *National annual public employment programmes* that join the areas state ownership infrastructure and management of property, possibilities of public employment related to flood and inland water protection, public roads, railway, state forest areas, renewable energy sources, energy saving.
- Public employment forms concerning 70% support of wages and contributions of small and medium sized enterprises were also introduced as a new type. Costs of public employment from the Labour Market Fund, according to fixed budget can be claimed through tenders. New public employment forms can be realized with close cooperation with the labour offices.

In the new public employment program in 2011...people and in 2012 ... people were included, while average number of people was Therefore compared to “Way to Work” programme the number of people involved increased, however period for employment became shorter and with this fluctuation grew. Working hours a day also decreased with average waging that affected the target group negatively with introducing weekly wage payments.

Launching START Public Employment Program appeared as a new element from a labour market point of view, especially in rural settlements with unfavourable position.

¹¹⁶ Bass 2010

¹¹⁷ 375/2010. (XII. 31.) Government Decree on the aids to be given for public employment

¹¹⁸ Act number CLXXI of 2010 on amending laws of individual social and child protection, family support, disability and employment

5 Social economy

5.1 Theoretical questions

5.1.1 Tertiary sector

To the end of the 20th century besides competitive and public sector, tertiary sector became an indispensable sector for the economic and social development in the developed countries. Despite its increasing importance definitions in connection with the topic become clarified in a difficult way.

Social/community sector and its organisations

Nowadays in the most widespread economic model three economic sectors operate beside each other that have different aims and motivations but their common characteristic is that they meet some kind of economic and social demand with their activity.¹¹⁹

- Organisations of *competitive sector* are motivated by profit realization; they meet demands with producing goods and services.
- *Public sphere* emphasizes serving public interest, carries out public duties and with this it meets some kind of common, social demand.
- *Tertiary sector* performs its public utility duties in order to meet social goals while meeting such social and economic demands for which the above mentioned two sectors are not capable.¹²⁰

Tertiary sector has different form by countries in terms of local cultural, historical, political and economic conditions. Therefore these structures were not created by chance, the given circumstances and local conditions are defined together.¹²¹

Organisations belonging to the tertiary sector and independent from the competitive and public sector appear in professional literature once as non-governmental other times as non-profit organisation. Their different names have different point of view and therefore emphasize different things. Those who emphasize civil initiations call it *civil society*, self-motivated organisations and social self-organisations. *Tertiary sector* name is used when they want to emphasize the independency of the sector. With *non-governmental* name they would like to highlight its independence from the governments. Those who apply *non-profit* name emphasize the prohibition of profit distribution.¹²²

In the international and Hungarian practice dealing with the sphere non-profit definition is the most common used and can be linked to *L. M. Salamon*, *American economist* and his colleagues. The sector was called “non-profit” as according to their research common characteristic for the organisations of the sectors is that they reinvest the profit produced for performing their duties and do not distribute it among their owners. Among the further characteristics of non-profit organisations we can find institutionalization to a given degree, independence from governmental organisations, self-government, volunteering and

¹¹⁹ It is about the basic sub-systems of the society as sector and not economic divisions that uses this concept with a completely different content and some segments of the economy are meant under certain sectors (industrial, agricultural and tertiary branches)

¹²⁰ We have to note that other division also exists. Therefore according to the economic statistical methodology based on the recommendation of United Nations divides economy to five sectors, they are: 1. households, 2. financial organisations, 3. enterprises, 4. public institution and 5 non-profit organisations helping non-profit organisations. According to it an organisation is non-profit which provides services mainly for households without the intention of profit generation.

¹²¹ Nárai 2004

¹²² Kuti 1998

independence from political-regional activity.¹²³ Therefore it is important to emphasize that several non-profit elements of governmental and local governmental institutional system (educational institutions, libraries, museums, local governments) are not included in non-profit sector. Non-profit sector is part of civil society, which is the sphere of civic engagement independent from official (governmental) forums, where certain individuals follow autonomous goals, organise themselves to be a community and appear as active actors.¹²⁴

Unlike the above interpretation widespread internationally, according to the Hungarian laws, every not profit oriented organisation (foundation, association, other social organisations that are similarly regulated to associations, public endowment, public bodies, public companies, voluntary mutual insurance funds) can be considered as part of non-profit sector that was registered as a separate legal entity in harmony with the Civil Code provisions. This approach actually considers political parties, churches to be the part of non-profit sectors. Hungarian Statistic approach concerning social actors is narrower than the legal one since it does not consider voluntary mutual insurance funds, political parties or churches to be part of non-profit sector. According to the national economic statistic approach those organisations are included in non-profit sector from the statistical definition point of view that serves basically population. They mainly finance from private support, they have only limited income generating activities. Therefore for example public utility companies considered to be non-profit service providers or organisations living on mainly governmental supports, public endowment are not included in non-profit sectors. However not according to the statistical definition point of view but organisations appropriate for the boarder legal interpretation, therefore political parties, churches are included in non-profit sector.¹²⁵

5.1.2 Societal (social) economy

According to the British interpretation tertiary sector is made up by social economy, organisations, community economy including charitable organisations and shadow economy with its informal economy and family subsistence activities. There is no sharp dividing line among the certain sub-sectors but rather overlaps are characteristic between social and community economies and between community and shadow economies.¹²⁶

According to *the interpretation of the European Union*, social economy is a sector that does provide employment for those who are at risk of exclusion and helps with creating new, independent business activities in the social sector. It cannot be identified with the non-profit sector and cannot be separated sharply from neither the public sphere nor the competitive sphere.¹²⁷ It contributes to the development of effective market competition, introduces new approach concerning business and employment forms, has work creating potential, meets new requirements, its operation is mainly based on the activities done by the membership, it demands civic participation and voluntary work and strengthens solidarity.¹²⁸

According to Galliano, social economy expresses the complex world and relationship system of the tertiary sector. Its main goal and activities are creating flexible employment alternatives, strengthening active participation of citizens, protecting human rights, improving social cooperation and participation in the development of local developmental politics. It is an economy whose actors are cooperatives, mutual funds, foundations and every organisation whose main aim is not profit generation. It is a complex phenomenon which is situated among

¹²³ Salamon-Anheier 1995

¹²⁴ Böhm 1999

¹²⁵ KSH Non-profit 2004

¹²⁶ Conscise 2000

¹²⁷ New jobs in Europe 1999

¹²⁸ EU-Social Economy

economic, social and community needs. It can be considered such a crossroad where developmental and employment policy meets.¹²⁹

A *fundamental value for social economy* is that its duties are not performed for the individual benefits but for the welfare of the community. It tries to promote the development of communities organised on the basis of regional or common interests. People in social economy cooperate for mutual benefit, right for decision in connection with the organizational operation and governance is at the lowest level possible, right for voting is the same for every participant in the management of the organisation. Social economy integrates economic, social, cultural and environmental components. On behalf of the present and future welfare of the society, social economy respects and tries to preserve human and ecological diversity and makes an effort on protecting and preserving sources for the future generations. Organisations of social economy perform useful work from social point of view, therefore they improve the living conditions for the community, and they provide suitable working conditions for participants in employment and give acceptable salary. Meeting the requirements and the needs of the people is a priority against return on capital. Success of social economy can be measured with its effect on the individuals and the society.¹³⁰

5.1.3 Social capital is the basis of social economy

Nowadays a popular field for economic and social researches is the investigation of non-financial resources to be found in the society. Interest of economists in this field is motivated by the new resources that can be involved in economy and production as well as searching new driving forces for economic development while sociologists approach it rather from a social development aspect. Researches identify such a resource that basically determines the internal conditions of the society. On this basis it has strong influence on economic development. This resource was called social capital that was provided different meanings by the representatives of the different fields of science.

Best known and accepted definition was formulated by Putman: “social capital originates from the characteristic of social organisations, from such ones as confidence, norms and networks that can increase the efficiency of the society with promoting coordinated activities.” According to his definition, most important components of social capital are tight social networks, strength of non-governmental organisations, community solidarity and mutual confidence (support).¹³¹

According to *Coleman* social capital is defined by its function. Social capital definition defines a function: what kind of resource values are owned by the characteristics of social structure that are used for the enforcement of their interest. Three forms of social capital were identified. First type is determined by the reliability of the social environment and the commitments and expectations based on it. Therefore they are based on certain exchange of interactions from social members and expectations for remuneration. Its second shape is the information potential within social conditions. As information is needed for decision making and its gathering is often time consuming and expensive, people try to get the knowledge needed from each other. This type helps social operation with better information flow therefore facilitates established decision making. Third type of social capital is made up by effective norms, which do not only promote certain procedures, but also hinder some undesirable activities for the society.¹³²

¹²⁹ Galliano 2003

¹³⁰ Kay 2006

¹³¹ Szakál 2004

¹³² Coleman 1998

When formulating a definition for social capital, *Bourdieu* defines the three basic forms of capital: economic, cultural and social capital that can be mutually transformed under certain conditions. He considers social capital such a resource that is based on belonging to a group. It is related to institutionalized conditions, can exist according to material and symbolic exchange relations and contributes to the preservation of these conditions itself. Its reproduction is also created by these exchange relations, therefore operating and sustaining these relationships.¹³³

According to the Hungarian researchers crisis disorders perceived in Hungarian and Eastern European societies also can be explained by both health state of population and the lack of confidence and social capital.¹³⁴

5.1.4 Importance of social economy

Advantages of social economy are mainly manifested opposite to traditional organizations providing social services. As it is more closely related to a given community, it knows the potential users' and employees 'need. *It is more innovative, creative and flexible* than organisations providing services with more rigid hierarchical structure. Services provided by organisations of social economy can meet *the demands of a heterogenic community*. Application of voluntary and free labour is a significant advantage, since labour done by volunteers is not only important because it decreases the costs and grows productivity but because volunteers consider their job as a kind of mission so they practice proper control over the operation of the organisation. Both managers and employees are *committed* and are able to identify themselves with the aims of the organisation, even if they earn less than they would if they worked in the competitive or public sector.¹³⁵

Organisations of social economy are the significant resources for enterprise or workplace creation, where otherwise traditional, market businesses would not be viable. Cooperatives are particularly significant in banking sector, agriculture and retail. Main activity of mutual societies is mainly providing insurance and credit, while associations and foundations operate in the field of health and social care, sport and recreation, culture, environment protection, human rights, grants for development, consumer protection, education, training and research.¹³⁶

5.2 Elements of social economy affecting employment

5.2.1 Social enterprises

In a broader sense we can formulate that social enterprises are “building blocks” for social economy. In the national social entrepreneurial strategy of the United Kingdom the following concept was given: “social enterprise is an organisation with mainly social goals that invests its profit driven by the aim – not considering the owners or stakeholders profit maximization intention – in order to develop its activity or the community.”¹³⁷ Again from the United Kingdom, according to the definition of Social Enterprise Coalition social enterprise is such an economic organisation that does business with social purpose. It is determined not by its

¹³³ Bourdieu 1998

¹³⁴ Kopp-Skrabski 2001

¹³⁵ Campbell 199

¹³⁶ EU-Social Economy

¹³⁷ Social Enterprise 2002

legal organisational form but its nature, therefore its social aims and results, social mission appearing in its structure and management and the way it uses its profit.¹³⁸

Characteristics of social enterprise were determined in the framework of EMES¹³⁹ project according to entrepreneurial and social criterion. Most important economic-entrepreneurial criterion is *continuous product manufacturing and service providing activity*. Social enterprises have to face significant economic risk, because they have to rely on *other kind of funding sources* than business enterprises or public institutions. They try to keep value of paid work on a minimal level and apply *voluntary help* as much as possible. Economic criterion of social enterprises also includes *autonomy and independence from other organisations*. Among social enterprises there are not only the ones with non-profit attitude, at certain organisational types there is only a restricted possibility for profit distribution. One of the most important among social characteristics is that social enterprises serve community and try to promote the development of social responsibility. Social enterprises are found by people belonging to the same community, having identical aims and demands. *Participation in decision making does not depend on capital share; the principle of one man one vote dominates*. Consumer representation and participation, stakeholder orientation, democratic management are further significant criterion for social enterprises.¹⁴⁰

Social enterprises are different from normal enterprises mainly because their target groups are permanent unemployed people often including people with disabilities. It is different from the employment companies in terms of relative stability of the employed people. Actually they can launch businesses in any field for which they can be perceptively a market for and in this case social means that they get support (for example this is five years at Lower Saxony). Support has usually decreasing degree and the aim is to cease it after a while in order to make the business self-sustained but if it is not possible, the support can be maintained long term. Support paid in this way is yet a smaller amount than if it was paid in form of social benefit and its mental effect on the local social conditions is significantly more favourable.

In Hungary at the beginning of the 90s, social land program could be considered a special social enterprise concerning the poorest settlements. Beneficiaries receive allowance in forms of land suitable for farming and farming services provided for a reduced price for which they add their own labour force and for the work invested they get in kind remuneration making the family's way of living easier.

Community businesses are different from social businesses in terms of the smaller degree of employment protection. They are also different from cooperatives and private companies in terms of property issue. For community business operating in market conditions common ownership is characteristic which is shared by the employees and the community setting up the business. Profit generating in the business makes the given community richer that reinvests it in public interest activity, services, that is the business actually operates as a non-profit organisation. Increasing welfare of the community is a primary goal within which employment and improving the degree of community moral and self-esteem in connection with it. Besides providing former gap-filling services at least in self-sustained way is the most important advantage.¹⁴¹

Organizational types of social enterprises:

¹³⁸ Social Enterprise Coalition

¹³⁹ Common research with the title Emergence of Social Enterprise in Europe (EMES) among some European research centres investigating the theoretical and practical significance of the third system (or tertiary sector) between 1996-1999. The cooperation resulted the creation of EMES European Research Network.

¹⁴⁰ EMES European Network Homepage

¹⁴¹ Frey 1998

Cooperatives:

Cooperatives launched by individual producers are characteristic elements of social economy. Cooperative is considered non-profit since it does not strive to generate profit, from its profit generated during its operation it only pays share proportional to the activity carried out in the cooperative, if it pays any indeed.

Looking at the spread of cooperatives, it can be stated, that in the Western-European countries from the 80s, in the United States of America from the 90s they have their renaissance. It is characteristic that in the United Kingdom between 1979 and 1994 the number of cooperatives increased from 400 to 8000 while the number of people in it grew from 1500 to 150 thousand. This was a company form that could show an increase during the recession period. Another characteristic data is that 120 million people live in the United States of America whose lives are somehow influenced by cooperates (4500 agricultural, 19000 saving, 7000 consumer and 2500 housing cooperatives as well as nurseries, insurance companies, handcraft industries, health houses, undertaking companies, phone companies, electrical plants, taxi companies, resorts, restaurants work in forms of cooperatives.)

Cooperates were founded for almost all types of services. From every 6 American farmers 5 are members of one or more cooperatives. Farmers sell 82% of their dairy products, 30% of their grain, 29% of their vegetables and fruits, 7% of their meat and 25% of all their products through cooperatives. At the same time they purchase 36% of the artificial fertilizer, 35% of the fuel, 34% of the pesticides, 19% of the forage, 15% of the seed and 20% of their total purchase through cooperatives. Cooperatives are the biggest employers and tax payers in many rural settlements.

In Western Europe economic necessity led to the strengthening of agricultural cooperation.

In the recent decades European Union and its member states made quality competition stronger among certain producers at the same time with demolishing internal custom borders despite national quotes they gave export boost. This boost can be utilized by those companies that have well developed institutions, are able to react to real market information, and can stay competitive. European countries realising big agricultural and food industrial export (Denmark, Netherlands, and France) could reach internationally competitive quality good production, effective manufacturing and secure producing existence with cooperative collaboration. Without cooperative marketing activity producers could hardly obtain direct genuine commodity market knowledge. At the same time operation of producers in food industry restrict price increasing and income subtracting effects of monopolies of mammoth companies and black market therefore it creates consumer protection as well.¹⁴²

According to the American formulation, cooperative is such a business organisation that is owned and controlled by the users that share in the profits generated. New cooperatives have two types known.

- c. Primary or worker cooperative, in which groups of people come together, they produce goods or organise services and sell them. This cooperative type have significant role in employment programmes.
- d. Secondary or marketing cooperative that is not for the collaboration of people but the cooperation of business enterprises. It has role where there is no market for the given product or service or it is difficult to access it.¹⁴³

Concept of new type of cooperatives used in Hungary related to the second type: "Under cooperative we mean such association in which economy or an economic operation is carried out in common premises in a way that they keep economies independent of their separateness.

¹⁴² Szeremley 1997

¹⁴³ Reynolds 1994

¹⁴⁴In this case production is done mainly in private farms, processing and sales, producer orientation is organized by cooperatives. Main tasks for cooperatives as agricultural marketing organisations are secure market entry of the product and achieving the highest possible revenue.

Principles for cooperation:

- *Open membership:* membership is voluntary and open to every member willing to use the services of the cooperative.
- *Democratic control:* one member can have only one vote, regardless of the size of the shareholding and his investment.
- *Limited interest payment:* they pay only a very limited level of interest after paid shares if they pay any.
- *Members share savings:* operating costs, surplus costs of service development have to be divided among the members in the portion of their activity done within the cooperative.
- *Attitude shaping:* cooperatives have to educate its members and generally the public constantly about the theoretical and practical issues of the cooperation.
- *Collaboration among the cooperatives:* cooperatives actively cooperate with other cooperatives in order to better serve the members and their local communities' interests.

According to the Western European model, cooperative fundamental law operates as an internal law in the relationship among the members. Normal business guarantees are confirmed by mutually binding performances and acceptance of sanctions. For example the capital required to establish cooperative food processors is provided by taking loans, they guarantee loan repayment together. Business management of the cooperation is done by the manager with full responsibility, who is the employee of the members. He recruits his own staff. For the development related to his duties, approval of the board of directors is needed. Management functions do not focus on power.

5.2.2 Voluntary work

Although history of voluntary work done for others' benefit for free looks back for more centuries, its importance is increasing thanks for its role in the development of the society. Definition of volunteership and voluntary definition with its judgement and legal regulation can be different by countries. According to the determination of the UN Volunteers program, volunteer acts according to his free will, consciously, for others' benefit without getting financial remuneration or payment. According to the definitions voluntary service has three characteristics: work done is based on the individual's free will, is for the benefit for others and financial remuneration is its goal.

Performing voluntary work is a tool for community building. It effects the development of social capital, solidarity considered as a basic principle of democracy becomes stronger, with the development of willingness to cooperate the importance of civic initiations and organisations increase. Voluntary work improves the employability of people disadvantageous from an economic and social point of view. For young career-starters it provides a possibility for experience gain, for older people preserving their activity it offers socially useful work (as well), it also helps disabled people with social integration. It can also create new workplaces because it makes a need for certain services whose organisation – thanks for their growing importance – will be taken by businesses or public institutions, so the voluntary work done earlier will become a job with salary.

¹⁴⁴ Márton J. - Szeremley B. 1995.

Although in Western Europe several countries have long tradition in the field of voluntary work. In Hungary significance of voluntary sector lags behind the level of the Western European countries. Reason for the difference is mainly the lack of positive social sample and adequate legal background. Furthermore voluntary work has low social significance and reputation that is also important to mention.¹⁴⁵

5.2.3 Local products and local money

LET circles, later local currency systems appeared among the initiatives leaning to solidarity economy. They are courtesy banks redeeming cash flow.¹⁴⁶ First LETS system was launched in 1983 in Canada, since then 5-10 thousand circles have been created in the world. Largest one this kind is Blue Mountains in South Wales in Austria. It has more than 2000 members, but an average circle usually has some hundreds of members. In Great Britain in the 90s there was about 400 LETS community created, their cooperation is supported by the national system called LETSlink. Foundation of the circles is supported by town and settlement governments in many places. Some circles operate almost in every Western European countries. In Eastern and Central Europe development of the circles started around the millennium.

5.3 Social economy in the European Union

5.3.1 Appearance of social economy concept in politics

Among the business fields of the European Union, measures, policies in connection with social policy were included in topics of Entrepreneurial Policy, Employment Policy and social affairs.

Within enterprise policy fields of measures connected to social economy is relatively narrow, it mainly covers motivating the foundation of organisations and promoting and supporting their international cooperation. In 1992 the Committee formulated a proposal on establishing a statute for the European Cooperative, the European Mutual Society and the European Association. (Official Journal no. C 99 of 21/04/92). These were modified in 1993 for the proposal of the Parliament and Economic and Social Committee (O.J.no.C 236 of 31/08/93, p.1-56). Its formulation considering the special characteristics of the cooperatives, mutual societies and associations are closely related to the disposition titled “European Enterprise (O.J. no. C 176 of 08/07/91). Every essential rule relating to organisational structure, sphere of authority is actually the same as the content of “European Enterprise”. Two years after the foundation of the statute for a European Company, the Council accepted statute for a European Cooperative that created a special cooperative form, European cooperative creating an opportunity to the natural and legal persons in the different member states to found cooperatives free of obstacles stemming from different national legal regulations. Every statute contains a decree that lays down the rules for establishment and operation, which regulates the withdrawal of decision makers. The aim of the decree is to facilitate the development of transnational functions of cooperatives, mutual societies, and associations within the single market with such tools that consider those characteristics that make organisations of social societies different from companies based on private capital. Aim

¹⁴⁵ Szigeti 2003

¹⁴⁶ Abbreviation LETS as more meaning. Originally Local Employment and Trading System, but it is also used for Local Energy Transfer System, Local Exchange Trading Scheme.

of the directives is to determine a minimal regulatory level to withdraw workers. European Association Statute is currently under preparation.¹⁴⁷

Within *the theme of employment and social affairs*, more measures, programs, initiatives deals with development and spread of new, innovative forms of employment as a priority area, as well as with its role in improving employment situation of social economy. Community businesses are considered perspective areas for rather local economy development than an effort with lower-greater efficiency to decrease poverty. This is closely related to the appreciation of the concept of social economic concept and with this the extension of labour intensive activities. Comparing European employment conditions with the employment structure of the United States and Japan it is remarkable that for decreasing employment and extension of meeting requirements more space should be given to individualized, personalized services related to place and time. White Book with the title of Growth, Competitiveness, Employment, indicated four sources for job generation in 1993: 1. community services, 2. services improving living conditions, 3. free time, cultural, audio-visual activities and 4. services of environmental protection.¹⁴⁸ In 1995 European Commission in the document titled European Strategy for Local Development and Support for Economic Initiatives named 17 concrete activities in service sector in connection with four categories.¹⁴⁹ Enlarging the scope of the services includes e.g. the followings:

- a. *personal services*: helping elderly, physically or mentally disabled people at home with performing domestic work as employee, babysitting, tutoring young people with learning difficulties, organising free time sport programmes for problematic young people, guarding houses, reception service, operating shops in rural settlements or far from the city centre, home delivery of cooked meal or purchased products.
- b. *cultural services*: organising free time and cultural programmes, preserving traditions.
- c. *settlement management services*: environmental care, renovation of old buildings, the organization of local transport, having taxi lines between rural settlements, waste collection and recycling.
- d. *environmental services*: taking care of nature conservation areas, sewerage installation, monitoring the compliance of quality standards and the promotion of energy-efficient processes, particularly among households.

Jobs created in these areas do not violate the provisions of the united Europe and they have greater effect than the previous support scheme since they produce such new goods or services that neither of the market sector did nor the network of local financial institutions could meet. After adoption of the Treaty of Amsterdam, which focused on the development of employment with priority, in 1997, in the Luxembourg Summit, EU Member States have agreed on the formation of the European Employment Strategy, whose objectives and tasks were organized into four groups. Four pillars were improving employability, enterprise development, the adaptability of businesses and their employees to facilitate and promote equal opportunities for men and women. The European Council each year from 1998 establishes guidelines in connection with the pillars. Adjusting to it, Member States have to establish their National Action Plans. The direction of “realising the potential of the social economy” was included in enterprise developmental pillar. In addition, in terms of social economy, other directions connected to other pillars were also relevant, like development of active labour market policies to improve employability, the integration of disadvantaged groups into the labour market, or development of employment potential of service sector. In 2003 the transformation of the European Employment Strategy was carried out, during which three interdependent and complementary objectives were formulated instead of the four

¹⁴⁷ EU – Social Economy

¹⁴⁸ COM 1993

¹⁴⁹ New jobs in Europe 1999

pillars. As a new objective full employment, improving quality and productivity of work, strengthening social cohesion and inclusion were determined. Instead of the previous 18 to 22 directions 10 ones were formulated, of which "reduction of regional labour market disparities" mentions social economy, since the direction assigns an important role to the local level in reducing regional employment disparities. More directions like for example promoting integration of labour market and fight against the discrimination of people disadvantaged in the labour market or active and preventive measures for the unemployed and the inactive people remain key elements of the development of the social economy.¹⁵⁰

5.3.2 Types and legal status of social enterprises in some European countries¹⁵¹

Austria: In Austrian legislation there is no direct appropriate legal form of organization for social enterprises. Social services are provided by government, large humanitarian organizations (Red Cross, Caritas) non-profit organizations, companies or informal sector. Although the majority of social services can be used through the fiscal bodies, an increasing portion of services are provided by market or semi-market organizations. Although there is no specific regulation for social enterprise, Austrian law distinguishes associations, non-profit limited liability company or co-operative association. Closest organisations to the concept of social enterprise are "community enterprises supported by the foundations", "socio-economic enterprises", "occupational institutions for social purposes" and "sheltered workshops". Sheltered workshops exist in three forms: rehabilitation (therapeutic) workshop, sheltered workshops regional control, sheltered workshops operating in entrepreneurial form.

Belgium: There are social enterprise types with separate legal regulations: (1) Social enterprises in personal services sector, by which non-profit organizational status is usually chosen. This legal form was established in 1921. For the foundation of a non-profit organisation existence of capital for formation is not required. Status is a condition for gaining public support to perform social and cultural activities. (2) Social enterprises having more market-oriented economic and trade activities possess legal status of "social purpose company". This legal form was created in 1996. These are "mixed" companies which follow social and purely economic-commercial purposes at the same time.

Germany: There is no specific legislation for social enterprise. These businesses are handled individual projects and not useful institutions from a social or political of view. BQG - range of employment and training companies - forms a separate sector, which introduced the concept of social enterprise into legislation for the first time, although not as a new corporate form, but in connection with an employment policy program, which is not about creating permanent social enterprises but small and medium-sized companies. The emergence of social enterprises is not the result of a definite idea; it is rather a survival strategy, a kind of constraint. "Baby boutiques" are prototypes of social entrepreneurs in Germany, their basic characteristics:

- Individual economic initiative, have legal entities and private organizations, are independent from public institutions.
- Their aim is to provide better quality education for children.
- They are not profit-oriented.
- They have similar structures to co-operatives

¹⁵⁰ EU-European Employment Strategy

¹⁵¹ New jobs in Europe 1999

Those projects gain bigger grounds that are launched in stores, commercial centres, empty factory buildings (for unemployed, women or young people). These projects provide information, communication and consulting services to their clients, which demonstrates that there is a need for additional, public supply complementary services in the sector of private and social services.

Finland: A social enterprise as a legal organizational form is not separately regulated. Associations and cooperatives practically belong to the range of social enterprises. Cooperatives are considered to be more market oriented do not have access to voluntary work. They have an active role in the social and health sector. Cooperatives are organized on employee or user basis. In the nineties (according to Italian sample) cooperative associations organized on employee basis appeared, which mainly provide personal and household services. By law, associations are obliged to organize their activities on a voluntary basis. They are mainly provided by traditional health and social services, the emergence of new needs (for example, the fight against alcoholism) resulted the foundation of many new associations. Despite these social enterprises, in Finland it is relatively rare and they have limited relevance.

Greece: The current legislation on cooperatives seems to be the most suitable for the foundation of social enterprises. The two types of cooperatives meet the definition of a social enterprise: (1) Agro-tourism cooperatives: this legal form of organization was set up in the eighties. Mostly women living in underdeveloped regions founded them, although initially the law did not give an opportunity to monitor social goals or innovative solutions in cooperative management. Amendment of the act created a better legal position, and currently these cooperatives can be considered a pioneering initiative by European standards as well. (2) Urban cooperatives: This type of organization was founded mainly by disadvantaged people. Their goal was to take an active participation in economic activities to promote the social and economic integration. The primary purpose is social and rehabilitation, business profit is only secondary. Their main activities are usually product manufacturing, cleaning and photocopying.

Italy: Social enterprise is part of the broader non-profit sector. Sector organizations: organized voluntary associations, social associations, social cooperatives, foundations for social purposes. Uniform regulation is only applied on these non-profit organisations from a tax law aspect. Law provides tax credits and exemptions for the ONLUS (socially useful non-profit organizations). Conditions: (1) Carrying out social activities. (2) Right to use f profit, it has to make annual profit, balance sheet, it always has to use the name ONLUS and it can only perform activities in accordance with defined objectives. From these organizational forms social cooperative is the closest to the concept of social enterprise, as it coordinates social and business goals. Law distinguishes two social cooperative types: Type A: cooperatives providing personal services. Type B: Social cooperatives providing professional integration, which provide stable employment for disadvantaged people with manufacturing products and services.

Netherlands: Social enterprises from Dutch social and economic life are almost completely absent. Altogether there are just few exceptions, for example social housing associations. These companies have different origins, legal form and organizational structure. Foundations, limited partnership (partnership-B), limited liability companies, associations, cooperatives and employee stock programs are included in them. Although the government tries to leave the social sector, most of the services are still provided by public institutions and organizations.

Sweden: Social enterprises can be classified into three categories: (1) Economic associations that hold their members' economic interests in mind (members may be consumer of services, suppliers, employees, etc). Ideal (voluntary or non-profit) associations that are not

engaged in economic activities do not endeavour to realize profit and there is no need for their official registration. (3) Foundations, which have no members. Their range of action is highly specified, their modification is difficult. Their purpose can be economic as well. Foundations many not be transformed, they cannot join and they cannot be liquidated either.

United Kingdom: There is no specific legislation for the determination of social status of enterprises and activities. They do not get tax allowance. If they manage to achieve charitable organization status then they are relieved of paying VAT related to the corporation tax and some non-profit “business” activities. Social enterprises are independent organizations with a social purpose that provide services to their customers. *Cooperatives:* Worker cooperatives are in the smallest number, their development started in the eighties. They operate mainly in the service sector, their purpose is to create and maintain workplaces for disadvantaged people. Number of consumer cooperatives is more but they cannot consider social enterprises indeed. Credit unions play a very important role in determining ethical standards in the banking industry. *Community businesses:* it is based on the participation of the members and the community, which have share in the business and they have possibility to participate in the management of the organisation. *Voluntary organizations:* their task is mainly to provide recreational activities, educational, training services, social care and environmental services.

5.3.3 EU programs supporting the growth and strengthening social economy

With financing *the European Social Fund* ADAPT and EMPLOYMENT initiatives were launched in 1995 which under their five years operation funded about 10 projects in EU member states. The projects were based on international co-operation; they also involved local organizations in large number in their activities in order to have more efficient operation. Innovation was the essential element of the initiatives. The projects experimented with new techniques and ideas or applied the new combination of the existing ones. Multiplier effect appeared as a directive in the programme that was realized in recording, evaluating and extending of experiences. ADAPT was designed to improve the adaptability of workers to changes passing in the industry as well as to promote increase, develop employment and the competitiveness of the companies in the European Union.

EMPLOYMENT initiative was divided into four focused sub-programs. In NOW those projects were involved whose purpose was to decrease women’s unemployment and improve the situation of people having existing workplace. HORIZON formulated its objectives to improve employability of disabled and promote their integration in the labour market. Purpose of INTEGRA was to develop the employability of people excluded from the labour market. YOUTHSTART looked for new ways to handle and solve unemployment problems of young people.¹⁵²

In 1997 European Commission launched experimental programme with the title *Third System and Employment*. Within its frame it supported 81 projects in the field of social services, environmental protection and culture. The aim of the project was to assess whether the third system was able to produce such products and services with which it can satisfy unmet demands and needs while creating new workplaces. Accordingly TSEP supported such projects whose aim was demand satisfaction, workplace creation and local development. Almost all projects were characterized by running in regions with big unemployment or in other economically disadvantageous ones. Programme was closed in 1999, results of project

¹⁵² EQUAL 2005b

evaluation notably contributed to explore social economic conditions and characteristics in the Union.¹⁵³

Using the experiments of ADAPT and EMPLOYMENT initiatives, Equal Community Initiative again financed by ESF in harmony with the Lisbon Strategy was created in 2000. Its purpose was to use such employment political methods that could help with overcoming discrimination and inequality experienced in the labour market. One of its basic elements is partnership; in which different type of organisations with common interests cooperate in the framework of different types of developmental associations created on regional and industrial basis to achieve a common goal. During cooperation every “partner” participates in decision making and realization. Innovativeness stayed an unvaried element of the initiative that therefore manifest in looking for and applying new methods to overcome inequality and discrimination and internationality in exchange of information and experiment among the associations operating in different countries. Presentation, publication, distribution of the projects evaluated also stayed a compulsory element. Associations can operate in nine themes which are allocated to areas of improvement of employability, enterprise development, adaptation, equality and asylum. Social enterprise theme was included in enterprises in its activities in 2002, 10 Member States participated with 157 projects.¹⁵⁴

TSEP can be considered the first comprehensive program surveying the condition and employment potential of tertiary sector and social economy. During evaluation the following general statements were established in connection with the sector:

- In most of the EU member states employment is high and only few workplaces are created.
- European Employment Strategy and Structural Funds are important tools for problem solving but local level also has to take part in it.
- Third sector is significant in the EU, but its significance have to be made more apparent, its importance should be made obvious to the decision makers in the area of employment and local development.
- Role of social economy in employment and local development:
 - Creating new workplaces through the methods of traditional and new methods of employment.
 - Harmonising supply and demand and shaping it to the changing needs of the society.
 - Improving employability for people excluded from the labour market.
- Value creating activity of the sector in the process of local development:
 - Building local social capital, strengthening relationship and participation of citizens.
 - Bigger social cohesion and community confidence with involving new partners.
 - Enlarging local economy with the introduction of new organisational forms and economic structures.
- The sector connects economic and social purposes, decreases negative externalities while strengthens positive ones.
- “Third traveller” approach of local development: meet needs with providing effective service, develops employment and social solidarity.
- Considerable innovativeness and creativity is characteristic for the sector.
- Significant obstacles make the development and emerge the sector more difficult.
- Several measures are needed from the member states and the local developmental organisations for the development of social economy in accordance with its potential.¹⁵⁵

¹⁵³ Jouen2000

¹⁵⁴ EQUAL 2005b

¹⁵⁵ Campbell 1999

5.3.4 Western European experiences in social economy

Evaluation documents of EU programs and initiatives recorded several established and new information on the social economic situation, the employment potential of European Union. It became apparent during the evaluation of the projects that in the Union social economy has a significant role from social and economic developmental point of view.

Three basic characteristics of social economy can be outlined: with product manufacturing and service providing they meet defined needs, situation of disadvantaged people is improved through employment and they have an important role in strengthening community coherence and sense of identity, development of social capital.¹⁵⁶

Characteristics of social and community enterprises as a service business:

Service range of sector has close relationship with activities in the White Book of the year 1993 and the later determined ones.¹⁵⁷ Job-creation potential of social economy is typically dominated in the area of social care, care, child care, household and farmyard, garden works, environmental services, waste management and recycling, housing maintenance and renovation. *Flexibility and accurate knowledge of local needs* is the characteristic trait of product and service generating activities. As the social economy organizations, social enterprises operate close to their target group, they can react more easily and faster to the change of needs that gives a possibility for innovation, testing new ideas and methods.

Quality of provided services is a question often arising. Close relationship between social economic organisations and the community prevents the provided service to be low standard. Objections in connection with the services can be grounded in case when the organisation wants to meet conditions of effective service providing and labour market integration at the same time. Because frequent change of staff, involvement labour force without experiment quality of services is lower without doubt than if that activity was carried out by trained, experienced workers. For this reason, it worth to make difference among such social economic organisations whose primary purpose is the development of employment and the ones with effective service providing.¹⁵⁸

Viability of social enterprise is also basically depending on the market. Basic condition for their successful business activity is to have market for the products and services made that are solvent demand for them have to be ensured. In case of new needs, social enterprise has to assess first whether there will be enough customers for their products, services. When having more projects, because of the lack of the market activity could only survive with the financial support of the Union and the government, the project itself was not proved to be viable.

Most important basic condition for the spread of community enterprises is providing solvent demand, and suitable institutional and professional background. Most common mistake was that however there was a demand for the services; households and local governments creating target group were unable to pay them. It was characteristic especially in the regions where unemployment is the biggest. Using services can be encouraged with support given to the users or with lower prices through decreasing cuts.

From the realisation of the concept on developing personal services (child care and babysitting, elder care, patient care, family and household chores) creation of three hundred thousand workplaces are expected. The strategy is based on three basic elements:

1. It helps the creation of solvent demand, so that:

- if the household employs staff for the above mentioned areas, then it can write a part of the costs from the tax base,
- companies can give their staff support to be able to use these services,

¹⁵⁶ Campbell 1999

¹⁵⁷ New jobs in Europe 1999

¹⁵⁸ Campbell 1999

- they have to pay 30% less insurance contribution after every part-time job than after full-time jobs.
 - if the beneficiary is a non-profit organization they can take advantages the benefits associated with non-profit organisations (e.g. paying back VAT), but can also have employment benefits therefore price of the service can further decreased.
2. Organizational framework for supply was created partly by controlling the operation of non-profit organizations, partly by the development of related procedures. The later one is a check book in which the employer writes the amount to be paid to the employee, this is sent to the health insurer. There they levy and transfer the common charges where they have to. Therefore employer is significantly relieved from the administrative burden.
 3. Creating trades for activities under the personal services, organization of training.^{159 160}
Social and community enterprises, as employers: Among the objectives of social enterprises creations of new workplaces can be considered the most important, for which the intention employing disadvantage people is usually connected.
 Three types of job creation and improvement of employability of disadvantaged can be observed in social economy:
 1. Within the framework of the *transit employment*, participants are given the opportunity to gradually settle their situation and to acquire new, marketable skills. The organizations usually enter into a one-year, fixed-term contract with employees, during this time employability of workers developed by trainings in connection with their job and labour itself. This form of employment is mainly a tool for improving employability of long-term unemployed and low-skilled people.
 2. *Long term labour market integration*, during which disadvantaged people or their committed helpers create such social enterprises, which have manufacturing, service function or operate as incubator organisations for other social enterprises. These organisations usually were founded as incentives of regional or value scale based communities therefore their significance is not only to create workplaces but they are also important from a community developmental point of view.
 3. *Labour market and social integration considering individual demands* that is realized in creating “protected” workplaces and is mainly characteristic for the employment of disabled people. Organizations undertaking such tasks are able to provide their employees social protection, to consider their different needs, work style and work rhythm. Although the employability of these workers improve and their professional knowledge expand, because of their special needs they would not be able to work at other, not protected workplaces, therefore these organisations consider providing them permanent employment as a responsibility.¹⁶¹

For employment, organisations of social economies usually require external support, in several cases if they are exhausted workplaces, functions cease to be. Sustainability of workplaces therefore depends on the amount and the nature of the external funding sources. A part of the social enterprises do not make an effort to create permanent workplaces either because they make transit employment or because they are aware of the fact that it is impossible to maintain workplaces without external support in a particular market, project financing.¹⁶²

¹⁵⁹ Frey 1998

¹⁶⁰ However we have to note that emerge of social economy in France in the 90s is followed by a strong slowdown that can be explained by the increasing influence of neoliberal economic policy and predominance of incentives for cleaning the market economy from social elements.

¹⁶¹ New jobs in Europe 1999

¹⁶² Campbell 1999

When organising community businesses, it has to be considered that workplaces created in this way mean a big step forward for unemployed people, however in this sectors salaries are usually lower and attractive workplaces for long term can only appear with other advantages as well. In contrast to the workplaces of market businesses non-profit organisations can provide the following advantages:

- Exact formulation of mission serving business community purposes and moral surplus coming from the participation of its realization and personal contribution,
- democratic decision making and management
- direct participation in shaping business future, possibility of responsibility.

According to the experiences these attractions are only aspects compensating lower salary for young people and intellectual workers.¹⁶³

Social economy as a way of developing social capital: value added by social economy is mainly manifested in following social purposes, therefore in developing social capital.¹⁶⁴ Organisations of social economy recruit a big part of their employees from the local population and they usually cooperate with organisations working for the development of the region and the community, therefore social businesses provide a possibility to the communities to have an active participation in decision making that concerns them. Therefore organisations of social economy are indispensable tools for the development of the community and social capital.

Social capital contains such organisational elements as networking, norms, and social trust that promote cooperation and coordination serving the welfare of the community. Resources originating from the community are created by such factors like confidence, mutuality, common behavioural norms, commitment and interdependence, formal and informal social networks, effective informational channels¹⁶⁵ Social capital actually is any non-financial resources that makes possible for the community to develop and operate more effectively.¹⁶⁶

Due to their nature and limited resources social enterprises greatly need the help of two other sector organizations, therefore one of the basic terms for the success of social economy is partnership. The most typical partner organizations are local governments, specialized authorities, labour organizations, educational institutions, local businesses and non-profit organizations.

5.4 Financing social economy

Organisations of social economy are usually not able to finance their operation merely from their own income coming from their business; therefore they need alternative funding resources. Characteristic external financial methods are support and bank nature financing forms. Organisations of social economy can get support from several sources. Donation from organisational members and supporters are considered important external resources as well as awarded grants from tenders from the public sphere and non-profit sector.

Supports: Undoubtedly, the biggest advantage of support as a financial form is that it does not have to be repaid. However, in addition to it, several problems arise in connection with supports. The development of entrepreneurial spirit is prevented because the *application* of the given amount *is severely restricted* and because of cost financing there is *no possibility for generating reserves*. Sustainability of the business and maintenance of the organisation is made difficult, because supports are only given for short term and only finance projects not

¹⁶³ Kelemen 1996

¹⁶⁴ Campbell 1999

¹⁶⁵ Conscise 2000

¹⁶⁶ Social Enterprise Coalition 2003 42.

the operation of the organisations. Therefore the person solicit support has to adapt to tender purposes that means the modification of original objectives. Many support forms appear as post-financing and cause liquidity problems. Efficiency is decreased by the bureaucratic of the tender system that increases *administration costs and charges*. Supports usually do not help social enterprises with having access to other not supportive financial resources.

The type of bank financing: Advantages of forms with bank financing in contrast to the supports that loans and securities are *for longer term*. Therefore organisations have more time to develop their business strategy and function. This form demands *a bigger financial discipline*, due to the elimination of dependence – often one side - on subsidies the *action scope for the social organisations is broadened*. At the same time, organisations of social economy have to face serious difficulties when they would like to require resources from commercial banks, financial institutions. *Traditional financial institutions and banks* do not care *social enterprises* because they esteem risk to be too big because of new markets and functions or they do not keep projects viable and the managers of the organisations do not have the required knowledge and experience.¹⁶⁷

Special financing forms: In the last 20 years in the European Union and in the developed states of the world several organisations were found for financing social enterprises with work creation potential. INAISE (International Association of Investors in the Social Economy) the global network for social and environmental oriented financial institutions, found in 1989 endeavours to gather these organisations. Their member organisations operate in such sectors and support such micro- and small businesses that have big (bigger than currently) employment potential. They formulate more easily achievable requirements than traditional financial institutions. Moreover during project operations they give continuous guidance, so they give a possibility to have resources for the less profitable projects. According to the typology of INAISE, these organisations can be put in four bigger categories:

1. First group includes *local funds, investment clubs* that use local human and financial source and usually give short term credits of small amount to their clients. Their function is self-financed; participation of voluntaries is significant in the field of provided counselling services.
2. *Organisations taking part in the distribution of public funds* are in the second group. They get a significant part of their resources from public institutions. They give support to such enterprises that cannot expect funds from traditional financial institutions.
3. Third group consists so called *ethical banks* that perform their financial institutional activities in the spirit of sustainable development, following ecological, social goals. Considering these objectives they support the development of companies operating in new sectors and markets. These banks do not endeavour to achieve high profit; do not pay high dividend and interest so they do not provide attractive possibilities neither to external investors nor to depositors. Lack of capital is a weak point for ethical banks that is why they are not able to finance so many businesses, projects as the ones that turn to them.
4. Fourth group include company networks with *financial activates setting up on a regional or sectoral* basis. They are self-sustained; their biggest strength in addition to the financial resources is the significant volume of professional knowledge concentrating in the network.¹⁶⁸

Most frequent applied financial form of the above mentioned financial organisations are *loan or credit*. Due to the maintenance of their social orientation and activities these organisations are interested in the refund of the credited amount in the same way as the company receiving the loan. To facilitate this, they provide continuous support and supervision during the term of the loan. *Venture capital* is mainly funded by local investment funds and clubs, as they try to

¹⁶⁷ Brown-Murphy 2003

¹⁶⁸ FISE 1997

use local funds to finance social enterprises which do useful work for the local community and create jobs. Guaranty is usually applied when the financial institution is unable or unwilling to lend money to the company from its own resources, it rather provides guarantee with its property on repayment of the loan given by a commercial bank or financial institution.¹⁶⁹

5.5 Establishment and working characteristics of social economy in Hungary

5.5.1 Situation and results of Hungarian non-business sector

In Hungary non-profit sector (which is the most spread Hungarian name for tertiary sector) has undergone a dynamic development in the last fifteen years. Non-profit organisations do not lag behind their European counterparts as for any of their activities since they are present in nearly every business sector. Economic weight of the sector is increasingly significant, in 2002 its total – estimated – income approached 700 billion HUF, and the number of its employees was more than 90 thousand. Its development is hindered mainly by the lack of concise and comprehensive regular legalisation, uncertainty in the areas of funding possibilities, and lack of organisational and managerial knowledge.

Number of non-profit organisations in Hungary between 1991 and 2003 grew to 2.6 fold; however, the rate of annual increases has been steadily slowing. At the beginning of the decade the growth rate was typical above 10%, which fell permanently below 3% after 1996, even smaller decrease can be seen after 1999. Portion of non-profit organisations among the registered business organisations grew steadily, between 1991-2003 it increased from 4.2 % to 5.6%. The same comparison among the operating business organisation means a higher rate; in this case 7 % portion of non-profit organisations is characteristic in the period of 1995-2003.

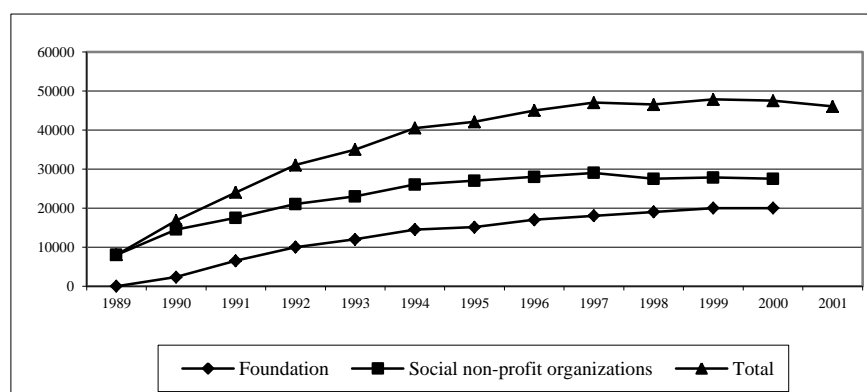


Figure 11: Changes in the number of non-profit organizations in the nineties

Source: M. Nárai 2004.

(Comment: Since 1994 public bodies and public associations were also included in the number of public foundations, social non-profit organizations)

There are strong disparities in spatial distribution of non-profit organizations. In 2002 one third of the Hungarian non-profit organisations operated in Central Hungary, the share of other regions was 10-12%. (CSO, 1991-2003) Based on the number of non-profit

¹⁶⁹ Same

organisations per 1000 capita of south western part of Transdanubia organization of civil society is significantly stronger than of the north eastern counties of Hungary.

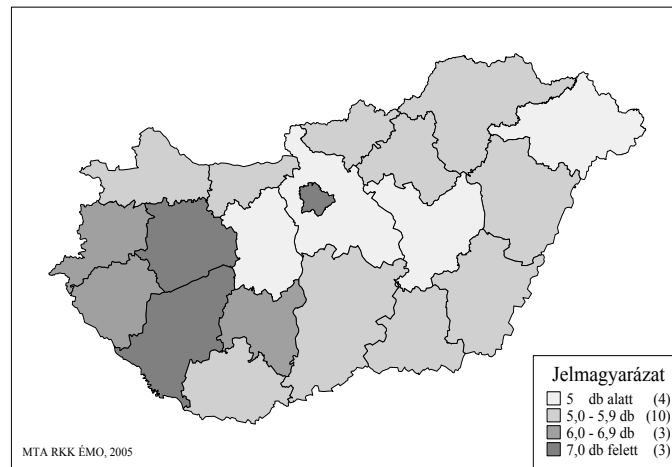


Figure 12: Number of non-profit organisations per 1000 capita in 2002

Source: Hungarian Central Statistical Office, Statistical Yearbook, 2002. Edited by Mátyás Mády

Activities by *non-profit organizations* generally fall into three categories. Donation collection and their distribution are usually done by foundations. Practically every non-profit organisation provides services, while interest safeguarding, self-help, social relations activities are usually done by associations. According to estimations, activity of organizations affects about one and a half million people and organizations.¹⁷⁰ Law on public service organisations lists twenty-two public utility activities – directed to meet the common interest of the society and the individual- but they are far from covering the full range of activities of the non-profit organisations. Hungarian Central Statistical Office groups non-profit organisations according to 18 activity types. In 2002 from all the non-profit organisations 16% operated in the area hobby and recreational activities, 14% of them in education, 13% in sport, 11% in culture, 9% in social care, 6 % in settlement development and housing, 8% as professional, employer employee organisations. The proportion of the organisations having other activates did not reach 5% one by one. There are differences by organisations types according to typical range of activities. More than two-third of the foundations operate in the area of education, culture, health and social care. 70% of social non-profit organizations operate in the field of sport, recreational activities, and culture and outside the scope of public utility services in the area of professional, employee, employer advocacy.¹⁷¹

¹⁷⁰ Bíró 2002

¹⁷¹ KSH, Non-profit 2004 [Hungarian Central Statistical Office]

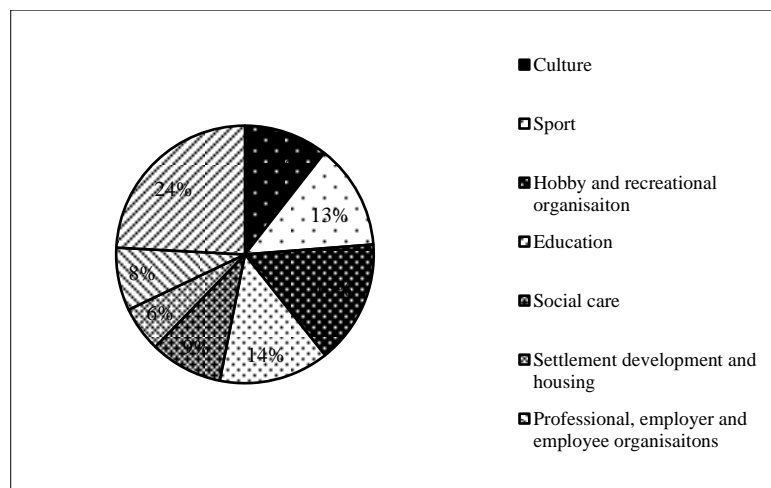


Figure 13: Distribution of non-profit organizations by type of activity in 2002 (%)

Source: Hungarian Statistical Yearbook 2002 edited by Gabor Solymári

Non-profit sector revenue has steadily increased over the past decade in nominal value. Between 1993 and 2002, revenue of the sector grew from 122 billion HUF to 697 billion HUF, it increased by an average of 20 percent per year. Foundations and public foundations, associations, interest groups and non-profit companies and institutions shared annual revenue almost equally. Regional differences also prevail in terms of funding, 63 percent of the hundreds of billions in total revenues is concentrated in the capital. In 2002, about 50 percent of revenue in nearly equal proportions (10-10%), was shared by education, culture, social services, urban development, economic development and trade, economic interest representation organizations.¹⁷²

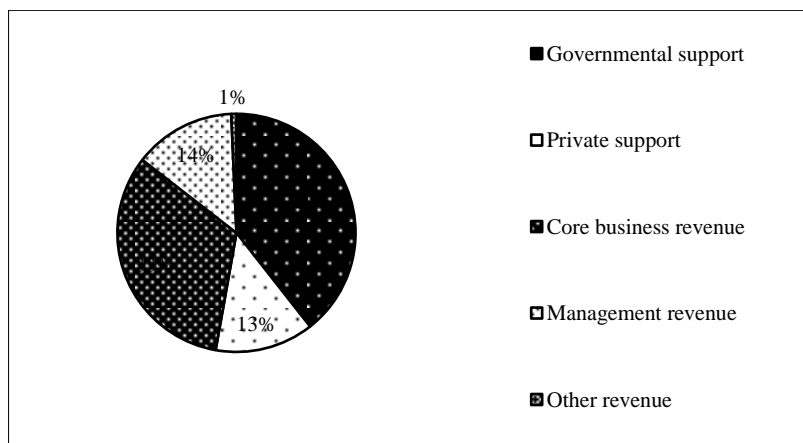


Figure 14: Distribution of income of non-profit organizations in 2002 (%)

Source: The main statistical characteristics of the non-profit sector, 2002, p24. Edited by Gabor Solymári

Non-profit organisations earned their income from four bigger sources. The first category covers governmental, local governmental support that has several forms (for example normative and non-normative, local governmental support, VAT refund, transferred business tax, 1% of personal income tax).

The second group includes private grants which may come from companies, private individual, or other international non-profit organization. The third group consists of income from the basic activities which involves revenue from membership fee; on the other hand, it is

¹⁷² Hungarian Central Statistical Office, Non-profit 2003, 2004

made up core business price, fee, and sales revenue. The fourth category is set up by management revenue activities (interest income, interest credit, revenues from financial operations, and revenues of business activities). Source of income “external” the category can be loan and other income. Support and donations are the primary “external” financing sources for Hungarian non-profit organisations. Loan and other sources do not reach 1 % either in total revenue.¹⁷³

The share of public aid almost doubled in ten years (in 1993 16% of the sector income came from governmental support, in 2002 it was 39%), proportion of private support decreased significantly (from 22% to 13%). Revenues from basic activities also grew significantly; in 1993 it was 20% while in 2002 it was 33%.

Income of the farming activity has fallen to half (from 32% to 14%). Other income decreased considerably in 1993 10% rate reduced to 1% by 2002.¹⁷⁴

The number of employees in non-profit sector continues to grow, between 1993 and 2002 the initial number of 50 thousand increased to 90 thousand. At the end of the period, more than 80 percent of the employees were permanent, most of them worked full-time. In 2002, only 16 percent of non-profit organizations had paid employee, although there are sharp differences by organizational types, as only 11 and 17% of the foundations and associations and 86% of public utility companies employed workers. This means that only 7700 organizations had paid employees, the number of organisations having (also) full-time employees was only 5300. In 2002 from 62 thousand permanent, full-time employees worked 20% in regional development, 14% in economy development, and 13% in social care. 9-9% in the areas of healthcare, education and free time activities.¹⁷⁵ Besides paid employees, work of Hungarian non-profit organisations was helped by more than 300 thousand volunteers in 1999. Near 150 thousand people did usual voluntary work. The volume of activity is characterized according to the 30 million working hours they completed. Help of volunteers are used mainly by foundations, associations, and organisations dealing with interest representation. Hungarian volunteers perform their tasks mainly in non-profit and interest representational organisations dealing with social care, sport and free time activities.¹⁷⁶

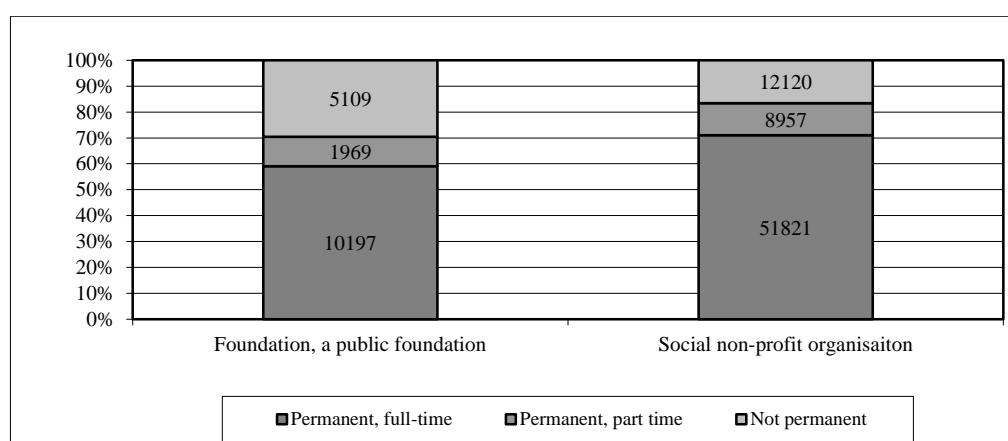


Figure 15: Number and distribution of employees of non-profit organizations in 2002

Source: The main statistical characteristics of the non-profit sector, 2002, p. 37. Edited by Gabor Solymári

From the factors hindering the development of non-profit sector lack of comprehensive, transparent legislation covering the whole sector can be highlighted. From non-profit

¹⁷³ Kuti 2003

¹⁷⁴ Bíró 2002, KSH, Non-profit 2003 [Hungarian Central Statistical Office]

¹⁷⁵ KSH Non-profit 2004 [Hungarian Central Statistical Office]

¹⁷⁶ Bíró 2002

organisations, legal institution of foundation appeared in 1987, and then from 1989 after the adoption of merger law there was a possibility to found public social non-profit organisations as well. In 1993, three new types of organizations, public foundations, public bodies and non-profit companies were introduced in the Civil Code. CLVI law in 1997 on public utility organisations is a milestone in the legislation of non-profit sector. It identified the types of non-profit organizations, conditions for obtaining and terminating non-profit status, operation and management order of non-profit organizations, arrangements for recording and reporting, and the rules for the operation and supervision of the legalisation on the use of property. Separation of public utility and priority public utility status also meant - that as a part of non-profit organisations do not meet public utility requirements- the legislation does not cover the whole non-profit sector. Until 2000, only one-third of the non-profit sector organizations got public utility status and only 5 % of them have priority public-utility status. Practically organisations with public utility status can be found in the same proportion in the capital city, in towns and settlements. Other legislations in connection with non-profit sectors solely cover the accounting and tax issues of non-profit organisations.¹⁷⁷ Important fields, like for example legal situation of voluntary work, possible ways of having guarantee are unclear.

5.5.2 Supporting institutes of social economy in Hungary

In the 90s in the establishment and consolidation of employment related non-profit organizations four umbrella organizations had prominent role. Országos Foglalkoztatási Közalapítvány (Hungarian National Employment Foundation) having mainly money distribution function, Jóléti Szolgálat (Welfare Service) building out networks and Nonprofit Vállalkozásokért Alapítvány, (Non-profit Enterprise Foundation) as well as Autonómia Alapítvány (Hungarian Foundation for Self-Reliance) supporting the development of local communities had significant role in the employment development and in the support of non-profit organisations providing employment and with this the foundation of social economy in Hungary.¹⁷⁸ In recent years, most notable cooperation of the segment was EU-HÁLÓ (EU-MESH) Partnership Program that is trying to help through its regional networks the development of employment related non-profit organizations.¹⁷⁹

Országos Foglalkoztatási Közalapítvány (Hungarian National Employment Foundation) (OFA) supported about 2,100 projects in 1992-2002, in which 190 thousand people attended. OFA developed three types of non-profit labour force programmes, they are: programmes providing alternative labour market services, transit employment and permanent employment. Employment projects are made up in a way that they include items that make people able to work, development of human resources, employment realized in industrial conditions and elements promoting social integration. Target group of the support programme is made up long-term unemployed, people with disabilities and career starters that are the most disadvantageous unemployed people. Although nearly the same number of tenders comes from Budapest, county towns and municipalities, two-thirds of the projects are realized in the capital and in cities.¹⁸⁰

Non-profit organisations may get grants from Labour Market Funds that try to promote employment for permanent unemployed, people with changed working capacity, career starters. However possibility is given, public utility organisations cannot engage in the fight

¹⁷⁷ Bíró 2002

¹⁷⁸ Frey 2001

¹⁷⁹ EU-HÁLÓ 2005

¹⁸⁰ Frey 2001

against unemployment in an effective way for a number of reasons. Among the most common arising problems there are relatively low level of governmental support, unpredictability of conditions for obtaining funds, employees are not well prepared, deficient management skills, lack of cooperation among local actors, lack of cooperation between local actors, besides contract requirements on labour organisations are in contrast with contract discipline of non-profit organisations. According to the leaders of county labour agencies, in order to make non-profit organisations with labour force orientation be able to become self-sustained support system has to be transformed and make more logical. For becoming self-sustained, non-profit organisations have to be able to keep reserves, make market for their products and services, have to spend enough time to exchange experiences and take care of effective and economic operation.¹⁸¹

Jóléti Szolgálat Alapítványt (Welfare Service Foundation) was created with PHARE-support in 1990. Target groups for the foundations are people excluded from the labour market, people excluded from getting unemployed benefit, those who are in lack of entrepreneurial knowledge, education and capital and therefore have little chance to set up an enterprise, those who can only adapt quick changing requirements in a limited way, people having difficulties with employment and integration difficulties, and those who have a need for care, social care. Welfare Social Foundation created 1475 workplaces between 1991 and 1994, 2500 people attended the educational program following employment. During this period within the framework of foundations they provided the following services: family support, care for the elderly, the homeless and refugee care, caring for people with changing working abilities, disabilities, mental health services, child and youth protection, employment services, social catering, public educational services, education, relief and social network store.

Nonprofit Vállalkozásokért a Népjóléti Szférában Alapítvány (Non-profit Enterprises in the Sphere of Social Welfare Foundation) deserves attention mainly because of its concept and not its results.”¹⁸² In 1992 it was established with the aim of giving support to associations dealing with unemployed people to set up non-profit enterprise, therefore to be able to finally overcome unemployment alone. Operation of the foundation and the realization of its incentives can be hindered by strict regulation of resource use and sometimes less real legal regulation.

Autonómia Alapítvány (Hungarian Foundation for Self-Reliance) was found in 1990, its main profile is to support gypsy communities with mixing interest-free loans and donations. Its functions can be put in four groups: poverty, gypsy programme, sustainable development program, civil society programme, and other programmes. Between 1990 and 1998 more the foundation supported than 500 projects with 250 million HUF in the framework of poverty and gypsy programmes. The vast majority of programs (85%) were agricultural, gypsy people participated in most of the, but there were also programmes employing mixed and non-gypsy people. 92% of the programmes supported by the foundation were rural and they were mainly created in the North-eastern Hungary and Southern Transdanubia. Number of participants was almost 5 thousand people. Aim of *Autonómia Alapítvány* (Hungarian Foundation for Self-Reliance) was the creation of job opportunities, which was not equal with job creation since no paid workplaces were created, self-supporting actions were rather characteristic for the programmes.¹⁸³

EU-HÁLÓ Projects were launched by OFA cooperating with some of its umbrella organisations from non-profit organisations with employment goal. The aim was to establish an organization and network of consultants, which help strengthen the domestic civil organizations and to prepare for EU accession. For the result of cooperation in 2004 EU-

¹⁸¹ Uo.

¹⁸² Frey 2001

¹⁸³ Uo.

HÁLÓ Partnership Program was created whose strategic aim was to support the non-profit organisations to become stronger, absorption capacity of capital, and effective labour force activity. In the records of the programme more than 300 partner organisations can be found.¹⁸⁴

5.5.3 Hungarian initiatives of social economy

In the nineties role of non-profit sector in the development of employment was appreciated in Hungary. There was no available information about market orientation social enterprises, which are the closest to non-profit organisations, carrying out labour market programmes and organising employment projects. In 1998 there were only 206 organisations, less than half a percent of all non-profit organizations. According to their purposes, we can differentiate organisations handling social employment, unemployment, helping public utility employment services and supporting unemployment and job searchers. Within the total organizations, there was a fifty-fifty ratio of foundations and non-profit social organizations.

OFA (Hungarian National Employment Foundation) made the most comprehensive survey ever about Hungarian social enterprise types of organisations. Such non-profit organisations were included in the survey unemployed people as well as employed people threatened by unemployment, while they met requirements with their products, services, or unmet demands. According to the survey covering 31 organisations:

1. 70% of the organisations were created by the incentives and supports of local governments, financial and professional support by big national foundations and county job centres played an important role in their creation and operation.
2. Within the scope of activities there were equally agricultural, industrial, and service providing activities.
3. In 1999 60% of the people employed by the organisations had only elementary school qualification or even had lower qualification, therefore it is directed to first phase of basic training or training providing trade acknowledged by National Training Register.
4. Employment linked to economic-entrepreneurial activity could be only maintained for a short period instead they changed to perform tasks taken from local governments and transit employment.
5. Leaders of the organisations evaluated development of organizational structure, creation of workplaces, creations of cooperation, gaining recognition as a success. Reasons for failure are mainly of financial nature, but lack of information, passivity, low labour moral for employees also emerge on the negative side. They assigned a more stable regulation and the development of more predictable support system as a condition for successful work.¹⁸⁵

There are actually more programmes that motivates the development of local economy and employment and within this gives possibility to social enterprises. Therefore they announced the programme with the title: "Fight against permanent exclusion from the world of labour" in 2004 that was financed from PHARE fund and was related to HEFOP and ROP 3.1 measures within the framework of the Hungarian Development Plan. These programmes effected 150-200 projects operating in Hungary that have been financed from the beginning or giving a basis for social and community enterprises.

¹⁸⁴ EU-HÁLÓ 2005

¹⁸⁵ Frey 2001

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