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## THE POSSIBLE ROLE OF SOCIAL ECONOMY IN SURMOUNTING REGIONAL DISADVANTAGES

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*Abstract:* Social and economic cohesion also means reducing regional differences and supporting underdeveloped regions. This, however, can be achieved by increasing the efficiency and competitiveness of the regions and by the expansion of the employment. If in the underdeveloped regions the profit motivated sector does not offer enough job, not even in atypical forms, than it is worth searching in an other sector. Therefore social organizations are expected to offer more perspective opportunities. Supporting the social organizations' employment programs, so creating employment opportunities beyond the primary economic sectors is a potential way. The primary task for regional researches is to designate the most disadvantageous regions in Europe, to size up the possible ways of increasing employment, and then to make suggestion to the decision-makers in behalf of social organizations. Accordingly the organizational, functional, employment, financial and co-operational opportunities and limits of Hungarian non-profit organizations are being analyzed in this paper.

### 1. INTRODUCTION

After the millennium, many analyses showed, that if the competitive, profit motivated sector does not offer employment opportunities, then the unsatisfied needs are to be found outside of this sector. Social care for indigents – children, elderly and disabled people – seems to be this kind of area. In 1996 the European Commission started a special analysis in the social sector to improve the employment opportunities. Even the European Union appointed this sector as a potential area to increase employment. The social sector is the area of limitless potential. Even in countries, that pay the most attention to their inhabitants, the social care could be extended, because families and people need help in so many different situations. An extensive, more organized care system could create more employment opportunities, if the society is willing to pay the price for this. The main difficulty of making use of these possibilities and increasing employment is that the communities as well as the local and state budget should cover the costs; while the government is considering how to reduce the taxes. (LAKY T. 1999).

The role of non-profit organizations in employment and economy was not a well analyzed subject of rural development at the turn of the millennium. Local researches, that analyzed the possibilities and the conditions of establishment of social economy especially in the North-Hungarian region were born only after the millennium. (G. FEKETE É. – SOLYMÁRI G. 2004). So it is not surprising, that the early researches deal mostly with

theoretical summaries and Western European experiences. The research of the unsatisfied needs and of the establishment and the operational parameters of social economy, besides the most important tasks of the establishment, suggests to create and ensure marketing, professional and financial background.

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

The well known social and economic cohesion also means reducing regional differences and supporting underdeveloped regions. This, however, can be achieved by increasing the efficiency and competitiveness of the regions and by the expansion of the employment. If in the underdeveloped regions the profit motivated sector does not offer enough job, not even in atypical forms, than it is worth searching in an other sector. The primary economic sectors – *profit motivated and state-run companies* – are not able to considerable and permanently reduce unemployment. Therefore social organizations are expected to offer more perspective opportunities. Supporting the social organizations' employment programs, so creating employment opportunities beyond the primary economic sectors is a potential way. The primary task for regional researches – with leaning

on the results of the analysis of non-standard forms of employment – is to designate the most disadvantageous regions in Europe, in these regions to size up the possible ways of increasing employment, and then to make suggestion to the decision-makers in behalf of social organizations. Accordingly, the organizational, functional, employment, financial and co-operational opportunities and limits of non-profit organizations are analyzed in this essay.

## **2. RESEARCH METHODS**

The literature in this essay is part of researches without interference that is supposed to explain how this analysis fits in the logical order of former scientific researches. This chapter deals mainly with regional differences of organizational and employment opportunities, so in the secondary analysis also the most useful essays are being logically analyzed. This type of analysis has been made mostly at the North Hungarian Department of Centre for Regional Studies of the Hungarian Academy of Sciences.

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

The evaluation essays unfold specifically the organizational, functional, employment, financial and co-operational opportunities and limits of the employment-motivated non-profit organizations with help of open and closed surveys. The selection process of these companies was supported by the list of winners of tenders of National Employment Foundation (NEF) and Human Resources Development Operational Program (HRDOP), as well as the list that contains the non-profit organizations charged by employment offices to buy services in connection with their basis functions. So the re-

search includes 300 domestic companies, 100 from Southern Transdanubia. The results of the surveys was complemented with interviews with the directors of southern transdanubian employment offices.

## **3. RESULTS**

### **3.1. Organizational forms and functions**

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

The function of more than four fifth of the analyzed organizations is in connection with some type of public services, either they deal with the whole thing or with part of it. The latter ones reach two-third of all. The companies taking over the whole function are mostly public foundations, public companies, or foundations with notable past and competence.

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

If the organizations from Budapest are not taken into consideration, the result will be even more significant, more than 50% of southern transdanubian organizations have county coverage. More than half of the centers of employment motivated organizations are in county center towns. As a matter of fact those organizations, that have been able

to expand their scopes since their establishment have seats mostly from Middle Hungary or Middle Transdanubia. More than half of these organizations, approximately half of the west transdanubian ones, and only one quarter of southern transdanubian organizations have been able to do this. So it is possible, that those regions, that have less non-profit organizations correlated to the population, they fill the needs with bigger scope and coverage.

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

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

The mentioned groups are mostly unemployed, gypsies and women, because three quarter of organizations mentioned all of them. Nearly two third of them focus on entrants, a little more than half on people from minor areas, on people with disabilities and on people with low education. One third of the organizations mentioned the returnees from childbirth, elderly people, and people with social disorder, and less then one fifth mentioned addicts.

Most of the analyzed organizations depend on the state sector and on the state budget, only a little segment is business motivated. This seems to be demonstrated by the non-profit character of employment motivated organizations. Half of the respondents mentioned the patron-supporter character as primary function. At the same time only 2% mentioned that business function is the most important. These organizations decisively deal with rural development or ecology. 15% said that the business function

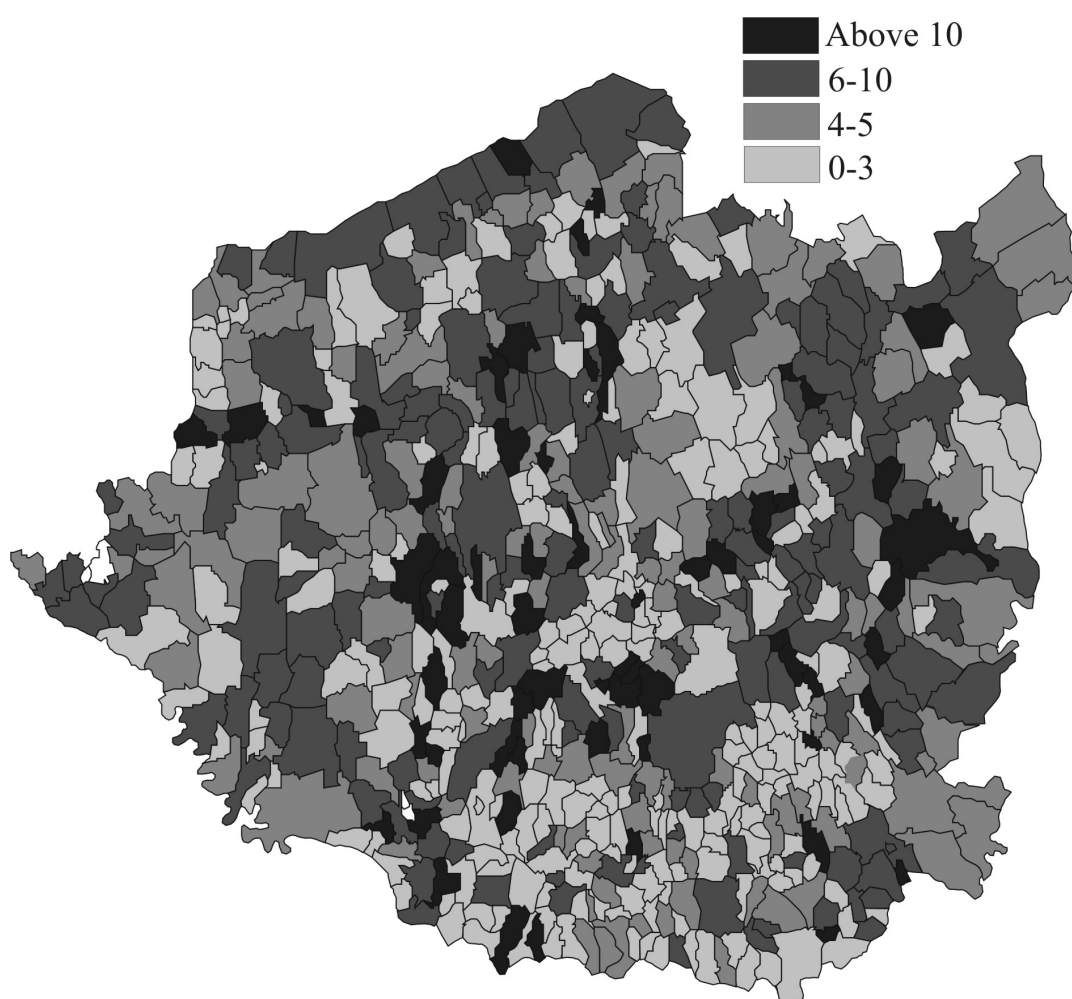
is important (but not the most important), principally with complex HR services, business development, innovation and training programs. However half of the organizations thought this last one is unimportant, or totally insignificant.

*In aspect of employment* more than two third of the respondents mentioned „bridge” as the main function of their organizations, so they are committed to employment reintegration, mainly with offering temporary employment, business development, communal work, labor exchange and registry, trainings, and co-operations. More than half of the organizations mentioned the protector role, so they offer job opportunities for those (people with disabilities, homeless people, permanent unemployed, people with systematic social aid, so basically the minorities), who would not be able to find a job without support. These are the organizations, that run – besides employment programs – employment agencies, job hunting clubs, job exploration, mentor programs and connect trainings to employment. Only 11% of the organizations think that business function is the most important. Usually they are interested in supporting small enterprises (running business incubators, guidance, economic services, accounting), care and attendance of public premises, cultural services (brochure making), and specifically in production and sales.

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

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

However most of the organizations think that their functions are innovative, lateral-thinking, especially the education-training and the HR services. Either with or without bringing home foreign examples, they provide new types of education and outlook that have not been presented in Hungary so far. Sometimes they record new professions. The complexity and the costumer centricity of the services and supporting new ideas help in-novation. Reactions for changing needs, open-mindedness, customized, special services and the realizations of model and experimental programs, they all seem to be different forms of innovation (Figure 1).



**Fig. 1**  
**Number of nonprofit organizations per 1000 people**

### 3.2. Employment role

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

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

The role of females is significant in the structural distribution of the employees, only one third of the employees are male. So in view of the results of Southern Transdanubia we are entitled to say that these organizations are able to offer jobs mainly to females. The gross average salary – especially because of the higher ratio of communal work organizations (that usually work with minimum wage) – barely exceeded 100.000 forints. However there are 200.000 forints salaries – probably in positions like chairmen, assistant chairmen and directors. The average age of employees is surprisingly high. However the group of 26-35 years old people is the biggest (more than one third is under 35), the average age converges to 40. This is obviously because of the high – 25% - ratio of 50 years old or older people.

The ratio of professionals is significant in the occupational distribution of the employees. According to the ratio of big organizations with couple hundred employees – that deal with communal work, rehabilitation, public utilities – in the pattern, the ratio of professionals are varying between 40-60%. In case of non-profit organizations the group of professionals can contain administrators, managers, registrars, social workers,



teachers, trainers, doctors, project managers and assistants, mentors, youth care experts, accountants, employment mentors, coordinators etc. In the order the semiskilled workers are followed by skilled workers, and last in line are the unskilled workers.

Approximately half of the employees belong to – in employment usage – disadvantageous groups. The organizations for permanent unemployed and for people with disabilities have the highest ratio that is approximately three quarter of all employees. They are followed by gypsies, entrants and lastly the returnees from childbirth.

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

The dynamic analysis of fluctuation shows, that the growth is considerable since 2005. The starting HRDOP-programs (supporting goals such as return of permanent unemployed, employment integration of youth, fighting against exclusion, integration and employment support of the most disadvantageous people – mainly gypsies) provided employ to mostly disadvantageous people by non-profit organizations. The prominent ratios of 2008 signify the beginning of a new period (Social Renewal Operative Program - SROP, Regional Operative Program - ROP). And also in 2008 the employment expansion was supported by the spread of order regulated social employment.

If the organizations had to decrease employment that was usually because of the expiration of the assistance, since the organizations by themselves were not able to employ on the same level. The needed sources were provided through tenders (employment offices buying employment services, ESF, etc.), and in order to access these tenders they can enrich their profile or take on new tasks. *If the state, municipality sphere were opened to civil sphere leaning on helping purpose and competency, then the local employment initiations could help the stabilization of employment in disadvantageous areas. Strengthening non-profit organizations, continuing outsourcing state/municipality services, appearance of new duties and expansion of functions are possibilities.*

According to the directors of the organizations, in the future the expansion of employment is still impossible without assistance. So their future is unpredictable, because it is dependent on tenders. Only 10% of the organizations thought that there is no possible way to recruit more. In their cases the tendering source was not enough even for operation. And furthermore sometimes the payments of the tenders are overdue or the amount is not enough, and they need to use their spare, so their pessimism make sense.

Sometimes, however, the infrastructure and the volumetric capacity are the limit of the employment. The organizations would expect increased assistance from the employment offices, because they often think that the present salary support is not enough.

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

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

### **3.3. Connection system and partnership**

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

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

The organizational structure, which is required for operational functioning is not always worked out, so most of the partnerships are simple and the continuous connection is not provided. Partnership models and partnership experiences sometimes do not recognize the cooperation possibilities because of the lack of self-confidence and initiative skills, in these cases the partnerships become formal.

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

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

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

The co-operation is very diverse, for example the municipalities usually help with arrangement of programs, financing, information transfer, sometimes providing infrastructure basis for out placed services. With the sub-regional associations the service and maintenance contracts are very important. Other civil organizations could help with experience exchange, consortium partnership, common tenders, projects planning, real-

izing educational, employment and equal opportunity programs, and the common tendering is also important to provide necessary funds. The employment co-operation of employers and contractors can help to make the work of non-profit organizations more efficient.

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

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

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

Important element of the connection system is the relation to the target group. Almost two third of the organizations think that the relationship with service users is good, one third think it is excellent. Less than 10% think that the relationship is ordinary or inadequate. Sometimes they take the accomplishment of an employment program as an example of excellent partnership with the target group. They explain their valuations with the results of satisfaction surveys filled within the confines of standard controlling program, and the areas that should be improved are also mentioned in the yearly self evaluation. In other cases they use the target group's continuous, spontaneous feedbacks, since the costumers often come back with their needs or they offer a service to others. The systematic, daily contacts and the high participation ratio on the programs are important feedbacks for the organizations.

### 3.4. Business and finance

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

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

The subsidies above are followed by state subsidies, business, employment and other incomes and subsidies. The business income exceeded the average usually at those organizations, who provided – mainly for enterprises – economic or business services (office, professional, accounting, tender writing, lending credits), or produced and sold products. Rural development and business development foundations as well as rehabilitation employment public companies belong to this group. This is usually missing, or

does not reach 10% of the incomes. The amount of government subsidies was the highest at those organizations, who received projective development subsidy. The government subsidies and the tender funds together total up to the majority of the incomes. The other resources are significant at those organizations, where the business motivated founders provide most of the incomes.

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

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

Those organizations who have not faced any business difficulties are usually budget companies with stable financial background or cultural associations with small number of employees and simple functions. Large associations with couple member organizations, umbrella bodies, successful EU and other tender participants and organizations with significant business functions also belong to this latter group. The organizations with significant government subsidy are in similar situation, that can be project development subsidy, or in case of hygienic service function social insurance subsidy.

### 3.5. Opportunities and limits

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

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

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

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

Analyzing the reasons of successfulness, capacity of living, or even the unsuccessfulness, the organizations usually mentioned positive factors. Reasons for success can be qualities such as innovative thinking, complexity, experience, professionalism, flexibility and open mindedness. The problem focused and comprehensive planned, person-

alized, quick, precise, needed and effective employment services and with the support of successful national and EU tenders durative and active achievement of function targets are the main values that can complete the qualities above. Reputation, and county level fame, and the professional, employer and connection network – possible in all three spheres (municipality, state, business) – are also important. But this could not be achieved without the trust of supporters and the public, or without sufficient interest representation ability. Besides steady financial background business and market oriented approach and good communication and PR function may also be reasons for the success of the analyzed organizations.

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

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

Processing profile expansion is not so obvious, though. A little less than half of the organizations see chances to enrich their business activities with exploration of new jobs, establishment of civil umbrella, introducing new type of employment services, on-line job consultation, or with capacity expansion to enrich business activities. Pessimists blamed the possible default of profile expansion on tax liabilities, financial difficulties, shortage of human resources, irregular timing of tender funds, and the already existing wide range of services.

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

It follows that the long term successfulness is mainly dependent on the expansion of tenders, the successfulness of the tenders, and the effective implementation and development of the projects. The financial success may also depend on the thriftiness and the efficient fund use. Opening for business activities can be also significant (business



planning, salesmanship, increasing production). But at least three other factors are needed for tender successfulness, such as profile and service expansion, connection network development and primarily the partnership of municipalities. Purchasing services and signing long term contracts can increase the chance for survival and development. The system and HR development and the information access increase the successfulness even further.

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

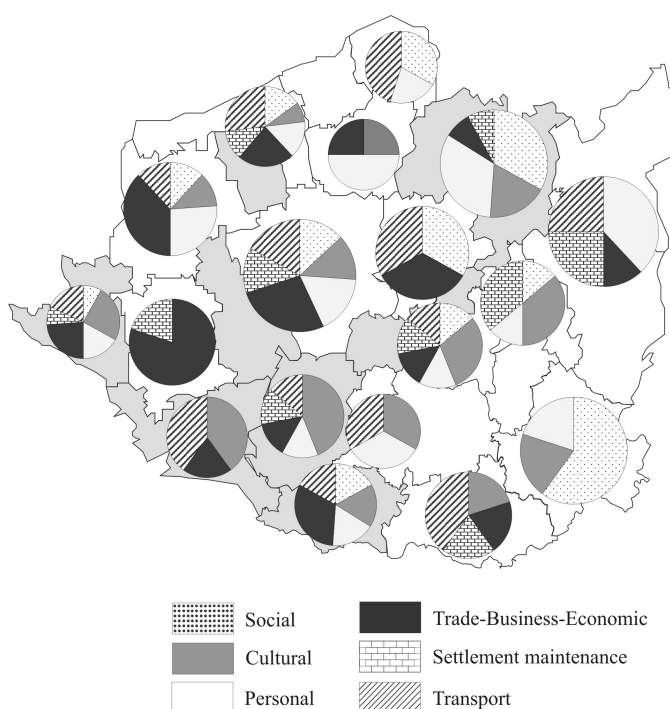
### **3.6. Unsatisfied demands**

It is obvious that regarding the territorial extension of social economy it is significant to discover yet unsatisfied (not covered by business companies or municipalities) needs, that could be supplied by non-profit organizations. In Southern Transdanubia these needs are mainly personal (home care, child care, garden and yard catering), or transportation services (community bus, vehicle, moving house, moving library and shop), these are 40% of all opportunities. However a notable ratio of business, town catering, social and cultural services are supplied by business companies, municipality founded organizations or temporary workers in the year of the analysis.

There are underdeveloped sub-regions, though, in which – due to the special location of the area – different needs were mentioned. They usually come into view with number of social and existential difficulties, and unfavorable hygienic situation. The people living in these areas are getting further from the way of life, standard of living and life expectations of those who are able to improve their own situation. The number of alcoholics and addicts is high. It follows that the importance of social care and men-

tal health care for addicts is higher than the national average. The establishment of civil sphere is meant to be the future for these areas, which starts with community building. So besides social services this type of services is also significant.

The most underdeveloped areas are mainly agricultural areas with structural problems. The main role of primary sector is even more important here in the distribution of active employees. Even though agriculture used to be priority sector, but after the breakdown of collective farms this segment was not able to be renewed. However agriculture (forest economy, extended cow breeding, herbs and spicy plant growing) can be dominant sector in these areas, and it can be completed well by agritourism.



Forced by the needs of survival and the market – recently unsatisfied – agricultural co-operation could be the most important task among agricultural services. In the future commercial, mainly rental and transporter services may have main roles, because the density of public conveyances and the dis-used road-system make it hard to get to work. The mentioned – recently unsatisfied in most towns of these sub-regions – services are meant to be the fundament of social and cultural well-being. With non-profit establishment of these services 20-30 people could be permanently employed (Figure 2).

**Fig. 2**  
**Unsatisfied needs in South Transdanubia**  
*(In the opinion of the labour market experts of the regions)*

## 4. CONCLUSIONS

Geographical researches, after the change of system, analysed the Hungarian non-profit sector from two important points of view (RECHNITZER J. 1998):

- 1) Are the appearance of nonprofit organizations determined by geographic location?
- 2) Is regional income potential or economic activity connected to the rate of nonprofit organizations?

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

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

It is not a coincidence that social economy gets established within the confines of non-profit organizations. This new, rational way of creating employment opportunities seems to be very viable in many countries in Europe. Unfortunately in Hungary the little economic opportunities and the low social cohesion make establishment of social economy very difficult.

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

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

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

Considering regional aspects it is edifying that more than one tenth of the employees do not live in the city where the organization is located, but in surrounding towns. So these organizations can help the employment stabilization of the towns in their sub-region or even in their county. And another important observation is that the scope of employment motivated organizations is not so much of town or sub-regional level, but administrative medium level. This fact is also a proof of the lack of local information available to employment motivated organizations.

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