

# 10. INTERNATIONAL EUROPEAN CONGRESS ON ADVANCED STUDIES IN BASIC SCIENCES

## AN EFFICIENT SOCIAL COOPERATIVE IN HUNGARY

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### ABSTRACT

Since 1 July 2006, it has been possible to set up social cooperatives in Hungary. A social cooperative is a special form of social enterprise. A common feature of social enterprises is that their activities are aimed at addressing and solving a social need or problem, and their business objectives are linked to these primary objectives. In 2013, the Bébic Food Production, Service and Trade Start Social Cooperative was launched in the municipality of Ukk, Hungary, to make the agricultural project of the public employment Start Work model programme of the municipality self-sustainable. With a population of just under 300 people, the social cooperative is a key element in the operation of the village. The social cooperative processes the raw materials grown on the sea buckthorn, raspberry and beetroot plantations in the municipal areas into high quality jams and drinks. In the long term, the cooperative supports the local population through gradual improvements and job creation, with a view to a healthy lifestyle and environmental awareness. It will describe the circumstances of the establishment and operation of the cooperative using the field research method.

### Introduction

In order to reduce unemployment, the economic actors cannot be expected to provide effective help, so it is reasonable to rely on non-profit organisations to find more perspective solutions than the current ones (Neamtan, 2002). One way to do this could be to support the employment initiatives of non-profit organisations, i.e. to create jobs outside the mainstream of the labour market. In the most common economic model today, three economic sectors coexist. The third sector, the so-called social economy, is dominated by social enterprises and cooperatives (Moulaert-Ailenei, 2005; Csoba, 2007). The conceptual scope and definitions are often blurred, with the French and Italian literature suggesting that the core values are solidarity, equity and dialogue (Birkhölzer, 2000, Borzaga - Defourny, 2001; Borzaga et al, 2008; Allard et al, 2008; Monzón - Chaves, 2008). Social enterprises serve the community and their aim is not to maximise profit but to solve existing social problems (G. Fekete, 2007).

In Hungary, it has been possible to establish social cooperatives since 2006 (Ferencz, 2015). More and more municipalities are setting up social cooperatives, which take over the management and organisation of public employment from the municipality and are thus able to sell the products produced by the public employees (Finta - Póla, 2020). The law on cooperatives in Hungary was amended in July 2019. After the amendment, a distinction was made between social cooperatives established on the basis of public employment and traditional cooperatives. The former should be called "start social cooperative". A social cooperative requires a minimum of seven founding members, of which at least one must be a local or national government or an association of such a government with legal personality. Social cooperatives operate on a profit-oriented basis and their main decision-making body, the general assembly, decides to distribute the profits among the members (Birkhölzer, 2000; Defourny - Nyssens, 2010). In all cases, a social cooperative must have a registered office, a name that refers to the main activity of the social cooperative and includes the designation 'social cooperative'. Each social cooperative must have a statute setting out its objectives, the main rules governing its operation and the principles on which it is based.

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### Presentation of the socio-economic background of the municipality of Ukk

The large cities of the Central Transdanubian region, with their favourable transport connections and outstanding endowments, play an important role in the socio-economic space of Hungary. One of the most important spatial characteristics of the region is that, due to its proximity to Budapest and the historical characteristics of the urban network and the northern part of the Transdanubian region, it does not have a single growth pole of national importance or with multi-regional implications. Its urban population has a balanced structure and is one of the most urbanised areas in the country. It is the most densely populated and most populous region in Hungary. Its dominant industries are computer and communications equipment, vehicle and vehicle parts manufacturing, in which foreign capital investment has played a major role. Tourism is also of particular importance in the region. It is the third most developed region in the country.

The economic development of Veszprém County owes much to the fact that its infrastructure background is of a higher standard than that of the country. The county is characterised by a dense network of roads connecting important industrial hubs and tourist resorts.

The municipality of Ukk is a small village in Veszprém County, the main activities of the population being agriculture and livestock breeding. The municipality covers an area of 13.87 km<sup>2</sup> and its population has been decreasing over the last 22 years, reaching 284 inhabitants at the end of 2022. The change in the permanent population is illustrated in the graph below:

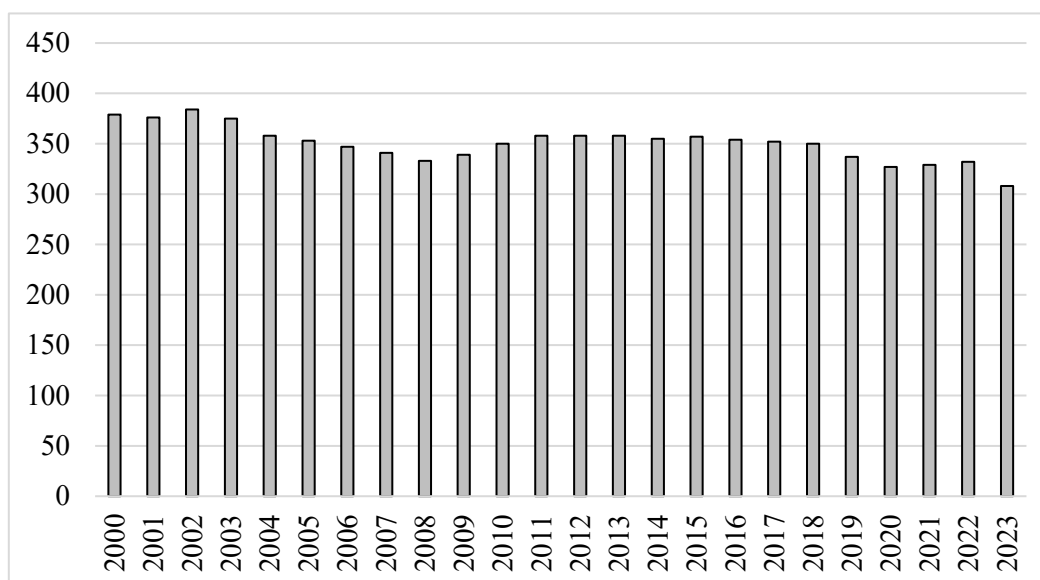


Figure 1. Change in the permanent population of Ukk (2000-2023)

Source: Own editing based on Hungarian Statistical Office's data

The factors influencing the permanent population are the number of births, the number of emigrants, the number of deaths and the number of emigrations (Figure 1). During the period under review, there was a slight increase in the population between 2010 and 2018, due to an increase in the number of emigrants. The change in the population is not the result of natural factors but rather of migration. The reasons for the changes in population are summarised in Figure 2.

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Figure 2. Number of live births and deaths in the municipality of Ukk  
Source: Own editing based on Hungarian Statistical Office's data

Despite the overall decline in the population of the municipality, the fact that the proportion of working-age people remains unchanged is certainly positive. An analysis of the dependency ratio shows that, in line with the trend in Hungary, the number of elderly people (65 and over) is increasing, with a parallel decrease in the number of young people (0-14 years old). Unfortunately, this has a negative impact on the future of the municipality.

In relation to the working age population, the number of jobseekers and long-term unemployed increased significantly after the economic crisis of 2008 (Figure 3). After the crisis, a steady decline was observed until the period of the coronavirus epidemic.

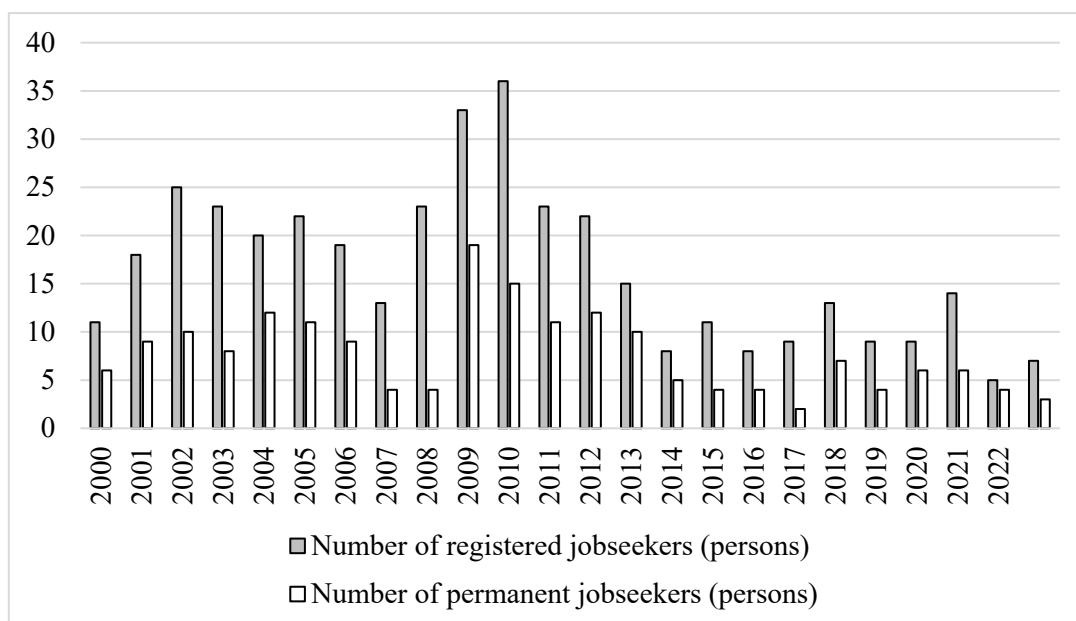


Figure 3. Number of registered job seekers and long-term job seekers in the municipality of Ukk  
Source: Own editing based on Hungarian Statistical Office's data

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40% of the school-educated population have completed at most the 8th grade of primary school, 28% have completed secondary education without a school leaving certificate and 24% have passed a school leaving certificate. The share of residents with tertiary education is 8%. The data suggest that the resident population is predominantly undereducated.

### Public employment in Ukk in the framework of the Bébic Social Cooperative

The centuries-old public employment system in Hungary has undergone a major overhaul since 1 January 2011. Public employment has been brought under the policy remit of the Ministry of the Interior. The available resources have increased significantly and the budget for public employment has become open from the top. Municipalities received, on average, more funding for public employment than for public assistance. One change was the virtual disappearance of part-time public employment from 2011, the average duration of public employment contracts was extended and employment became more evenly spread over time, while remuneration was exempted from the general regulation. Refusal to accept the offer of public employment entailed the loss of entitlement to the replacement employment allowance, so that its acceptance was essentially compulsory. The municipality of Ukk has been participating in public employment programmes since the beginning, in 2012, thus providing the community with continuous job opportunities and infrastructure improvements.

The number of people employed in the different types of public employment schemes is shown in the table below:

	Longer-term public employment	National public employment	Total district programmes	Total public employment, persons
2013	4	0	9	13
2014	3	1	11	15
2015	1	2	9	12
2016	4	2	4	10
2017	2	3	5	11
2018	1	3	5	8
2019	4	2	1	6
2020	1	2	3	6
2021	1	2	3	6
2022	2	3	2	6

Table 1. Number of public employment between 2013 and 2022 by type of programme in the municipality of Ukk

Source: Own editing based on Ministry of Interior data

Over the past three years, the environment of the buildings that provide the main services of the municipality has been improved and its value, the national wealth, has been significantly increased through investments made with the support of the district's Start Work model programme and from own resources. On average, 6 public employees have been involved in cleaning green areas and agricultural roads owned by the municipality. In terms of construction works, from 2019, the accident-prone pavement alongside the main road 84 was renovated, a safety barrier was built and the pavement of the bus stop in the centre of the village was rebuilt, ensuring safe pedestrian and barrier-free transport for the population. This was followed by the paving and accessibility of the car park adjacent to the multi-purpose building of the Mayor's Office and the paving of the grass/grass area adjacent to the social facilities for public employees and the community square. Building on the success of previous years,

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the 2022 programme of construction and renovation work has been continued with a focus on health promotion and pre-school education.

The Multifunctional Health Centre of the municipality serves not only the population of Ukk village but also the needs of the surrounding villages with GP and nurse services, which has resulted in a significant number of cars parked on the roadside, making road traffic difficult. To address this problem, the programme has provided parking for 8 cars and a bench for waiting passengers.

In connection with the completion of the work begun in the previous year on the multi-purpose building of the Mayor's Office, the steps leading to the entrances of the building were paved. In the centre of the town, along the road, stands the 18th century Baroque Szalay Mansion, which currently hosts the Kindergarten and outdoor events organised by the municipality, and plays an important role in the recreation of the inhabitants of the town. The fence on the street front was missing a gate, the material and labour for which was built at the direct cost of the public employment programme, primarily for the safety of the children and to prevent unauthorised access to the courtyard.

The gravel, uneven (accident-prone) area between the new playground in the courtyard and the building was paved with Barabás bricks, purchased by the municipality and provided by the public employment programme, to match the building's patina.

Infrastructural improvements through tenders, own resources and the possibilities offered by the District Start Work model programme are helping to increase the population retention capacity of the municipality. As well as creating tangible value for the municipality through their public employment programmes, they are proud of the experience they have gained through this work, which helps to integrate the municipality's public employees into the competitive sector.

### **Bébic Social Cooperative**

The Bébic Social Cooperative was founded in 2013 in the municipality of Ukk, of which the local government is a member. On 27 September 2014, the fruit and vegetable processing plant of the municipality of Ukk was completed, which was built, mechanised and equipped within the framework of the agricultural project of the Start Work model programme in 2013 and 2014. The social cooperative processes the raw materials grown on the municipal areas' sea buckthorn, raspberry, black cherry, beetroot and other vegetable plantations into high-quality jams and drinks. The high quality of its products is certified by compliance with the regulations of the Quality of the Countryside - for the Balaton Highlands. The right to use the Quality of the Countryside - Protecting the Lake Balaton Highlands Trademark has also increased its market access opportunities.

Further activities and objectives:

- Encouraging local farmers and families to grow fruit and develop horticulture.
- Organising conferences and camps to showcase the successes of public employment and social cooperatives in Ukk, while promoting healthy lifestyles and local products.
- Launching training courses to promote the integration of disadvantaged people and entrepreneurship.
- To support the marketing activities of trademark producers and promote the high quality products of the Lake Balaton region.
- To establish national cooperation between social cooperatives engaged in similar activities in order to promote more efficient operation.

The Co-operative's philosophy has a social mission in addition to its economic objectives, and so public welfare activities are of paramount importance, with a particular focus on helping disadvantaged people into work and promoting the integration of people of different ethnicities. At the same time, it carries out its activities and services in full harmony with nature, in the hope of preserving and protecting the environment and health, and of promoting alternative energy sources to as many people as possible,

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while ensuring that its members can work continuously and with equal workloads, providing security and a secure future for their members and families.

At the end of 2013, the cooperative was set up to make the agricultural project of the municipality's public employment Start Work model programme self-sustaining. The founding members are the Municipality of Ukk and three public employees. The Social Cooperative was founded with 13 members, and on 28 February 2020 it had 18 members. On 15 September 2014, the first lease contract was signed with the local municipality, which provided the material basis for the cooperative's operation. In 2014, the Bébic Social Cooperative produced sample products (raspberry juice, tomato juice, beetroot juice) from raw materials produced in the municipal areas. The cooperative has been promoted in several forums in order to gain access to the market.

On 26 January 2015, the members of the Social Cooperative for the Development of Ukk and the Bébic Social Cooperative decided in an extraordinary general meeting that the Social Cooperative for the Development of Ukk will merge with the Bébic Social Cooperative. The Veszprém County Court registered the merger on 2 July 2015. In September 2015, a new lease loan contract was signed with the Municipality of Ukk, which transferred the products of the investment (warehouse renovation, shelving system, furniture, pasteurisation equipment, Opel Combo used truck, stove, dryer, tanks) for use to the cooperative within the framework of the Start-up Work Model Programme 2015. The contract expired on 30 September 2017. The third lease contract was signed on March 8, 2018, in which the assets included in the second lease contract, a truck and real estate, were transferred again.

In 2017, the Co-operative submitted the FOCUS application, which was successful. The tender was implemented from 01.11.2017 to 31.10.2020. The continued employment obligation was fulfilled for 8 persons during the period 01.11.2020 - 30.04.2020. The main objective of the tender was to build sales and market access. Currently 9 people are employed.

In 2018, the cooperative added a new activity, poultry farming, by renting a poultry house in Dabas and keeping geese on a leased basis. The necessary permits, registrations and notifications were obtained at the end of 2017. In 2019, the Bébic Social Cooperative opened a shop in Budapest, where its own and other social cooperatives' products are sold.

The main goal is to create a multi-legged profit-oriented enterprise with the help of the municipality's membership in the Start Work model programme, the real estate provided by the municipality and by taking advantage of the opportunities for tenders. In the long term, it can be expanded through gradual development and job creation, with a focus on healthy living and environmental awareness. The production of fruit and vegetable products remains the main profile, but the long-term profit-oriented operation should be based on trade with a self-run product shop in Budapest.

The employment will be spread between Ukk and its surroundings and Budapest. Rural employees are mainly involved in product production, while employees in Budapest are involved in marketing and running the Budapest store.

### **Summary**

Bébic Social Cooperative is located in the third most developed region of the country. Agriculture is still the main source of livelihood for the inhabitants of Ukk, a municipality with a centuries-old history. Its population has declined by almost 25% over the last 20 years, but the working age population has not declined in proportion. In terms of education, the population is considered under-educated, with 40% of the population self-reporting primary education. This is why public employment is so important in the life of the municipality.

In the last 10 years, the municipality has seen employment in almost all types of public employment programmes, with several pillars of longer-term, national and district start model programmes. The number of people in public employment has been decreasing year by year, mainly due to the decrease in the population. In implementing the public employment programmes, the municipality has placed

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great emphasis on value-added work, and in order to facilitate this, the municipality has supplemented the resources used in the programmes with its own resources in all cases. Thanks to this outstanding approach, the municipal leaders have succeeded in transforming the municipality into a small, vibrant and picturesque community of exemplary value.

The Bébic Social Cooperative was founded in 2013 with the membership of the municipality. An important objective for the Cooperative is to produce its products using healthy ingredients grown on municipal land using its own resources. The Cooperative is growing year by year, with new areas being added to the production process and new tools being acquired for the production of the products. By promoting environmental awareness and healthy eating, they are not only targeting people in the region, but thanks to their webshop, their products are now accessible to everyone. Their products have won numerous awards and recognitions. In the long term, the cooperative plans to serve the local population through gradual improvements and job creation, with a focus on healthy living and environmental awareness.

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