

# REDUCING UNEMPLOYMENT IN SMALL VILLAGES IN HUNGARY

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## ABSTRACT

No significant and lasting solution is expected from economic agents to reduce unemployment. Employment opportunities in the for-profit sector are not infinite and are concentrated in large cities. There are few opportunities for the disadvantaged, mostly low-educated, inhabitants of rural areas. Public employment, often used as an active employment policy instrument, is an appropriate option in municipalities where job opportunities are limited or non-existent. The search for possible ways to move on from public employment should be kept in mind. The way forward is to move from public employment to solidarity. The author sees the solution to the unemployment problems in Hungary not in public employment, but in the solidarity economy. The basic value of the solidarity economy is that it does not act in the interests of the individual, but in the interests of the community, and seeks to promote the development of communities organised on a territorial basis or along the lines of common interests. Individuals in a solidarity economy work together for the common good. The methodology used is field research, during which the author visited several municipalities and interviewed mayors about the results of the public employment programme in their municipalities.

**Keywords:** unemployment, small vilages, rural development

## INTRODUCTION

The growing imbalances in the labour market that go hand in hand with the expansion of globalisation have not only called for a rethinking of the concept of work, but also for a local search for solutions. Unemployment, as a consequence of the labour market imbalances that naturally develop in a capitalist society, was revealed by Keynes' theory. Keynes also raised the idea of the need for state intervention in the maintenance of production and employment. The New Deal in the US and the welfare states that developed in the West after the Second World War were based on the acceptance of the need for state intervention and the commitment to guarantee social rights. In the welfare states, unemployment was seen as an inevitable, but temporary, phenomenon that went hand in hand with the functioning of the economy and could be dealt with by social policy (Pigou, 1968).

The persistence of unemployment is therefore clearly not just an economic problem. The role of work in human societies has put at risk our fundamental social values and the foundations of our social organisation. Since in existing social structures individuals are valued according to their work and their position in the division of labour, work is the basis of social redistribution and, according to our generally accepted norms, work is not only a duty but also the main means of self-fulfilment (Dahrendorf, 1988). The loss of work thus puts the individual at risk not only financially, but also mentally and morally. His social relations may be loosened, transformed and he may fall out of his former networks (Castel, 1996). This may be accompanied by a mental and moral decline.

Together, the symptoms can trigger a process of social exclusion. When this phenomenon affects individuals on a massive scale, it is a serious social crisis. It is in the interest of society as a whole to avoid a complete polarisation and disintegration of society and the resulting crisis symptoms, such as an increase in social deviance (divorce, addiction, crime, suicide) and the increased burden this place on the economy (Neamtan, 2002). At a time when the vision of an 80-20 society is widespread among experts, i.e. when we have to expect 20% of society to sustain the other 80% over the long term, no one can think of staying out of the problems (Martin and Schumann, 1996). The existential, mental and moral traumas affecting 80% of the population are a burden and a direct threat to the remaining 20%. Consequently, the understanding of wage labour = work in modern societies needs to be changed.

By the 1990s, it had become clear that a social policy approach to employment problems was not a real solution. Aid is a good short-term solution if it can provide a very heavy financial burden. Financial assistance for those who lose their jobs can only compensate for a small part of the disadvantages caused by job loss. Only job security in its complexity can provide a real solution. The main objective of employment policy and the increasingly closely intertwined social policy is to (re-)integrate people into work.

Public employment was originally intended to replace the costs of public and private tasks and developments in the interest of the community with work. It became more prominent in periods when previous forms of economic and employment were in transition, and the labour market supply-demand imbalance that emerged during the transition and the resulting income shortage forced the intervention of central power (Csoba, 2010). Its operation as a permanent form of employment may be constrained by public budget constraints. Public employment, despite its undeniable role in reducing the income loss of labour market dropouts and stabilising the distribution of wealth in labour-centred societies, has always been heavily criticised and its dead-end - going nowhere - nature has been increasingly confirmed. Public employment has been criticised for (1) being temporary, (2) not leading back to the primary labour market, (3) not improving employability, (4) distorting competition and potentially squeezing out sustainable employment opportunities, (5) turning social causes of poverty into individual causes (Csoba, 2010). Together with this, public employment can be beneficial for both the individual and the community. On the one hand, if well organised, it can beautify,

build, improve the health and livability of the community, and keep work and thus community morale stable. On the other hand, employees benefit from receiving a higher wage than the benefits they receive for the work they do, they gain work experience that increases their chances of re-entering the primary labour market, they set an example for their children, they feel useful members of society, and their self-esteem and the esteem of the individual in the eyes of society increases.

## **SOCIAL COOPERATIVES AS NEW FORMS OF PUBLIC EMPLOYMENT**

Social cooperatives can be established in Hungary under the new rule since 2006. Prior to that, it was still possible to set up such enterprises in the form of cooperatives before the change of regime, which had a completely different content (Finta and Póla, 2020).

The establishment and operation of the social cooperative must involve the participation of a municipality which is a public employer under the legislation on public employment, and its founders must include a person who is in a public employment relationship with the municipality or who has been in a public employment relationship with the municipality within one year prior to the date of its membership (G. Fekete, 2014).

In the course of the operation of the social cooperative, it shall be ensured that the cooperative has a member who is employed in the public sector or, failing this, a member who, at the time of the establishment of the membership, is a jobseeker under the Act on the Promotion of Employment and Unemployment Benefits, provided that the period between the termination of the membership of such person and the establishment of the membership of a new member meeting the conditions under discussion shall not exceed three months. Social cooperatives registered or in the process of registration at the time of the entry into force of the new rules and meeting the above conditions must comply with the new provision by 31 December 2019 at the latest. On the basis of the required amendment to the articles of association, the application for registration of the change may be submitted to the Court of Registration without payment of the fee and publication costs, provided that the amendment to the articles of association contains only the amendments necessary to comply with the provisions just discussed. If the social cooperative also notifies changes to other company details, only the fee and publication costs otherwise payable in respect of the change to those details will be payable.

The designation of social cooperatives established on the basis of public employment as a separate type of cooperative is justified by the fact that they are a distinct group of social cooperatives from a regulatory point of view (Finta and Póla, 2020). The function of these social cooperatives is to continue the relationship established between the public employment authority and its employees on the basis of the public employment relationship, whether still in existence or previously, so that the formerly employed persons can be employed within the social cooperative representing the next step towards market employment, but still with the assistance of the (former) public employment authority. A common feature of these social cooperatives is therefore that the (former) public employment municipality and one or more

persons currently or previously in public employment with the municipality are involved in their establishment and operation.

The social cooperative's activities are characterised by a concern to improve the situation of the most disadvantaged sections of society, but this does not mean that it can only have members who are seeking employment or are otherwise disadvantaged, or that it can only provide social services. A social cooperative is a community enterprise. What distinguishes it from a normal non-profit enterprise is that the profits generated can be divided among the members in proportion to their shares, but part of the profits is set aside in a community fund, the percentage of which is decided by the general assembly. This money is used to finance the cultural, social and other needs of members.

## **MATERIALS AND METHODES**

I used the interview methodology to assess the situation in the municipality of Trizs and the circumstances of the creation of the social cooperative. In the autumn of 2023, I interviewed the mayor of the municipality and the head of the social cooperative.

## **RESULTS AND DISCUSSION**

Trizs is a small village in Borsod-Abaúj-Zemplén county, the Northern part of Hungary. Hundreds of years ago, it was a royal estate inhabited by the royal guards and was completely deserted during the Turkish occupation. Because of its location, there was no chance for agriculture, so the inhabitants were mainly engaged in animal husbandry. The local traditional way of life and housing culture can be found in the House of Traditions, which hosts craft activities, small community events and gastronomic demonstrations based on traditions, where visitors can also taste local products. For a long time, the inhabitants of Trizs have been a closed community, which has helped to preserve local treasures. Their popular products are still made using traditional methods, using locally grown plants, fruits and herbs from the fruit processing factory.

Figure 1 shows the evolution of the population of the municipality from 2012 to 2022, broken down by year. In 2012, the population was 208 inhabitants, last year it was only 168. The population increased from 2012 to 2014, and then decreased by 4 inhabitants in 2015 compared to the previous year. The highest population was in 2016 with 219 inhabitants, but from that year onwards, the number of inhabitants in the municipality has been decreasing every year compared to the previous year, except in 2020. I cannot give you an exact figure for 2023, but my interview with the Mayoress shows that the official population is currently 191, but there are not physically that many inhabitants in the municipality of Trizs.

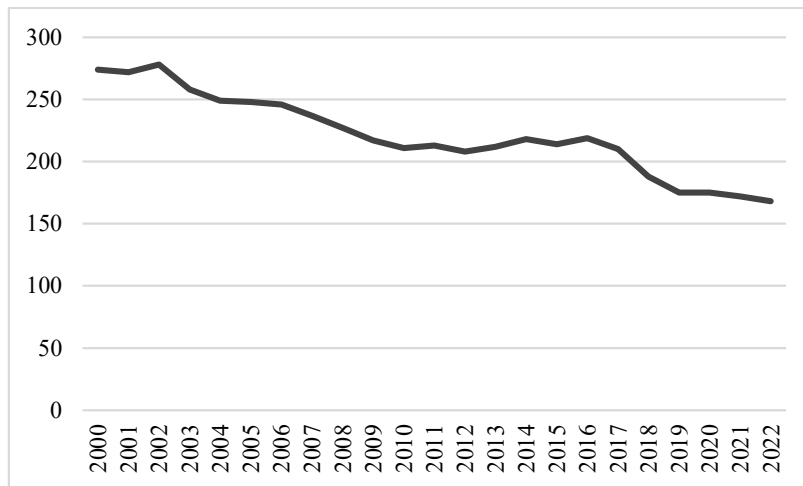


Figure 1. Resident population at the end of the year in the municipality of Trizis.

Figure 2. shows the number of live births and deaths over the same period. Between 2012 and 2016, at least one person was born every year, but more people died. The biggest difference between live births and deaths was in 2016, when 5 more people died than were born. While in 2017 6 people died and no one was born, in 2019 no one died in the municipality and two were born. The year 2020 is the only year in which more people were born than died, but in the following two years no one was born in the municipality.

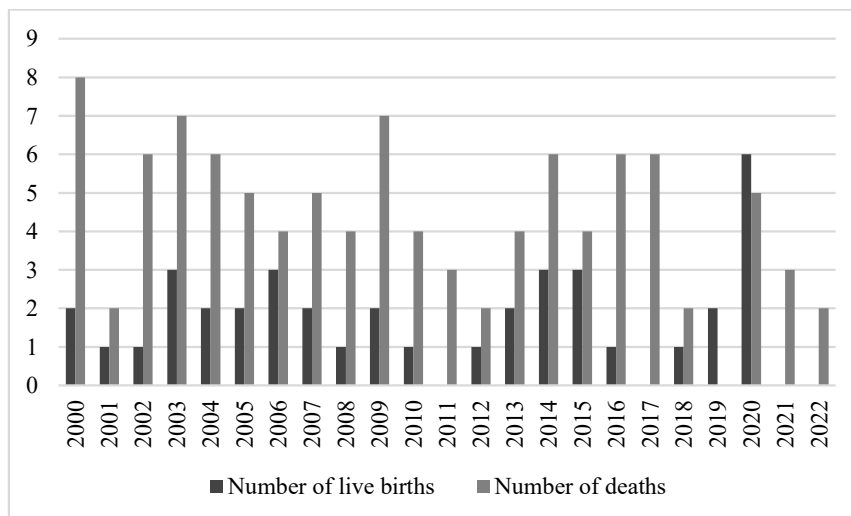


Figure 2. Number of live births and deaths of Trizis.

In terms of the number of registered jobseekers (Figure 3.), men outnumber women in every year, except in 2022, when the number of women jobseekers was 8 compared to 3 men. In 2015, the number of men registered as jobseekers was 5 and the number of women registered as jobseekers was 0 in the same year. The largest difference between the number of men and women looking for work was in 2017, when there were 7 more men unemployed than women.

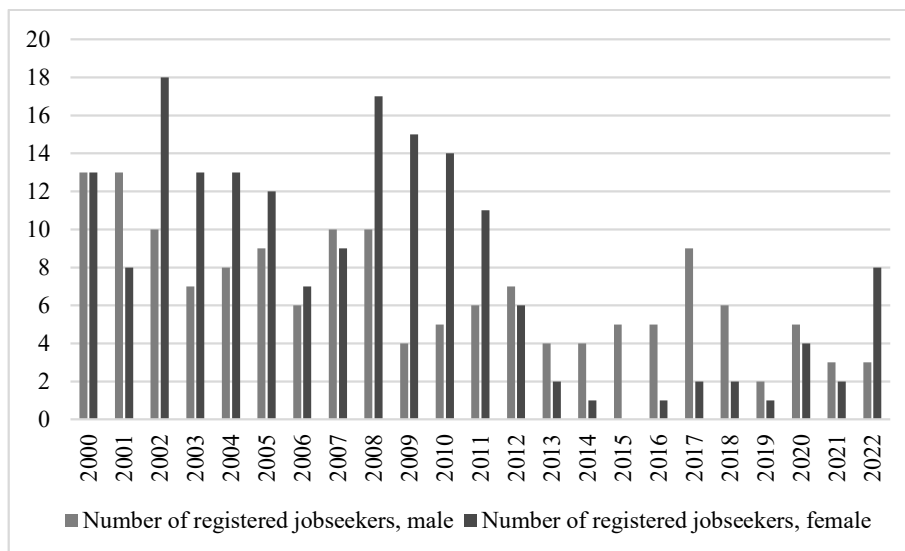


Figure 3. Trends in the number of registered jobseekers of Trizs.

The Trizsi Ízek Start Agricultural and Service Social Cooperative was founded in 2015 and currently has one location. Its main activity is the processing and preservation of other fruits and vegetables. Their products are made from fruits and herbs harvested in the area, as well as from raw materials bought from local producers, using traditional methods and the careful hands of local women. They produce sugar-free and preservative-free jams and syrups, which are available in a variety of flavours in addition to the usual ones. These products have won numerous awards and national recognition, such as the National Product Award and the Excellent Regional Product mark. Its inhabitants are very proud that Wild Ace Rosehip Jam of Trizs won the title of Best Jam at the 2022 Nók Lapja Food Awards. The secret of their success lies in their multi-generational life experience, conscientious and careful work. They put their hearts and souls into making jams and syrups, and the result is a product they would recommend to anyone. Their shops can be found in several municipalities.

At the time the social cooperative was set up, there were 40 people working in the public employment programme, and they were trying to give them something meaningful to do. First they planted orchards, herb gardens, and they processed the things they produced, and then it seemed to be more and more successful, more and more things were processed and in larger and larger quantities. Then the need arose to provide a regulated framework and the social cooperative was established. The social cooperative was a very new thing, a very untrodden path at that time, the mayor heard that the Ministry of the Interior considered it as a step up from public employment. It wasn't easy to set up, but it was finally established in 2015, but it wasn't until the end of 2017 that this cooperative really started to operate. Today, unemployment is no longer significant in the municipality. Residents are trying to find work in the primary labour market or in the cooperative and only 5 people are currently in public employment.

A social cooperative could be set up with 7 people under the rules of the time. The condition was that the municipality itself had to be a member, and the people who were involved in this

activity in public employment and in its management were included, so that the members of the cooperative were chosen from among them. Now there are more than 20 members in the cooperative. It is mainly women who work in the cooperative, as the production of syrups and jams is a female activity.

The biggest problem is market acquisition and market retention, which is very difficult in today's environment. As the mayor puts it, "we had a difficult start, and just when we had learned to produce under factory conditions and were about to hit the market with a bang, COVID-19 pandemic came along and put us back on the starting line (Lipták and Musinszki, 2022). When we survived that, the energy crisis came and there was a significant wage increase in the meantime." Wages are a cost that has to be given to people, because everyone lives on money, says the mayor. They have their own shop, they have retailers, they have online wholesalers, they have a web shop, so they have several legs, but it's not enough. On the one hand, the market is saturated, there are a lot of handicraft products. When they started, local products were a rarity, but by the time the factory was built, many people had caught up, and it's not easy in today's world to produce and sell quality products when people's wallets are getting thinner. They have many expenses and jam, and syrup may not be what they need every day.

There is one factory in the municipality, a small fruit processing factory employing 6-7 people is not common in a municipality of 200 inhabitants. Now the biggest employer is no longer the municipality, but the social cooperative, which can provide work locally.

## **CONCLUSION**

The Trizsi Ízek Start Agricultural and Service Social Cooperative is a cooperative founded in 2015, which is active in the processing and preservation of fruit and vegetables. The cooperative started its real operations in 2017. They sell their products through several platforms, including their shop, web shop and resellers. The aim of its creation was to give the 40 people who were then employed in the public sector an activity that would not only help them to earn a living but also contribute to the development of the municipality. Over the past 6 years, they have faced many challenges, including a period of a coronavirus epidemic and an energy crisis. Despite the difficulties, they have won a number of awards and accolades, including the Home Produce Award, the Distinguished Landscape Product Mark and the Tradition and Innovation in Agribusiness Award at the National Agriculture and Food Exhibition and Fair last month.

The people of Trizs are a very close-knit community, and they value the various community programmes that are organised to ensure that everyone, regardless of age, can enjoy themselves. The benefits of the social cooperative are numerous in the municipality.

## ACKNOWLEDGMENTS

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