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Evaluation of measures supporting social enterprises in Hungary

ABSTRACT

The aim of the evaluation is to provide input for further interventions, thus contribute to the improvement of the effectiveness of developments by presenting the results of programs, exploring potential development opportunities and ways to achieve them.

The aim of the evaluation was to assess the impact of measures supporting social enterprises, including:

- an outlook to measures financed by EU funds in the 2007-2013 period, their results, and impacts, and
- assessment of the financial progress and (partial) results of the 2014-2020 period.

The Social Business Initiative of the European Commission (2011) declare the commitment of the EU towards the support of social enterprises: since these enterprises, operating embedded in local communities, can contribute to social cohesion and the diminishing of territorial inequalities. Thus, increasing the competitiveness of social economy has become one of the main goals of the EU. There were many calls for application in the last two programming periods for developing social enterprises; also, since 2016 there are domestic funds in Hungary as well.

This abstract focuses on the programmes carried out using EU funds in the 2007-2013. Although this period was only part of the aforementioned evaluation, but this period is finished and long-term effects could be examined.

Results

In order to exploit the employment potential of social cooperatives, in 2010 the New Széchenyi Plan contained the first project intervention within the Social Renewal Operational Programme (Hungarian acronym: TÁMOP), TÁMOP-2.4.3, called "Supporting atypical employment forms". The B-2 component of this measure aimed to support the employment of disadvantaged people by supporting employment in social cooperatives. In 2013 there have been another two calls for application, also for social cooperatives (focused on supporting the employment potential of social cooperatives, and to contribute to the development of activities and operation of the organizations).

In this period only social cooperatives could apply – thus this support contributed to the strengthening and spread of this type of organization.

Contrary to the intention of the authorities, most of the supported organizations (72.5 %) were new enterprises, established in the year of the application. A part of the beneficiaries (15.6 %) though were older cooperatives, who were able to realize more complex and comprehensive projects due to their experience, resources and the larger amount of funding. With the employment of 10.5 persons on average, beneficiaries completed double of the target indicator.

Since the projects put a heavy emphasis on employment, beneficiaries mostly emphasized the lasting of employment and labour market effect of the project funding. According to the interviews and previous research results it can be stated that it was not among the aims of most project organizations to orient their participants to the labour market. Their aim was mostly the stabilization of the social enterprise and the strengthening of their business opportunities – and keeping their employees.

Apart from employment, beneficiaries deemed the launch of the enterprise, the stabilization of the organization and the increase of their social and attitude-changing effects the most important results of the SROP funds.

According to the survival analysis of the beneficiary organizations, the survival rate of these organizations is higher than those who are not beneficiaries. A larger share of beneficiary organizations is active in a formal sense than of the non-beneficiaries, but there are less actually active organizations among them. Thus, many beneficiaries kept their organization alive because of the maintenance period, with only formal operation. Among the beneficiary organizations, the proportion of those who did not show actual activity was higher than that of the non-beneficiary organizations. This could indicate that a part of the beneficiaries did not continue their activities or did it in other legal form (not as a cooperative).

According to the propensity score evaluation of the beneficiaries, although the funding did not cause significant increase in the number of employed persons, there is significant increase (according to the pairing and difference in differences methods) in other indicators of social cooperatives, such as sales revenue, assets and liabilities. The reason behind this significant increase is that many of the cooperatives were founded during the programming period– when using the pairing method, we paired similar, relatively and absolutely small cooperatives. In terms of their growth trajectory and their level at the end of the period, the share of subsidies resulted in significant differences in all three examined balance sheets and profit indicators, but not in the number of employees.

Studying the geographical distribution of the funds we can observe, that overall, the bigger rural districts including cities with county rights have the most projects for social enterprise development. Similar to the 2007-2013 period, the Eastern and South-western region dominates considering both GINOP and EFOP projects, although with a larger expansion and smaller gap than in the case of SROP. Looking at the number of projects on local level, we see similar patterns to the districts: there are more funded projects in bigger locations and in their vicinity. 22 % of all projects were implemented in districts in need of a complex development programme (which are districts in the most difficult situation), 7-8 % were implemented in districts in need of development, while the ratio of projects increased for the 2014-2020 period from 22 % to 30 % in beneficiary districts. Districts in the best situation, which do not belong to any of the above categories, implemented the highest ratio of the projects: 48 % in the 2007-2013 period and 40 % in the 2014-2020 period.