

## The Characteristics of Solidarity Economy in the Post Socialist Countries

**ZOLTÁN NAGY,**

Faculty of Economics,

University of Miskolc, Hungary.

**E-mail:** nagy.zoltan@uni-miskolc.hu

**KATALIN LIPTÁK,**

Faculty of Economics,

University of Miskolc, Hungary.

**E-mail:** liptak.katalin@uni-miskolc.hu

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### **Abstract**

*Social and solidarity economy (SSE) aims at terminating the primacy of profit gaining and replacing the economy back to the society. Although experts have still been debating about the interpretation of the related concepts, solidarity economy with deeper meaning focuses on social responsibility and communal interests and it also includes the appreciation of non-material components. Its basic values are solidarity, fairness and dialogue. Social economy incorporates the activities of non-profit enterprises that work within the framework of market economy. Social enterprises, base units of SSE can have different business forms. (Within the EU, it is the legal disorder that prevents the further development of the sector.) These are typically the cooperatives, associations, foundations and mutuals that are considered social enterprises.*

*The European Commission also recognised that social economy contributed to some of the key goals of the European Union like the support of employment and social policy, enlargement, regional development, procurement, employee ownership, work organisation and the support of development. Central programs have been elaborated in several member states by utilising the job creating potential of this sector. In order to explore the specific characteristics of post-socialist countries, we selected five countries, together with Hungary. These are the followings: the Czech Republic, Poland, Estonia, Slovenia and Hungary. In the framework of the field research, we examined the development of the solidarity sectors and its current features in the given countries, and we visited such social enterprises that are successful and their activities are exemplary.*

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**Key Words:** Social and solidarity economy, post socialist countries, non-profit organisation

**JEL Classification:** L 31, P 25

## **1. The hypothesis of the research**

1. The social and solidarity economy (SSE), which is currently experienced in Hungary, can play a much bigger role in peripheral development, and the ways of it outlines from the international examples and analysis so far.
2. In the fact that the SSE sector is underdeveloped in the post-socialist countries, including Hungary, especially in its rural peripheries, the heritage of the state socialist has a significant role.
3. The social benefits of social enterprises, which are the main pillar of the SSE sector beyond the financial efficiency of it, the social profit of it, can be measured.

The post-socialist countries, the communist heritage revealed itself in two forms. On the one hand, certain values and habits go longer unintentionally on people and their leaders. On the other hand, the spectacular rejection of the past, the sharp denial of the previous ones has led to specific processes differing from the Western European. The individual, deriving from these two sources, but in the former socialist countries, the somewhat unified moments have shaped the condition system of the social economy and have created the model of the Central Eastern Europe social economy model. The underdevelopment of the Eastern European economy in the development of the social economy results not only from the nearly ten-year phase delay time. Such features also appear from the semi-peripheral existence and the post-socialist heritage which also explain the differences from the western countries at the same time (G.Fekete, 2017).

## **2. Creation of a social and solidarity economy**

In the 19<sup>th</sup> century, the solidarity appearing through associations has opened the way for such a social economy with the unification of economic, political and social goals which includes several non-capitalist organizations (cooperatives, associations and charitable organizations). However, later such organizations have had the economic weight in vain; their real strength has not been arisen.

The term “solidarity economy”, as economy organization concept was used at first in the 1937, when Filipe Alaiz advocated the creation of the so-called solidarity economy between the urban and rural working communities during the Spanish Civil War. The current appearance of the term both in France, and South America can be found in the early 1980s. The European ideas of *économie solidaire* evolved from the ancient traditions of “social economy” activity and politics of which aims was to attract the attention of the traditional market and the state-centred institutions through the alternatives of the “third sector” to the social and economic exclusion. While the social economy often aimed for the supplement or

substitution of the existing social order, the solidarity economy voted for a more transformational approach of the economic activity (Miller, 2010).

According to Lipietz (2001) the solidarity economy complements the social economy with raising the awareness of the importance of achieving the goals (from the environment to the cultural goals) and with the need to achieve formal equality between the members, which is accomplished through the methods of the direct participation. The tradition of the social economy and the revival of the uniting democracy at the end of the 20<sup>th</sup> century have created a new theoretical trend, the Social and Solidarity Economy (SSE). The SSE criticizes the non-profit approach which is becoming more decisive in the debate on the international development regarding the nature and the role of the civil society. It is creating its own self-assessment framework by comparing the social and solidarity economic approaches. According to the European interpretation, the term social economy refers to a set of organizations that are wider than the non-profit sector (Salamon - Anheier, 1997).

It is fact that the non-profit excludes the cooperatives and the charitable organizations on the base that they can distribute a part of their profit between their members. This restriction of the distribution of the profits means the specificity of the social economy organizations compared with other producing organizations (Laville, 2010).

Building on a long period of time, the socio-economic view has forced itself the judge of the legal status. It made easier the statistical record of the organizations being active in this field, thanks to the fact that it covered three types of it: the cooperatives, the charitable organizations and the acknowledge that the adoption of these legal forms is a significant step to the social economy – but it does not guarantee in itself the joining to it (Deforney - Develtere, 1999).

From an economic viewpoint, the solidarity economic view is based on such conceptual sights which insist on the plurality of the economic basic principles and suggests a broadly defined economic definition based on the following (Pollányi, 1967):

- the principle of the market which allows the supply of goods and services to meet, and the exchange takes place after the prices have been set up
- the principles of redistribution, according to it a central authority's responsibility is the distribution of the produced goods.

The solidarity economy approach therefore emphasizes the combination of these three principles, even if their current weight and form have been changing. Combining the resources of the three principles is also a suitable method of defending the phenomenon called institutional marginalization. This interconnection also means the connection of the economic and political dimension (Laville, 2010).

The connection of these two dimensions assumes from such a fundamental belief that people are infinitely creative and they are able to develop their own solutions to their own economic problems; and these solutions take different shape indifferent places and in different situations. The solidarity economic approach endeavours to make visible the existing and emerging alternatives, and link them with mutually helping methods. The basic idea is simple: the alternatives are present everywhere, our task is to identify and connect them in such a way that a coherent and powerful social movement of a different economic organization process. It is not a vision, but rather an active process of a collective predictability (Yunus, 2010).

The various concepts of the social enterprises exist in different dimensions on most parts of the world, beside each other, including Europe (the most European organization is the EMES). The researchers of the EMES provide such useful views that serious similarities and differences can be revealed between Europe and the USA. Not only in the field of social enterprise concepts, but also in the place and the role of the public policies (Defourny - Nyssens, 2012).

The social enterprises are generally seen as organizations with high level of economic risk. According to the EMES, it means that the financial viability of social enterprises depends on the efforts made by the members to provide adequate resources to support the company's social mission. The resources may have a hybrid nature: they can derive from commercial activities or voluntary offers (Nyssens, 2006).

### **3. The results of the field research**

In the framework of the research we visited such social enterprises in the pre-selected five post-socialist countries which had a similar developmental route, currently successful, have been recognized in the given area and we had an interview with their managers. The Hungarian social enterprises were: Gyűrűfüért Non-profit Ltd., Alsómocsoládi Farming Social Benefit Cooperative, E-mission Nature and Environment Association, Rainbow Social Cooperative, Matyó Designe, the Heart of Ormánság Public Benefit Foundation, Pro Team Ltd., Retextil Foundation, Rozsály Commune Welfare Service Foundation, START Rehabilitation Employment and Institutions of Public Benefit Non-profit Ltd., Symbiosis for the Harmonious Co-founder Foundation, North-Hungary Flora and Fauna Foundation. In Poland, we visited the Lokal Vegan Bistro, the Integracija Foundation and Association, and the Synapsis Foundation. In Lithuania, the Salotubaras "Mano guru", the PILNŪ NAMŪ BENDRUOMENĖ and we had an interview with the manager of the Disabled Centre. In Slovenia, we talked with the managers about the circumstances of the social enterprises' establishment and its foundation, the legislation conditions, the criteria of successfulness, the

present situation and the future prospects of BUNA – Cafe Cokl, Gostlina dela restaurant, Stara roba – nova raba and the TKALKA organizations. We prepared interviews with the recognized researchers and experts in the area beyond the social entrepreneurs in order that the results of the prospecting would be more well-founded.



Figure 1. Social enterprises visited during the prospecting field by the seat of the enterprises

Source: own editing

The development of social enterprises in Poland had got a unique history; it was different from the Western European countries in many ways. Summing up the social and solidarity economy according to the expert interviewees' comments, we can characterize it in Poland by the following main features: the effect of neoliberal economics from the economy and the support of the disadvantaged people is achieving with focusing on the private sector. The traditional cooperatives have bad reputation and they are declined, and the social cooperatives' difficulties can be discovered because of the post-socialist heritage. The re-birth and the dominance of the non-profit sector can be observed after the change of the regime, also due to the post-social heritage. Strong dependence from the state resources: *"The Polish enterprises, especially those who work in as the form of associations and foundations, have services and products, but this income derives from this source is not too large compared to*

*the state sources.”*<sup>1</sup> Various types of market activities are allowed: *“They have non-profit public benefit activities, there are for-profit activities for everyone who is registered as an entrepreneur and there is the so-called utility paid activity. This means that the Polish civil organizations could sell their products to the consumers in such a way that profit is not produced, but the expenses of the production are covered.”* The influence of the non-profit organizations to the decision making can be characterized by the fact that: *“In some ways, not because of the number of people who were involved, and probably not because of their economic potential, but the managers of the non-profit organizations were very important prominent decision-makers since the change of the regime. So, it was very fashionable to indicate the term of civil society or non-profit organizations in different programs.”* The dominance of the work of integration-based social enterprises and the power of the organizations of disabled people can be identified as the part of the socialist heritage, as the cooperatives of the disabled people were protected before the regime change and the state organized the sale of their products, and during the regime change when everything was privatized or disappeared, this was an exception. *“If people are talking about the definition of social enterprise in Poland, you can hear first that these organizations provide services for disabled people which is true, of course. However, there are other types of services which are provided by social enterprises.”* The current ecosystem is favourable: although the social entrepreneurs are considered to be less stable than in Western Europe, and it is only in the beginner section: *“There is a good environment in the local institutions, in the government, in the social policy ministry in connection with the social economy, and we change legislation, this is good news.”* Many committed people and civil organizations (NGOs) support the social economy in Poland.”

In Lithuania, two types of social enterprises are separated: the first is a social enterprise, which has to employ only a small proportion of disadvantaged people, and the social enterprise of people with disabilities. The characteristics of the social enterprises: partial refund of the wages prevails which depends on the level of disability and the special needs. This is the 60% of the wage minimum, it can be 75%. If someone is in another target group, the wage of him/her can be maximum 50% of the wage minimum. Apart from the partial refund of the wages, the social contributions also belong to it. Support is provided for: job creation, the adaptation of workplaces for disabled employees and the acquisition of the necessary work equipment, financing the training in order to prepare the workers who will deal with the target group. In this way, the company can prepare itself for the effective integration and employment of the target group. Main characteristics of the disabled people’s social enterprises: support can be given to create the working environment for people with

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<sup>1</sup> In the study, we indicated with italics the details of the interview which were made by the social entrepreneurs.

disabilities, and to adapt them to the target group. Refundable support can be granted to cover the additional administrative and transportation expenses. Refundable grants can be given to cover an assistant's expenses (ex. sign language interpreter).

There are many different definitions for social entrepreneurship in Slovenia, as there is no common agreement of the definition. The name of the social enterprise expresses the innovation, the combination of ingenuity and possibilities, which addresses critical social groups and it refers to the environmental challenges. It recognizes the social problems, through business principles it is effective, organizes, plans and keeps the risk within bounds. The social enterprise concept is very new in Slovenia; the first initiative was started in 2009 by the ESF to develop the development of social enterprises. Since then, activity and interest in social enterprises have grown rapidly. The interest is also due to the economic crisis. At the same time, the government has a strong interest in social enterprises, as they could 'manage' the unemployment with it at some level. In Slovenia, the social entrepreneurship can take several legal forms. It can be a foundation, an association, a cooperative, a disability organization. It can be basically divided into two groups: Type "A" or Type "B" based on the fields of the activity. Type "A": when it produces non-profit goods or services. Type "B", if it employs excluded people. In Slovenia, however, according to the Italian example, the social enterprise is a kind of status or classification. Those organizations who would like to accept themselves as an officially social enterprise have to register at the state agencies.

In the Czech Republic, two types of enterprises have known for the last 15 years. The first type of it is the institutionalized approach which follows the values of the Western-Europe. The other type has a stronger legal framework, it used by the Czech government. The roots of the social economy of the Czech Republic can be traced back to the mid-19<sup>th</sup> century to the appearance of workers' cooperatives, mutual types of organizations and associations. In 2009, the Thematic Network of Social Economy (TESSEA) came into existence as a broad platform, which contracted the different stakeholders of the social economy. By 2010, it developed the definition of social entrepreneurship which was accepted by the wide range of the Czech stakeholders. A database, names as P3, can be attained which contains the social cooperatives with 213 members in 2017.

#### **4. Conclusions and Recommendations**

The historical and the conditionality are forming the economic, social and regional aspects projects on each other. We identified forming the following Central and Eastern European characteristics of the social economy:

1. Before the regime change there were neither possibility nor need to the development of the social economy because of the ideology of inhibition of civil organizations and

the omnipotence of the state. However, everywhere there were some kinds of germs, initiatives towards the social economy, which only faintly crop up again in the new formations.

2. The liberal economic turn after the change of regime and because of the association of the Soviet type, the turning away from the compulsory social work emphasized the business ventures and overshadowed the community solutions in the economy, and therefore unsuitable (uncompetitive) areas of business were economically empty.
3. After the change mostly in the more developed areas the revitalizing of civil activity is the culture, the leisure activities, the environment protection and the charity work, which breed with economic empowerment, with the ambition of commercial revenues and with employment – it was partly prohibited for them by the legal regulation.
4. The civil organizations strongly depend on the supports, obtained on the state, or in other case the international applications, therefore this kind of dependence from their intentions and on the sector-forming factor is stronger on rural peripheries.
5. The reduction of the social expenses, the diversifying of the consumer claims, the increasing number of people outside the labour market, and the ones who lagging behind raise and strengthen the needed of the social economy. Although, it is absolutely not realised, and the creativity and the acting organizing power are missing on the rural peripheries.
6. The real demands for the products and services of the social economy, is to reduce the relatively high price because of the low income level of the target group, as well as the reduction of the demand, as an emerging survival strategy.
7. With the increase of the social and territorial differences, the most powerful social economy initiatives may not necessarily be found in the most disadvantaged groups or regions. The conditions and the outcomes of the emergence and adaptation of social innovation are stronger in the more developed regions.
8. The social economy model of the EU appears in the government policies, in development documents, but the appropriate regulation to the national peculiarities and the long-term development has not happened yet.
9. The Western European models of the social economy are known, mainly the management of the employment and social services problems from the sectors. However, reliable measurement of impact is not typical and the concept of the solidarity economy is less widespread (G.Fekete, 2017).

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