The role of social cooperatives organised on the basis of public employment in the development of local economy and society

Andrásné Lehel
Head of Unit
Social Cooperatives Coordination Unit
Social economy

Article 54 of the Treaty on the Functioning of the European Union:
”(...)"

“Companies or firms” means companies or firms constituted under civil or commercial law, including cooperative societies and other legal persons governed by public or private law, save for those which are non-profit making.”

Participants of the social economy belong to what is referred to as the third sector.

Organisations categorised into social economy by the European Union

| szövetkezet | egyesület | alapítvány | társadalmi vállalkozás | kölcsönös biztosítópénztár |
The situation of the concept of social economy in Hungary

The Hungarian Work Plan provides subsidies required for increasing employment on the basis of three pillars - The second pillar is social economy.

Local initiatives that target the integration of people difficult to find a place for in the world of labour by offering them employment, the development of their professional skills and services, are considered to be parts of the social economy. They have an intermediate place between the state and the market,

- they perform both an economic and a social mission,
- they do not target the distribution of profit but its reinvestment,
- their conduct is dominated by the entrepreneurial nature,
- they expressly encourage job creation, especially for the disadvantaged,
- they have an ownership structure that is able to guarantee the involvement of all interested players and self administration,
- they focus on settlements and cooperate with local communities in determining and satisfying needs,
- they focus on creating new services and innovative products.
**Cooperative / Social cooperative**

**Cooperative**
“A cooperative is a legal person established with a capital made up of the members’ contributions, it operates under the principle of open membership and variable capital, where the obligation of its members towards the cooperative society covers the provision of capital contribution and their personal involvement as provided for in its statutes.”

*Act V of 2013 on the Civil Code*

**Social cooperative**
“The objectives of social cooperatives are to create work conditions for their disadvantaged members and facilitate the improvement of their social circumstances in other ways”

*Act X of 2006 on Cooperatives*

Social cooperative ≠ public employment!
Social cooperative = legal entity with an independent budget management = enterprise!

According to the Act on Personal Income Tax: Business partnership, According to the Accounting Act: Company
Social cooperatives organised on the basis of public employment

- Among the objectives of public employment the Government identifies facilitating the establishment of social cooperatives in the suitable public employment programmes, providing professional and methodological support for activities aimed to improve the operational conditions of social cooperatives and facilitating access to the EU resources allocated for this purpose.
Professional content

- It is a fundamental objective that the social cooperatives existing on the basis of the public employment Start Work model programmes as well as future ones be genuine market players as enterprises and, where possible, make use of and operate the tools (infrastructure) acquired within the framework of public employment.

Special features

- Circle of founding members
- Free commodatum contract – representative institution of the state

Free transfer of the asset elements procured within the framework of public employment, their regular use according to the business plan, supervised by the delegated state representative

- "Sui generis" relationship targeting member’s work performance

Direct cooperation in joint production in the course of which the reimbursement for the work performed may be in part or in whole from the jointly produced goods, in proportion to member’s work performance

- Support facilities
THANK YOU FOR YOUR KIND ATTENTION!

andrasne.lehel@bm.gov.hu