

Charity shops as employment alternatives in Hungary

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Case Study N°15

July 2015

Acknowledgements

The research for this Case Study has benefited from financial support by the European Union's Seventh Framework Programme (FP7/2012-2016) under grant agreement n° 290613 (ImPRovE: Poverty Reduction in Europe: Social Policy and Innovation; <http://improve-research.eu>). The authors are solely responsible for any remaining shortcomings and errors.

July 2015

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Bibliographic Information

Bernat A., Z. Vercseg (2015), *Charity shops as employment alternatives in Hungary*, ImPRovE Case Study N°15, Antwerp: Herman Deleeck Centre for Social Policy – University of Antwerp.

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Table of contents

1	The initiative and its organizers	4
2	Basic information on the local context and the emerging problems.....	5
3	Genesis of the initiative	8
4	The activities and organization	9
5	The socially innovative dimension of the initiative.....	12
6	Institutional mapping and governance relations	14
7	Governance challenges	16
	References.....	19

1 The initiative and its organizers

The charity shop concept in Western Europe is not new: such shops have been flourishing since the 1950s; but in Hungary, similar social enterprises were rare before the 2000s. Since then, the number of shops has expanded moderately. At the moment there are around 45–50 in Hungary: the number fluctuates because while new shops open, others close at the same time. The newly established Adományboltok Országos Szövetsége (ADSZ, Association of Hungarian Charity Shops) defines a charity shop as follows:

“A charity shop is a social enterprise that is organized on a non-profit basis by a registered non-profit organization, association or social co-operative, in order to fulfil the social aim addressed in its memorandum. Its operation is public, and most of its stock is provided from donations”. (Memorandum of ADSZ).

Charity shops are usually labelled ‘social enterprises’ and can be seen as innovative alternatives to the funding problems of non-profit organizations. This argument plays an important role when we look at the different social functions of charity shops in Hungary. From an operational point of view, social enterprises like charity shops

“fall along a continuum from profit-oriented businesses engaged in socially beneficial activities (corporate philanthropies or corporate social responsibility) to dual-purpose businesses that mediate profit goals with social objectives (hybrids) and non-profit organizations engaged in mission-supporting commercial activity (social purpose organizations)” (Kerlin, 2006: 2).

In terms of their operations, charity shops in Hungary can also be categorized thus. This is important, as the operational form of a particular charity shop largely defines its activities and its focus.

Other features of such social enterprises are that these initiatives are continuous, they produce and sell goods and services, and they operate with a high degree of autonomy. They involve a significant level of economic risk and a minimum amount of paid work and serve the explicit aim of benefiting the community in a participatory way. Also, these enterprises are usually launched by a group of citizens with limited funds (Defourny, 2001: 16–18). Hungarian charity shops generally meet these criteria of social enterprises, though there is a significant difference in their aims and priorities that is dependent on the unemployment issues within the Hungarian context. On the one hand, the shops strive to be autonomous and are organized by independent individuals; they involve certain economic risks, and have the specific aim of creating cheap shopping opportunities for poor people, while maintaining environmental sustainability – all aspects of Defourny’s description of social innovation. But on the other hand, one of their priorities is to provide paid employment opportunities and to manage indirect (re-)employment programmes when the shop generates enough revenue for that. In this sense, charity shops deliberately endeavour to react to unemployment problems as well, and this shift in priority makes them idiosyncratic and different from charity shops abroad. In what follows, the operation of charity shops is largely approached from this angle, keeping in focus other important facets of the enterprises.

The re-employment programmes of charity shops range from the direct hiring of unemployed people to the management of job-search consultancy and re-employment activities. These activities generally start with personal skill mapping and consultancy and continue with job-search counselling and, in

certain cases, a follow-up exercise by the counsellors. The programmes change from shop to shop. Some focus on the direct employment of disadvantaged people and lay more emphasis on expanding the number of premises, with a concomitant expansion in the number of employees. These are the ‘German type’ of charity shops and in Hungary these are organized by social co-operatives (an operational form that carries out socially beneficial work by performing business-oriented activities) and non-profit enterprises. Others lay greater emphasis on indirect re-employment programmes, also keeping in focus the general aims of the umbrella organization. These shops are modelled on British charity shops and are mainly operated by non-governmental organizations (NGOs). Unlike the German type of charity shop, where expansion is the most important goal, the priorities of British-type shops include other social functions as well (in line with the priorities of the umbrella NGO). For example, it is more likely that these shops give specific donations to people in need. For example, shops run by Baptist Aid provide donations to local families; the shop operated by the Hungarian Jewish Social Support Foundation (MAZS) helps impoverished individuals and their families in the 7th district of Budapest, mostly – but not exclusively – of Jewish origin; the Mozaik Charity Shop, operated by a smaller NGO, Menedékház Alapítvány (Hospice Foundation), helps homeless people with donations and also employs them.

The recruitment of people differs greatly too. Some shops have a direct agreement with the social services to take on people who are registered with the local job centre and are directed to work in the shop by the job centre. Other charity shops have a more informal arrangement: thus the job centres recommend people to the charity shop, but they are selected on the basis of interview as well. In each of the shops examined, the disadvantages facing the unemployed jobseeker are taken into account during the selection procedure, though there are also shops that are more specialized – for example, they prefer to hire homeless people. The different types of employment options are discussed in more detail later.

Of the 45–50 charity shops in the country, most operate in the capital. Two of the shop chains we examine are of the British type: the Narancsliget Charity Centre (one shop operated by MAZS) and the Baptist Point Charity Points (eight shops operated by Baptist Aid). As for the German type of charity shops, we examine three significant charity shop chains: the CSERITI Charity Chain (currently with six shops); the E-cherry Charity Chain (three shops); and Charity Point Charity Chain (four shops). All of these operate with a social co-operative business model. The CSERITI and the E-cherry charity shop chains operate all their shops in the capital, while Charity Point shops are situated in the countryside, in Western Hungary.

2 Basic information on the local context and the emerging problems

Charity shops have emerged in the most varied local environments. Although they maintain a common set of values that address a broad range of country-wide needs (such as employment issues), each charity shop is sensitive to its local setting and tries to respond to specific local needs. The most important macro-contextual characteristic of the Hungarian charity shop movement is that it relieves the growing labour supply in Hungary by creating employment opportunities and re-employment programmes for the low skilled. Therefore it seems useful to sketch briefly the situation facing the Hungarian labour market and the concomitant problems that are addressed by the charity shop initiative.

The charity shop movement tries to alleviate poverty in a number of ways by providing re-employment opportunities of various kinds. This is necessary because in the early days and during the expansion of the charity shop initiative in 2009–12, Hungary had to face unfavourable long-term economic prospects, which had negative effects on the labour market. The demand for labour declined steadily, and so the employment rate was below its pre-crisis level (Fazekas, Benczúr and Telegdy, 2013: 9). Another factor that reduced demand for labour was the phenomenon of ‘labour hoarding’, where firms and enterprises sought to lay off fewer workers than necessary and tried to keep those more skilled and experienced. During the recovery,

“firms previously hoarding labour increased their labour demand more slowly, while using the existing labour force more extensively. As a result, employment rates in the Central and Eastern European region as well as in the whole of the EU lag behind their pre-crisis level” (ibid.: 18).

On the other hand, labour supply has been increasing since the 2000s, partly because of the economic transitions at the time. These transitions led to a depression in the textile and construction industries; a simultaneous decline in agricultural performance occurred at a different pace, and this led to an unequal distribution of employment between the capital and the countryside. The economic crisis had further repercussions, and

“as a result – despite the intense public working scheme programs – since 2009 Hungary has the second highest unemployment rate in the region behind Slovakia” (ibid.: 20).

A quantitative analysis of the Hungarian labour market in 2013 shows that:

“As a result of increasing labour supply in recent years and of the falling labour demand during the crisis, the unemployment rate ... rose steeply to 11% in 2008 and 2009, and has not diminished since” (ibid.: 30).

The conditions described above influence the employment possibilities of the unskilled and low-educated labour force. Compared to other countries with similar unemployment rates for the unskilled and low educated, Hungary has a worse record in terms of the successful employment of such people (Köllő, 2013: 4). The main reason for the exclusion of unskilled and low-educated people from the labour market is that there is no business sector that can absorb them. The small-firm sector, which is traditionally a major provider of jobs for the low educated in countries of similar development, withered under socialism and has since been unable to recover (ibid.: 6). Secondly, it is argued that adult education participation standards are extremely low in Hungary and the situation is even worse among the unskilled labour force. It is essentially missing from the adult training and civil activities that are meant to develop the labour force’s cognitive, affective and job-search skills (ibid.: 6).

In response to the tendencies described above, there are certain socio-economic phenomena that have gained in importance. In 2008, Hungary presented a new public employment scheme, called the “Way to Work” programme, which aimed at bolstering the commitment to work. It was extended in 2011 to unify the different types of community work that previously existed. This involved restructuring the welfare services, so that social benefit recipients were obliged to take part in public employment in order to claim their benefits, which were otherwise withdrawn. The system was designed to reduce the number of people receiving benefits, but according to research carried out for the PROGRESS programme this did not happen. In 2011, about 300,000 people were involved in the public employment programmes (Koltai, 2012: 5). Statistics show that the increased intensity of public employment programmes in the relevant years helped to prevent the further growth of

unemployment, although it could not reduce it. On the other hand, the wages from public employment were only slightly above the level of social benefits, and thus could not offer permanent relief for the most vulnerable groups, partly due to its short-term nature. These factors are addressed by the charity shops, as they aim to provide sustainable employment alternatives for the vulnerable group.

Another important characteristic of the Hungarian labour market is that atypical employment forms have become more significant. For example, part-time and temporary employment have become more popular, first in manufacturing and then in the for profit service sector as well. However, part-time employment is still very rare compared to other EU Member States (Fazekas, Benczúr and Telegdy, 2013: 29). In parallel to this, the scope of lawful employment forms has also been extended in Hungary, making possible the birth of social co-operatives as eligible enterprises that can hire people. This new form of employment is seen as an alternative for those leaving the public employment programme in those areas where no other form of employment is viable (disadvantaged regions). In conclusion, high unemployment and the appearance of new legal and other possibilities have led to the emergence of innovative employment forms and schemes, one of which is the charity shop movement.

As for the organizers of the movement, a substantial proportion of the charity shops in Hungary have been established by non-profit organizations that incorporate the functioning of the shop into their working programmes. These shops are usually called British-type charity shops, as already mentioned above. One example of the British type of charity shops is Baptist Aid, which operates eight charity shops throughout the country. One aim of Baptist Aid is to relieve the suffering and need of poverty-stricken and marginalized people. The charity shop idea can become a powerful tool for this. According to the manager of the Baptist Aid charity shop chain

“Baptist Point charity shops work as regional offices, so they not only collect items and redistribute them according to a business model, but they also monitor and check the local needs and align the incoming items accordingly. Through this, local needs can be more effectively met and items can be more functionally used.”

Thus if an item arrives in the shop, the employees first check whether it is needed by any local person and, if it is, they make the item available to that person; they display the remaining items in the shop for sale. The same functionality is seen in the other British-type charity chain, organized by MAZS. MAZS is situated in the 7th district of Budapest, where it supports impoverished individuals and families, mostly – but not exclusively – of Jewish origin.

A third example is the Mozaik Charity Shop, which is organized by a smaller organization that focuses on social services to homeless people. In line with this, the charity shop employs homeless people, provides them with training and counselling and gives them donations. On the other hand, in the last couple of years more and more entrepreneurs have been involved in socially responsible business activities and the appearance in 2006 of the new legislative form of social co-operatives has allowed them to establish charity shops as social enterprises and non-profit enterprises. These are the German-type charity shops. These shops have no other business activities and are able to reconcile profit goals with providing direct employment opportunities for disadvantaged people. In Hungary, these charity shops may alleviate the growing problem of unemployment (though not on any great scale at the moment), also bearing in mind environmental sustainability and other social functions. Charity shop owners emphasize that Hungarian charity shops differ from charity shops abroad, in that they deliberately employ disadvantaged people, rather than paring back paid work to the minimum, as is customary in charity shops abroad. However, Balázs Takács, manager of Social Co-operative of

Western Hungary, pointed out that in the initial phases of a charity shop, usually there is little financial and material opportunity to hire people; and so his organization had to employ voluntary workers until the shop became sufficiently profitable for it to pay the workforce.

In Hungary at the moment, there is no instance of a charity shop operated by a large, business-oriented firm within the framework of corporate social responsibility.

3 Genesis of the initiative

As mentioned above, charity shops are nothing new in Europe, but they emerged in Hungary with slightly different aims and purposes. As has been pointed out, a big part of the movement (the British-type charity shops) is organized by NGOs, ranging from small-scale civil society organizations to large, international ones, such as the Hospital Volunteer Care-Giving Service Foundation, the Baptist Aid and MAZS. The first charity shops were opened by international civil organizations that had experience with these kinds of activity from their operations in other countries. In fact, the first charity shop was opened in 2009 by the Hospital Volunteer Care-Giving Service Foundation; this pioneering initiative proved unviable and subsequently closed down in 2012. Nevertheless, in the following years, large NGOs – such as Baptist Aid and MAZS – with a long history of managing donations, could successfully build a business model and establish successful charity shops that are still operating and growing. At the time, NGOs could only launch business-oriented activities if their income from the charity shop did not exceed 10 per cent of their overall income. Therefore, only large, international organizations were able to establish a shop. This law changed in 2012, however, enabling smaller NGOs to establish charity shops as well. One good example is the Mozaik Charity Shop mentioned above, which is operated by the Menedékház Alapítvány, an NGO that aims to help homeless people with social services. As one component of its work, it temporarily employs homeless people in the charity shop, while helping them with personal skill mapping and job-search programmes in order to redirect them onto the labour market as active and successful jobseekers. Also, the functioning of the charity shop is important because it can support the other activities of the organization financially, and thus it is closely integrated into the functioning of the organization.

Another segment of charity shops is organized by social co-operatives. Social co-operatives have been present abroad since 1991; they originated in Italy, where the initiative has experienced extraordinary growth. It is argued that the institution of co-operatives came to life primarily to respond to needs that had been inadequately met (or not met at all) by the public services (Borzaga and Santuari, 2001: 171). The Italian law distinguished between two types of co-operatives. One type chiefly performs social functions (such as education, social and health services), while the other concentrates rather on providing job opportunities for those who are excluded from the labour market. Both types prioritize their activities around the local community.

In Hungary, it has been possible to establish social co-operatives since 2006, when an act legally allowed social entrepreneurship¹. Nevertheless, the first charity shops that were established as social

¹ Social co-operatives work according to Act X of 2006 (Accounting Act) on the operation of co-operatives and also Government Decree 141/2006 (VI. 29). According to the legal notion of social co-operatives, as defined in Act X of 2006, social co-operatives aim to create appropriate working conditions for disadvantaged people and otherwise promote their social and living standards.

co-operatives only opened around 2010, and were influenced by foreign models – mainly from the USA, the UK and Germany. These charity shop models differ substantially from the Hungarian model. According to Gábor Sáhy, the manager of the CSERITI Charity Shop, in the US model donations are collected continuously, but there are no permanent shop premises that are open: sales are organized at different intervals. Under the British model the items are also collected continuously; they are sold in a shop, but a certain quantity of the goods goes to needy people according to their specific requirements. As social co-operatives are usually not large organizations that are instantly recognizable locally, their operation is necessarily built on a business model in which marketing and pricing are important tools. Also, at the beginning, they cannot make specific donations to people, because when the shop is established they are not generally experienced in providing social welfare services. These services usually develop with the shop. Once the shop can maintain itself, the managers can start developing additional programmes, such as giving functional donations or planning other socially beneficial business activities.

The first charity shop of this kind was founded by the social co-operative KOSzSz in Budapest in 2010, as part of a Social Renewal Operative Programme project (funded by the European Social Fund) that aimed to facilitate experimental and atypical employment forms. KOSzSz was established on the basis of the Spanish Mondragon model², which employs a system of “guild units” that are largely autonomous but support each other’s activities nonetheless. The co-operative was established as a host institution that consists of largely independent guild units which help those excluded from the labour market and produce environmentally friendly products (Kovách and Németh, 2012). The social co-operative consciously experimented with a number of initiatives – from creating marketable handicraft items from waste, through a complex re-employment programme for disadvantaged women as cleaning ladies, to bio-gas service during wintertime – but the charity shop turned out to be the only initiative that could become self-supporting. At the moment, there are three shops owned by the co-operative. Around the same time, Adományháló Szociális Szövetkezet (Charity Network Social Co-operative) opened another charity shop chain, CSERITI (the Hungarian phonetic rendering of the English word charity), following a year of preparatory work. In this case, the first items were delivered from the Netherlands and since then the shop has been self-supporting. At the moment, there are five shops in operation, all in the capital except for one, which is located in the wider agglomeration of Budapest.

4 The activities and organization

Charity shop initiatives concentrate on the following issues: creating employment, working for environmental sustainability and creating cheap shopping options in order to facilitate access to basic goods. Without doubt, all charity shops incorporate these goals to varying degrees. The various internationally familiar types of charity shops are present in Hungary.

The first type is the British-style charity shop, where the management and income of the shop are integrated into the programme structure of a larger organization. In Hungary, the shops usually operate under an international umbrella organization, but there are also smaller non-profit

² More information on the Mondragon Corporation is available at: <http://www.mondragon-corporation.com/eng/>

foundations that operate a single retail unit. In these shops, the income is used for complementary social purposes, including programmes that seek the indirect reintegration of poverty-stricken people into the labour market or that provide functional donations to people in need. There are certain shops where most of the income supports re-employment schemes and programmes, since they do not have to support the umbrella organization. On the other hand, in another example, the umbrella organization may focus rather on functional and direct donations to people in need and thus it operates the charity shop to provide these donations. In yet another example, the charity centre turns the donations and the income of the shop into programmes, such as a complex entrepreneurial skills-improvement programme for the long-term unemployed clients of the family support centre. There are various other examples, of course: the functions of charity shops diverge widely according to the social functions of the organizing institution. The manager of Narancsliget Charity Shop put it succinctly:

“It is their very goal to make the charity shop self-supporting in such a way that it can support the programme structure that is connected to it.”

In this type of shop, paid employment opportunities are subordinate to other socially beneficial purposes. Hence, the presence of volunteers is more dominant than in charity shops operated by social co-operatives.

The second type is the German-style charity shop, where the income of the shop is used for self-expansion and where the provision of direct, paid employment opportunities is the most important aim. Such shops generally operate as social co-operatives. Social co-operatives are an organizational form that is employment-based in itself, meaning that its existence serves the purpose of employing mainly long-term unemployed, disabled or disadvantaged people. In other words, the operation of a charity shop as a social co-operative brings direct social benefits. The managers of these charity shops lay considerable emphasis on consciously building the enterprises and their marketing to make them successful and well-known brands. Gábor Sáhy, manager of CSERITI Social Co-operative, claimed that it is their deliberate aim to make different chains become *“new co-operative models as well as social brands”*. However, there are certain differences in the activities of these shops. CSERITI, for example, emphasizes all three of the general goals in roughly the same proportion, but introduces the branding and mainstreaming of charity as a primary goal as well. ‘Social internalization’ (awareness-raising) of everyday charity giving is highly accentuated in their work, with the aim of making the charity shop a country-wide social brand in Hungary. Another social co-operative, KOSzSz, focuses more on functional recycling (creation of handicraft items, further donations, specific donations), so that only 2–3 per cent of the donations received end up as communal waste – the remainder is re-used and is mostly made into different products. Clothes can be re-styled, turned into bags or further donated; other items can be refurbished or repaired and then put on sale.

Consequently, by expanding and thus bringing further direct employment opportunities, the German-type shops bring direct social benefits; whereas in the case of the British-type charity shops, their income supports the various socially beneficial activities of the organizing institution, including indirect re-employment schemes of various sorts. The latter thus have a smaller paid workforce and work mainly (or even solely) with volunteers. Balázs Takács, manager of Social Co-operative of Western Hungary, pointed out that voluntary work is also more dominant in charity shops in the countryside, as the turnover is not as great as in the capital and so the wage costs cannot be supported.

The five charity shops we have examined closely all work with both paid and voluntary workers, with the proportion dependent on the financial resources of the organization. On the other hand, all five charity shops expressed the need for more staff, although the lack of financial means limits their opportunities. Altogether there are 40 full-time paid employees, 7–8 occasional staff and around 50 volunteers working in these five shops. According to ADSZ, there is no comprehensive data on exactly how many people work in all the charity shops in the country. In every shop there are a certain number of volunteers who participate in the day-to-day management. Their roles include the assessment of objects, stock management, or in some cases even management of the whole shop. No shop can afford to pay all its employees at the moment, though they all have more work than can be carried out by the employees and volunteers. Nevertheless, some shop managers stress that they try to minimize the number of volunteers, since it is the aim of these shops to provide a livelihood for people, and volunteering runs counter to this effort. That said, most shops cannot afford to employ a paid workforce when they first open, since the shop must first be self-supporting before it can provide employment. Those shop managers who take on volunteers claim that voluntary work can indirectly benefit unemployed people, as it can lead them back into the world of work. According to the managers, there are different types of volunteers: ‘courtesy’ volunteers, who take part in the work because they want to help personally; and those who hope for supplementary financial benefits from the local council in exchange for work. Balázs Takács claims that in 2014 the charity shop redirected 22 volunteers from unemployment to the primary labour market, solely by using the opportunities and benefits of volunteering.

The everyday operational activities of the charity shops basically include the following: donations are received from members of the public; the items are then assessed and carefully valued and put on the shelves for sale. In Hungary, pricing is a sensitive matter, as well as one that is greatly influenced by the quality of the product. It is set by first researching the original price of the item and any similar items on online retail sites. The price is usually set 20–50 per cent lower than the item sells for in second-hand retail shops and online retail spaces. Most charity shop managers claim that they do not refuse any donations, but the public sometimes regards charity shops as a house-clearance service. In Hungary the tradition of “*everyday charity*” is still immature and not culturally common. When it comes to donations, Gábor Sáhy (CSERITI) maintains that “*currently we cannot talk about beneficence per se in the original sense of the word*”. Charity shops are still relatively unknown and are frequently regarded as an easy way of disposing of unwanted items of whatever quality – though there are numerous counter-examples as well. The employees select the saleable items and then try to make use of the rest of the donations. Most go as functional donations to people in need. Otherwise clothes bazaars may be organized; and there is a shop that re-uses old clothes by making marketable products from them that are then sold in the charity shop (bags, purses, etc.). As for bigger items, some charity shops own a truck and regularly organize collecting tours; others send out a volunteer first to evaluate an item before collecting it; yet others simply do not accept large items.

The consumer basis of the charity shops is similar in all cases. The shops offer cheap buying opportunities for “*people in difficult life situations*”, as Péter Faluhelyi (Narancsliget Charity Shop) put it. Other interviewees argue that visitors to charity shops can also include middle- to upper-class “*treasure hunters*” and, to a lesser extent, ethically aware consumers and occasionally other retailers who sell the items on. The consumption model of Hungarian charity shops correlates with what is found in the case of foreign shops, where

“the main influences on purchasing motivation and consumption patterns are primarily the cheap prices and the desire to support. The attraction of unusual goods, proximity and convenience, and ethical positional consumption favouring fair trade or recycled goods also represent significant influences. Detailed analysis of these influences suggests that each of them relates to particular social groups” (Horne and Maddrell, 2002: 120).

Thus, since certain items that are of higher value or that are antiques or curiosities can be found in them, charity shops are attractive to middle- and upper-class people who are looking for specific items. According to the shop managers interviewed, conscious and ethical consumption is still not common in Hungary, though it is rising steadily; the charity shop movement plays a significant role in this. On the other hand, the majority of customers and the main target group for charity shops are people with a low standard of living.

Furthermore, all charity shops function as social spaces. These are places where interaction can take place between shoppers, donors, volunteers and managers: they

“can also become meeting places, places of identification and socialization” (ibid.: 118).

In the case of Hungarian charity shops, these interactions are still spontaneous; at the moment there is little evidence of conscious use of these social spaces, though some shops have plans for the future.

Without exception, all charity shops have plans for how they can expand in size and/or function. Charity shops that are maintained by social co-operatives plan to expand their number, and there are arrangements to open re-use centres, where people with disabilities could be employed. Though this is still a distant aim, these centres would provide a complementary service, by repairing those objects that are slightly damaged or flawed (mainly electrical equipment and furniture). These agendas are slightly different in the case of British-type charity shops, where capacity building is not the sole priority, but even there the expansion of services is a key target. Those charity centres that use charity shops to facilitate their programme structure also plan to enhance their indirect re-employment programme structure, as well as their retail space. Certain shops plan to enhance the social functions of the shops, creating centres to provide personal skill mapping and job-search counselling for unemployed people. Another planned social service would be the creation of a community space where people with similar backgrounds can interact and help each other. Another more abstract but definite goal of charity shops is the development of a comprehensive communication structure with all the governmental levels, and successful advocacy of their purposes. At the moment, charity shops do not receive wage or tax subsidies, unlike second-hand retail units. In order to challenge this situation, 10 charity shops established an advocacy organization in 2014, named ADSZ. It also provides an accreditation committee for newly established charity shops.

5 The socially innovative dimension of the initiative

5.1 Which social needs are addressed by charity shops in Hungary?

The charity shop movement operates a multi-level charity scheme, at the same time as offering direct and indirect re-employment programmes for those excluded from the labour market. Part of the charity scheme is that the shops offer cheaper goods that can be purchased by poor people as well. Also, the shops enable functional recycling: discarded goods are not thrown away, but are given as

donations to the charity shops, where they can be utilized. In terms of additional services, there is a diverse typology of charity shops in Hungary. This covers initiatives that range from enterprises with outstanding retail and social professionalism, to shops that stand at the opposite end of the spectrum, primarily offering cheaper goods to poorer people. However, the majority of shops are to be found somewhere in the middle, providing a complex blend of services and re-employment programmes.

5.2 *How do charity shops transform social relations?*

All five of the charity shop examples examined aim to function according to a democratic model in order to meet the objectives discussed in workshops and implemented in the shops. In line with ImPROvE's criterion for social innovation, the charity shop movement in Hungary comprises bottom-up initiatives that involve a wide range of civil society actors, as well as social entrepreneurs, with the aim of satisfying the basic needs of socially excluded groups. Furthermore, they have established links with certain local governments. These links are more prevalent in the capital and in major cities, as that is where the initiative itself is mainly based (although there are also viable countryside examples of good shop–council co-operation). It is also in the bigger cities that (over)consumption is more visible, and again it is there that charity shops can provide a viable outlet for everyday objects. Also helping the movement, the concepts of social responsibility and environmental sustainability are developing rapidly in the urban areas, as more and more people become involved in socially beneficial activities and/or volunteering of some sort. Thus, charity shops offer an alternative method of redistributing consumer goods, with a specific social purpose that is close to the everyday life context of citizens.

Another innovative aspect of the initiative is that these charity shops involve a new organizational and business model and exemplary social activity; in other words, they are driven by social objectives and they bring about sustainability through retailing. One type of shop operates within the framework of an employment-based organizational form, as social co-operatives. These co-operatives try to align themselves with local needs and respond to local problems, as they aim to integrate low-educated or disadvantaged people (e.g. those with disabilities, the long-term unemployed, women returning from maternity leave, homeless people) into the labour market. Social co-operatives are built on local needs and try to enhance the local market of a particular area. These are hybrid forms of enterprises, as they fall outside the competitive sector (since they do not produce, but redistribute), and yet their activities are not purely non-profit (since they are involved in retail).

5.3 *What kind of empowerment is realized by charity shops?*

Each initiative operates as a self-governing social institution (even those working under an umbrella organization), as first of all, they either reintegrate long-term unemployed people into the labour market by providing them with a livelihood, or else offer them job-search programmes and other mentoring opportunities. Besides, charity shops reduce the social cost to the government and offer society at large a model of solidarity by providing cheap purchasing opportunities for those living in poverty. In this way, charity shops respond to social needs and the commodification of life chances, and provide a complementary service to the structure of social institutions. Also, by (in some cases) employing people with fewer opportunities, charity shops contribute to the empowerment and socio-political mobilization of socially excluded groups.

6 Institutional mapping and governance relations

At the moment, certain local councils provide the most important logistical support for charity shops, by providing suitable rental spaces for the shops and by offering discounts on the rental of council-owned premises. By way of illustration, we detail an agreement between a charity shop (E-cherry charity shop, KOSzSz Social Co-operative) and Budapest's 12th district council, as detailed by Csaba Müller, the representative of the council. When KOSzSz first approached the council with its plan for a charity shop, the collaboration seemed feasible to the council because the co-operative came with a complete business plan and had already won a Social Renewal Operational Programme tender, and so it had funds of its own. Also, the social co-operative was experimenting with different re-employment programmes and was willing to give up any projects that would not work (and therefore they would not impose a financial burden on the council). From the point of view of the council, the most important benefit was the direct employment scheme that the shop offered; but later it started to recognize the other beneficial aspects of the initiative: the ecological approach, functional recycling, the social retail plan, the functional donations and the diversification of charity options in the district. Under the agreement, the council provides retail space, charging the co-operative just twice the building's common utility fee in lieu of rent; in return, the shop undertakes to employ disadvantaged people from among the clients of the family support centre. The co-operation remains good, which is reflected in the mayor's promise to help the advocacy activity of charity shops in the future. This type of agreement is to be found in other districts of the capital as well, though the specific conditions and charges may differ. According to the representative of the council, collaboration depends largely on individual attitudes towards the specific programmes of the charity shop: there is a multi-step procedure before requests arrive in the mayor's office, and an initiative may be abandoned at any stage if it does not fit with the council's social welfare plans.

There has been a moderate advance in co-operation between charity shops and the governmental bodies. Nevertheless, charity shops have come to realize that they can only achieve effective communication at government levels if they engage in coherent advocacy activity. There are currently around 45–50 charity shops around the country, but there is no information on the exact number. Right from the beginning, these initiatives have developed independently – though the various actors claim that they have always been aware of the other charity shops. However, lately there has been more and more pressure for the shops to collaborate with one another. As a result, in July 2014, the Adományboltok Országos Szövetsége (ADSZ, Association of Hungarian Charity Shops) was established. The need for an umbrella association arose because, after a while, it became essential to establish an accreditation and supervising committee for the shops, in order to inhibit the spread of 'illicit' charity shops – i.e. shops that do not incorporate the socially beneficial aims of the charity shop concept and try to acquire financial gain solely from the operation of such a shop. Another aim of ADSZ is to enable coherent and effective communication with the government and to carry out effective advocacy and lobbying activities at different government levels, so that these shops could be distinguished by law from general commercial units.

Higher levels of government have not directly facilitated the charity shop movement so far, though there are funds that some charity shops can apply for. Those that function as social co-operatives could apply in 2013 for funding that provided 100 per cent financial support for their programmes. In this way the government hoped to encourage the development and establishment of social co-operatives,

though the tender focused on co-operatives established in continuance of the public employment schemes. The idea behind this was that those who had previously worked in the public employment scheme could establish social co-operatives with the help of local municipalities, and could receive the equipment they had previously used in the public employment scheme. After they established the social co-operative, they could produce for their own benefit and sell the products. These people could thus become self-supporting. It was a conscious move on the part of the government to officially support the establishment of social co-operatives, a new form of self-employment to empower people excluded from the labour market. The tender funded 100 per cent of their operational costs, since it could hardly be expected that these possibly inexperienced entrepreneurs could fund their initiatives without financial support from the outset. However, administrative difficulties meant there was a nine-month discrepancy between the start date of the implementation phase and the date of payments; thus many social co-operatives were forced to withdraw their applications, as they could not fund operations in the meantime. This study does not cover any charity shops that won such funding; to the best of our knowledge, none of them did win money in this particular tender³. In the future, many more such direct funding opportunities will be open to social co-operatives, as the government is placing more emphasis on this employment form. For this purpose a new department was established in 2011 in the Home Office of Hungary – the Szociális Szövetkezetek Programkoordinációs Iroda (Social Co-operatives Programme Co-ordination Office). The office’s tasks include the co-ordination and promotion of social co-operatives that are formed as an alternative output of the government’s public employment programme. The work of the office focuses on the convergence regions, and thus co-operatives that provide services in the capital city and its region do not fall within its direct operational scope.

Table 1: The governance relations and other characteristics of the charity shops interviewed

<i>Name of the charity shop/organizer</i>	<i>Main activities</i>	<i>Organizing institution</i>	<i>Supporters/government relations</i>	<i>Number of shops/employees</i>
CSERITI Charity Chain	<ul style="list-style-type: none"> • provides cheap buying opportunities • “mainstreaming everyday charity” • concentrating on mainstreaming the social brand 	CSERITI social co-operative	<ul style="list-style-type: none"> • rents one site from the local council • supporters: Hungarian Business Leaders Forum, Erste Bank 	5 shops/8 paid employees and 1–2 occasional staff
E-cherry Charity Chain	<ul style="list-style-type: none"> • providing cheap buying opportunities • started out from a Social Renewal Operative Programme tender supporting atypical employment schemes • functional donations 	KOSzSz social co-operative	<ul style="list-style-type: none"> • rents 2 premises from the local councils with discount 	3 shops/11 paid employees and 1–2 volunteers
Narancsliget Charity Centre	<ul style="list-style-type: none"> • providing cheap buying opportunities 	MAZS (Hungarian Jewish Social Support	<ul style="list-style-type: none"> • rents 1 site from the local council with discount 	1 shop/1 paid employee and 1–2 volunteers

³ Information provided by members of the ADSZ who are also social co-operative managers.

	<ul style="list-style-type: none"> re-employment programmes (entrepreneurship training, creating marketable handicraft items) functional donations 	Foundation) non-profit organization		
Baptist Point	<ul style="list-style-type: none"> providing cheap buying opportunities focusing on functional donations handles food donations uses charity shop as a social space 	Baptist Aid non-profit organization	<ul style="list-style-type: none"> rents 1 site from a large supermarket chain for free, other buildings are rented at market price in shopping centres 	8 shops/14 paid employees, 11 people on rehabilitation aid and 11 volunteers
Charity Point	<ul style="list-style-type: none"> providing cheap buying opportunities indirect re-employment opportunities for unemployed people working as volunteers 	Social Co-operative of Western Hungary	<ul style="list-style-type: none"> 3 premises rented from the local councils at a discount 	4 shops in the countryside/11 paid employees (people with disabilities)

7 Governance challenges

7.1 Mainstreaming social innovation

The expansion of charity shops and the mainstreaming of the charity concept as a social innovation are important goals that managers keep in mind, though different shops place different emphasis on mainstreaming methods. Generally, those shops that are operated by a social co-operative place greater emphasis on social brand building, in order to be able to expand and open new premises. One challenge for charity shops in this sense is the “*acclimatization of everyday charity*” in Hungary, as Gábor Sáhy (CSERITI) phrases it. As mentioned earlier, everyday charity is not so common in Hungary at the moment, in the sense that people are still seldom aware of, and seldom use, charity facilities provided by civil organizations; and when people are aware of them, they frequently regard them as an easy way of getting rid of unwanted items of whatever quality. In order to change public opinion, some shops plan to build ‘charity franchises’ under their brand name, with the express purpose of collecting enterprises with similar agendas but different activities. The core concept would be similar to that of charity shops, but there would be different socially beneficial functions. Mainstreaming is also important for those charity shops that operate under an umbrella organization in order to build their consumer base; but that is not emphasized to the same extent as in the case of social co-operatives, whose work depends solely on the market and which are not supported by a civil society organization.

As for the challenges arising from the expansion of social innovation (e.g. fragmentation of the charity shop objectives and maintenance of the plurality of actors), until now the expansion of charity shops has shown a ‘horizontal upscaling’ tendency – i.e. new shops have appeared where cheap rent, good

relations with the local council and/or advantageous market conditions have all come together in favourable circumstances. After a while, certain actors recognized the need to take conscious steps to bring these shops under one 'roof', though without taking away their contextual uniqueness. To this end, charity shop owners established an umbrella organization that can operate as an advocacy organization for the charity networks, and as a kind of authorization and supervising committee for other shops. It is also required since, if charity shops do gain tax relief and other benefits in the future, many for-profit enterprises are likely to try to adjust their operations to benefit from becoming pseudo charity shops. Thus there are signs of 'vertical upscaling', where there is a deliberate effort to co-operate and cover a larger territory and to offer access to more people, as well as to provide a set of shared strategies and aims for charity shop owners.

It is ADSZ that now serves as a kind of supervising committee, in order to prevent fragmentation and monitor the plurality of actors. On the other hand, it will provide accreditation for new charity shops, in order to maintain standards and the core concepts. ADSZ (Association of Hungarian Charity Shops) was established in July 2014, after some charity shops recognized the need to bring together the aims and objectives of charity shops. This is important from the perspective of equal access for customers and even for potential employees of the shops.

7.2 *Governing welfare mix – avoiding fragmentation*

Main actors in the movement, as well as council representatives, claim that the main challenge concerning fragmentation of the initiative is usually a dismissive attitude towards the specific programme on the part of public sector representatives; but it can be managerial resistance as well. In certain cases, the representatives of the public sector questioned the legitimacy of a new initiative that would employ just a small number of people, when placed within the context of the rest of the social welfare system. This approach seems to be characteristic in other case studies as well, since the traditional welfare regime concept is still very strong: it is usually the state and its hierarchical and institutionalized modes of governance that provide coherence to welfare mixes.

7.3 *Uneven access*

Charity shops have popped up quite spontaneously wherever favourable economic conditions have allowed; thus universal access has not been their main focus of attention. These shops are prevalent in the capital and in major cities, where it is more common for people to dispose of used but still working goods. In the countryside, consumer goods are not so plentiful and people are likely to know what their neighbours possess. Consequently, charity shop chains that are present in smaller towns have to swap around their goods after they are donated and transport them to a different town or village where people will not recognize them. It seems that the possibility of opening a charity shop in the countryside is limited. Some charity shop managers try to alleviate the problem by organizing cheap clothes bazaars in numerous places in the convergence regions, as well as by providing free functional donations for families or even small villages.

The spontaneous appearance and expansion of charity shops can hardly be expected to create the best conditions for equal access by unemployed people to the employment opportunities offered by the shops. The diversity of co-operation between job- or family-support services and charity shops also

hinders the possibility for unemployed people to gain equal access to different shops. The expansion of charity shops shows a particular pattern: shops that started out as independent initiatives run by different organizations are now striving for cohesion and mutual agreement.

7.4 Avoiding responsibility

In general terms, it can be said that at the moment charity shops do not receive direct financial support at any level of government. On the other hand, nearly all of them are in negotiation with local governments and councils, and there is the hope that the movement can be incorporated into the social welfare system in the long term, if the shops manage to establish good co-operation with local job- and family-support centres so that the labour-absorption potential of the shops can be deployed to help unemployed people.

Also, the participation of government in the charity shop movement is rather unstructured; there is currently no coherent advocacy activity on the part of the shops, and thus independent and local agreements with certain councils prevail. Local governments usually provide infrastructure (premises), rather than acting as co-ordinators or regulators. Councils often provide premises for the social enterprise to use at a reduced rent (this can vary from just the common utility fee to almost no concession) – mostly in exchange for the charity shop employing disadvantaged people from the appropriate district or area. The participation of governments is more or less contingent on individuals, as the agreement depends largely on the affiliation of the person in charge – or rather on a chain of people in government positions.

7.5 Enabling legal framework

The enabling legal framework is one of the most crucial concerns of the charity shop movement, as the legislative consolidation and professional operation of Hungarian charity shops is just developing and is in its early stages. Currently there is no coherent legislative framework specifically for charity shops: this is something that the shops are trying to secure, along with wage subsidies and tax relief. At the moment, they are hunting for the means to achieve this. Charity shops have flourished across the country over the past four years; it has become necessary to create an umbrella organization that can work as an advocate for the charity networks, and as a kind of accreditation and supervising committee for other shops.

The need for advocacy is important, as the shops do not receive tax relief or wage subsidies, even if they specifically provide social services that complement those of the welfare state institutions. They pay tax on each and every sale, just like any other second-hand shop – i.e. the full price mark-up of any item is subject to tax. This is problematic, since charity shops receive their goods free, and thus the difference between the “purchase” price (i.e. zero) and the “retail” price is bigger than in the case of second-hand shops. According to ADSZ members, one of the main tasks of the association is to carry out effective advocacy and to develop a legal framework for Hungarian charity shops, ready to pass on to the proper government institution. At the moment, the preparatory work on this framework is ongoing. At the end of 2014, ADSZ managed to produce a memorandum of operation that defines charity shops and lays down the objectives of the charity shop movement.

In November 2014, the association started negotiations with the regional customs directorate of the Nemzeti Adó- és Vámhivatal (NAV, National Tax and Customs Administration). NAV asked the association for a comprehensive document on organizational and operational procedures, to be used to prepare for the possible repositioning of charity shops within the taxation system. At the moment, this document is being scoped; it is unclear what the next step will be.

There is tax relief for those charity shops whose turnover does not reach HUF 6 million (approximately EUR 20,000) per month, since any small retail unit with income of less than that amount can claim 100 per cent VAT exemption. However, most charity shops plan to expand their numbers and turnover, and so this does not provide permanent relief for the movement.

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- E-cherry charity shop. László Németh, László Vízkelety, shop managers, managers of KOSZSZ social co-operative
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- Baptist Point, Györgyi Dr. Herencsárné Klug, chief executive of aid management, shop manager at Fót
- Social Co-operatives Programme Co-ordination Office, Ildikó Kovácsné Antunovics, Gyula Makó, civil servants
- Council of 12th district, Csaba Müller, civil servant, Welfare Office

Participants of the focus group discussion

- Nóra Bagdi, Mozaik charity shop, Budapest
- Shaul Taly and László Rőkös-Horvát, Narancsliget charity shop, MAZS Organization, Budapest
- Érted, Együtt Social Co-operative, Pécs
- Eszter Petőcz, researcher, Eötvös Loránd University of Science
- László Németh, KOSZSZ Social Co-operative, Budapest
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- Attila Kondor, Baptist Charity Point, Budapest
- Katalin Kertai, National Employment Public Foundation (OFA), Budapest
- Balázs Takács, Social Co-operative of Western Hungary charity shop
- Gábor Sáhy, CSERITI Social Co-operative, Budapest

ImPRovE: Poverty Reduction in Europe. Social Policy and Innovation

Poverty Reduction in Europe: Social Policy and Innovation (ImPRovE) is an international research project that brings together ten outstanding research institutes and a broad network of researchers in a concerted effort to study poverty, social policy and social innovation in Europe. The ImPRovE project aims to improve the basis for evidence-based policy making in Europe, both in the short and in the long term. In the short term, this is done by carrying out research that is directly relevant for policymakers. At the same time however, ImPRovE invests in improving the long-term capacity for evidence-based policy making by upgrading the available research infrastructure, by combining both applied and fundamental research, and by optimising the information flow of research results to relevant policy makers and the civil society at large.

The two central questions driving the ImPRovE project are:

How can social cohesion be achieved in Europe?

How can social innovation complement, reinforce and modify macro-level policies and vice versa?

The project runs from March 2012 till February 2016 and receives EU research support to the amount of Euro 2.7 million under the 7th Framework Programme. The output of ImPRovE will include over 55 research papers, about 16 policy briefs and at least 3 scientific books. The ImPRovE Consortium will organise two international conferences (Spring 2014 and Winter 2015). In addition, ImPRovE will develop a new database of local projects of social innovation in Europe, cross-national comparable reference budgets for 6 countries (Belgium, Finland, Greece, Hungary, Italy and Spain) and will strongly expand the available policy scenarios in the European microsimulation model EUROMOD.

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