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**Creating chances for self-employment of women in**  
**Hungary: the example of the Foundation of SEED**

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# Creating chances for self-employment of women in Hungary: the example of the Foundation of SEED

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*The low level of women employment in Hungary is striking, when we compare it to the target level of the EU. The social economy has unambiguously a significant role in expanding opportunities to enter the labor market for members of groups underprivileged. The Foundation for Small Enterprise Economic Development (SEED) has for more than a decade extensively contributed to facilitating the economic presence of women, family enterprises and Romany people. The activities, which attempt to enhance the competitive power of small enterprises in the economy, include consultations, training programs and research as well. Their success is shown by that financial support is provided by both national and international organizations, both public and private. The Foundation, by targeting women entrepreneurs helps people in a doubly difficult situation, and creates chances for equal opportunity.*

## **1 Introduction**

In Hungary at the beginning of the 1990s, the transition from a communist regime to a market economy has brought about a loss of workplaces for many people in a number of sectors. The increase in unemployment has coupled with a change in the values of people: the acceptance of women's employment has considerably decreased. These two factors have entailed that economic activity of women has drastically declined. From 1990 to 1995 the employment level of women aged between 15 and 54 year dropped from 77% to 56%.<sup>1</sup> This phenomenon is considerably detrimental to the national economy, especially as the education level of women, on average, has continuously been higher than that of men.

In this situation, a possible alternative could be to support the self-employment of women, by which they can more flexibly accommodate work to family responsibilities. Several civil organizations provide assistance for those wishing to launch an enterprise. However, there is only one that specifically targets at women and this is the Foundation for Small Enterprise Economic Development (SEED). It has been functioning for more than a decade and gaining wide experience of consultancy and training of would-be entrepreneurs.

This paper gives an analysis of how the Foundation of SEED can contribute to the increase of women's participation in the labor market. First, section 2 gives a description of the Hungarian labor market relevant to the topic. Section 3 shows the wide-ranging fields of the activity of SEED. Section 4 deals with the financial resources and partners of the Foundation. Section 5 evaluates the work done by the SEED, and section 6 gives a conclusion.

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<sup>1</sup> Soltész (2006), pp. 2.

## ***2 Conditions in labor market***

Not only men but also women are very conservative about women's employment. Majority of the Hungarian people approve full-time work only for those women who are just married and have no children yet. This is mainly caused by that the mandatory employment in the communist regime had entailed the overburdening of those women who had had family. After the collapse of the past regime strong disapproval evolved against everything that are somehow related to the former regime. In 1995, only two-thirds of women agreed with that women work outside their homes. The traditional interpretation of gender roles dividing the world into male and female areas has become strengthened. The male domains are thought to be outside the family, around economic and political power, while female domains are inside the family. Thus, women's emancipation as well as women's employment has become strongly criticized (Neményi and Tóth, 1998). This has brought about the emphasizing of traditional family obligations of women. In this process, it also plays a determinant role that Christian values have become strengthened since the change of regime, emphasizing women's (obligate) family role. Survey of Tóth (1995) has shown that women with higher qualification are not so afraid of the double burden of family and employment, as those with lower qualification. However, in general, dual-earner family model is only a necessity due to financial difficulties, and traditional division of labor is placed on a 'pedestal'. For Hungarian women, the double task at work place and family, in conjunction with the unequal division of labor at home, often lead to role-overburdening.

In Hungary, housework and child rearing are primarily considered as responsibilities of wives, irrespectively of that they are employed or not. In line with the spreading of market conditions, competition in the labor market has become intense, which has adversely affected labor market status of woman. Gender discrimination at employment has intensified, as dropout from work for reproduction reasons are much less or not at all tolerated for women. Employers are also not so willing to accept dropout from work for reasons related to child rearing. In 2000, it was 33% of men and 43.8% of women, who did not work. Beside these figures, however, 7% of men and 5.6% of women were registered as unemployed (Frey 2002).

Gender discrimination on behalf of workplaces can be proved by that men begin much more often their career in an executive status than women, even though within wage earners the ratio of women with higher qualification exceeds that of men. Through their whole career it is much more difficult for women than men to get to the top positions of occupation hierarchy. This is caused partly by their family responsibilities, partly by the scarce level of the opportunities for part time job. To accommodate housework to job and to ensure women a longer participation in labor market, flexible work time should be much more widespread. In 2000, a mere 5.3% of women earning wages had a part time job (Frey 2002). Thus, women compared to men are present in labor market for a shorter time and their participation is not so efficient, which cause their lower labor market status.

Data show that job structure of women regarding power, responsibility as well as financial and moral appreciation is considerably unfavorable as compared to men. Women managers are numerous at those work places, where the great majority of employees are also women. Although the number of employed women with higher qualification is higher than that of men, number of women in economic elite amounted to a mere 16% in 1997. Moreover, they could get positions only under chief

executive officer level (Nagy 2001). The gap between average salaries of genders was more than 20% to the disadvantage of women in 2000 (Frey 2002).

An important reason for gender inequality in chances to get to higher levels of organization hierarchy is that female executives, compared to their male colleagues have more often graduated from four-year college, evening-school or correspondence course. This causes women a more difficult start of career, and their chances deteriorate also due to that the periods of starting a family and starting a career occur, in general, at the same time. Women in the economic elite possess a more favorable social background than their male colleagues. This means that a better pedigree is necessary for a woman to have similar chances to become executive as a man. It is especially important that her mother be also a white-collar. A woman has to get over another difficulty in order to become an executive: the pressure from her milieu, the traditional expectation that wants to respect her as a wife and a mother, not as a female executive (Nagy 2001). Chusmir (1985) emphasizes that a successful female executive needs to possess an above-average ambition, because as executive she has to get over considerable amount of gender role conflict. In sum, not only gender characteristics, but also the circumstances of the organization of work place and social-institutional system interfere with women career, i.e. with their equal chances.

In the labor market unfavorable for women, becoming an entrepreneur could be a solution to the problems. After the transition, the number of women entrepreneurs doubled, but many of them acted under constraint. Nevertheless, their number has only increased to the third of the men's number. The reasons are multiple, but the process of socialization and the way of upbringing based on traditional values are closely related to that it is especially hard for a woman to become an entrepreneur. Parents expect boys, rather than girls to become a breadwinner and make for the living of family. Men rather than women are considered to be lobbyist and risk taker, thus to be suited for entering into an entrepreneurship.

In spite of the difficulties above, women's propensity to start a business considerably increased during the 1990s. However, women entrepreneurs have predominantly achieved success in those fields, which are considered women's domain. These are commerce, service sector, education and health care. A women entrepreneur could be successful in a domain prevailed by men only if male members of the family were also involved.

Since the beginning of the 1990s, there has been a great help for women entrepreneurs by the Foundation of Small Enterprise Economic Development (SEED) that is aiming at women among other target groups during its main activities of consultancy, training and research.

### **3 Activities of SEED**

#### **3.1 Consultations on business plan**

The most important field of the activities of SEED is providing *consultancy for those wishing to launch business*. If a customer visits the consultants of SEED and presents an idea of future business, they together look over the steps towards implementation and then they come to a conclusion concerning techniques for market research and the analysis of needs, price setting and other details of business launching. In order to ensure the survival and stability of an enterprise, particularly if it is new, it is essential to prepare a business plan that includes every important detail of the enterprise. Consultants provide customers with useful information not only on business-related matters, but also on other aspects of the set-up of an enterprise. Thus, they give advice

on how to choose among the various legal forms of enterprise, what administrative and tax-related responsibilities an enterprise has to fulfill, and so on.

The consultants of SEED also help write a *business plan for interest-free loan* of HUF 2 million that is provided by Labor Centers to support people to become self-employed. In order to prepare a successful plan, customers are required to make assignments, make calculations, gather information and finally write down their ideas. During the whole process, they can get support, assistance and advice from the SEED that possesses wide experience in preparing business plans. The finished plan is ready to be submitted to Labor Centers.

The third part of the consultation activity includes giving advices to those who have *running businesses*. The entrepreneurs can apply for assistance with questions regarding the activity or strategy of management, marketing, accounting and finance. If the issue in question cannot be solved within a few hours of consultation, a *project consultation* is proposed. It involves an examination of the structure of the organization, the marketability of the products, the profitability, and the efficiency of the marketing, production and sales. The strategy and tactics which are most likely to be successful in the future are worked out together with the clients.

Apart from the possibilities above, there is a way for on-line consultation that targets in particular those who are living in the countryside and face difficulties to go to the office of SEED in Budapest. Present as well as future entrepreneurs may use this mode of consultation, if they have simple or general questions.

There are charges for the consultations, but the fees are relatively low, particularly if compared to those of for-profit organizations. For occasional consultation pre-launch enterprises pay HUF 3000 and running businesses pay HUF 5000. However, the Foundation welcomes any bigger sums, as support of their goals. In case of assistance in writing a business plan required by the application to Labor Center, the fee is HUF 40000, but it is reimbursed by the Center if the application is successful.

### **3.2 Adult education**

The Foundation of SEED has been since the start of its operation dealing with adult education, and organizing trainings, seminars and courses. They are based on either the Foundation's own materials, or some other ones that are adapted from American and Western European partner organizations. The *target groups* include women, youth, family enterprises, and Romany people, micro, small and medium enterprises, incubators, clusters and NGOs. Accordingly, the most relevant topics cover entrepreneurial knowledge, business planning, customer service, growth and change management, writing applications and finding sources, environmentally conscious enterprise, non-profit financing, complex training to promote the reintegration of women in the labor market, training to support women in the public sector, personal and community development, running incubator house, launch of telework, and role of telehouses.

The *trainings* are adapted to demands of customers, always interactive involving the participants into discussions, and simulate real life situations in order to help acquire the knowledge of the program more quickly. Both the analysis of case studies and visiting enterprises ensure that participants receive practical and directly applicable information.

Since 2003, SEED has been an *accredited adult education institution*. This enables a constantly high quality of trainings, a continuous control, and a systematic utility of feedbacks by participants. It also enables the Foundation to gain state

support, which makes the participation fee low. Accredited training programs deal with very useful topics: 'To know, to learn, to do – for women entrepreneurs and family businesses', 'To know, to learn, to do – telework' and 'General information about joining the EU – special preparation for entrepreneurs'. Two-day courses for women entrepreneurs were carried out in three different regions of Hungary and each venue around 20 women participated in the training. The trainings, which covered various topics, such as viability check of the business idea, SWOT-analysis, the basics of marketing, market research opportunities, the functions of price, business finance, profit and loss account, and cash-flow calculations, were sponsored by the Hungarian Foundation for Enterprise Promotion.

Among the accredited training programs, one specifically dealt with actions against discrimination by *strengthening the equality of chances between genders*: 'How to realize equal opportunities for both genders at the workplace?' It was organized for the middle management of organizations and companies. There were six workshops in five big cities of the country as part of a comprehensive project financed by the EU, entitled as 'Implementation of Gender Mainstreaming in the New Member States: Pilot Project in Hungary'. By changing the traditional interpretation of the social roles of women and men, and by reinterpreting the parental roles and division of workload, the project aimed at strengthening the role of men in improving equal opportunities and implementing work-life balance. This project was based on the results of research conducted by SEED, and the workshops were also based on such results. The topics of the trainings included possibilities, methods and advantages of realizing equal opportunities of men and women at the workplace. Middle managers were presented the various levels of the problem and were given practical solution strategies. They could understand how their organization benefits from the implementation of equal opportunities of men and women.

### 3.3 Research

An important activity carried out by SEED is conducting regular research on those topics, which are relevant to its main activities of consultancy and education. Often, these researches make up for the lack of similar analyses of the situation in Hungary. Topics of the researches are related to certain issues of employment policies, such as *situation of entrepreneurs, enterprise development, social consciousness, adult education, or equal opportunities*. Of course, many researches deal specifically with the situation of women in the labor market: 'Women entrepreneurs in the 21<sup>st</sup> century – case studies', 'Examination of the work needs and opportunities of women living in the area of Zalaszentgrót', or 'The changing situation of women at time of transition – qualitative survey' etc. Also, there are specific case-studies, which focus on special problems of a given county or settlement. Many times they comprise impact studies relating to various development programs of the EU.

In 2006, SEED prepared a study about the state of equal opportunities of genders in Hungary. As to the main conclusions of its survey, of all kinds of organizations it is the enterprises, which cannot reconcile the profit-oriented approach with the provision of equal opportunities. They do not recognize that the positive effects generated by the provision of equal opportunities, would directly contribute to a better image at customers that would indirectly result in an increase in their earnings. Due to financial pressure, the burden of taxes and such, they are not (able) to bother with harmonizing the corporate and personal life strategies.

In this situation, it would be essential that the state creates incentives to implement equal opportunities. For example, certain financial sources would be

available only for those organizations, which have performed well in some aspects of equal opportunities. Another solution would be to give priorities to such organizations in tenders, or a title similar to 'Family Friendly Workplace' could be awarded by them. Application of equal opportunity approaches is probably the most widespread among public and local institutions, but the approach does not necessarily become an organic part of their practice. This is reflected in that the realization of equal opportunity plan is often not controlled, or even the employees are not really familiar with its content.

### **3.4 Event organization**

SEED has organized numerous conferences in order to present the results and experience of their research, studies and projects. During these forums a discussion is facilitated among the representatives of employers, employees and enterprise development. Among the various events, in 2006 there was a conference titled as Women entrepreneurs – opportunities, inequalities, that introduced gender budget as a tool for making improvement in meeting the needs of women. '*Women entrepreneurs in the 21<sup>st</sup> century – case studies*' published by the Ministry of Youth, Family and Social Affairs and Equal Opportunities was presented here through involving those entrepreneurs about which the book was written.

### **3.5 Professional consulting, lobbying, monitoring**

Extensive experience and knowledge of the colleagues of SEED are used many times for monitoring the appropriation of funding sources given to enterprises. Such activity includes the monitoring from the viewpoint of propriety and expediency, of subsidization of PHARE (Poland-Hungary Assistance for Restructuring the Economy), employment and enterprise development. General experiences are summarized in reports in order to prepare a useful material for the future.

Together with a research institute of the Netherlands, SEED Foundation is participating in the ex-ante evaluation of the *Human Resources Development Operative Program* and other projects connected with the EU accession. Experts of SEED can provide valuable advices on topics mentioned above, including support of innovative enterprises, or proposing solutions for problems in connection with telework and telehouses.

## **4 Financial background**

Wide-ranging activities of SEED have been made available by founders and leaders of the Foundation that succeeded in gaining an extensive sponsorship. At the beginning of the 1990s, when the transition process was launched, ministries, other state institutions, national associations of entrepreneurs and employers, and the International Manager Center joined with each other and established SEED Foundation. The purpose was to promote the entrepreneurship in Hungary.

Launching the Foundation was considerably eased by donations of money and donations in kind that were provided by American, German and Japanese foundations. They also provided trainings and experts, sometimes good, sometimes not so good, who supported the Hungarian colleagues with technical help. The first business incubator houses in Hungary were launched by SEED Foundation. The Andrew W. Mellon Foundation organized exchange programs for leaders of incubator houses to Pennsylvania, and presented samples even from the Silicon Valley. Financing family

enterprises and various training programs based on the method of learning by doing were sponsored by foreign organizations, e. g. the British Know-how Fund. Till as long as 1996-97, it was the period of donors in the life of SEED. It was characterized by transparency and accountability, but cost accounting was not so strict and residual income could be spent for overhead.

From the middle of the 1990s, SEED has ensured the financial sources of its activities by participating in tenders of PHARE programs and then of European Union. The Foundation has entered a number of cooperation, where it acted as subcontractor. It has managed to realize self-financing that is considered very important in order to provide help to others. Also, USAID, or USIS have continuously organized trainings. In 1998, SEED became a public company and the board of trustees of 7 persons was established. The amount of balance is Forint 330 million, but the yield is falling. In spite of that SEED Foundation is relatively well-equipped as compared to other civil organizations, self-financing is facing difficulties.

### ***5 Evaluation of work by SEED***

Among the various activities done by the Foundation, the most effective ones include the interactive trainings, in which the whole training is about the participants. The results are manifested, as early as after 12 days of the training, in an increased bravery and increased consciousness about the enterprise. The process of consultation and other personal contacts with would-be entrepreneurs make fundamental changes in not only professional life, but also change human fates. Communication trainings have significant impacts on personality of participants and help develop a more optimistic, outward-looking character. It is important that the interactive trainings significantly contribute to that female participants pick up the skill to ask for help and cooperate, if they have some troubles in either professional or family life. They not only learn, but also want to involve other persons into their work, and this helps to a great extent to establish the work-life balance.

Programs for Romany women are not as successful as those for Hungarian ones. It is a hard task to sensitize Roma women to the problems of unemployment and to the necessity of changing. As compared to the Hungarians, they feel more the burden of century-long historical disadvantages and discrimination, and are facing break-out problems, but many times also the incapability of break-out.

### ***6 Conclusion***

This paper has analyzed the situation of women in the labor market of Hungary and showed the role that SEED Foundation is playing in order to facilitate their entry or reentry into the world of labor. Due to economic, political and social changes, conditions of women's employment have significantly deteriorated since transition began in 1990. Civil organizations, such as SEED can encourage and enhance the capabilities of women to become entrepreneurs, which is an important alternative to being unemployed, or dependant. As the slogan of SEED says, their mission is to help not only the sustainable growth of enterprises, but also the emergence of equal opportunities. During the trainings of various topics, not only professional knowledge, but also a very close relationship develops between the consultants and the participants. Probably a good indicator of the successful work of SEED is that such relationships still exist even after a year or so.

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