

Janet H. Momsen, Irén Kukorelli Szörényi

Gender and Rural Entrepreneurship in Post-Communist East and West Hungary

Hungary has a very high rate of entrepreneurial activity, accounting in 1995, for just over one-fifth of employment in non-agricultural sectors, more than twice the average for OECD countries (11%) and almost the average level for Latin America (26%) (Gábor, 1997: 164). Gábor (1997: 159) sees this rapid growth of entrepreneurial activity since 1989 as 'too many, too small' and further argues that the development of successful small businesses has been hampered by the historical heritage of the second economy and by the context of the crisis of the transition. Most published studies of Hungarian entrepreneurship deal with the situation in the very early years of the transition (see for example Agócs and Agócs, 1993; Róna-Tas, 1994 and 1997; Róna-Tas and Lengyel, 1997, Lengyel and Tóth, 1994; Gábor, 1997). Many of these authors see close links between post-transition entrepreneurship and the private sector under socialism. Under socialism most entrepreneurs participated in the private sector part-time while continuing to work in their secure state jobs. They were often able to take advantage of the equipment, facilities and even material belonging to their state employers and did not pay income tax. These characteristics of pre-transition entrepreneurship provide the background for many of the complaints voiced by the self-employed at the end of the millenium, particularly resentment at having to pay taxes and cope with competition.

Our study compares entrepreneurial activities of women and men in two rural border areas of eastern and western Hungary. Data was collected over the period 1998–2001, by means of questionnaire surveys, case studies and focus groups. This regional comparison allows us to see that, after a decade of transition, external factors have become more important to the success of entrepreneurship than pre-transition experiences. A survey of over 350 entrepreneurs revealed that the influences of EU policies are more apparent in western Hungary than in the east and clearly effect both the nature and the success of entrepreneurship. The sample from 27 villages was randomly

selected from official lists of people registered as entrepreneurs, stratified by economic sector.

The extent to which entrepreneurs see themselves as agents of social and economic change is examined using information from both in-depth interviews and focus groups. Levels of social capital, and the extent of personal networks and family support are shown to be sources of empowerment and to influence risk taking strategies. Regional and gender differences effect the amount of forced entrepreneurship, the perception of problems and the degree of individual optimism about future economic opportunities in rural areas. Community receptivity to individual entrepreneurial success also showed regional variation. In this paper we examine the differing development of a post-communism rural society in east and west Hungary through the lens of village level entrepreneurship within a gendered framework.

Study Area

As Smith and Fereníková (1998) point out, it is only recently that attention has turned to the sub-national regional development implications of transition in East and Central Europe. Few such studies in Hungary (Enyedi, 1990 and 1994; Cséfalvay, 1994; Hamilton, 1999; Horváth, 1999; Momsen, 2000) consider the networks and social practices vital to entrepreneurship which are clearly territorially embedded (Smith and Swain, 1998). In order to illuminate regional differences we selected one study area on the north-west border with Austria in the county of Győr-Moson-Sopron and one in the southeast in Békés county on the Romanian border. The two areas were chosen to maximize the range of conditions under which rural entrepreneurs operate: the north-western border with Austria is an area of intensive mixed farming with a dense network of nucleated settlements benefiting from flows of capital, ideas and tourists from Western Europe and daily movement of Hungarian workers across the border to better paid jobs in Austria; while in the more thinly-populated south-east where there is grain and livestock production, cross-border contacts with Romania predominantly consist of refugees, illegal immigrants and black-market traders seeking opportunities in Hungary. Despite these differences, in both areas rural entrepreneurs respond to demand for services from local residents and from the externally generated growth of travellers and tourists.

This comparison allows us to take into consideration the effect of the flow of capitalist influences from west to east. In the western border area it was predicted that cross-border trade and flows of capital and tourists would encourage the growth of entrepreneurship among a population historically attuned to self-employment, while in Békés county the presence of the border with Romania was expected to have a neutral effect on the growth of small firms. The western study area is described by Enyedi

(1994: 242–244) as an area with promising prospects while he sees the eastern area as a crisis region. There is considerable foreign investment in the west but very little in the east (Berényi, 1992) and the rural economy of Győr-Moson-Sopron is more diversified than in Békés county. Thus the conditions for the development of entrepreneurship were very different in the two regions.

These differences are reflected in contemporary attitudes to living in the two regions. In the west we met several entrepreneurs who had chosen to move to Győr-Moson-Sopron from north-eastern and central Hungary specifically because they saw the economic potential of living near the border with Austria. Western Hungary and the Prague area of the Czech Republic currently have the lowest unemployment rates in East and Central Europe and so Győr-Moson-Sopron is attractive to migrants from areas of high unemployment. However, for our informants, it was specifically the potential of cross-border trade, tourism and/or employment in high-wage Austria which was the underlying cause of their migration. Within the western study area we also found evidence for individuals who had chosen to move locally and to set up their businesses in villages with lower levels of local taxes. Others, living in nearby towns, recognized the market potential of isolated villages and set up businesses there. Thus many of our survey respondents in western Hungary exhibited individual initiative and mobility as a response to local and regional variation in the conditions for economic activities.

In the eastern study area we met only one in-migrant. He came from across the border in Romania and recognized that Hungary offered a better environment for starting business. He was also the only entrepreneur who specifically saw the neighbouring country, Romania, as part of his market. Most entrepreneurs in Békés county felt trapped in their natal villages because that was where they owned a house and they could not afford to move to urban areas. As one of our respondents put it "This village is 10 kilometres beyond the end of the world". Even those who lived near major border crossings, with very few exceptions, did not see their location as offering any economic potential.

The urban bias in planning in Hungary has meant that services and infrastructure in rural areas are much inferior to those in the cities so there is scope for the development of local services such as hairdressers and village stores. In Békés County in 1992 there were 13,388 firms of which 11,305 were individual entrepreneurs most of whom had legalized their former activities in the second economy (Groen and Visser, 1993). In one eastern border village we found a hairdresser who had been in operation since 1972. Firms in Békés County had the lowest profitability amongst Hungarian counties except for the small entrepreneurs of whom 65% were making a profit (Groen and Visser, 1993).

In one of the border villages in Békés county, in the summer of 1996, we interviewed a woman who had opened a village general store and an ice cream stand. She had previously worked for the store on the collective farm but when the collective was broken up she got a loan and built her own store in the village. Her husband had been forced to take early retirement from the fire brigade in a nearby town and so she had become the family breadwinner. She had also invested in additional land which she and her husband farmed, producing both for household consumption and for sale. However, she excused her activities by explaining that she was only doing this because they needed money so their two teenage daughters could train for good jobs.

Overall we found that there were three main reasons for people in villages choosing entrepreneurship: household survival (so-called forced entrepreneurship); a desire to try something new and more personally satisfying; and thirdly, wanting to work for themselves providing not only independence but also allowing them to avoid commuting and to have greater time flexibility. These reasons are not mutually exclusive but may in fact reinforce each other in the decision to become an entrepreneur. In the above case study, although the entrepreneur explained her activity as a response to her husband's loss of employment it was clear that she enjoyed the challenge of building her business and had lost her own job in the local co-operative. Unfortunately, in a 1999 focus group, she complained of poor health and the pressures of time caused by her entrepreneurial activity.

Human and Social Capital Regional Differences

In both study areas the high level of education and training for both men and women was evident. However, in eastern Hungary the particular skill for which people were trained had often become a straightjacket with few people willing to move into new and different fields. One of the rare examples of such a risk-taker was a woman who had trained as a cook but became unemployed when the restaurant in the village co-operative closed down. Her husband suggested she move into mixing animal feed, pointing out that it was only like mixing a cake on a larger scale! She and her husband are now the most successful entrepreneurs in the village.

In the west there was no such attempt to justify the relationship between old and new skills. One of our woman respondents, a migrant from central Hungary, had trained as a pilot but had established a very successful business making floral decorations which she sold through a contact in Germany. She explained that the creativity of her new career not only gave her aesthetic pleasure but also provided personal freedom and a good income. Furthermore, her teenage daughter also showed skill in this work and planned to join her mother in the business.

In the west, experience of factory work under the previous regime provided the basis for both small businesses and for rural outworking: metal-working for men and sewing for women. The contacts made in these pre-transition industrial jobs underlay the networks which provided business partners, suppliers and customers for many new entrepreneurs. Such networks did not appear to have survived in the eastern study area.

In a study of inclinations towards entrepreneurship in 1990, Lengyel and Tóth (1994) suggested that the desire to become an entrepreneur in Hungary depends 'more on social resources and job satisfaction than on occupation and level of education'. Their concept of social resources is similar to that of social capital, as developed by Portes et al (1991) but was measured in terms of the number of friends individuals had. In our survey of actual entrepreneurs undertaken in 1998, we focused on linkages to local power centres and to the ability to build actual and potential cross-border linkages. Thus we emphasized not just social networks but the nature of these networks in terms of relationships with those who could offer assistance with the bureaucracy of building a business and also the language facility and experience outside the country to enable the border entrepreneur to extend contacts across the Hungarian frontier.

Our findings indicate both gender and regional differences. In the west 64% of men and 78% of women spoke at least one language in addition to Hungarian. In the east the gender linguistic difference was reversed with 68% of men speaking at least one foreign language but only 36% of women speaking anything other than Hungarian. These differences reflect the influence of ease of contact across the western border versus the limited contacts between Hungary and Romania. The main language spoken in the west was German by 48% of men and 58% of women interviewees, while many in the east were Romanian speakers (19% men and 17% women) who saw Hungarian as the foreign language. Russian was the second most commonly spoken language in the east but only one man in the west admitted to speaking Russian.

Some of these languages were also learned while travelling and working in other countries. Most of this travel had been undertaken since 1990 and several women entrepreneurs, interviewed in western Hungary, told us that they had chosen to take short-term jobs across the border specifically in order to improve their language skills. It was also assumed that those who had worked outside Hungary would have brought back ideas and made contacts they could use in their businesses. In the west 19.2% of male entrepreneurs and 12% of women entrepreneurs had worked outside Hungary but in the east only two men and two women had worked elsewhere, either in Germany or Romania. Possibilities of working in Austria were related to the facility with German and connections built through Austrian or Hungarian friends. In terms of business contacts outside Hungary, whether customers,

investment, or inputs, regional differences were even more marked. In the west 40% of male entrepreneurs and 50.4% of women entrepreneurs had a business contact in another country while in eastern Békés county only one man and one woman had such links.

As a measure of the position and role of entrepreneurs in their own community we looked at the relationship between entrepreneurs and local government. It has been suggested that successful entrepreneurs are unpopular in villages as an example of the 'tall poppy' syndrome, and we certainly met some who complained of jealous neighbours. But for the majority of entrepreneurs who provided services locally, their success depended on popularity in the village. One measure of a popular leadership role is whether the entrepreneur has been elected to local office. In Győr-Moson-Sopron five men and one woman were elected representatives on the local council. In Békés county the gender balance was reversed with no male entrepreneurs but three women being elected to the council. One woman entrepreneur in the east told us that she had been nominated by her brother and husband. When she asked them why, they told her that people in the village liked her better than them.

We also asked if the entrepreneur was known for being outspoken in village meetings or otherwise seen as being an opinion-maker. Here the gender balance was the same in both areas. In the west 4.8% of men and 8.0% of women, and in the east one man and 8 women (2.1 versus 15.1%) considered themselves outspoken on village matters. In both cases women may find it easier to speak out than to get elected but the greater role of women in the civil society of the rural east may also indicate a lower proportion of men working in these villages.

The Changing Role of Women

Hungary is the only country in East-Central Europe in which the transition to privatization did not immediately lead to higher unemployment among women than men (Eberhardt, 1991; UN, 1992) although a similar imbalance may be emerging in Romania, Estonia and Slovakia. The development of an entrepreneurial class occurred very rapidly after 1989 (Agócs and Agócs, 1993). At the end of 1991 there were over 400,000 individual entrepreneurs and 10,000 private firms active in Hungary and six months later the total number of enterprises had reached 638,275 (Agócs and Agócs, 1993). Szabó (1992) reports that 32% of the owners, managers and members of these new small enterprises were women. Women's role in such enterprises was encouraged partly because the hotel and catering sector, in which a lot of women are involved, was one of the first to be privatized.

In our study, of the 825 registered entrepreneurs in the seventeen western villages surveyed, 36% were women while in the ten border villages in

eastern Hungary 39% of the 336 entrepreneurs were women. In both cases the types of businesses owned by women were less varied than those of men and the vast proportion of women worked in the service sector (I Kukorelli Szörényiné 1999) (Table 1). Most women ran small shops or restaurants while men were more likely to utilize skills and networks developed in pre-1989 jobs to set up carpentry, electrical or car repair enterprises. Women were also involved in personal services but these were more common in the west where Austrian tourists and second-home owners provided high-paying customers. We also found cases where a woman was registered as the nominal entrepreneur but the actual person running the business was a man. Sometimes this was done for tax purposes but it was also perceived that the loss of face occurring when a business failed was less socially damaging to women than to men (Szelényi, 2001).

Table 1
Entrepreneurial Activity in Rural West and East Hungary, by Gender

Activity sector	West		East	
	women	men	women	men
Primary: Agriculture/Forestry/Hunting	5.1	14.9	11.4	28.4
Secondary: Manufacturing/craft work	9.4	36.0	5.3	13.7
Tertiary: Services	85.5	49.1	83.3	57.9

Source: Fieldwork 1998.

Differences between the two border areas in terms of cross-border links, accessibility to towns, levels of disposable income and importance of agriculture are reflected in the types of business found. In one village in the west there were even two masseuses while in the east few villages had more than a hairdresser and possibly a beautician. Men often drove trucks or buses but one woman in the west had a horse-drawn carriage used by tourists. Tourism also created a demand for souvenirs and accommodation. In Békés one village had joined the national rural tourism association but had failed to attract tourists although German hunting parties did occasionally visit. In Győr-Moson-Sopron the mayors of the border villages had a conference in June 1998 to discuss ways of joint advertising in the western European press to attract visitors, emphasizing especially their local horsemanship. In both areas there was a surprising range of professional jobs in the villages, from customs officials, and insurance agents to business advisers, doctors, dentists and veterinarians. Dentistry and accountancy are predominantly female occupations. In western Hungary cheap and excellent dental care attracts people from all over Europe and some of the biggest new houses in the villages are owned by women dentists.

Conclusion

Although the number of people living in rural areas fell steadily from 62% in 1946 to 41% in 1989, the decline was reversed and in 1997 it was estimated that 47% of the Hungarian population lived in villages and towns of less than 10,000 (Kovács, 1997). The opening of borders has made these areas more attractive as a focus for new opportunities for private enterprise although illegal cross-border activities such as prostitution and drug smuggling are also bringing crime.

Democracy and capitalism encourage individualism and the empowerment of women. Under socialism the family provided a refuge from the demands of the state and nowadays individuals often depend on family as a source of business capital. Housing in rural areas is less cramped than in cities and is often utilized as a site for small businesses. The impact of the economic transition on the polarization of incomes is also very conspicuous in the villages and can lead to community resentment of the more successful entrepreneurs.

It appears that rural women in Hungary are slightly more likely to become entrepreneurs in poorer areas where the need for services is greatest and alternative opportunities scarce. The main difference we found between the two study areas was in attitudes to business opportunities and to risk taking. In the west, entrepreneurs started their businesses because they saw an opportunity and unmet demand in their local community. They often took on this activity as a second part-time occupation while maintaining their main job. On the other hand, in the east many interviewees said that they saw entrepreneurship as a last resort when they became unemployed. Most were pessimistic about opportunities for expansion of businesses in eastern Hungary while there was a lot more optimism about the future in the west, perhaps indicating a more cosmopolitan outlook on life. Traditional rural family values survive more strongly in the east despite decades of state-sponsored gender equality now reinforced by global influences encouraging female employment.

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