

OPPORTUNITIES AND OBSTACLES FOR SOCIAL ENTREPRENEURSHIP DEVELOPMENT. THE CASE OF POLAND

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1. An Overview of the Social Enterprise Phenomenon in Poland

- Associations
- Foundations
- Cooperatives
- Mutual Insurance Associations
- Work Acitivization Centres for the Disabled
- Sheltered Employment Enterprises for the Disabled
- Social Integration Clubs
- Social Integration Centres
Employment Clubs

1. The Key Criteria of SE

- Production of goods and services on a permanent basis
- Bottom - top initiatives
- Limited profit distribution
- Paid employment
- A decision making power not based on capital ownership
- Participatory character
- Mutual interest and/or community interest

1. The Overall Size of the Sector

Associations and Foundations	52,000
Coops	10,585
Social Integration Centres and Clubs	approx. 200
Social Coops	approx. 60
Workshops for the Handicapped	approx. 25
TOTAL #	62, 870

TS transformation into SEs (1)

- Share of Third Sector (associations & foundations) carrying out **economic activity** **increased** from 11% to 16% between 2002 and 2003
- Share of **income generated** by TS **from economic activities** **doubled** between 2002 and 2003 (z 5 do 10%)[Gumkowska, Herbst 2004: 26].

TS transformation into SEs (2)

- Among Polish TS the most frequent forms of economic activities are:
- Training (43%)
- Service-trade activities (40%)
- Organization and performance of events (33%)
- Publishing services (21%)
- Hiring (21%) [ibidem].

1. The Main Social Concerns

- Deficits of training programs for acquiring new skills and qualifications for unskilled and low-skilled workers <unemployed, minorities>
- Deficits of assistance to employment programs <graduates of foster care institutions, women, 50+ workers, minorities>
- Inadequate scale of socio-educational programs <ex-evicts, homeless, handicapped incl. mentally ,
- Insufficient scope of alcoholism and drug prevention programs
- Lack of jobs for low-skilled groups
- Gaps in public goods and services delivery

1. The Main Fields of Activity of SE

- ✓ Services of General Interest
- ✓ Training and Education < ADVISORY AND TRAINING CENTRES FOR Needy Groups, BUSINESS, TS and Local Government>
- ✓ Assistance to Employment/Labour market policy

2. Legal Framework

- The legal framework introduced in Poland between 1989-2006 encourages the emergence and development of social enterprises
- The processes conducive to the development of SE have been:
 - ✓ The pressure from below
 - ✓ Departure from the public welfare state and welfare gaps
 - ✓ More inclusive labour market policy
 - ✓ Top-down impact (Social Integration Strategy and Lisbon Strategy)
 - ✓ Decentralization of service provision
 - ✓ Introduction of the paradigm of subsidiarity

2. Legal Framework

- ✓ At the beginning of the transition the legal and regulatory system has re-discovered associations and foundations and separate Acts have been issued to regulate their functioning including conducting economic activities.
- ✓ Other TS organizations such as vocational enterprises for the handicapped and social cooperatives have been recognized later (the Act on Vocational and Social Rehabilitation and Employment of the Handicapped of 1997).
- ✓ Further institutional and legal recognition of TS/SE was attained in 2003, 2004 and 2006 with enacting of the Acts on Social Employment, on the Employment Promotion and Institutions of the Labour Market and the law on Social Co-operatives.

2. Limitations of current legal framework for SE in Poland

- Lack of stable political recognition
- Insufficient legal and fiscal framework
- The lack of fiscal system comparable to that of SMEs (NPOs are obliged to pay full social security liabilities, whereas for-profit firms enjoy exemptions)
- Unfavourable legal system towards third sector (legal/financial system is more strict on the third sector and cooperatives than on for-profit companies <double taxation of cooperatives>)

3. Major limitations and obstacles

- **Partly over-regulated legal framework** for social cooperatives (e.g. labour offices demanding from social cooperatives' funding members a certificate of guarantee for public funds offered for start up activities)
- The lack of procedures and funds for reimbursement of social security liabilities
- Insufficient legal and low financial support to emerging social cooperatives
- Over-restricted legal framework for social cooperatives (e.g. public procurement rules demanding 5% of the procurement value from social cooperatives)
- The lack of financial system supporting the ongoing economic activities (e.g. no access to credit guarantees system, investment and operating credit)
- **Under-regulated legal framework** (e.g. for transferring a worker from the probation term to full-time employment in social cooperative)
- No political agreement on enshrining in the legislation the role of local government in supporting SE
- Modest or no interest from local government in supporting SE

3. The sector's main obstacles

- Changing of the financial landscape (disappearing and new funding sources)
- Different stakeholders rationale and demands
- Problems of fragile political system hindering building social enterprise's medium and longer term strategies
- A challenge for educational system to develop managerial skills able of build strategies to sustain political upheavals and changes
- Emerging shortage of leaders for WISE
- Chronic financial instabilities of most of SE
- Underpaid public contracts

3. The sector's potential and development needs

- The emerging legal structures
- Limited support policies from the side of central government (e.g. Civic Initiative Fund, Loan Fund of Social Economy, Regional Funds of Social Economy, Support Centres of Social Cooperatives in progress)
- The UE local employment and social integration policies supportive of involvement of TS/SEs
- ✓ Local support initiatives <Financial Support TO LOCAL INITIATIVES:LOCAL FUNDS providing SCHOLARSHIP PROGRAMMES, DEVELOPMENT AGENCIES distributing MICRO-LOAN/MICRO-CREDITS, LOCAL GRANTMAKING ORGANIZATIONS – distributing GRANTS>
- ✓ „Neither priest, nor sociologist, social manager” – emerging educational initiatives professionalizing SE.

4. Possible Strategies Sustaining SE Development

- to recognize politically SEs as a fully-fledged socio-economic actor in market economy
- to make possible state and local authorities' fair compensation for the production and delivery of goods and services of the public interest by SEs
- to support, both organizationally and financially grass-root TS organizations
- to build a comprehensive and intensive system of support for TS/SEs organizations (networks, financing bodies, education/training) to sustain their growth.