



Emerging Trends in CEE. Strategies of Development:

The Case of Poland

Ewa Leś

SEs Definition in Poland

A concept of social enterprise in Poland is an emerging notion evolving out of:

- The concepts of third sector/non-profit sector/non-governmental organizations, cooperatives/social economy
- To a lesser extent also from the public and private sector (e.g. public social integration centres or sheltered enterprises in a form of limited liability company, limited by shares company and civil company)

SEs Definition in Poland

- The main legal forms of social enterprises are:
- foundations
- associations
- other voluntary organizations
- cooperatives
- sheltered enterprises
- social cooperatives

SEs Definition in Poland

- Additionally, there are several SE entities that do not have a legal personality and act as substructures of associations, foundations and other voluntary organizations (e.g. vocational enterprises for handicapped - ZAZ), social integration centres (CIS), social integration clubs (KIS) and workshops of vocational therapy (WTZ).

Rationale for SEs in Poland

- **Social enterprise** have come into being **due to the structural pressure of the transition** responding to its human costs:
 - ✓ **mass increase of unemployment,**
 - ✓ **poverty** and social exclusion
 - ✓ **the shrinking public welfare system**
generating the welfare gap

Rationale for SEs in Poland

- ❑ Other decisive factors to the SEs growth:
 - ✓ Decentralization and redirection of tasks and responsibilities for services provision from central level to local government
 - ✓ **Evolution of local leadership: from vote base local government to local governance voice based and output legitimacy**
 - ✓ Introduction of the paradigm of subsidiarity
 - ✓ Policy recommendations of the European Union to address problems of social exclusion and unemployment (e.g. National Action Plan, Local Employment Development, Structural Funds, Lisbon Strategy)

Social enterprises in Poland

Dynamics

- In the years 1990 - 1999, the number of foundations grew 20 times and the number of associations rised 14,5 times (S. Nałęcz 2004)
- Their growth continued between 1997 and 2004, when there were some 45,890 associations and 7210 foundations.

The 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

Social enterprises in Poland

Dynamics (1)

- Third sector organizations have been recognised as often cheaper and more flexible in terms of the mode of service delivery than public or private sector (Golinowska 2001:23)
- Still low delegation of public tasks on a permanent basis except for a few subfields

Social enterprises in Poland

Dynamics (2)

- Increasing but still untapped potential of the third sector as **social service producer and delivery agent:**
- Appr. 3% of grammar schools are run by TS
- Appr. 14% of clients are served by nursery homes run by TS
- Nearly 100% of the shelters for the homeless are provided by third sector

Social enterprises in Poland

Dynamics (3)

- Prevailing old financial structure of public funding of TS paid workforce favouring sport activities over social, health and education services
- Low economic position of the vast majority of third sector and overconcentration of assets in some 9% of TS organizations controlling 2/3 of financial assets of the Polish TS

Legal Frameworks

- The regulations conducive to the development of SEs:
 - ✓ The Law on Associations of 1989
 - ✓ The Law on Foundations of 1991
 - ✓ The Law on Cooperatives of 1992
 - ✓ The Act on Vocational and Social Rehabilitation and Employment of the Handicapped of 1997
 - ✓ The Act on Social Employment of 2003
 - ✓ The Act of Employment Promotion and Institutions of the Labour Market of 2004
 - ✓ The Act on Public Purpose Organizations and Volunteering of 2003
 - ✓ The Act of Social Cooperatives of April 2006

Issues raised by current legal frameworks

- Incomplete and unstable legal and fiscal frameworks
- Need of a fiscal system and support services for social enterprises comparable to those established for SMEs
- Debated issues:
 - Some authors in favour of expanding the existing forms of social enterprises and introduce limited liability company and stock company of public purpose (Barański 2006);
 - Other analysts (Izdebski, 2006) are against this evolutionary trend as well as opposing the social cooperative legal form

Field of Activities: Work Integration Social Enterprises

- **The social co-operative WWW Promotion** *is a mutual interest orientation social enterprise of 12 members.* Established in 2005, it supplies information technologies services incl.: web positioning, designing, mastering and web hosting. Products are sold on the market
- **Association Disabled for the Environment** employs mentally handicapped in recycling services.

Field of Activities: **Social Enterprises** **Supplying Social Services**

- Parents and teachers-led **high school cooperatives** based on high level parents involvement and addressed to the community at large
- Long Term Care and Rehabilitation Centre (**Association and limited liability company**) **addressed to chronically ill/bed ridden patients** providing medical, care and rehabilitation services, home care training training and internships

Field of Activities: **Social Enterprises Supplying Community Services**

SOS Cancer Foundation renders

- preventive oncological services for women in remoted areas
- programmes for school children of healthy life styles

Social Enterprise Challenges

- Problems of fragile political system hindering building enterprise medium and longer term strategies
- Over-regulated procedures of application for structural funds
- A challenge for educational system to develop managerial skills able of building strategies to overcome political upheavals and changes
- Emerging shortage of leaders for SE/WISE
- Chronic financial instabilities of the part of SE (lack of funds for running services)
- Underpaid/poorly paid public contracts
- Restricted access to small grants from structural funds for grass-roots initiatives
- Scope of structural funds programmes focused exclusively on labour market issues: underestimation of gaps in social and community services

Support Policies for Social Enterprises

- EU/International donors levels
 - Most of these efforts have been facilitated by EU and other donors' programmes, in close cooperation with government bodies, relevant ministries authorities, academics, experts and civil society groups
- National level
 - The percentage laws provides citizens with the right to devote 1% of their income for socially useful causes (public benefit) performed by third sector organizations
 - Creation of two Public Funds in support of Social Enterprises/Third Sector
- Local level
 - Delegation of public tasks and contracting out of services in favour of social enterprises
 - Enhancement of networking activities of TS/social enterprises

Strategies conducive to the development of Social Enterprises in the region (1)

- Fostering the development of social enterprises in the work integration sphere, as well as in the provision of social and community services
- Legal context allowing the carrying out of economic activities similar to SMEs
- Fiscal system acknowledging the social commitment taken on by social enterprises
- European policies allowing social and environmental criteria for the award of public contracts
- Ensuring access for the same financial, products and service markets as SMEs, especially public procurement markets
- Creating an enabling environment for SEs, especially financial and business support bodies
- Supporting the development of self-regulatory federal bodies

Strategies conducive to the development of Social Enterprises in the region (2)

- making possible state and local authorities' fair compensation for the production and delivery of goods and services by SEs;
- supporting, both organizationally and financially, grass-root TS organizations;
- building training capacity for TS/SEs organizations
- developing new research in the social enterprise sphere