WORKING PAPER

Aid and Support for the Social Economy in Poland – The Case of Social Cooperatives

Karolina MAJDZIŃSKA

CIRIEC N° 2014/11

CIRIEC activities, publications and researches are realised with the support of the Belgian Federal Government - Scientific Policy and with the support of the Belgian French Speaking Community - Scientific Research.

Les activités, publications et recherches du CIRIEC sont réalisées avec le soutien du Gouvernement fédéral belge - Politique scientifique et avec celui de la Communauté française de Belgique - Recherche scientifique.

This working paper is indexed and available in SSRN and RePEC

Ce working paper est indexé et disponible dans SSRN et RePEC

ISSN 2070-8289

Aid and Support for the Social Economy in Poland – The Case of Social Cooperatives[*]

Karolina Majdzińska[**]

Working paper CIRIEC N° 2014/11

[*] Paper presented at the *4th CIRIEC International Research Conference on Social Economy* "Social economy on the move… at the crossroads of structural change and regulation", University of Antwerp (Belgium), October 24-26, 2013.

[**] Institute of Social Economy, Collegium of Socio-Economics, Warsaw School of Economics, Poland (Email: kmajdzinska@gmail.com).

Abstract

The aim of this paper is to describe the aid and support provided for social economy in Poland, especially with respect to social cooperatives. In Poland idea of social economy spread after 1989. One example of social economy entity in Poland is new type of cooperative – social cooperative. Social cooperatives in the Polish legal order are the only type of a social enterprise entered in the legal system by a separate act in 2006. The Polish legislative body followed the model of social cooperatives type B, operating in Italy. Polish social cooperatives are an example not only of a social enterprise, but also a very good active social policy tool to actively counteract unemployment according to the principle "Jobs instead of benefits". Due to this aspect, social cooperatives can also be interpreted in two ways – firstly, as a place of social employment (or supported employment) and secondly – simply as a subject of social economy. Those two ways of interpretation are connected with the possible aid and support for this kind of enterprises. These organizations may aid and support from different sources like: from authority/state – the governmental aid (e.g. special funding, special taxation rules), from European Union (EU) – EU funds, from others civil society organizations or non – governmental organizations (NGO's) and at least from private sector.

This paper starts with short description of polish model of social economy and the regulation about it. Author presents the information, regulation and data about actual position and situation of social economy in Poland. A key point of this part is the act of April 27th, 2006 on social cooperatives (Social Cooperatives Law Act of April 27th, 2006 – Journal of Laws of 2006 no. 94, item 651 as amended). Afterwards there are presented the dynamics of the aid and support and theirs influence on social cooperatives. Those analysis are at first more theoretical, but subsequently are also presented examples of the aid and support.

In the summary author gives answers to four questions. Firstly, is the provision of aid and support rightful (in relation to fair/unfair competition)? Secondly, is the aid and support provided in the same manner in each Polish region? If there are any differences, how do they influence social cooperatives? Finally, is the aid and support delivered efficiently and, therefore, is the development of social cooperatives stimulated?

Keywords: Aid, support, social cooperatives, social economy, social enterprise, Poland, active social policy, unemployment.

JEL-codes: L38, P13, J68.

Introduction

This text is aimed at discussing aid and support for the social economy in Poland. The example of social cooperatives was selected because they are the only legally defined social enterprises in Poland and are included in all programmes and regulations concerning aid and support directed to the social economy. The first part of this article presents basic information on the Polish social economy, subsequently the nature of social cooperatives under the law is specified. The first two sections provide a background and introduction to the issue of aid and support for social cooperatives presented in the third part. The last part is devoted to the brief identification of new trends in helping the social economy and new support tools – primarily in the form of a pilot lending fund, "ES fundusz". The summary of this text aims to, in particular, answer the following questions. Firstly, is the provision of aid and support lawful (in relation to fair/unfair competition)? Secondly, is aid and support provided in the same manner in each region of Poland? If there are any differences, how do they impact social cooperatives? Finally, is the aid and support delivered efficiently and, therefore, is the development of social cooperatives stimulated?

The Polish model of social economy

The second half of the 20th century can be associated among other things with a change in attitude towards and in conduct of economic and social policies in many countries around the world. Crises and economic shocks, political changes and ongoing demographic processes have led to the search for new solutions, both systemic and institutional. More convictions, and stronger ones, about the "extravagance" of existing social policies and the state's failure to perform its tasks in addition to ideas arising from the theory of market failure paved the way for the more important role of social society organization. Due to this change the third sector became a bigger provider of social services (Defourny, 2001, p. 1-2; Amin, 2009, p. 4; Alexander, 2010; Defourny and Nyssens, 2006, p. 4) and an influential partner in the implementation of social policy goals. This is also connected with the concept of social economy, social enterprise or social entrepreneurship[1] gaining a more important role and strengthening its position. The second decade of the 21st century saw the intensification of the whole process (Fayolle and Matlay, 2010, p. 1-3; Chaves and Monzón, 2012, p. 5-26).

In Poland the process of rebuilding civil society organizations, particularly NGOs, began during the transition to a market economy. Initially (in the 90s), these organizations functioned as charities not engaged in economic activity. This was also connected with the more influential role of the non-profit approach and USA grants for this kind of organization. It may even be said that

[1] The author will not describe the concepts of third sector, social economy, social enterprise and social entrepreneurship in detail. They will only be mentioned in a degree that is useful for the article.

up to the beginning of the 21st century, social society organizations engaged in business activities were seen as inferior. A lot changed in this respect during the period shortly before the Polish accession to the EU[2]. EU policy and funding, and a change in social policy towards active social policy (further referred to as ASP) contributed to the rapid popularization of social economy in Poland. This trend has further strengthened along with the build-up of new social problems.

Historically Poland also had a good background for the social economy. Poland has a very solid, long-standing and rich tradition of social organization, with a lot of examples of solidarity and reciprocity (Leś, 2004, p. 186; Bukraba-Rylska, 2008, p. 29-62; Hausner, 2009, p. 209). The first-known was a sort of cooperative, the "Agricultural Mutual Society for Rescuing in Misfortune" (*Rolnicze Towarzystwo Wspólnego Ratowania się w Nieszczęściach*) founded by Stanisław Staszic at the beginning of the 19th century. During the First and Second World Wars a lot of mutuals, cooperatives and other organizations operated in Poland, which are now called the first wave of the social economy. However, the effort made at the time has been largely lost due to the socialist rule in Poland after the Second World War. In the period of centrally planned economy, the sense of cooperative activity was distorted, for instance by making the cooperatives subject to state authorities, as a result of which they lost their authenticity, autonomy and independence (Brodziński, 2007, p. 18).

The period of transition was as well not favourable for the social economy and old organizations like cooperatives. During the Communist period some civil society organizations (the old ones) and cooperatives acquired a pejorative meaning. For Polish society, they were associated with Communism much more than with the great Polish tradition of philanthropy, charity, mutuality, reciprocity, self-help and voluntary work. During the transition, for politicians matters such as the social economy, civil society organizations as well as (active) social policy were not so important. In this time economic reform with some tools of social protection, especially for people excluded from the labour market, held a bigger role (Rymsza and Kaźmierczak, 2008, p. 172-187).

There are several ways of defining the social economy, social enterprise or social entrepreneurship around the world and in Poland. The Polish definition of the social economy bears more resemblance to the European approach, but the Polish argument about how to translate the concept of the social economy in the mid-2000s resulted in two different interpretations of it. Social economy was translated directly into Polish as *ekonomia społeczna*, which actually means social economics in English. There were voices stating that a better description would be *gospodarka społeczna* (exactly social economy in English). After 2007 an unwritten agreement that both designations are equal was reached. But there is group of researchers who differentiate the two names (Rymsza, 2011, p. 21-22). *Ekonomia społeczna* is used for the theoretical and political concept

[2] In the EU the concept of the social economy has been prevalent since the 1980s.

describing economic development. *Gospodarka społeczna* is used as the name of the actual social economy organizations: cooperatives, mutual insurance societies, associations, foundations, social integration centres and clubs, vocational training centres or social cooperatives.

With respect to social cooperatives, as mentioned above, the early 21st century can be associated with the second wave of the social economy (Rymsza, 2008, p. 172-187) (also known as the new social economy) and a change in the direction of social policy in the countries of Europe. The changes taking place in response to the crisis of the welfare state have proven the existence of a strong bond between the concept and subjects of social economy and ASP. These changes have also resulted in the social economy being interpreted mainly in the context of sectors[3] and from the perspective of the market-failure theory. In addition, the strengthening of the role of the social economy and ASP can be associated with the European Social Model, implemented in the European Union member states. As mentioned above, this was very influential in the case of Polish social policy. Worth underlining is the fact that up to today (especially for public authorities) the social economy and social enterprise are seen more as a tool of ASP or an instrument of active labour market policy (further referred to as ALMP) than a conception or expression of a new way of thinking, social change or participation. The trends listed above are particularly visible in terms of the approach to supporting socially marginalized or excluded groups and public support for the social economy. Putting it simply, the main task is activation of the unemployed, which can be conducted within the framework of social economy, particularly in social cooperatives.

As of today social cooperatives in the Polish legal order are, in fact, the only type of social enterprise introduced in the legal system by a separate act. They are an example of social enterprise built through top – bottom movement as a part of labour market institution reform, as a social employment entity[4]. Polish social cooperatives are closer to social enterprises or social firms than to community enterprises (Pearce, 2003, p. 28-3, 190-191) due to the lack of strong communities and low social capital (Hausner, 2009, p. 216-219). Because they are the only legal type of new social economy form, on the one hand they are included in every social economy programme in Poland, and that is the reason why social cooperatives were chosen as an example for this paper. On the other hand, among social cooperatives it is possible to find social enterprises, social society organizations or firms that do not fulfil the criteria of a social

[3] The social economy does not mean the same thing, but is thus identified with the so-called the third sector and non-governmental sector.

[4] Actually, most public aid and support for social cooperatives comes from Labour Fund financial resources.

cooperative, but they do not have any other legal form of social economy organization[5].

The Polish legislative body followed the type B model of social cooperatives operating in Italy[6]. Polish social cooperatives, due to the fact that their aim was occupational and social integration, are not only an example of a social enterprise, but, like their Italian equivalent, they are enterprises of a special kind: so-called WISEs (*work integration social enterprises*) (see, for example, Davister, Defourny and Gregoire, 2004, p. 3). They were also created as a perfect ASP tool to actively counteract unemployment according to the "Jobs instead of benefits" principle. At the beginning the main purpose of Polish social cooperatives was to fulfil the needs of people who were threatened by social exclusion, who had little chance of finding a job on the labour market (Sobol, 2009, p. 10). After a few years (at the end of the first decade of the 21st century) this form gained interest among young people who were unemployed too, but were seeking new economic practices[7]. So now social cooperatives may be interpreted in two ways – firstly, as a place of social employment (or supported employment) and secondly – simply as a social economy entity.

The nature of social cooperatives under Polish law[8]

The Act of April 27th, 2006 on social cooperatives (further referred to as AoSC)[9] clarified the legal provisions on these entities, existing since August 2004 in various legal acts. Social cooperatives were introduced in Polish legislation in 2004 on the basis of the Act of April 20th, 2004 on promotion of employment and labour market institutions[10] and by adding Section V to the Cooperative Law Act of September 16th, 1982[11]. As mentioned above, initially the role of cooperatives was interpreted only instrumentally, in the context of social employment, and they were perceived as a particular type of labour cooperative (Gersdorf, 2009, p. 449-461; Izdebski, 2006, p. 7-13). Now, more than seven years after the passing of the AoSC, the assumption that social

[5] A project of a law on social enterprises is still in preparation (by Ministry of Labour and Social Policy) and has not reached the Polish legislative body as yet.

[6] Italian type A social cooperatives work in the area of health, social services and education, while type B cooperatives work in the area of integration of people disadvantaged on the labour market (see Borzaga, Santuari, 2005; Borzaga, Loss, 2002).

[7] Eg. Social cooperative "Warszawa", http://www.ekonomiaspoleczna.pl/x/788998 [Accessed: 20th August 2013].

[8] This chapter partly draws on the paper: *Role of the social cooperatives in overcoming problems of the unemployed in Poland*, presented during the 24th Annual EAEPE Conference in Cracow in 2012.

[9] Dz.U. of 2006, no 94, item 651, as amended. The provisions of the AoSC have been amended three times in the 2006-2012 period, once through amendment of the act itself (2009) and twice – through amendment of its individual provisions (2010 and 2011).

[10] Dz.U. of 2004, no 99, item 1001, as amended.

[11] The consolidated text of the Act: Dz.U. of 2003, no 188, item 1848.

cooperatives represent a particular kind of labour cooperative can hardly be supported. The main differences, which indicate the existence of two separate types of cooperatives (social cooperatives and labour cooperatives), include: the prohibition of division of balance sheet surplus among the members of the social cooperative, and the obligation to implement social objectives by acting towards social and occupational reintegration. Both these differences pertain to the nature of the social cooperative, making it a special kind of a cooperative, without amending its primary objective of a tool for activation and counteracting unemployment. A social cooperative, unlike most types of Polish cooperatives, can be considered to be the in-between model according to the classification of the four cooperative models (Galera, 2004, p. 20-21) or a specific example of a multi-stakeholder cooperative. It is a hybrid (Defourny and Nyssens, 2008, p. 5) combining the components of a cooperative and a non-governmental organization, which results in the emergence of a corporation of people working together to meet economic as well as non-economic objectives.

A social cooperative, according to Article 2 of the AoSC, operates in three dimensions, two of them mandatory. The first can be referred to as the economic dimension, and it consists in obligatory management activity of the joint enterprise based on personal effort of its members[12]. In other words, it refers to the necessity of undertaking and engaging in business operations, or in paid work, in a continuous and organized manner. This component is thus borrowed from a classical enterprise, operating to make profit.

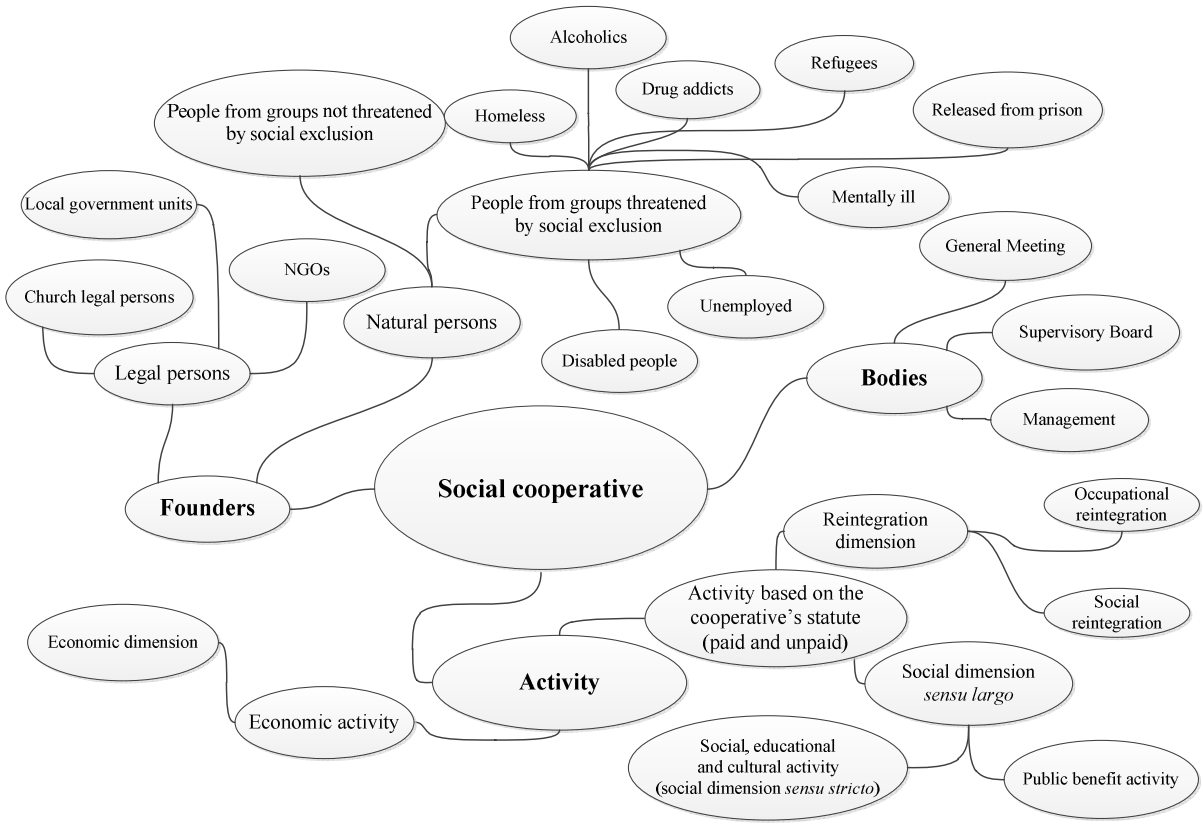
The second area of activity of social cooperatives can be referred to as the reintegration dimension. It refers to obligatory activity aimed at achieving social objectives, including: social reintegration and occupational reintegration of cooperative members[13]. Like the economic dimension, reintegration activity is obligatory, and it cannot be performed within the framework of business operations conducted. This restriction separates the two necessary fields of operation of social cooperatives.

The third aspect of operation of a social cooperative[14] is – like in all other instances of polish cooperatives – the option of engaging in social, educational and cultural activity aimed at its members and their families. It seems proper to refer to this field of activity as being strictly social. Social cooperatives may also engage in social activity as public benefit organizations, since the AoSC extends the scope of this optional activity of social cooperatives by adding socially useful operations connected to public tasks specified in the act of April 24th, 2004 on public benefits and voluntary work[15]. Therefore, the third dimension of social cooperatives' activity can be referred to as its social dimension *sensu*

[12] Art. 2 para 1 of the AoSC.
[13] Art. 2 para 2 of the AoSC.
[14] Art. 2 para 3 of the AoSC.
[15] Dz.U. of 2003, no 96, item 873, as amended.

largo, and it encompasses the activity referred to above as its social dimension *sensu stricto*, and public benefit activity.

Figure 1 – A simplified diagram of a social cooperative



Source: Own study.

According to Article 4 of the AoSC, a social cooperative in Poland may be established by natural persons from socially excluded groups[16] and other natural persons (constituting less than 50% of the founders and subsequently members of the cooperative[17]) and legal persons[18]; in practice, most social cooperatives are established by the unemployed[19]. Therefore a social cooperative may benefit from the support prepared for the unemployed, especially from funds provided for creating jobs. Further on a support system for social cooperatives under the provisions of the law, especially of the AoSC, will be shown.

[16] The unemployed, the homeless, alcoholics, drug addicts, refugees, persons released from prison, the mentally ill or the disabled.
[17] Up to 2009 this was only 20%.
[18] Changes with respect to other natural persons and legal persons were introduced in 2009.
[19] According to the most recent research available on social cooperatives, entitled "Monitoring of social cooperatives" and conducted in 2011 for the Ministry of Labour and Social Policy, 83% of cooperatives were established on the initiative of the unemployed.

As stated above, under the provisions of the AoSC social cooperatives, unlike other types of cooperatives, are able to conduct broader social activity. In addition, the legislative body has allowed social cooperatives to apply certain legal solutions which are applicable to non-governmental organizations on the basis of the Act on public benefits and voluntary work. According to Article 8 of the AoSC, the activity of a social cooperative aimed at reintegration and social tasks *sensu largo* is not a business activity and it can be conducted as either paid or unpaid activity, based on the statute. Similarly, Article 14 of the AoSC allows social cooperatives to hire volunteers; however, since 2010 only for purposes associated with public benefit. This may be seen as a kind of support for social cooperatives, but in fact it is rather an entitlement to prerogatives arising from the non-governmental component of social cooperatives. As hybrids, social cooperatives can also enjoy the rights of entities to create it.

Summing up, the legal framework of operation of social cooperatives evolved after 2006 from the social cooperative introduced in the legal system in 2004 as a place of social employment in a cooperative entity, to a special form of social enterprise that is the social cooperative of today. It should also be taken into account that at present, social cooperatives in Poland are flagship entities of the social economy, which fully fit the formula of a social enterprise. They combine the components of a classical enterprise, operating for profit, and a non-profit or not-for-profit entity, aimed at achieving broadly understood social objectives, and thus operate as a new, special type of a cooperative.

Aid and support for social cooperatives

As aid and support for social cooperatives were mentioned above in passing, more information is provided below. To begin with, it is worth noting that aid and support are given different meanings in this paper. Aid will designate help which has a more financial nature, e.g. money for start-up. Support, meanwhile, indicates help which has a more material or practical nature such as items, services or also money, but given only in order to pay for precisely specified purchases. Aid as well as support can be formal or informal. The former is provided by a public authority and according to the applicable law. The latter results instead from personal or societal relations, e.g. when members of social cooperatives who graduated from a social integration centre receive help or professional knowledge from its employee. Aid and support can also be divided into groups such as governmental or European and public or private, depending on who provided funding.

Polish law on social cooperatives provides for aid and support which must be granted mandatorily and that which may be granted. The latter kind is initiated by a decision of a staroste[20] or other representative of local government or state. All kinds of aid are non-mandatory and only may be granted. Aid is granted also

[20] The staroste ("starosta") represents the second-level unit of local government ("powiat").

as *de minimis* aid in accordance with the Commission Regulation on this matter. Allocation depends on social cooperatives meeting conditions and on the quantity of means from the Labour Fund. The aid category includes:

- subsidies from the Labour Fund (according to Art. 46 para 1 subpara 2 of the Act of April 20th, 2004 on Promotion of Employment and Labour Market Institutions[21], further referred to as AoPELMI),
- reimbursement of premiums due per each employed person for retirement, disability and health insurance and of a part of individual employer costs corresponding to premiums for retirement, disability and accident insurance (Art. 12 para 3a of the AoSC),
- financing of a disabled person's contribution to the social cooperative from the State Fund for Rehabilitation of Persons with Disabilities (Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych, PRFON)[22],
- other subsidies from the state budget or the budget of the local government unit (Art. 15 para 1 subpara 1 of the AoSC),
- loans from the state budget or the budget of the local government unit (Art. 15 para 1 subpara 2 of the AoSC).

Subsidies from the Labour Fund are instruments of ALMP and are thus available to all unemployed equally, with the exception that unemployed persons who want to establish social cooperatives may seem slightly discriminated against in comparison with other unemployed. For all unemployed, the amount of funds allocated to such an individual must not exceed 6 times the average salary, the only exception being for a member of a cooperative – the amount of funds allocated must not exceed 4 times the average salary for a founding member of the cooperative, and 3 times the average salary for a member joining the social cooperative after it was created. This regulation makes it impossible to use the advantages of cooperation.

This kind of aid is sometimes problematic for the unemployed who want to establish the social cooperative. Worth underlining is the fact that most of these people have often been outside the labour market as well as society for long time. It is much harder for them to start on something, and so they need more help than others. Legally, they are entitled to these subsidies, but in reality they sometimes cannot afford them, because they are not able to give a proper guaranty (security). This problem has been raised in many publications and documents. The situation is now improving because the authorities allow the neediest unemployed to receive help from other sources in providing the guaranty.

[21] Dz.U. no 99, item 1001 as amended.

[22] Art. 12a para 1 of the Act of 27 August 1997 on Social and Vocational Inclusion and Employment of Disabled (Dz.U. no 123, item 776 as amended).

The number of subsidies is different across Polish provinces and also varies when it comes to the number of subsidies that can be awarded to one social cooperative. According to interviews some authorities grant subsidies to all five founding member of a cooperative, while others, only one or two of them. It is worth underlining that the recipients' catalogue of those subsidies is extended to alumni of social integration centres and clubs. This works in favour of social cooperatives, but it is also more because of the kind of support for those excluded people. All persons who have received such subsidies from the Labour Fund are equally obligated to run a business or be a member of a social cooperative for more than 12 months, or must return the funds.

Table 1 – Comparison of the number of social cooperatives, subsidies, contributions, reimbursement and registered unemployment

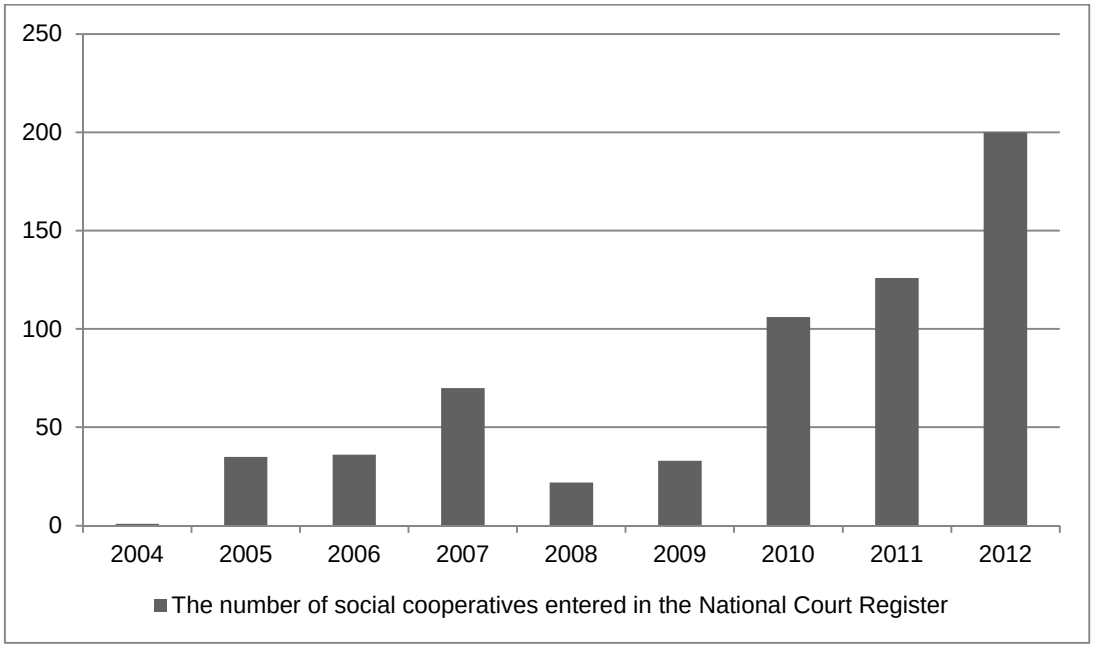
Province	Number of social cooperatives entered in the National Court Register per year		Number of subsidies from the Labour Fund		Number of disabled person's contributions financed by PFRON		Reimbursement of insurance premiums		Unemployment rate (%)	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Dolnośląskie	5	24	4	13	0	2	yes	2	10,6	11,1
Kujawsko-pomorskie	4	10	24	10	2	22	yes	9	11,0	11,8
Lubelskie	6	19	5	0	0	0	0	0	10,3	10,5
Lubuskie	2	6	0	8	0	0	0	5	9,5	9,0
Łódzkie	13	12	0	3	0	0	0	65	9,3	11,0
Małopolskie	18	12	5	13	1	3	yes	45	9,4	10,4
Mazowieckie	11	18	8	18	0	0	0	11	7,9	8,0
Opolskie	5	2	2	5	0	0	yes	5	9,3	9,5
Podkarpackie	6	32	0	10	0	0	yes	12	12,4	13,2
Podlaskie	2	13	0	1	0	1	yes	13	9,2	9,3
Pomorskie	5	3	0	14	11	6	yes	38	8,5	9,6
Śląskie	8	14	4	0	0	0	yes	20	9,2	9,4
Świętokrzyskie	2	7	2	3	0	0	0	0	12,9	13,1
Warmińsko-mazurskie	7	8	14	14	1	6	yes	18	9,7	11,1
Wielkopolskie	18	16	3	18	1	1	yes	12	8,7	8,5
Zachodniopomorskie	12	4	4	6	0	3	0	0	11,8	11,0
Total	124	200	75	136	16	44	118	255	9,6	10,1

Source: Own study on the basis of information from the Ministry of Labour and Social Policy Department of Public Benefit, the Polish General Revisory Union for Social Cooperatives and the Central Statistical Office.

The data available on aid from the Labour Fund and PFRON represent too short a period and are not comparable, which unfortunately makes it impossible to carry out detailed research. However, the lack of a clear link between the data provided may be noticed. It seems that the grant from the Labour Fund as a tool of AMLP matters only marginally, if at all, with respect to the creation and operation of social cooperatives. This conclusion seems to be confirmed in interviews with cooperative members, who also indicated that for them other funds, in particular EU funds, were more important. The connection between the number of newly established social cooperatives with periods of funding and disbursement of funds from the European Social Fund (ESF) is indicated on the

chart below. However, these are only preliminary findings and require further, in-depth research.

Chart 1 – The number of social cooperatives entered in the National Court Register in the years 2004-2012



Source: own study on the basis of data from the National Court Register.

The other types of aid from the state budget are subsidies and loans provided through the Regional Social Economy Fund (*Regionalny Fundusz Ekonomii Społecznej, RFES*) in 2005 or the Social Cooperative Support Centres (*Ośrodki Wsparcia Spółdzielczości Socjalnej, OWSS*) that exist since 2006. During this period the way these institutions are funded changed, but they continue to provide aid as well as support from the state for social cooperatives.

The next element of aid as well as support for the development of social entrepreneurship in Poland, including social cooperatives, is the Operational Programme Civic Initiatives Fund (2009-2013). Priority IV: Development of social entrepreneurship of this Programme outlines the possible areas of support, which include promotion and dissemination of the idea of social entrepreneurship and good practices in the area of the social economy, and promotion of new forms of management across it.

Another source of aid are projects co-funded by the ESF through the Operational Programme Human Capital (HC OP). Action is taken to make starting and running social cooperatives possible. Under the programme's priorities[23] funds are awarded for projects by social cooperatives and other social

[23] Central components of HC OP: 1st – Employment and social integration; regional component of HC OP: 7th – Promotion of social integration, 8th – Regional human resources of the economy, 9th – Development of education and competencies in the region.

society organizations, which thus form loan funds for social enterprises[24], including social cooperatives.

In the support category mandatory and facultative instruments can be enumerated, such as:

- reimbursement of the cost of equipment or furnishings for an unemployed person (according to Art. 46 para 1 subpara 1 of the AoPELMI),
- exemption from payment of the court fee in the National Court Register (for application for registration as well as for amendment of the entry) and the fee for publication of those entries in the Court and Economic Monitor (Art. 6 para 3 of the AoSC),
- services of volunteers in the area of public benefit activity[25] (Art. 14 of the AoSC),
- tax relief with respect to income tax for legal persons – deductible cost are not included – if spent in the fiscal year for the purposes of activity in the reintegration dimension (Art. 17 para 1 subpara 43 of the Act of 15 February of 1991 on Corporate Income Tax[26]),
- guarantys (for loans, credits and for return of received refund or funds for initiating economic activity, establishing or joining a social cooperative) for ex-employees of social cooperatives established by, among others, a local government unit, who join another social cooperative, undertake economic activity or are employed by another employer (Art. 15 para 1 subpara 3 and Art. 5a para 3 and 6 of the AoSC),
- advisory services on financial, accounting, economic, legal and marketing issues (Art. 15 para 1 subpara 4 of the AoSC), including those financed from the Labour Fund and by OWSS,
- refunding costs of lustration (Art. 15 para 1 subpara 5 of the AoSC),
- support for social cooperatives within the framework of ESF system projects through social welfare units (social welfare centres in the first and the second-level units of local government).

The above-mentioned types of aid and support for social cooperatives are formal forms of help recorded in various acts of law. In addition to these formal forms, the informal ones should be mentioned. They are not provided for by law,

[24] E.g. the "PI: ES loan fund" ("PI: Fundusz pożyczkowy ES") which was created and operated during the period from January 1st, 2012 until October 30th, 2013 in the Kujawsko-Pomorskie province.

[25] As mentioned above, this activity should not be seen as support, because it is an entitlement of the non-governmental component of the social cooperative, especially after limiting volunteer help only to public benefit work.

[26] Dz.U. of 2000 no 54, item 654 as amended.

but play an important role nevertheless. Among them we may distinguish support in the form of openness, willingness to cooperate and partnership of the local government authorities; support from workers of social integration centres and clubs towards to their graduates; buying products and services from social cooperatives[27] or creating campaigns to promote activities, products and services of the social economy[28]. Another example of informal support from the government is listening to the opinions of social economy entities and carrying out the proposed changes in the law. An example is the amendment of the AoSC from 2009.

Under support for social cooperatives by buying their products and services we can distinguish mechanisms that exist in the so-called public procurement law in social clauses. They work as a support tool for excluded persons by encouraging companies to employ them in connection with orders awarded under public procurement law. So this is a tool not only targeted at social cooperatives and social enterprises, but also open to commercial enterprises. It should be noted that despite the fact that in Poland these social clauses are in force and it has been possible to put them into practice for almost five years, only some public entities have done so, and so not many local communities benefit from them. This indicates a great need to build trust and cooperation also in public administration. In addition to social clauses, another form of support through buying products and services from social cooperatives are public benefit tasks contracted to social cooperatives in accordance with the provisions of the Act on Public Benefit and Volunteer Work. Social cooperatives are recipients of this form of support alongside other entities.

The above describes the forms of aid and support for social cooperatives widespread across Poland. It can be added that some proposals of new kinds of aid and support for social cooperatives have been made, for example a possibility for legal persons to donate 1% of income tax to, among others, social cooperatives. The proposed construct was similar to the existing 1% of personal income tax that can be transferred to public benefit organizations. This proposal has not been implemented by public authority. Some new forms of help are briefly presented below.

New forms of aid and support for social cooperatives

An analysis of the aid and support for social cooperatives shows changes over the years. An important observation is fact that in Poland we are now facing the change from non-refundable aid towards the mechanism of loans (or other word

[27] According to a study on social cooperatives entitled "Monitoring of social cooperatives" most cooperatives sell own products and services to natural persons or other commercial companies; the smallest groups of recipients are local government authorities and other social economy entities.

[28] The marketing campaign promoting the social economy label "Pro-social purchase" (*Zakup prospołeczny*). http://www.zakupprospoleczny.pl/ [Accessed: 27th of August 2013].

– refundable aid). Such mechanisms were first introduced as projects of social economy entities by the ESF. The main reason was the inherent problem of social cooperatives (and also the social economy) – lack of money for investments. Pursuant to the AoSC, social cooperatives cannot allocate more than 20% of surplus in investment funds. This means no real possibility of own development. Currently, an example of a loan mechanism initiated by public authorities is "ES Fundusz".

"ES Fundusz" is a pilot programme of financing the social economy funded by the ESF as the central component of HC OP – Employment and social integration. In the future, Polish central authorities want to use the experience of this pilot project to create a continuously functioning fund. The fund can be used up to June 30th, 2015. The main task of "ES Fundusz" is to supply social economy entities with preferential loans for their development. Those loans should be used for broadening their businesses: this may be investment in an already existing economic activity or in a new one. This loan can be spent on material or immaterial assets and should result in increase of income and/or employment in the borrower entity. Another aim of "ES Fundusz" is to give borrowers professional advisory services free of charge. The essence of preferential loans is the absence of any additional fees and charges and an attractive interest rate of 50% and 25% of the rediscount rate of the National Bank of Poland. The social economy entities which can apply for a loan are:

- worker cooperatives,
- cooperatives of the disabled and the blind,
- social cooperatives,
- NGOs,
- church legal persons and organizational units (conducting public benefit activities),
- joint-stock companies, limited liability companies and sport club companies (non-profit).

At the end of August 2013 the total amount of given loans was more than PLN 2 million (from more than PLN 25 mil.) and 576 hours of advisory services were provided. They were given to 27 social economy entities, including 10 social cooperatives, 4 worker cooperatives, 12 NGOs and 1 non-profit limited liability company[29], for purposes like: renovation/adaptation of space, purchase of machinery and equipment, purchase of materials and other current assets, purchase of means of transport.

In connection with the new programming period (2014-2020) a special programme for the social economy is being prepared, called the National Programme for the Development of Social Economy (Krajowy Program Rozwoju Ekonomii Społecznej, KPRES). One of the priorities (3: "The social

[29] Data according to http://esfundusz.pl/?p=923 [Accessed: 27th of August 2013].

economy support system") of this programme is wholly devoted to aid and support instruments for the social economy. It includes among others: non-refundable and refundable financial instruments, providing quality services for the social economy and social enterprise, supporting cooperation and partnership networks within the social economy. The system of services will consist of: local animation services, services for development of the social economy (this component refers to activities aimed at initiating the creation of new companies and social enterprises, including training, and individual and group counselling) and services to assist existing social enterprises. This project was broadly consulted with representatives of the social economy and should soon be implemented.

In Poland every year in early autumn the National Meeting of the Social Economy (*Ogólnopolskie Spotkania Ekonomii Społecznej*, OSES) is held. This year will see the 7th meeting, during which new forms of aid and support for the social economy will also be discussed. Among others there are proposals to raise the issue of social bonds (including social impact bonds) as part of a larger phenomenon of socially responsible financial instruments. In Poland, banks still have difficulty in seeing and recognizing the social economy as a separate client. They are not working on the creation of separate bid and risk assessment for the social economy, but there is increasing demand for new financial instruments to be developed also for it. There are proposals for such socially responsible financial instruments as capital investment of venture capital/private equity – called social venture capital[30] – or other instruments of social investments such as "patient capital", mezzanine funds, subordinated loans and also business angels. In Poland there is also no social agency present in other countries in the form of stock-exchanges, think-tanks or other services and utilities. Now, with the development of social cooperatives and the social economy, and as public funds cease to be the only supporter, the demand for new forms of help is stronger and more visible in Poland too.

Conclusion

The size and scope of the Polish social economy is subject to many changes that affect public policies, regulatory instruments, available means of support and social awareness. In addition, new methods are required for assessing effectiveness and efficiency. Despite this situation, the state of both the social economy and social cooperatives can be evaluated positively.

To sum up this text and answer the questions posed in the introduction, it is clear that the aid and support provided in Poland do not distort or infringe the

[30] The first Polish test social venture capital for social enterprises will be implemented by the *Stowarzyszenie Centrum Rozwoju Ekonomicznego Pasłęka (CREP)* association. The project, for which the association has received EU funding, will entail (among others) the provision of capital with deferred payment to social cooperatives from the Warmińsko-Mazurskie province, which will create jobs for unemployed young people above 15 years of age.

rules of competition law. Frankly, compared to examples from other states, Polish formal and informal help for social cooperatives is not so favourable and broad. There are also some social cooperatives in Poland which were founded without any formal public aid or support. The instruments used appear to be correct, but it can also be seen that the social economy needs to be more widespread across society and employees of public authorities. One important factor seems to be the implementation of other law acts on the social economy (especially on social enterprise), which should result in the revision and adjustment of other regulations. If not, other public regulations can be contradictory with those on social economy.

As regards aid for social cooperatives, differences can be spotted across Poland. As showed above, in some regions subsidies from the Labour Fund were not given. In their place, social cooperatives benefit from other sources for start-ups, like ESF founds or state programmes prepared only for social economy entities (e.g. through OWSS). It seems that funds from special programmes for social cooperatives work better. Such grants frequently bind money with advisory services, which influences the borrower by making them more professional. This is important where all or most of members of social cooperatives originate from excluded groups. Worth underlining is that these special programmes are created for longer periods of time, during which they stay unchanged, and are more independent from the varying quantity of money in the Labour Fund. Other conclusions are unfortunately not possible, because the available data on aid and support represent too short a period of time and are hard to compare. As mentioned, research on the social economy or social cooperatives is insufficient. It is therefore impossible to answer the question with certainty. However, this provides a direction for new research.

It is worth noting that the Department of Public Benefit at the Ministry of Labour and Social Policy is trying to close this gap, also through cooperation with the Central Statistical Office. The latter has recently added social economy, among other topics, to its website. It is a pity that it classified social economy into the third sector by interpreting it only as the non-governmental and non-profit sector. This shows the necessity of educational work on the social economy.

Finally, the last question is hard to answer, due to the aforementioned lack of credible data about evaluation of funding. Another difficulty is unambiguously determining which instrument stimulated the development of social cooperatives the most. However, it must be concluded that the largest role is played by openness of the government and the institutional environment, which are changing favourably for the social economy. But on the other hand in government operations we can also see a lack of understanding of the social economy and adverse effects, such as changes in the law on cooperatives that blur their essential nature. Therefore, the overly big introduction of capital solutions for social economy may be worrying. In the case of Poland, where the

social economy and third sector are not very strong developed (well embedded in society and in economy), it can lead to the privatization and capitalization of the social economy. This would not be good, because after all the social economy is governed by different rules than the capitalist economy, which does not preclude their coexistence.

Research conducted for this paper not only showed the shortcomings and errors in the available data, but is also evidence of the need to coordinate Polish public policy. It must be underlined that in addition to its pro-employment role, the social economy can also lead to solutions to many other social problems. A more holistic approach is needed, not only in the central government, but most of all in local authorities. It is also important to develop sustainable support mechanisms and clear procedures, which will take into account the principles of the social economy and the characteristics of the people establishing and working in social cooperatives. Those steps are slowly being made in Poland.

References

Alexander, C. (2010), *The Third Sector*, in Hart, K., Laville, J.-L. and Cattani, A. D. (eds.) *The Human Economy*, Polity Press.

Amin, A. (2009), *Locating the social economy*, in Amin, A. (ed.), *The Social Economy: International Perspectives on Economic Solidarity*, New York: Zed Books Ltd.

Borzaga, C., Loss, M. (2002), *Work Integration Social Enterprises in Italy*, Working Papers no. 02/02, EMES European Research Network.

Borzaga, C., Santuari, A. (2005), *Przedsiębiorstwa społeczne we Włoszech. Doświadczenie spółdzielni społecznych*, Warsaw: Ministry of Labour and Social Policy.

Brodziński, M. G. (2007), *Spółdzielnie, członkowie, samorządy. Z problematyki więzi oraz rozwoju spółdzielczości wiejskiej*, Warsaw: ALMAMER Higher School.

Bukraba-Rylska, I. (2008), *Social Entrepreneurship in Poland in the 20-Year Period Between the World Wars*, in Rymsza, M., Kaźmierczak, T. (eds.), *Social Economy in Poland. Past and present*, Warsaw: Institute of Public Affairs.

Chaves, R., Monzón, J. L. (2012), Beyond the crisis: the social economy, prop of a new model of sustainable economic development, *Service Business*, March 2012, Volume 6, Issue 1.

Davister, C., Defourny, J., Gregoire, O. (2004), *Work integration social enterprises in the European Union: an overview of existing models*, Working Paper no. 04/04, EMES European Research Network.

Defourny, J. (2001), *Introduction: from third sector to social enterprise*, in Borzaga, C., Defourny, J., *The Emergence of Social Enterprise*, Routledge.

Defourny, J., Nyssens, M. (2006), *Defining social enterprise*, in Nyssens, M. (ed.) *Social Enterprise*, Routledge.

Defourny, J., Nyssens, M. (2008), *Social enterprise in Europe: Recent trends and developments*, Working Paper no. 08/01, EMES European Research Network.

Fayolle, A. and Matlay, H. (2010), *Social entrepreneurship: a multicultural and multidimensional perspective*, in Fayolle, A. and Matlay, H. (eds.) *Handbook of Research on Social Entrepreneurship*, Edward Elgar.

Galera, G. (2004), *The evolution of the co-operative form: an international perspective*, in Borzaga, C., Spear, R. (eds.) *Trends and challenges for co-operatives and social enterprises in developed and transition countries*, Trento – Italy.

Gersdorf, M. (2009), *Spółdzielnie socjalne*, in Góral, Z. (ed.) *Z zagadnień współczesnego prawa pracy. Księga jubileuszowa Prof. Henryka Lewandowskiego*, ed. Z., Warsaw: Wolters Kluwer.

Hausner, J. (2009), *Social economy and development in Poland*, in A. Amin (ed.), The Social Economy: International Perspectives on Economic Solidarity, New York: Zed Books Ltd

Izdebski, H. (2006), Spółdzielnie socjalne a organizacje pozarządowe – przewidywane skutki Ustawy o spółdzielniach socjalnych, *Trzeci Sektor* no 7.

Leś, E. (2004), *Co-operatives in Poland: from state-controlled institutions to new trends in co-operative development*, in Borzaga, C., Spear, R. (eds.), *Trends and challenges for co-operatives and social enterprises in developed and transition countries*, Trento (Italy).

Pearce, J. (2003), *Social Enterprise in Anytown*, London: Calouste Gulbenkian Foundation.

Rymsza, M. (2008), *The Second Wave of the Social Economy in Poland and the Concept of Active Social Policy*, in Rymsza, M., Kaźmierczak, T. (eds.), *Social Economy in Poland. Past and present*, Warsaw: Institute of Public Affairs.

Rymsza, M. (2011) *Wstęp*, in Grewiński, M., Rymsza, M. (eds.) *Polityka aktywizacji w Polsce. Usługi reintegracji w sektorze gospodarki społecznej*, Warsaw: WSP TWP w Warszawie

Rymsza, M., Kaźmierczak, T. (2008), *Toward a Polish Model of Social Economy*, in: Rymsza, M., Kaźmierczak, T. (eds.), *Social Economy in Poland. Past and present*, Warsaw: Institute of Public Affairs.

Sobol, A. (2009), *Społeczne aspekty działalności spółdzielni socjalnych*, Warsaw: Polish General Revisory Union for Social Cooperatives and National Council of Cooperatives.

This yearly series of working papers (WP) aims to publish essentially works in English or in French resulting from the scientific network of CIRIEC and more specifically its working groups. The WP are submitted to a review process and are published under the responsibility of the President of the International Scientific Council, the president of the scientific Commissions or the working groups coordinators and of the editor of the CIRIEC international scientific journal, the *Annals of Public and Cooperative Economics*.

These contributions may be published afterwards in a scientific journal or book.
The contents of the working papers do not involve CIRIEC's responsibility but solely the author(s') one.

The submissions are to be sent to CIRIEC, Université de Liège au Sart Tilman, Bât B33 (bte 6), BE-4000 Liège, Belgique.

Cette collection annuelle de Working Papers (WP) est destinée à accueillir essentiellement des travaux en français ou en anglais issus du réseau scientifique du CIRIEC et en particulier de ses groupes de travail. Les WP font l'objet d'une procédure d'évaluation et sont publiés sous la responsabilité du président du Conseil scientifique international, des présidents des Commissions scientifiques ou des coordinateurs des groupes de travail et de la rédactrice de la revue scientifique internationale du CIRIEC, les *Annales de l'économie publique, sociale et coopérative*.

Ces contributions peuvent faire l'objet d'une publication scientifique ultérieure.
Le contenu des WP n'engage en rien la responsabilité du CIRIEC mais uniquement celle du ou des auteurs.

Les soumissions sont à envoyer à l'adresse du CIRIEC, Université de Liège au Sart Tilman, Bât B33 (bte 6), BE-4000 Liège, Belgique.

Publications

2014/01 Berliner Wasserbetriebe (BWB) – Water and sewage company in Berlin
Christina SCHAEFER & Stephanie WARM

2014/02 Berliner Wasserbetriebe (BWB)
Christina SCHAEFER & Stephanie WARM

2014/03 Publicization versus Privatization: Recent worldwide evidence
Stefano CLÒ, Chiara F. DEL BO, Matteo FERRARIS, Carlo FIORIO, Massimo FLORIO & Daniela VANDONE

2014/04 Statistical methods for evaluating satisfaction with public services
Giancarlo MANZI & Pier Alda FERRARI

2014/05 The French Post
Philippe BANCE & Nathalie REY

2014/06 Relation entre l'opérateur de transport public à Bruxelles (STIB) et l'autorité organisatrice : entre asymétrie et coopération
Christophe GOETHALS

2014/07 Reviving social economy in Romania – between emerging social enterprises in all sectors, surviving communist coops, and subsidiaries of globalization actors
Cristina BARNA & Ancuţa VAMEŞU

2014/08 Social exclusion and work integration: Social cooperatives for people with mental health problems in Greece
Sofia ADAM

2014/09 Can the Uncertainty Caused by the Questioning of Tax Measures in Relation to Cooperatives by the ECJ Be Solved?
Sofía ARANA LANDÍN

2014/10 Social Economy, Its Perception and Possibilities of Its Development in Conditions of the Slovak Republic
Lenka PČOLINSKÁ

2014/11 Aid and Support for the Social Economy in Poland – The Case of Social Cooperatives
Karolina MAJDZIŃSKA

CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) is a non governmental international scientific organization.

Its **objectives** are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest: action by the State and the local and regional public authorities in economic fields (economic policy, regulation); public utilities; public and mixed enterprises at the national, regional and municipal levels; the so-called "social economy" (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.

In these fields CIRIEC seeks to offer information and opportunities for mutual enrichment to practitioners and academics and for promoting international action. It develops activities of interest for both managers and researchers.

Le CIRIEC (Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative) est une organisation scientifique internationale non gouvernementale.

Ses **objectifs** sont d'assurer et de promouvoir la collecte d'informations, la recherche scientifique et la publication de travaux concernant les secteurs économiques et les activités orientés vers le service de l'intérêt général et collectif : l'action de l'Etat et des pouvoirs publics régionaux et locaux dans les domaines économiques (politique économique, régulation) ; les services publics ; les entreprises publiques et mixtes aux niveaux national, régional et local ; l'économie sociale : coopératives, mutuelles et associations sans but lucratif ; etc.

Le CIRIEC a pour but de mettre à la disposition des praticiens et des scientifiques des informations concernant ces différents domaines, de leur fournir des occasions d'enrichissement mutuel et de promouvoir une action et une réflexion internationales. Il développe des activités qui intéressent tant les gestionnaires que les chercheurs scientifiques.

International Centre of Research and Information on the Public, Social and Cooperative Economy - aisbl
Centre international de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative - aisbl

Université de Liège au Sart-Tilman
Bât. B33 - bte 6
BE-4000 Liège (Belgium)

Tel. : +32 (0)4 366 27 46
Fax : +32 (0)4 366 29 58
E-mail : ciriec@ulg.ac.be
http://www.ciriec.ulg.ac.be