



POLAND

COUNTRY SCENARIO

1. Main definitions and concepts used

Basic concepts such as “social economy” or “social enterprise” were not formally specified in the Polish legal framework for the most of the modern history. Finally, on 12th August 2014 the Polish Council of Ministers adopted “The National Program for the Development of Social Economy” (Krajowy Program Rozwoju Ekonomii Społecznej, KPRES), which officially defined mentioned ideas.

“Social economy is an area of civic activity which, by means of economic and public interest activities, contributes to: professional and social integration of persons at risk of social marginalisation, job creation, provision of social services of general interest and local development.” – stated KPRES.

The Program divided social economy entities on 5 groups:

1. *social enterprises, which constitute the foundation of the social economy;*
2. *reintegration entities which support social and professional reintegration of people at risk of social exclusion, i.e. Vocational Activity Establishments, Occupational Therapy Workshops, Social Integration Centres and Social Integration Clubs; these organisational forms will never be social enterprises, but they might*

prepare people to run a social enterprise or work in a social enterprise, or they might be run as a service for local community by social enterprises;

3. *public benefit purpose entities, which run a business activity and employ people, although their activity is not based on the economic market. Public benefit purpose entities are non-governmental organizations carrying out chargeable and free public benefit activities; these entities may become social enterprises, provided that they undertake full economic activity and fulfil their statutory tasks in relation to profit distribution;*
4. *economic actors which were established to fulfil a social objective or a social objective of common interest underlies their commercial activity. These entities do not display all the features of a social enterprise. This group may be divided into four sub-groups: 1. non-governmental organisations conducting an economic activity, the profits from which are used to support their statutory tasks; 2. Vocational Activity Establishments; 3. cooperatives targeted at employment; 4. other cooperatives of consumer and mutual nature;*
5. *non-formal initiatives i.e. consumer cooperatives, shared economy initiatives, tenants and neighbours' movements.*



Social enterprises were described as follows:

- *a social enterprise is an entity conducting economic activities, distinguished in terms of organisation and accounting;*
- *the aim of their economic activity is social and professional integration of people at risk of social exclusion (in this case, employment of at least 50% of people from groups at risk of social exclusion or 30% of people with moderate or severe disability is required) or provision of social services of general interest; at the same time, they fulfil pro-employment objectives (employment of at least 20% of people from certain groups at risk of social exclusion);*
- *they do not distribute profit or balance surplus among the shareholders. Instead, that money is used to strengthen the enterprise's potential as indivisible capital and a certain part of the capital is used for professional and social reintegration (in the case of employment-targeted enterprises) or for public benefit activity conducted in favour of the local community in which the enterprise operates;*
- *they are managed in accordance with democratic principles or, at least, consultancy principles with the participation of employees and other interested parties; the remuneration of the managerial staff is limited.*

Similar description of the social enterprise can be found in "The Guidelines for the implementation of projects in the area of social inclusion and combating poverty with the use of the European Social Fund and the European Regional Development Fund for 2014-2020" – the document provided by the Polish Ministry of Development and Finance in 2014 and updated yearly on average (the last edition was published on 8th January 2018). Formal definition became crucial for the social economy sector in Poland – it separated the enterprises qualified for the public support from the rest entities often similar in functions and principles.

In 2017 the Polish government started to work on the update on KPRES, giving more weight to the idea of solidarity economy, defined as the part of the social economy whose primary goal is professional activation and social integration, including vocational and social reintegration of people threatened by social exclusion and social and vocational rehabilitation of people with disabilities. The draft of the new Program is still not formally approved and it is hard to say when it will happen.

2. Short history of the sector and its developments

The idea of social economy in more modern meaning came to Poland probably from France about 50 years before the country reappeared on the maps as the independent state in 1918. But the idea of commercial entities combining economic and social objectives wasn't new on the Polish ground. A perfect example of the Polish entity of this type is Hrubieszów Agricultural Society, founded in 1816. This entity was self-governed by the members and it used many mechanisms of the collaboration, applying the agricultural innovations and – most important – self-help.

Prior to the Second World War, the social economy in Poland comprised primarily cooperatives and mutual insurance companies. During the communist period, these institutions were subordinated to the communist regime losing their democratic character. After 1989 they have to face the new economic reality. Part of them went bankrupt, the other adapted to the new competitive environment. The price was usually paid in the lost social values – they became corporations. Some of them changed the legal form accordingly, the rest kept their misleading façade as social enterprises. The latter are still present in the financial and insurance sector, housing, dairy industry and many more – but are perceived as so-called "old social economy". Like social enterprises subjected and then used by the communists regime as propaganda pieces – old social economy entities create the negative view of the whole idea of social economy in Poland.

Fortunately, the initiatives of the new social economy – like in the rest of Europe – are oriented wider than on the gains of the members or the chairmen. Regaining its strength new (in fact: real) social economy sector is growing thanks to the activists taking into account the external benefits, especially for the local communities and the marginalized part of the society (socially and economically excluded). The main problem of the new social enterprises in Poland is their small size and lack of funds needed to secure the future and the growth of the sector.

Before Second World War the social enterprises were founded in Poland as an act of defiance against the social-economic order, a challenge to the establishment. Today



most of Polish politicians, bureaucrats and economists see the new social economy as truly needed part of the social-economic landscape worth of some public support. This support is absolutely crucial – European and national public funds are the main source of investments in new social entities. Also the growth of the existing social enterprises is to a large degree dependent on public funds. KPRES states that in years 2014-2020 public support for social economy sector will cost about 3 billion PLN.

The other way of the public support for social enterprises is use of social clauses in public procurement. The Polish government created such opportunity in 2009. However in 2017 the most often used social clauses were the preferences for the contractors employing people on a standard employment contract clause (22,139 orders for 39.5 billion PLN) and the accessibility for disabled employees of contracting authority clause (3,009; 14.5 billion PLN) which both have no direct influence on the social economy. This influence might have employment clause supporting the job creation for the unemployed, people with disabilities etc. (980; 2.4 billion PLN), and reserved clause narrowing contractors group to the social cooperatives or other specific social entities (126; 173 million PLN).

Three Polish cities (Warsaw, Gdansk, Cracow) are preparing their first social bond programs that may in the future boost local social initiatives. Important actor

on the social economy market is Social and Economic Investment Company TISE SA. TISE was established in 1991 by the BISE Bank, Foundation for Social and Economic Initiatives (FISE) and the French investment fund SIDI. At present, it is owned by the French cooperative bank Crédit Coopératif. Between 2008 and 2017 TISE provided 4,000 loans worth 550 million PLN for the Polish social enterprises. In 2018 it started social venture capital fund with the capital of 11.3 million PLN.



3. Data and figures

The widest estimations of the social and solidarity economy sector size in Poland may be found in the latest draft of KPRES. It states that at the end of 2016 “the sector potential” included 94,000 entities employing 345,000 workers (2.3% of all workers in Poland). In 2015 the social and solidarity economy was allegedly responsible for 1.2% of the GDP.

Potential of Polish social and solidarity economy sector in 2016

Type of entities	Number of active entities in thousands	Number of jobs in thousands
Associations and similar civic organizations	73.4	85.4
Foundations	13.6	28.3
Social religious entities	1.9	40.4
Economic self-government	0.8	2,7
Farmers cooperatives (kółka rolnicze)*	1.2	0.2
NGOS TOGETHER	90.9	157.0
Worker cooperatives	0.5	16.0
Cooperatives of disabled and blind people	0.2	17.3
Social cooperatives	0.9	4.2
COOPERATIVES TOGETHER	1.6	37.5
Vocational activity establishments (ZAZ)*	0.1	1.5
Occupational therapy workshops (WTZ)*	0.7	9.9
Social integration centres (CIS)*	0.2	1.2
Social integration clubs (KIS)*	0.2	no data
REINTEGRATION ENTITIES TOGETHER	1.2	12.6
SHELTERED WORKSHOPS (without cooperatives)*	1.0	147.5
ALL ENTITIES TOGETHER	93.9	344.7

* Check the paragraph about legal forms of social enterprises below.

Source: Draft of KPRES (16th of August 2018)

This might sound impressive. However those numbers are hugely inflated by including all active NGOs (associations, social organizations, foundations etc.), all cooperative, all sheltered workshops and all reintegration entities. Firstly, just a minority among all NGOs has something to do with the social economy. Secondly, big group of cooperatives represent “old social economy” – certainly they won’t meet even a half of the criteria of the social enterprise specified by KPRES. The same problem exists in the group of sheltered workshops. Last but not least, institutions of professional activity, social integration centres and other reintegration entities are in fact not social enterprises. Therefore their clients should not be counted as workers.

Among a dozen of legal forms used in Poland by social enterprises only one was designed especially for the social economy sector: the social cooperative. According to Ogólnopolski Związek Rewizyjny Spółdzielni Socjalnych (Polish General Revisory Union for Social Cooperatives, OZRSS), the biggest organization of social cooperatives and one of the



biggest umbrella organization in Polish social economy, at the end of 2018 there were circa 1,000 active social cooperatives employing about 5 thousand people. Apart from the social enterprise any other legal form of social enterprise might be only partially connected with social economy.

More conservative analysis shows new social economy sector in Poland as 3-4 thousand entities (new social economy) with 30-40 thousand jobs (0.2% of all jobs in Poland). The social economy sector is growing rapidly every year though – much faster than a traditional economy. Ultimately it is still rather young, very small, scattered and it lacks unification and networking. In competition with traditional business all these social micro-enterprises trying to balance economic and social goals are still fragile and in need of public support.

4. Legal framework and legal forms of social enterprises

There is no main document regulating the basis of the legal framework for Polish social economy. Therefore this framework is a patchwork of acts regulating different types of legal entities and specific issues – with The Cooperative Law of 16th September 1982 and The Public Benefit and Volunteer Work Act of 24th April 2003 in the centre.

The most important groups of social enterprises are civic organizations conducting their economic activity for public benefit, and cooperatives. The latter contain legal forms such as:

- **social cooperatives** (one of the most important for the whole sector);
- **worker cooperatives;**
- **cooperatives of disabled and blind people;**
- **folk handicraft cooperatives** (almost extinct).

All cooperatives above are established according to The Cooperative Law – all except social ones. The legal base for the latter was designed rather recently by The Social Cooperatives Act of 27th April 2006. A new legal entity's purpose was the performance of an economic activity and in the same time the facilitation of:

- the social reintegration of cooperative members, by way of activities aiming at rebuilding and maintaining the skills that facilitate engagement in the life of the community and social roles in the place of work, residence or stay;

- the professional reintegration of members of the cooperative, which should be understood as activities aimed at restoring and maintaining the ability to independently perform work in the labour market.

A social cooperative may be founded by both natural and legal persons. In case of natural persons the minimum number of founders is three. The Social Cooperative Act states that at least 50% of the founders should be registered unemployed, people addicted to alcohol or drugs and other intoxicants after treatment, homeless people who follow an individual program of overcoming homelessness, former prisoners who have difficulties in integrating with the social environment, mentally ill people, refugees facing integration problems and/or carers of disabled people. If the founders are people with disabilities the percentage is lowered to 30%.

Most cooperatives present in housing, dairy industry and retail market cannot be counted as social enterprises. Usually they are focused on economic goals and are far from democratic governance. Similar business approach is typical for most Polish mutual insurance societies (Towarzystwa Ubezpieczeń Wzajemnych, TUW) regulated by The Insurance Activity Act of 22nd May 2003. In fact only a handful of Polish mutuals might meet all of KPRES conditions to be treated as social enterprises.

Among civic organizations most popular form of social enterprises are:

- **associations** (regulated by The Associations Act of 7th April 1989);
- **foundations** (The Foundations Act of 6th April 1984);
- **kółka rolnicze – farmers cooperatives** (The Socio-professional Farmers' Organizations Act of 8th October 1982).

At the end of 2016 there were 90,900 active civic organizations (NGOs) but less than 10% was conducting economic activity. Only part of this minority did it to pursue social goals.

Popular during communist regime farmers cooperatives started to disappear just after 1989. Now they are almost invisible on the social-economic scene.

Polish regulations allow establishing non for profit companies – limited or incorporated companies with statutory different goals than profit. Only few dozens of



those entities exist but probably not a single one could be viewed as a social enterprise. On the other hand, there are hundreds of standard civil law partnerships, small limited companies or even natural persons running a business and working similar to social enterprises. Part of them makes all conditions mentioned in KPRES. There are signs that more and more social enterprises founders choose those legal forms.

Various reports covering social economy in Poland treats sheltered workshops as a specific subgroup of social enterprises. The sheltered workshop (regulated by The Vocational and Social Rehabilitation and Employment of Persons with Disabilities Act of 27th August 1997) is not a legal form but a status given by the voivode (province governor) when the entity (often: limited company or civil law partnership) is active for more than 12 months, employs more than 25 people among whom certain percentage is disabled. The percentage depends of type and degree of disability. However, typically sheltered workshop is not a social enterprise because employing people with disabilities and even having special fund dedicated to rehabilitation of this group is not enough to be formally classified as such.

Aside from social enterprises there are four types of reintegration entities:

- **vocational activity establishment** (Zakład Aktywności Zawodowej, ZAZ);
- **occupational therapy workshop** (Warsztat Terapii Zajęciowej, WTZ);
- **social integration centre** (Centrum Integracji Społecznej, CIS);
- **social integration club** (Klub Integracji Społecznej, KIS).

Their main goal is to take care of the people at risk of social exclusion – typically people with disabilities or affected by mental disorders. ZAZs, WTZs, CISs and KISs help their clients to acquire necessary skills – to find a job either on the free market or in the social enterprise. Therefore those entities hardly could be considered as social enterprises.

5. Participative and/or democratic governance

Like in most countries in the world in Poland all associations and all types of cooperatives are formally obliged to maintain for their members democratic standards of transparency and participative governance. Either has the assembly as a highest governing body meeting at least once a year to assess the work of the board and to address issues like costs, profits, investments and the composition of the board.

The problem is that most Poles – even members of associations and cooperatives – do not understand the opportunities given by their rights and they do not want to take responsibilities entangled with those rights as well as “to waste time” for democratic procedures and deliberation with other workers. Additionally, Poland became the least unionized country in UE – not only because new private companies for last 30 years used to illegally fire trade union activists. This may be big surprise for observers recalling themselves the Solidarity movement revolution in the 1980s – very democratic, community-driven, focused on equality and on rights of each and every worker. Well, Polish culture has changed in last 40 years under pressure of neoliberal social-economic revolution that shocked the whole society and set many element upside down.

More light on this conundrum throw two scientists: Dutch social psychologist Geert Hofstede and Polish philosopher of culture Andrzej Leder. Hofstede is best known from his work on cultural dimensions theory. Using his methodology approach he defined Poles as hierarchical society – all European countries scored less than Poland in that dimension. Polish workers accept a hierarchical order in which everybody has a place and which needs no further justification. For them the ideal boss is a benevolent autocrat. Poland is also described as a country of individualists scoring on this dimension higher than every other former communist state. Poles prefer loosely-knit social framework where everyone is taking care of himself and his family only. Polish culture is masculine, where managers are expected to be decisive and assertive, the emphasis is on equity, competition and performance and conflicts are resolved by fighting them out. Furthermore, Poles are one of the most uncertainty avoiding nation in the world. They maintain rigid codes of belief and behaviour and may be intolerant of unorthodox behaviour and ideas. Time



is money so people have an inner urge to be busy and work hard, innovation may be resisted and security is an important element in individual motivation. Hofstede sees Poland as more normative than pragmatic. Poles have great respect for traditions, they are focused on achieving quick results and they are not eager to save for the future. Plus – as culture defined as restrained – they have tendency to cynicism, pessimism, lack of trust in others.

This picture is complemented by Leder who paints the picture of typical Polish firm as a folwark – primarily serfdom-based farm and large agricultural enterprise dominating the economy of Poland and then Polish-Lithuanian Commonwealth from late 1400s to partition in 1795, but existing on ethnically Polish lands to the early XXth century. Folwark was so important for the social-economic reality of Poles for such long time that it became deeply imprinted in the Poles perception. At work Pole can be either a slave-like serf or brutal overseer. The serf is blindly executing orders, he is not interested in the wider meaning of his job, he is usually convinced of the dishonesty of the boss so he is ready to chill out and take care of his own business when unattended. He is not interested in the future of the enterprise, he does not think about fighting for better working conditions when he is a witness of psychological abuse and unfair treatment – it is easier to run away than to change the system. Although he is in constant fear of being lay-off. On the other hand an overseer is convinced his subordinates are mainly stupid, malicious and lazy. In his mind the only way to keep order and to manage efficiently is being loud, manly, ruthless and autocratic. He believes in swift justice and micromanagement, also he despises explaining his decisions. He is never satisfied and always criticize the work done by serfs scaring them with the possibility of lay-offs because it is the only way to motivate them.

Either Hofstede and Leder present Polish society as not compatible to the community driven, democratic, participative form of governance at work. Their work corresponds with the shift in worker cooperatives, cooperatives of disabled and blind people, folk handicraft cooperatives and even in farmers cooperatives. After 1989 most of them (founded either before or after this date) became shrinking and failing or changing into profit oriented, centralized, hierarchical entities. Social values are erased or kept as a façade and PR trick. In Polish cooperatives, associations, foundations and other types of social entities majority of the activists and leaders are generally complaining about the lack of involvement of their staff. And lack of interest in

participative procedures giving the workers the chance to shape their organization and to set its course or at least to better understand their business.

That is why the advisors from Polish social economy support centres (Ośrodek Wsparcia Ekonomii Społecznej, OWES) are declaring that even in the new social economy sector it is much easier to help build a limited company or natural person business than a social cooperative. Among the group of founders usually most just want to find stable job and only one or two leaders are aware and ready to manage the whole organization, balance the budget and work on development of the enterprise.

It looks like the same forces dishearten Poles from joining to trade unions and restrain leaders of social enterprises from building umbrella organizations and collaborate more regularly and in a more organized way with similar entities in the sector. Unfortunately, the culture is hard to change and the change is coming in the tectonic plates speed.



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