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## **OPPORTUNITIES FOR DEVELOPMENT OF SOCIAL ECONOMY IN POLAND**

In this article the essence of the social economy sector and the most important factors which determine its development have been presented. In Poland after the collapse of the centrally planned economy, there have been significant social, economic and political changes taking place. Joining the European Union has contributed to acknowledgment of recognition to the social economy development as a very useful and even innovative solution to unemployment problem. The ongoing discussions about new social economy models have focused on new types of entities, which are classified to this sector. These include e.g. social co-operatives, non-profit companies and non-government organizations.

### **1. INTRODUCTION**

Changes that have begun based on the proces of transformation in Poland have had a significant impact on the living conditions and activity of the society. The main thing that has changed is the labor market. In the marketable economy's building process, the guarantees of employment combined with the obligation to work were no longer valid. It is difficult to define unequivocally, if objectively they had an impact on reduction of living standards. Those feelings are the conclusion of many different interactions of factors and effects. On the one hand, there are discussions about the decline of real income, on the other hand, that products availability has been improved significantly. Product purchasing after many hours spent in the queues were just a loss of time. Nowadays, such queues are rare but the cause of stress lays somewhere else, now it is the fear of losing one's job and unemployment.

In studies conducted in 2009 for *Diagnoza społeczna* report, 41,1% of respondents who remember the time of Communism, said that life was much easier before 1989. In 2000 the percentage of such responses was much higher and equaled to 61,3%. It should be noted that the education level is one of the factors that affects this assessment the most. Among people with elementary or lower level of education, satisfied with their living conditions before 1989 were 56,0%. Those with university or college degree, the percentage was lower and amounted to - 22,9%<sup>2</sup>. It may mean that one of the dominant factors that determines the assessment of when life was easier, is the position on the labor market and a risk of unemployment. Before the transformation, the problem of unemployment did not exist officially, giving society a greater sense of security.

Poles during the process of transformation were forced to adopt to new conditions when uncertain situations and risk often arose. Many of them in the first years of changes,

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accepted them as negative and unsuccessful. However, society willingly began to enjoy the freedom of belonging to various organizations. The confirmation of this is the very big dynamic of newly registered foundations and associations growth. In the 1989 – 1992, it amounted to nearly 240%, and then stabilized<sup>3</sup>. Some of these organizations are currently part of the social economy sector.

The purpose of this article is to analyze Poles attitudes in relation to their impact to the growth possibilities of social economy sector.

## 2. THE ESSENCE OF SOCIAL ECONOMY AND ITS ENTITIES

Social economy is a term, that may be misleading. One might get the impression that this is one of the scientific fields. Meanwhile, it is not an accurate translation and refers to a certain area of activity with economic character.

Despite the general overuse of this term by many authors, it is difficult to clearly define the boundaries of the social economy area, or even determine the type of subjects that can be counted in.

It is generally admitted that the social-economic activity in democratic States is implemented in three sectors. The first of them is a State sector (or more broadly – public), defined as administration. It has non-profit character and one of its roles is to satisfy social needs. The second sector is called business, i.e. private enterprises which are focused on profit. The third one includes non-government organizations which are defined by excluding them from being part of the previous sectors. Their elementary feature is the voluntary membership and not focusing on the profit<sup>4</sup>. The third sector's organizations have an important role because they complete the gap between state tasks and business tasks<sup>5</sup>.

J. Wilkin points out the fact that profit has become a priority in management where the competition is stimulated, which also forms relationships. According to J. Wilkin „the power of competition in many cases destroys the tissue of civil society”<sup>6</sup>. This is the reason why social economy's growth, responsible for appearing negative effects, is very important. It is determined by orientation to realization of additional goals, as distinct from a competitive market economy, which is assigned to managing the strive for strengthening the social cohesion, increasing economical safety and employment<sup>7</sup>.

Justifying the necessity of social economy development, the opinion of P. Wolkowiński who think that is „[...] a particular area of activity, where each of us can have an impact on forming the reality, because all of us are searching for and finding components of common culture at the core of strategy responsible for our societies' development, which is based on the culture of dialogue, critical reflections, culture of au-

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<sup>3</sup> M. Gumkowska, J. Herbst, P. Radecki, *Podstawowe fakty o organizacjach pozarządowych. Raport z badania 2008*, Stowarzyszenie Klon/Jawor, Warszawa, p. 20-21.

<sup>4</sup> A. Baczko, A. Ogrocka, *Spoleczny kontekst rozwoju ekonomii społecznej w Polsce w latach 2005-2007*, Stowarzyszenie Klon/Jawor, Warszawa 2008, p. 17.

<sup>5</sup> *Spoleczny biznes. Teoria i praktyka*, edited by B. Grodowska, A. Krampus – Sepielak, K. Wiecha, Małopolska Agencja Rozwoju Regionalnego S.A., Kraków 2008, p. 7.

<sup>6</sup> J. Wilkin, *Czym jest gospodarka społeczna i jakie ma znaczenie we współczesnym społeczeństwie?* „Ekonomia Społeczna” 2007, No 1, p. 52.

<sup>7</sup> *Ibidem*.

thencity and commitment and the culture of freedom which is a condition for creation and unit' responsibility"<sup>8</sup>.

The area of social economy is identified by some authors with a widely known third sector<sup>9</sup>. It seems to be that the most important fact is that the subjects which are part of them, combine features of non-government organizations and enterprises, because they involve a business activity with social objectives that dominate.

According to some authors, social economy is made out of quasi-market entities which create a "civil society" with a non-market one.<sup>10</sup>

One of the most famous and often treated as the most accurate definition is the definition proposed by the European Research Network for the Third Sector (EMES). It includes nine economic and social criteria, like<sup>11</sup>:

1. Economic criteria:

- conduct a business in a relatively continuous and regular way based on the economic instruments,
- the independence, sovereignty of institution in relation to public institution,
- incurring the economic risk,
- utilization of financial and non-financial supplies (e.g. use of paid and social work).

2. Social criteria:

- clear orientation toward social useful purpose of the project and supporting of the local communities development,
- upwards, civic character of initiatives and local character of activity,
- specific, possibly democratic managing system,
- possible participatory nature of the activity associated with representation in the structure of services receiver's company,
- limited profits distribution (or lack of such distribution).

According to W. Kwaśnicki social economy term „refers to production of goods and services not only by the non-profit sector but also by the private companies, whose shareholders have agreed that social goals will overbalance the market goals (associations, co-operatives, foundations)”<sup>12</sup>.

A quoted definition simultaneously indicates entities, which are included In the area of social economy. Additionally, mutual insurance companies are added to this list<sup>13</sup>. A basic common feature of all four types of organizations is the voluntary members affiliation. Regarding associations and foundations, it should be noted that not all of them meet the conditions for including them into social enterprises. Without any claims, one can

<sup>8</sup> O. Gałek, *Co to jest ekonomia społeczna?* [in:] *Firma społeczna w rozwoju lokalnym. Poradnik dla organizacji pozarządowych*, edited by B. Kazior, A. Jarzębska, O. Gałek, Fundacja Partnerstwo dla Środowiska, Kraków 2008, p. 8.

<sup>9</sup> A. Baczko, A. Ogrocka, *Spoleczny kontekst...*, *op. cit.*, p. 9-10.

<sup>10</sup> *Poprawa potencjału integracji społecznej na poziomie lokalnym poprzez ekonomię społeczną. Raport na temat Polski*, Ministerstwo Rozwoju Regionalnego, Warszawa 2009, p. 16.

<sup>11</sup> K. Wygnański, *O ekonomii społecznej – podstawowe pojęcia, instytucje i kompetencje*, Zachodniopomorska Biblioteka Ekonomii Społecznej, Szczecin 2009, p. 8.

<sup>12</sup> O. Gałek, *Co to jest ekonomia społeczna...*, *op. cit.*, p. 8.

<sup>13</sup> In accordance to some authors, cooperatives and insurance companies are subject to questions whether or not they are the entities of social economy. W. Kwaśnicki, *Gospodarka społeczna z perspektywy ekonomii liberalnej*, „Trzeci Sektor” 2005, nr 2, p. 31.

qualify them to so-called: economizing on non-government organizations, those in which at least part of the staff are people providing paid work and in business.

In addition to these four basic organizational-legal forms, the social economy includes unincorporated forms such as Centres for Social Integration and Social Integration Clubs (which were established by the Act of social employment in 2003) or Occupational Activity Institutes which are the solution provided by the Act of occupational and social rehabilitation and employment of disabled person in 1997)<sup>14</sup>. They are not independently operating entities but separate organizational entities created by the public sector's institutions (there were doubts, as to whether they can be included to the social economy sector) and non-public units (e.g. non-government organizations).

The proof that it is difficult to determine boundaries of social economy is that its entities may include also economic individuals, which traditionally are associated with for-profit activity such as commercial companies. Some of the authors mention so-called thematic villages, which are resorts, where the inhabitants have decided to gainful employment in a chosen field<sup>15</sup>.

Taking into consideration difficulties with clear indication of entities' types, which admittedly can be classified to the social economy sector, a broader use in its definitions, should be used based on the features of those units and analyzes of their activity, especially profit distribution.

### 3. DETERMINANTS OF THE SOCIAL ECONOMY'S DEVELOPMENT

One of the most important factors that have influence on the social economy development is the ability to cooperate. In 2002 studies realized by CBOS, the results are presented in Table 1, confirm their availability to cooperate and the belief that it could lead to achieving better results.

Table 1. Belief in cost-effectiveness of joint venture according to CBOS's studies

Answer	Year				
	2002	2004	2006	2008	2010
By working together with other people can achieve more than by yourself	78%	74%	77%	81%	79%
Cooperation with other people is a waste of time	9%	14%	11%	10%	12%
Hard to say	13%	12%	12%	9%	9%

Source: Gotowość Polaków do współpracy, komunikat z badań, Centrum Badań Opinii Społecznej, Warszawa 2010, p. 2.

As it has shown, the belief that cooperation brings positive results is rather stable. It can be ascertained that men are more open for cooperation (average intensity of availability to cooperation is 1,96 on a scale of 0 to 4) rather than women (index 1,58). Availability to cooperation index value decreases with the respondents' age (was 2,38 for people aged 18 to 24 and only 1,03 for those over 65 years old). It is also evident that it increases in education level (1,27 for people with elementary education, 1,6 for respon-

<sup>14</sup> *Polski model ekonomii społecznej. Rekomendacje dla rozwoju. Zaproszenie do dyskusji*, edited by P. Frączak, J.J. Wygnański, Fundacja Inicjatyw Społeczno-Ekonomicznych, Warszawa 2008, pp. 20 – 21.

<sup>15</sup> *Ekonomia społeczna w kreowaniu polityki lokalnej gmin i powiatów*, edited by A. Sobolewski, P. Klimek, J. Piekutowski, Stowarzyszenie Czas Przestrzeń Tożsamość, Szczecin 2009, p. 9.

dents with basic-vocational education, 1,97 for those with secondary education and 2,36 when it comes to the respondents with university education). Interesting results were observed, when taking the respondents financial situation into consideration. It appears that the greatest availability to cooperation declare persons with the largest incomes (income above 1500zl per one person, index was 2,31). In second place there are people with 500 zl income per one person, for which the index was 1,9. Interesting fact is that index value increased with an evaluation of household's financial situation. It was 1,33 in case of people that estimated their situation as bad, 1,6 in case of those that ascertained that their situation is average and 2,08 for those who think that their financial situation is good<sup>16</sup>. It is worth to notice that a subjective assessment of financial situation depends on many factors, not only incomes amounted per one person in the family. First of all, a reference level is important. When it comes to the people, in whose surrounding there is more of similar or worse financial situations, evaluation of their own position can be better even with lower incomes.

From 2002 to 2010 a systematic growth was observed of Poles' faith in the effectiveness of cooperation for their community, which is clearly indicated by analyzed data included in Table 2. During this period of time the percentage of people who claimed that they can help those in need or resolve a problem, increased by 16%, on the cost of number of people who doubt in the effectiveness of cooperation, which decreased by 13%, as well as 3% for respondents who were not able to express their opinion to this subject<sup>17</sup>.

Table 2. Belief in the effectiveness of joint action to support its local community, according to CBOS's studies

Answer	Year				
	2002	2004	2006	2008	2010
People joining action with others can help those who are in need or resolve some problems of their environment, settlements, villages or cities	50%	54%	63%	65%	66%
People even joining action with others are not able to help people in need and resolve problems of their environment, settlements, villages or cities	38%	35%	26%	25%	25%
Hard to say	12%	11%	11%	10%	9%

Source: Gotowość Polaków do współpracy..., *op. cit.*, p. 3.

Such declared, high availability to cooperation seems to indicate the very good conditions for social economy development. Unfortunately, these are rather general statements. During the process of transformation, a very large decrease of Poles availability to cooperation has been noted. In 1989 it was estimated at 30,5%, in 2007 it dropped to 15% and in 2009 it has only reached 13%<sup>18</sup>.

International studies called the European Social Survey put Poland in last place in terms of trust in other people. Distrust is one of the main barriers to social economy development, based on cooperation<sup>19</sup>. Changes that took place in the Polish economy, as a

<sup>16</sup> *Gotowość Polaków do współpracy*, komunikat z badań, Centrum Badań Opinii Społecznej, Warszawa 2010, p. 9.

<sup>17</sup> *Ibidem*, p. 3.

<sup>18</sup> *Diagnoza społeczna 2009...*, *op. cit.*, p. 272.

<sup>19</sup> *Ibidem*.

result of transformations, have influenced the shape of labor market. With the increase of unemployment's level, there were more and more people, who have had more difficulties with finding a job or it was even impossible (so called long-term unemployed). Social economy is the area within which problems of people dealing with the weakest position on the labor market can be solved. Unfortunately, those people often have a low social activity and small ability to self-organization, which often combined with outdated professional qualifications, a relatively low level of motivation caused by the existing failures and often with a lack of financial supplies, can negatively affect the possibility of arising and developing new social economy entities<sup>20</sup>.

Not without an unimportance for the dynamics of creation and development of new initiatives is an opinion belonging to the go society's entities called "old social economy", which includes cooperatives. Reluctance for co-operative movements and changes that have occurred in the whole economy contributed to the weaknesses of those movements. Despite this fact, the potential of Polish co-operatives is assessed, mainly because of a good knowledge about the local market and customer's loyalty<sup>21</sup>.

Institutional barriers are not in favor to a social economy development, they limit entities cooperation with government and non-government institutions. Cooperation is very important for the removal of existing legal gaps and is taken into a social economy's needs<sup>22</sup>.

Despite numerous barriers, the social economy development can Foster Poles' attitudes to the companies which support social goals or employing people experiencing difficulties in the labour market – about 60% declare that they can include such aspect when making purchasing decisions. Unfortunately, actual attitudes are slightly different, because for the consumer, the most important is the price, product quality and brand. It should be noted that a relatively small number of Polish companies expose the social aspect of their business<sup>23</sup>.

#### 4. SUMMARY

Social economy in a new dimension began to develop in 1989, when the affiliation to different organizations began to be truly voluntary. Previously the only form functioning actually were the co-operatives. The debate regarding the sector's frame, shape and conditions of functioning has developed mainly in relation to Poland's integration to the European Union. It is important that it led to working out complex solutions which can foster the development of the activity area of society.

The vast majority of experts agreed that a social economy is an area which should be developed. Taking into consideration that Poles pro-social statements and even the necessity of searching for new solutions for existing problems, generally regarding the shaping

<sup>20</sup> W. Durka, A. Nowak, *Przewodnik po ekonomii społecznej. Nowe propozycje dla samorządu lokalnego*, Zachodniopomorskie Forum Organizacji Socjalnych „ZaFOS” w Szczecinie, Szczecin 2009, p. 60.

<sup>21</sup> R. Spear, *Ramy instytucjonalne dla przedsiębiorstwa społecznego: wyzwania dla Polski i innych nowych krajów członkowskich*, „Ekonomia Społeczna Teksty” 2006, p. 5; I. Krysiak, *Informacja o sektorze spółdzielczym w Polsce*, „Ekonomia Społeczna Teksty” 2006, No 31, p. 7; J. Herbst, *Kondycja ekonomii społecznej w Polsce 2006*, „Ekonomia Społeczna Teksty” 2006, p. 4.

<sup>22</sup> *Poprawa potencjału integracji społecznej na poziomie lokalnym poprzez ekonomię społeczną*, Ministerstwo Rozwoju Regionalnego, Warszawa 2009, p. 10, 72.

<sup>23</sup> M. Gumkowska, J. Herbst, J. Huszcz, *Społeczny kontekst rozwoju ekonomii społecznej w Polsce. Raport z badania*, „Ekonomia Społeczna Teksty” 2006, p. 22.

of the labour market, it can be assumed that this sector has the potential to rapidly develop. Unfortunately, existing legal and institutional restrictions and still unresolved problems with financing of social economy entities' development are impeding the changing dynamics. Improvement of the situation is possible but it is necessary to create adequate conditions for using existing potential. It seems necessary to carry out actions for increasing Poles consciousness regarding new possibilities and creating a system which could effectively support the forming and developing of organizations in professionalizing conducted activities.

It should be noted that when taking the age of most of the social economy entities into consideration, as well as the fact that since the nineties in Poland there began the creation of completely new market conditions, whose subjects cannot demonstrate their vast experience in business and society. Therefore it is necessary to create an adequate system to support the sector's development as an alternative to for-profits enterprises.

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### SZANSE ROZWOJU EKONOMII SPOŁECZNEJ W POLSCE

W artykule została przedstawiona istota sektora ekonomii społecznej oraz najważniejsze czynniki determinujące jego rozwój. W Polsce od upadku gospodarki centralnie sterowanej zachodzą istotne zmiany społeczne, ekonomiczne i polityczne. Wejście do Unii Europejskiej przyczyniło się do uznania postawienia na rozwój gospodarki społecznej jako bardzo przydatnego i wręcz innowacyjnego rozwiązania problemu bezrobocia. Trwające dyskusje nad nowym modelem ekonomii społecznej koncentrują się przede wszystkim nad nowych rodzajach podmiotów, które poza spółdzielniami zaliczane są do tego sektora. Należą do nich spółdzielnie socjalne, spółki prowadzące działalność nie zorientowaną na zysk oraz organizacje pozarządowe.