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Social Economy in Poland: definitions, application, expectations and uncertainties

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1.

Distinguishing features of the social economy in relation to other sectors

1.1. Main perspectives on social economy

"By many it is taken for granted that the concepts of market economy and capitalism are equivalent. In my opinion, it is a false belief, and the members of cooperative movement should make an effort to elucidate the issue" – Kalevi Suomela, Finnish Consumer Cooperative Association.

The concept of social economy has recently become fashionable. The development is beneficial, on the one hand, because it means that social economy has finally become more widely noticed, but on the other hand, we have to remember that, as with every fashion, the interest in the social economy may sooner or later also fade away. So in order to benefit from this wider interest and to form the basis for further debate, we should at least try to arrive at a common notion of the phenomenon, or if it is not possible, try to define the differences between our divergent concepts of the social economy.

Social economy can be seen from two perspectives: as way of conceiving economics, in the academic sense, or as a more practical approach, roughly synonymous with the concept of "social entrepreneurship". The latter approach, though perhaps less formal, is typical for the contemporary understanding of social economy, at least in its more popular version. Social economy in this sense relates to practice: legislative issues as well as concrete institutions and their ways of operation. These are the main topics on which the present Report is focused. Our interest in the practical aspects of social economy does not mean, however, that we will ignore the general ideas underpinning such initiatives. If we forget that they serve some wider purpose and that their actual significance transcends the mere solving of particular problems – in short, that they also based on a system of values – we will deprive the idea of social economy of all

its richness, reducing it to the a purely utilitarian question of what is more profitable.

Economy, as witnessed by the origins of both the concept itself and the scientific discipline named by it, is essentially a social science. So maybe "social economy" is a pleonastic and banal expression? In fact, the concept of social economy can be accused of banality from "both sides", so to speak: to say that economy is essentially a social science or that economic activity is obviously a social process (with its social origins and implications) is equally unenlightening as to say that social activity (construed here as activity aimed at social change, even on a very small scale) has its economic aspects (in the sense that it, in general, requires gathering and spending of financial resources, employing people, etc.).

In Poland, the interest in the social economy is not a new phenomenon. The concept was commonly used by Polish economists in the 1920s and 1930s (e.g. a study entitled "Social Economy", which started in 1927, was seen by its author, Stanisław Grabski, who was an economist connected with the Polish National-Democratic party, as the work of his life, while Leopold Caro, a leading ideologist of Polish corporationalism, published a book "The Principles of the science of social economy"). Perhaps, it would be a good idea to identify within the general discipline of "economy" the sub-disciplines of both "social economy" and "political economy", as is the case with "psychology" and "social psychology".¹

Thus, we can distinguish three different perspectives. First, we have the economy that may be called liberal (neoliberal)

¹ Though Witold Kwaśnicki discusses social economy as a notion synonymous with political economy and we may accept his thesis that "political" in the 18th century meant the same as "social" (see Witold Kwaśnicki, *Ekonomia (gospodarka) społeczna* in http://prawo.uni.wroc.pl/~kawasnicki/todownload/gospodarka_spoleczna.pdf), in 19th and 20th centuries the difference between social and state economy became evident. In Poland, the opposition found its expression e.g. in the views of Edward Abramowski.

or capitalist² in which the free market is the basic and most efficient mechanism regulating all economic processes. Individual activity and private property form the foundation of capitalist economy, while profit is the main motive for the activities of its participants. All interventions infringing upon the “freedom of the market” (from the state and various intermediary groups, such as trade unions, as well as from institutions benefiting from tax allowances) are factors that can distort proper functioning of market forces. In this perspective, all unions, “associations” or government institutions trespassing the market boundaries can be seen as potentially dangerous, causing imbalances and distorting the self-sufficiency of market mechanisms.

The second perspective is based on the observation that the free market is not perfect and that its mechanisms require corrections (a point conceded even by the very founders of liberal economic theory). One solution to this market failure is intervention by the state using all instruments at its disposal. By determining general rules of market activity, the state may influence its functioning. Such state intervention belongs to the sphere of political economy.

We can also distinguish another perspective, typical for social economy. Within this approach, freedom of individuals is respected, but at the same time it is assumed that they are able and willing to transcend their narrowly construed, individual interests, and to accept not only competition, but also cooperation (mutual help, joint activity, solidarity) as an organising principle of their economic activity. This “third” type of economy has its own rules. Activity by its participants is not necessarily motivated by individual profits (interests), and, more importantly, such an unselfish stance is voluntary rather than being based on some (e.g. legal) compulsion.

The social economy is situated between the state and the market, and may to some extent mediate in their disputes which are of rather fundamental nature. State intervention forms a response to the deficits of the market. But the state itself, which in theory is supposed to be an instrument of common good, far too often surrenders to political pressures and is “appropriated” by various political factions and interest groups. Ultimately, it may happen that political economy becomes an instrument of a total state control over the market or even a wilful destruction of the market. And then, the mechanisms of planning and redistribution, designed to compensate for the deficits of the market, replace the market. So the cure may prove to be worse than the disease itself.

But of course, even in countries with free market economy, the market is limited by various regulations, while its postulated freedom is often (and in the name of the law) infringed upon by the state, acting to protect its own interests (with the use of measures such as custom duties, subsidies etc.).

In this struggle between the state and the market, what we call “social economy” is situated somewhere on the side, though it is in no way neutral in relation to the other two sectors. Various social initiatives (such as trade unions, consumer movements, cooperatives) played a crucial role in instigating legal regulations that limited the excesses of the free market (e.g. anti-trust laws, consumer protection laws, workers’ rights, social dialogue). On the other hand, “freeing the market” is one of the main demands of the so-called alter-globalists, who promote measures such as cutting subsidies for agriculture (mainly in the USA and the EU). They argue that only then the miraculous and invisible forces of the market may become effective, helping the countries that in the global division of labour can offer little more than their agricultural products, though at the same time hardening the life of French (or Polish) farmers. The said protectionist mechanisms currently in force are model examples of mercantilism, which was so strongly criticised hundreds of years ago by Adam Smith.

In relation to the state and the market, social economy can be positioned as follows:

- First, it can be seen as an **alternative** to both pure market mechanisms and excessive state intervention in the economy. At the break of the 19th and 20th centuries, one of these new organisational forms seemed to be cooperatives, which in their operational practice substituted the principles of cooperation and co-management for the principles of profit distribution between shareholders and exploitation of employees to maximise individual revenue. In this connection, specifically construed exchange rules³ can also be mentioned as a possible alternative to a market mediated by capital. Today, their tradition is invoked by so-called LETS – *Local Exchange Trade Systems* (present, though to a small extent, also in Poland).⁴ Initiatives of this kind are sometimes described as *solidarity economy* (though it is not the only use of the term). The phenomenon, typical mainly for traditional communities, is also often associated with the so-called *gift economy*, based on mechanism such as the so-called reciprocal altruism, where benefits offered by one party raise expectations for future reciprocation by the other party. Many social institutions are organised on such principles. To some extent, the mechanism may

2 For the Polish reader, the expression “capitalist” may seem inappropriate, but – taking aside historical and ideological experience related to the notion – it is such capitalist economy that is taken, e.g. in France, as the proper opposing counterpart to social economy. Such opposition accurately highlights at least one fundamental feature of the latter, namely the predominance of social over economic aims.

3 What we mean here should not be mistaken for traditional barter, where the exchange is literal and simultaneous (being, indeed, a market exchange, only without use of monetary resources). In our opinion, barter is not a sign of mutuality based on increased trust between parties, but on the contrary, it is a kind of transaction where trust between parties is limited.

4 See, for example, LETS – Kraków, <http://lets.most.org.pl/krakow/pl/>

also be seen as typical for family relations (investing in children with the expectation of receiving care in elderly age), help systems among friends, rules of crops distribution in traditional, joint farming communities, etc. Today, this kind of reciprocity system is effectively practised in many local (especially rural) communities in Poland, as far as e.g. construction work or emergency situations, such as fire, are concerned. This category also includes specific relations between patron and client in the sphere of politics or economy. And it would be wrong to suppose that such reciprocity is an anachronistic and obsolete custom; on the contrary, it can rather be expected that the importance of such reciprocity may rise, because modern society (including the economic system) is increasingly functioning as a network system.

- Second, social economy can be seen as a specific way of **participation in the market**. Here, we mean gradual rather than radical changes in the areas where the market reveals its deficits and administrative measures prove to be ineffective. In such cases, the social economy offers a method, or rather a whole set of methods, enabling (within market mechanisms) certain values to be realised. Here, the market is not an enemy to be fought, but rather a source of opportunities to be exploited. In this way, with the help of appropriate legislation, activities fostering cooperation and solidarity in social life may be pursued. The principles of reciprocity and mutual trust can be cited as an example of such relations between market participants. Their implementation helps to reduce transaction costs and therefore becomes an important factor in market competition, in some situations (e.g. in the insurance industry) enabling interested parties to offer cheaper products than those offered by entities operating on pure market terms.

The further discussion in this Report will concern almost exclusively the latter perspective on social economy, which in no way means that we fail to appreciate the broader, ideological (or value-oriented) vision of social economy. In many instances, it is values rather than profit that form the incentive or motive for particular activities of economic nature. As an example, we can only recall the economic role indirectly played by various religious orders and communities. They introduced many economic innovations, acting not only in their own interests, but also to fulfil the religious commandment of self-sufficiency of their communities (e.g. Cistercians, Polish Brothers, Quakers etc.). As stated by Jerzy Szacki, such people, acting on their (religious or humanistic) convictions, “abandon the way of life accepted by the majority to create new interesting model which, sooner or later, will attract others and “transform ordinary people into angels” [...] In this case, we witness a very special method of changing the world [...]”⁵

⁵ Jerzy Szacki, *Spotkania z Utopią*, Iskry, Warszawa 1980, p. 133.

1.2. The social and the market dimensions of social economy

1.2.1. The market as a starting point

Social economy is a multidimensional phenomenon and, consequently, it may be described in many various ways. In this Report, it is the market that is taken **as a starting point for such description**. But first, we have to make it clear what is meant here by the term “market”. In our opinion, the market is something more than an institutionally separated sector. **The market means not only a set of institutions and people, but also specific rules of operation, special motivations for the activity that is undertaken and special context in which it functions**. In our discussion, it would be pointless to draw a sharp demarcation between non-profit and for-profit sectors: although each notion assumes a specific motivation for activity, no mention is made of the rules of operation or purposes for which any resulting profit is used. In our discussion, we base on the assumption that (in an ideal situation) the market means above all certain defined rules of operation, namely rules that **foster efficient** use of available resources, and at the same time are **open for every participant of the market** – and in this sense, democratise opportunities for self-development. And this specific characteristics of the market (its openness and anonymity) on the one hand is the reason for its successes, but on the other may result in an instrumental treatment of its participants and, as a consequence, a deepening of social anomy.

The situation described above is not the market’s “fault”, but rather the natural consequence of its mechanisms. For a democratic state, the predominant responsibility is to guarantee justice, while for the market the organising principle is efficiency – and here lies its strength rather than weakness. The question whether both principles can be reconciled is of a great interest, but it seems that, on many occasions, they must inevitably collide, and hence the need to balance them – so that neither of them has the upper hand. In other words, **both the market and the state should have their duly recognised role in organising society**. Only once we accept this principle, may we ask why we need the “third party” beside the state and the market, namely the Third Sector, and what is its potential role. The question is especially relevant today, when supporters of both the market and the state tend to ignore the space between the two realms. The Third Sector is often accused of an anti-state stance or interference in free market mechanisms, in short, of meddling. Sometimes, the very role of intermediary institutions is generally called into question, as entities which distort social order with their illegitimate activities that break the immediateness of transactions between the state and its citizens. Quite often, there seems to be little room

left for those who believe that they can freely choose unselfish goals and that the real strength of the state is based on the network of ties between its constituent communities rather than on its apparatus. Little room is left for those who believe that together with liberty and equality, social life needs also solidarity and fraternity. The diagnosis is the more relevant here, for it is fraternity, solidarity and reciprocity that form the core values of social economy.

Pathetic as it may sound, the values of freedom, equality and fraternity find their institutional incarnations in the market, the state and the freely associating society. A tension between them is obvious, so they have to be necessarily balanced. But to reach a proper balance we need all three sectors.

1.2.2. Interdependence between sectors: differences, borders, common areas, interchangeability of roles

Since all three sectors operate together in the same social environment they inevitably trespass their respective territories, and sometimes their respective rules of operation become confused: governmental administration is supposed to become more effective, business organisations more socially responsible and non-governmental sector more entrepreneurial. The net result of such exchanges is hard to assess, yet it seems that in this sectoral triangle it is the market that is the most important source of inspiration for the two other sectors. More and more often, mechanisms borrowed from the market sector (such as New Managerialism, TQM, Management by Results, etc.) are introduced in operations of modern public administration. To some extent, the innovations are also imported to the non-profit sector, and although simple imitation of borrowed models can be harmful rather than beneficial, reasonable borrowings prove to be very useful.

However, the intersectoral relations are often of much more complex nature. In some situations, each sector may be not only a source of inspiration and model to follow, but also a competitor, and even an enemy for other sectors. All the above mentioned relationships also exist between market institutions and broadly construed civic activities (the Third Sector). For the purposes of further discussion on social entrepreneurship, their brief classification may be needed, especially as far as the market is concerned. First, let us describe the most commonly cited functions of non-governmental sector where it features as an independent realm and operates, so to speak, "from deep within" its own territory.

- **Social control over the market** – "mitigating" the market (in the form of both consumer protection and broader responsibility for the effects of commercial sector operations);

- **Compensating market deficits** – i.e. providing goods that otherwise would not be supplied by the sole operation of market mechanisms, or providing goods for those who – for various reasons – are not market participants.

Both of the above functions are based on the perception that market mechanisms, when left on their own and without effective self-regulation, may (at least potentially) prove to be dangerous, and in some situations simply inefficient or ineffective from the social point of view. Hence, together with regulatory functions, some innovative efforts may also be needed.

- **Searching for new solutions** – alternative ways of market organisation. The above mentioned drive to improve effectiveness of the non-governmental sector together with a kind of competition in this respect with other sectors can sometimes lead to a growing uniformity between them and to a blurring of important differences between sectors (isomorphism). As a result, its function to search for alternative non-market solutions may be weakened. Perhaps in its somewhat idealistic self-definition, the non-governmental sector perceives itself as a place where (in contrast to the state which is expected to be foreseeable and stable, and the market which should utilise available resources in the most effective way) alternative solutions rather than adaptation rules are shaped. Perhaps, the idea of social entrepreneurship is doomed to remain ambivalent forever, and will always raise the question of whether social entrepreneurship is a sign of the final intrusion of the market into territory that so far has been immune to its mechanisms, or rather gives a chance to find truly new and fruitful solutions, implemented "beside" or "between" the state and the market.

And now, let us turn to the description of other situations where elements of the market and social activity interweave:

- **Principle of reciprocity and trust** as a factor lowering transaction costs. In general, what we mean here is provision of market goods or services by organisations, such as insurance unions, relief and credit unions, small cooperatives etc., that incur lower operational costs as a result of mutual trust between their members, which in turn decreases the cost of securing transactions. In this case, it is evident that social capital (here, the so-called bridging social capital, consisting in mutual trust) becomes an important factor in market operation, providing a kind of competitive advantage.

In this context, some fundamental questions are worth asking. When is social capital simply used, and when is it, so to speak, exploited. What is the role of the so-called dirty social capital in such undertakings? Can social capital be "generated" by the market and under what conditions? Answers to these questions are not easy, and require additional

research.^{6,7} There are, of course, quite uncritical supporters of market mechanisms (for example, the American sociologist that is popular in Poland, Michael Novak) who believe that the market, on its own, forms a basic source of social ties. However, in our opinion such a belief, expressed without due regard to specific conditioning influences, should be seen as wishful thinking rather than a description of a real situation. This kind of opinion is especially noticeable in Poland where economic growth based on private entrepreneurship goes hand in hand with a deep deficit of social capital. But on the other hand, we would not like to imply that the market is unable to have such beneficial effects for creation of social cohesion; we simply contend that such effects cannot be seen as self-evident. Market mechanisms, left on their own, become deeply anonymous, and atomise, divide and increasingly isolate people, “producing” dispensable, “superfluous” individuals. We believe that this does not have to be the result of market operations. In the context of discussions and initiatives related to social economy, we believe that **entrepreneurship and the market can unite people, creating at the same time clear and orderly rules**. To identify conditions for such beneficial effects of market operation is one of our fundamental tasks.

- **Holistic approach when balancing benefits and costs.**

For every organisation operating on the market, the question of its financial results is of crucial importance. For many, the so-called bottom line is a final verdict on the success or failure of its undertakings. But the bottom line obviously depends on what items are counted on both sides of the balance sheet. Different elements may be differently priced, and factors other than monetary items may or may not be taken into account. An issue of a special importance is whether the final balance includes social costs and benefits of a given activity, for it may well happen that profits are cumulated among shareholders, while costs are distributed among and transferred to members of local community, and at the end of the day ignored. In such a situation, can we talk about any profit? On the other hand (and this is especially relevant for social entrepreneurship), should the fact of lower profitability of an undertaking (resulting from employing e.g. disabled people who are less efficient than most employees) disqualify it in market terms? But to make a fair comparison between the results of different undertakings, the final balance of their activities should be drawn in a comprehensive manner. In this connection, it is worth noting that methods such as Social Audit, SROI (Social Return on Investment) or so-called Second Bottom Line (though so far virtually absent in Poland) become more widely used.

- **Introduction of market managerial and innovative mechanisms into social activities.** The above mentioned efforts to create more holistic picture of benefits from and costs of business activity are not, as might be supposed, another means of “persecuting” the business sector. In some respects, they can also be applied to non-profit organisations. The “non-profit” label may often mean ignoring the need for efficiency. And it is non-governmental institutions where the problem is especially dangerous, because as a result of their way of functioning, they cannot respond to market stimuli and are exempt from direct influence of democratic social control mechanisms. In the absence of self-discipline on their part, the situation may lead to very negative effects. The problem is signalled not only by traditional critics of civic sector (including those originating from business circles), but also (more importantly) by the non-governmental activists themselves. Quite recently, an interesting proposal (though possible to implement only in the far future) has been made to replace the present – residual and negative – term “non-profit” with a more positive term of organisations oriented toward a social profit (“social profit oriented organisation”). The proposals aim to introduce mechanisms that would contribute to increased effectiveness of the non-profit sector. But as mentioned before, uncritical import of market sector models should be avoided (for in many respects, non-governmental management often proves to be much more complex than respective processes in market institutions). And in this effectiveness-oriented perspective, social entrepreneurship appears to be an interesting but difficult challenge. The implementation of the mechanisms aimed at increasing effectiveness in the non-governmental sector will decide whether they will become an “inferior” version of enterprises, or they will prove that it really is feasible to pursue social goals with the same level of effectiveness as shown so far almost exclusively by the market sector.

The above remarks are especially relevant in Polish situation where social entrepreneurship, quite ironically as a result of the substantial assistance made available to it, can “slip” into and be reduced exclusively to various forms of subsidised employment. It is worth remembering that the concept of social entrepreneurship was originally promoted as a means to overcome inefficiency and lack of initiative on the part of the state in solving important social problems.⁸ As it seems, in Poland (at least as far as diagnosis of the problem is concerned) the situation is quite similar, and it only remains to be seen whether social entrepreneurship can offer adequate solutions.

6 Mel Evans, CONCISE Project, Middlesex University, “Social Capital in the Social Economy: The Growth Dynamic of the Third System”, 2003.

7 Partha Dasgupta, Social Capital and Economic Performance: Analytics, University of Cambridge and Beijer International Institute of Ecological Economics, Stockholm.

8 Charles Leadbeater, The rise of the social entrepreneur, DEMOS 2001.

2.

Territory of social economy

2.1. “Three steps” – the process of gradually demarcating the area of social economy in Poland

Social economy is a vast territory, so in this Report we would like to focus exclusively on that part of it as defined using the following three steps. **Step one** consists in a general presentation of areas that are not of main interest for us in this Report. In **step two** (positive) we try to define and describe the general area we are focused on in the present Report. It will be the domain of the so-called “Third System”, and we will try to explain the meaning of the term. In **step three** we will identify the area of our special interest, i.e. the territory occupied by social economy enterprises (SEE).

It can be said that for the purposes of the present project, what we are looking for and what we intend to discuss here – the “basic core of social economy” – is the phenomenon of social entrepreneurship. This core has to be identified within the vast area of the social economy, or the “Third System”, which covers initiatives within the civic sector, non-profit organisations as well as institutions of the so-called old social economy.

2.2. Step one – indicating the areas outside the scope of our interest in this Report

The Third System does not cover all aspects of social economy in its broadest sense. In particular, it does not include its informal dimension, as well as what we call “market correction” function (which does not necessarily have to be realised by non-governmental organisations). As the two

aspects will not be further discussed in the following parts of this Report, their brief description is presented here.

2.2.1. Formal market correction institutions

The free market operation has always had significant social implications, of which not all are beneficial. Historically speaking, the industrial revolution and the development of capitalist economy also meant unemployment, mass pauperisation, or ruthless exploitation of the labour force (12-14 hour working day, employment of children etc.). On the other hand, mass production resulted in a growing consumer dependence on producers who tried to boost their profits, not always with the use of honest methods (e.g. selling products that pose a danger to human health or cheating in publicity materials). The situation led to the activation of some protection mechanisms: on the one hand, we had, rare as they may have been, instances of self-limitation on the part of businessmen themselves,⁹ and on the other, social self-organising efforts, in the form of either workers' unions (trade unions) or consumer movements or by the state through law and governmental institutions that improve and safeguard employment conditions etc.

2.2.1.1. Short historical account of “market correction”

Trade unions have a long and turbulent history, reaching back as far as the 18th century; for a long time, they had operated illegally (for example in France, the so-called Le Chapelier Law prohibited trade union activity until 1884), using various forms of pressure (of which the main meth-

⁹ Instances of such behaviours are the more interesting for us as they form, perhaps, a prototype for the concept of social entrepreneur. One person is especially worth noting here, namely Robert Owen who in 1800 established so-called New Institution, reorganising textile mills in Scottish New Lanark. He had shortened the working time to 11 hours daily (!) and limited (!) work of children. As a result, the enterprise managed by him had not decreased, but on the contrary, increased its profitability. Later and for the rest of his life, Owen experimented with different forms of organisation of production – among others, he promoted Fair Exchange Marketplaces, which in a sense can be seen as a combination of contemporary Time Banks and LETS.

od consisted, of course, in strikes, which sometimes, e.g. in the United States, resulted in regular battles) to secure civil rights (such as the right of vote) and broad spectrum of social rights for workers. It is worth remembering that for over a century trade unions fought for rights that for us seem to be obvious, such as prohibition of children employment, eight-hour working day, decent employment terms (minimum wage, safety in the place of work etc.). The role of trade unions in political transformations as well as in shaping appropriate rules for business activity is hard to overestimate (especially in Poland). The growing power of trade union movement and the threat of revolution (in the beginning of the 20th century, the conflict between labour and capital was a real threat for capitalist states, and not only a communist reverie) initiated a process leading to a shift in the role of the state in the conflict, from being a party (representing mainly the interests of capital) towards a position of an "arbitrator". It is also worth noting here that the basic framework of the welfare state (in its Bismarckian version) was introduced as a kind of shield against the growing popularity of workers' self-organisation and the spreading of socialist ideas in Germany of the late 19th century.

In more recent years, the mutual relations between trade unions and the state were shaped very differently in different countries, from extreme hostility (in 1980s in England under the rule of Margaret Thatcher) to more moderate models of corporatist state (in Italy, Austria, Germany, and in the extreme version of "Salazarism" in Portugal).

A special form of the corporatist idea has been and is still implemented in Poland. After the collapse of communist system in 1989, the social dialogue idea found its institutional expression in the Three-Party Committee, the role of which was to alleviate political confrontation between emancipated industrial working class on the one hand, and business sector and the state (which at the time, still remained the owner of many industrial plants and the addressee of various claims) on the other. Ultimately, such tripartite (between representatives of the state administration, business and workers) dialogue was institutionalised and became the standard practice both in individual countries (although with different individual arrangements) and at the level of European Union. In the most recent years, attempts have been witnessed to shift the emphasis from traditional social dialogue (and related concept of social partners) to civil dialogue that is more multilateral and includes other citizens' groups from without the axis employers-employees. In this Report, there is no room to describe the process in more detail, but we can note that its final results will have significant bearing on the future of the social economy in Poland. So far, social economy issues raise almost no interest on the part of either trade unions or employers (the latter even seem to signal some discontent related to their

fears as to the possibility of "unfair competition" from social economy entities).¹⁰

The mechanisms of social control over the market become increasingly an in-built element of social and political system, in the form of a special version of negotiation democracy. In Poland, both the activity scope of the Three Party Committee (at national and regional levels), and the creation of a system of consumer ombudsmen at the district level point to an advanced institutionalisation in this area. Two remarks of a general nature are needed here. The institutionalisation of social tension (either between employees and employers, or between consumers and producers) may bring beneficial results provided that the process has genuine support from wider social groups. Without such social embedding, trade unions tend to represent the interests of a small group of their activists rather than defend the rights of all employees, while consumer organisations (which in fact are controlled by their members) remain defenceless against any attempts from the business sector to appropriate and control consumer initiatives.¹¹ So in some cases, institutionalisation of civil dialogue can be seen as its consolidation, while in other cases it may weaken its genuine character. The institutionalisation itself cannot be seen as a substitute for "civil pressure". But more importantly, such mechanisms of social articulation and representation more and more urgently require broadening, especially if we bear in mind that the existing dialogue often ignores social interests other than those related to the fact of being an employee or a consumer. Advocacy for groups whose interests are hard to institutionalise, in view of changing status (e.g. in the case of unemployed people) or especially difficult situation on the market of their members (e.g. disabled people, single mothers or fathers), is by far insufficient. Hence, when the basic rights of employees and consumers seem to be relatively guaranteed, the voice of other groups (including the "real losers" such as social assistance clients or patients) should be increasingly listened to, in order to transform the existing tripartite dialogue into multilateral, civic one.

As mentioned before, in this Report we will not directly discuss those sections of social economy where trade unions or consumer movement operate. We can only underline that social entrepreneurship has common origins with "market correction institutions" (in Europe, consumer movement originated directly from cooperative movement), and its operations cannot be taken in separation from notions such as "economic democracy" or "ethical consumerism".

¹⁰ In this respect, a typical example was the opinion of the Confederation "Leviathan" on the draft act on social cooperatives.

¹¹ Aldona Jawłowska, *Ruch konsumentów*, Wiedza Powszechna, Warszawa 1981, p. 47.

2.2.2. Informal economy (the so-called Fourth Sector)¹²

Within society we can identify whole areas of activity that, although related in some way to economy, obviously cannot be seen as directly included into the market. Sometimes, they are even called the Fourth Sector: they function, as it were, beside the market, comprising parallel or alternative behaviours.

2.2.2.1. Parallel activities

In the sphere of family relations, informal ties, social initiatives etc. we encounter various phenomena that escape any proper categorisation in traditional market terms, but have fundamental bearing for social economy. Consumer attitudes, environmental awareness, sense of responsibility (e.g. willingness to philanthropic behaviours or volunteer activity) in many respects determine the developmental opportunities for social economy initiatives within social economy (for example, green workplaces, work done by social assistance institutions etc.). More and more often, also business organisations, while providing goods and services, listen to the “social” preferences of their consumers.

On the other hand, the sphere of “parallel” activities also comprises a whole range of economic behaviours which belong to, so to speak, the “grey area” or sometimes can even be classified as pathology. Of course, it is hard to include e.g. corruption into social economy (in its positive sense), but there are societies where the custom to offer additional informal gratification for settling some matter is in fact seen as quite “natural”.

2.2.2.2. Alternative behaviours

Another component of informal economy, which historically is closely related to the idea of social economy, comprises various social experiments. They were initiated even before the industrial revolution, when numerous heretical movements pointed to poverty (dispensing with private property) as the best way to imitate Jesus Christ – later on, they were even seen as predecessors of socialism (pre-Marxian socialism). In those remote times, many communities had undertaken different economic “experiments”: as an example, the English Quakers can be cited who complied with strict ethical standards in their commercial activity (which in fact enabled them to attract more clients and strengthen economically their communities). Also initiatives undertak-

en by the Roman-Catholic Church proved to be very successful. Efforts to help poor people (and to curb usury, i.e. lending money at a very high interest)¹³ resulted in creation of funds for paupers (for example, Piotr Skarga created the Pious Bank in Krakow to protect the poor against usury). But the developments of the 19th century, when cooperatives were seen as economic experiments, showed that utopian socialism adherents proved to be not so utopian.¹⁴

Even today, there are many individuals and groups that would like to experiment with radical solutions presenting an alternative to the market mechanisms. Many such attempts can be cited here, from communes of various kinds (e.g. initiatives related to the hippie movement, such as Gerrard Winstanley and William Everard's diggers), through more contemporary squats or “alternative villages”, to attempts to institutionalise informal economy (such as time banks or so-called LETs etc.).

In a sense, initiatives that are quite novel but remain closely related to the civic movement tradition, such as the movement for free software (Free and Open Source) or the phenomenon of Creative Commons¹⁵, can also be included in this category. They try to cope with the phenomenon of “knowledge patenting” that can be seen as an instance of the process described by K. Polanyi as the creation of “apparent” goods.

Many activities that are today included in the category of traditional social economy originated from parallel or alternative initiatives undertaken centuries ago. The process, called by Polish sociologist Jerzy Szacki “religious order utopy” (which notion includes sects, Saint Francis, communes and first cooperatives, friendly societies and communes), finds its expression in the belief that “old society should be left on its own. Religious visions of utopia consist in creating a new social world. It abstracts itself from current politics and from politics in general”.¹⁶ But again, the above mentioned initiatives are not the immediate subject of this Report, though their influence and ideological context should be appreciated here.

To close this section of our discussion, let us once again cite K. Polanyi who also offered his own definition of utopia. He wrote: “We would like to advance the following thesis: the idea of a self-correcting market is a dangerous utopia. Institution of the market in this sense could not function without destroying the human and natural environment. Its operation would lead to physical destruction of mankind

12 The concept of the “Fourth Sector” is not clear enough. Some tend to identify it with the so-called informal economy. But it is also used in other meanings. Sometimes “fourth sector” is used to describe the whole territory of informal relations (including family, neighbourhood, traditional groups) that are not necessarily connected with economic activity. Also an idea, though rather rare, can be heard to cover with the notion exactly those institutions that are discussed in this paper, namely social economy institutions (see www.fourthsector.net), also called “for-benefit” institutions.

13 Prohibition of usury, and even every interest on loans, is present in many religions. In Islam, interest is forbidden at all, while in Judaism it is prohibited to take interest on loans given to co-believers.

14 See Stefan Bratkowski, “Co zrobić, kiedy nic się nie da zrobić”, Warszawa, 1983.

15 See <http://creativecommons.pl>

16 Jerzy Szacki, *Spotkania z Utopią*, Iskry, Warszawa 1980, p. 125.

and transformation of the environment inhabited by people into a desert”.

2.3. Step two – social economy in a broad sense: the so-called Third System¹⁷

The Third System is one of the concepts that most broadly describe the territory of the social economy. However, to define it accurately, first we have to cope with the many existing concepts, such as “Third Sector”, “non-profit organisations”, “non-governmental organisations”, “old social economy”, which denote its institutional components. Can they be used interchangeably, i.e. are there any substantial differences of meaning between them, or does each of them just reflect a different point of view on the same reality?

2.3.1. The Third System: its components

But first we have to elucidate some terminological confusion in this respect. Of course, in a sense (especially from the point of view of the broader public, or even the very actors of social economy or the Third Sector) almost all of the said terms are vague hypotheses. But for us, as we will try to show below, they are of fundamental importance.

In purely logical terms, the concept of the Third Sector may be seen as the most general one. The above conclusion is rather banal, for it results from application of simple logical rules: the Third Sector must cover the whole area remaining when we take aside the state (first sector) and the market (second sector) – it consists of what is not the market and what is not the state. Of course, as we mentioned earlier, also the notion of the Fourth Sector is sometimes used, but in general, it relates to informal activities and, as indicated at the beginning of this Report, remains outside the scope of our main interest here.

2.3.1.1. The Third Sector – origins and evolution of the idea in Poland

The concept of the Third Sector came to Poland along with the transformation of the 1990s. It was accompanied by notions such as „non-profit organisation” or „non-governmental organisation” which soon replaced the exploited and histori-

cally compromised concept of social organisation (associated with the „social actions” of the communist era). The fact that the Polish counterpart of the term „non-governmental organisation” was finally adopted was in no way accidental. The term „non-governmental organisation” seemed to be, for historical and political reasons, the easiest to accept and the best fitted to express the emancipatory nature of the Polish civil society movement of the early 1990s. But it should be noted here that from the very beginning, it was in practice used interchangeably with the term „non-profit organisation”. Both terms have, so to speak, somewhat negative nature: both start with the prefix „non” which demarcates the concepts from the state on the one hand, and the market (profit) on the other. Later on, the concept of the Third Sector started to be used, as an effort to bring some order into terminological confusion (and perhaps partly to mask it). Though the latter term is the least recognisable (public opinion surveys led by KLON in 2005 show that the term is recognised by only 5 percent of respondents, while for the non-governmental sector the respective indicator is 30 percent), it served as a kind of synthesis and logical sum of the two former ones. Using it, we do not have to specify which of the two oppositions (to the state or to the market) is most relevant in any particular case, but at the same time we indicate that both of them are to some extent relevant and, moreover, that the described organisations form a separate „sector”. Such approach in itself seemed comforting, and in this way, especially in the circles of practitioners and researchers, the three concepts of non-governmental sector, non-profit sector and Third Sector, started to be used synonymously.

2.3.1.2. The “old” social economy in Poland

In the above mentioned process of terminological developments, the concept of the Third Sector practically excluded the so-called old social economy (and in particular cooperatives). In the prevailing view, they were indiscriminately doomed to remain in the „ancien regime” area, and were not accepted as genuine Third Sector representatives – because, at the time, they seemed neither very non-governmental, nor very non-profit.

Besides, the cooperative sector perceived itself as a separate realm, and the situation remained, to a great extent, unchanged to this day, and not only in Poland. In short, the belief that cooperative sector does not belong to the Third Sector still prevails in Poland.

The situation may give rise to some logical difficulties, for if it is assumed – as is the case in Poland – that cooperatives does not belong to the Third Sector, then (if we accept the trisectoral division of social space) they belong nowhere. It is also a problem for cooperatives themselves, and perhaps a price they have to pay for their excessively “intimate” relations with the other two sectors. Elsewhere in this Report,

¹⁷ Third System – “The specific features of the European approach to the Third System can be summarized on the basis of three parameters: the type of organizations involved, the intermediary nature of the Third System within “welfare pluralism” or a mixed economy, and the system’s socio-political dimension, which is as important as its economic dimension. Because of these different components, statistical interpretations of the Third System’s importance to the economy of each country need to be complemented by a historical-dynamic approach, which is essential for understanding the system’s potential in European societies.” Definition by authors of the paper “Third System: A European Definitions”: www.istr.org/networks/europe/laville.evers.etal.pdf

we will discuss in more detail the challenges faced by the cooperative movement, but for the time being it can be said that one of the challenges is its identity crisis.

2.3.1.3. Special nature of the terminological debate in Poland – what is at stake: words or influences?

Finally, we should add that Poland in particular remains an arena of such terminological encounters, for it is strongly influenced by ideas promoted in the United States that pretend to describe the relevant phenomena in a global perspective (see, in particular, efforts such as the monumental research by John Hopkins University, based on the concepts of non-profit organisation and the Third Sector) on the one hand, and by the more European or, simply put, French idea of „*économie sociale*” on the other. Recently, the latter option has become more prominent, and the reasons for the change are twofold: first, with Poland’s EU accession (and, to some extent, as a result of it) public and private institutions from the United States have ceased to financially support civic initiatives in Poland, as a result of which many Polish institutions that formerly comfortably defined themselves as the Third Sector members were placed in a somewhat difficult situation and, in view of insufficient resources from domestic philanthropy, were forced to search for other external sources of support; and second, the idea of „social economy” in conjunction with the political context, such as the Lisbon Strategy, have become of fundamental importance (with all its far-reaching consequences, financial as well) in EU policy.

2.3.2. The Third System – defining it as a conjunction of the Third Sector and the old social economy

This terminological problem becomes especially visible when we speak of the social economy. To leave the old social economy outside the Third Sector seems to be a mistake. But on the other hand, to maintain in Poland that the Third Sector includes also cooperatives means to advance a thesis that – although apparently correct from logical and formal points of view – goes contrary to the widespread and accepted opinion. How to resolve the deadlock? It seems that two (narrower and broader) versions of the Third Sector concept are in use here. In its broad sense, it includes everything situated outside the market, the state and the family (production, redistribution, reproduction), and hence not only foundations and associations, but also cooperatives and mutual societies. But we can also use the term in its narrower sense, as is the case in Poland, and focus on the traditional non-governmental or non-profit organisations.

A similar confusion, which developed for slightly different reasons, can be found in the respective international termi-

nology. Also here, researchers (especially in the UK and the United States) effectively inculcated the view of the Third Sector that often ignores the existence of cooperatives (partly because UK co-ops were seen to operate for the benefit of their members rather than society more generally). Hence the attempts to extend the concept of the Third Sector that, in general, boil down to a proposal of a new concept – that of the **Third System**. Its advantage (and at the same time its drawback) is the fact that it is entirely new, and for that reason not appropriated yet by any of the existing „camps”. It is intended to cover both the traditional Third Sector and the „old” social economy. This notional extension is institutionally reflected in the activities of pan-European organisation, the so-called CEP CMAF¹⁸ (which is intended to include cooperatives, mutual societies, associations, and even foundations). The concept of the Third System has been adopted e.g. in a report prepared for European Commission by the Policy Research Institute in 1999. So far, the concept has not gained as widespread recognition to be seen as a successful venture, but similar attempts are undertaken among researchers themselves. Organisations that so far have operated separately, such as Society for Third Sector Research or EMES (a research network on social economy), have started to cooperate.

Similarly, in the present study the term “Third System” will be used to describe the Third Sector in its broader sense. We feel entitled to do so, for such a terminological shift has been already made by others. Moreover, the choice helps not to contradict the ordinary use of the term “Third Sector”, while at the same time it enables us to escape the static nature of the term “sector” and to benefit from a dynamic new concept. The term “system” suggests a method, a mechanism, a process (or even a way) with a specific internal logic.

2.3.2.1. Traditional understanding of the Third Sector and the social economy: an attempt to compare two perspectives

Why is this matter so complicated? It seems above all because both areas, i.e. the Third Sector (non-governmental or non-profit sector) and the social economy, have much in common, and for that reason both terms are often used so “close to one another” that some are prone to see them as interchangeable or even synonymous. But since we intend to discuss social economy, we have to identify differences between them. The most reasonable solution would be to assume that **approaches based on the non-profit principle and social economy form two competing paradigms used to describe different phenomena located in a single, broad space of the Third System**. Both concepts have

18 European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations, www.cepcmaf.org

a deep historical embedding, and both profess common tradition. Both of them also refer to activities pursued in the space between the state and the market. For the non-profit sector, its most representative institutions are foundations and associations, operating not for profit and outside the state monopoly, while their fundamental values are (voluntary) participation and, of course, unselfishness (non-profit). For social economy, the basic institutions are cooperatives, mutual societies, but also associations, while its key slogans are co-ownership and democracy.

The analytical separation of both concepts (as sectors) took place not so long ago. For though the term “social economy” was introduced in France as early as in the 19th century, it was not until the 1960s that it started to be used as a more general category describing the space between the state and the market. The notion of the non-profit sector was introduced in the early the 1970s (mainly in the United States).¹⁹ And in the last thirty years or so, both concepts have received, so to speak, canonical definitions of their proper territories.

2.3.2.1.1.

Institutional approach

To enumerate their basic types of institutions is, in a sense, the easiest way of defining the territories of social economy and the Third Sector. However, we should bear in mind that such an approach is reasonable mainly in countries with a civil code legal system where a direct correlation between legal form and activity of organisations can be established. In the countries with the common law system (such as the United Kingdom or the United States) the connection is not so obvious. And for that reason, many undertakings described later in this Report as social enterprises often take the legal form of companies. The situation is similar for foundations which in the common law countries may also be registered as companies. And here, we touch on a very important problem: to what extent institutions traditionally seen as belonging to the business domain may be included into the broadly construed social economy. The problem results not only from differences in legal traditions of different countries. Special legislation concerning entities of a mixed, public-private nature has been recently introduced in many countries of Continental Europe (e.g. in Germany where many social undertakings take the legal form of a company, Public Benefit Companies in Czech Republic, public purpose companies in Belgium, or recently introduced category of social enterprise in Italy).

¹⁹ In this respect, an especially important role was played by the Program on Non-Profit Organisations at Yale University (it is there where H. Anheier and P. DiMaggio came from); the program exists to this day, though (significantly) within Yale School of Management.

In the Polish context, the above problem raises an important question, namely of whether companies are entitled to obtain the status of public benefit institutions under the Act on Public Benefit and Volunteerism. Leaving the issue open, it should only be said that in our opinion social economy should not a priori exclude institutional legal forms other than traditional “third-sectoral” ones. Presently, experiments with new, hybrid forms are being undertaken: as an example, the British Community Interest Company can be cited here.²⁰

It also seems that what for a long time was lacking in the Polish legal system is a special legal form that would enable institutions of associational type to have as their members also legal persons originating from different sectors (today, the possibility is only open for associations which are allowed to create unions of associations).

2.3.2.1.2.

Normative approach

The institutional approach is relatively uncomplicated – which may be seen as its advantage – but at the same time not too precise and by its nature rather static, and hence to some extent blind for new institutional solutions. The approach is also unable to cope with the problem of institutions which formally belong to the non-profit or social economy sector, but in fact do not subscribe to the values that are fundamental for social economy.

To remedy those drawbacks, other more complex defining methods can be applied, which draw on structural and functional characteristics of institutions rather than their formal legal status.

A definition of this type for the non-profit sector was presented within the international Johns Hopkins University research project (JHU 1990), and presumably it is the most commonly used description of the non-profit sector. According to it, non-profit organisations should meet a set of criteria. They should:

- be formalised,
- be private,
- be independent from public institutions,
- not distribute profits among their members or founders, and
- at least to some extent use voluntary participation.

²⁰ Anna Sienicka, *Formy prawne przedsiębiorstw społecznych w Anglii i Walii*, Raport Otwarcia, FISE 2006.

On the other hand, social economy undertakings (Borzaga, Defourny²¹) are defined as entities that combine the following characteristics:

- serve broader purposes (community or social purposes rather than individual ones) which should be more prominent in their activity than mere profit generating,
- have independent management structures,
- use democratic decision-making procedures,
- subscribe to the prevalence of people and work over the capital and its distribution.

As can be noticed, both types of institutions, though quite differently defined, have many common characteristics (formal nature, private nature of undertaking), but they also reveal many differences. Let us discuss the latter in more detail.

2.3.2.1.3.

The non-profit and social economy paradigms: false, real, and unbridgeable differences

2.3.2.1.3.1.

Relation to the state and the market

The Third System, most broadly construed, sets its borders where the territories of the state and the market end. It can be said to be located between them. Obviously enough, the border areas of different sectors witness a kind of tension or sometimes even conflict that may take the form of an invasion into neighbouring territory. Various configurations are possible here: the free market vs. the state; libertarians and anarcho-capitalists vs. communist state appropriating the economy in the name of society (and in fact, to its detriment); the state taken over by interest groups (as put by Gramsci, the state as an executive committee of business); or anarcho-syndicalists fighting both the state and the capital.²² "Everyone against everyone", "one against all", "two against one" – perhaps every configuration is possible here. The said tensions seem to be immanent and inevitable, but they visibly take place in two fields: political in relation to the state, and economic in relation to the free market. Within the territory of the Third Sector (System), social economy is the section situated closer to the market, while non-governmental or non-profit organisations form the part located closer to the state. As risky as it may seem, a thesis can be advanced that **non-governmental or non-profit organisations (the Third Sector in its narrow sense) are more akin to the liberal tradition of opposition against the threat of omnipotent state, while social economy may be related to the historical tradition of efforts to compensate the detrimental effects of socially alienated market mechanisms.**

Of course, both domains comprise a whole spectrum of activities, from attempts to prevent socially harmful developments or to defend individual rights (human rights as a limitation of the state power, consumer rights as a limitation of the market), to various parallel initiatives (such as fulfilling governmental tasks by non-governmental organisations or self-help activities of cooperatives). Thus, both types of institutions are similar in the methods used (self-organisation) rather than in their fields of activity.

2.3.2.1.3.2.

Independence (sovereignty)

Both non-profit institutions and social economy entities want and declare their determination to remain independent. But for each of their institutional components the independence has, so to speak, different direction: cooperatives mean mainly economic independence (self-reliance), while what non-governmental organisation have in mind is rather formal independence from public administration and the business sector. But of course, neither is independence guaranteed by financial self-sufficiency (economic success is often achieved at the cost of neglecting important social aims), nor does every transfer of funds from other sectors mean in practice a loss of independence.

2.3.2.1.3.3.

Volunteerism

Voluntary activity is crucial for social initiatives (though it is only partly relevant for foundations, for example). Every volunteer contributes his or her participation, time or money to the extent that he or she can, is willing or deems it suitable to do so, and every one of them may at any time withdraw his or her participation, in the case of cooperatives together with his or her financial contribution. Volunteerism also has another aspect that consists in principle, well known in the cooperative movement, of the open door, i.e. openness for new members. But though formally organisations (cooperatives, associations) always remain open to new members, in practice their excessive growth in size may sometimes bring negative implications (e.g. in producer cooperatives) or undermine their internal democratic processes. However, it has to be said that the principle of voluntary participation is not always respected in certain traditional non-governmental organisations. In a sense, it is even out of place e.g. in foundations, for they have no members, so it is accepted that the often voluntary social work of the members of their boards is sufficient to count them as traditional non-governmental sector institutions²³.

21 Borzaga, Defourny, *The Emergence of Social Enterprise*, Routledge 2001.

22 In a sense, "Zmowa powszechna przeciwko rządowi", a book written by Edward Abramowski in the beginning of 20th century, should be seen in a similar perspective.

23 Considering the issue in more detail, it should be noted that different special forms of foundations are possible. In Poland, there is no legal differentiation between various types of foundations, but e.g. in the United States several types of foundations are legally possible, and they have to meet the above mentioned criteria to a different degree.

2.3.2.1.3.4.

Purpose of activity

Of course, the most important question is what is the purpose of the undertakings that we are concerned with in this discussion. The above mentioned JHU definition of non-profit institutions says virtually nothing about requiring them to serve a public good in any sense. It can only be said that they may serve either a common good, in a sense limited to their members (member serving, club goods), or a public good (public serving, public benefit). In the former case, the group of beneficiaries is practically similar as in the case of traditional cooperatives or mutual institutions. It is an important distinction, because it gives rise to distinguishing a special category of entities which, having the traditional mutual character, at the same time create goods that can be seen as public, or at least more than purely mutual, namely social cooperatives – organisations offering special help or self-help for those who have limited opportunities on the open employment market. And in the latter case, provision of public goods serves as an important differentiating factor. Here, the so-called new social economy verges on the non-profit sector where such activity has always been seen as natural (especially as concerns foundations).

2.3.2.1.3.5.

2.3.2.1.3.5 Profits

First, it is worth noting that neither of the above cited definitions says virtually anything about organisations' sources of income (in other words, they seem not to see the revenues from the sale of services or goods as problematic), mentioning only the issue of the possible distribution of the surpluses from such income.

In the traditional non-profit sector, profits are either non-existent, or they must not be distributed among members and owners of organisation (for the Third Sector organisations, a separate issue is their ownership). It is the fundamental criterion for the whole non-profit idea, its basic identity. The fact of not taking any profits is to be a sufficient evidence for unselfishness and usefulness of their activity. The condition is intended to definitely "finish the matter", to fend off any threatening temptations, and to mark a clear-cut division line between the area where money is earned and the area where it is only spent (or rather distributed). Thus, what is prohibited in non-profit institutions forms the main driving force for activity within the old social economy. Mutuality has nothing to do with philanthropy. The core idea of social economy (and in cooperatives) is joint risk-taking, and... joint profit-taking (or benefit sharing). The prevalence of social goals finds its expression in emancipatory nature of participation and co-deciding, but the privileges have not necessarily to extend outside the group participants in a given undertaking. Thus, it can be said that the non-profit

sector has a kind of inherent "moral advantage", for at least in theory it is not required to prove it has clear conscience – or at least one not stained by greedy intentions.

But the said "unselfishness" of non-profit organisations is far from obvious. For example, the issue of wages in non-profit organisations²⁴ is often mentioned, especially when their internal system of remuneration can be seen as, in fact, a kind of "sharing profits". In addition, for associations we have the above mentioned difference between activities beneficial for the public good and for the good of their members, where the mere participation in organisations' operations is geared to the good of its members may be seen as a kind of profit-taking. In the case of foundations, another disputable issue is the fact that the choice of their goals purportedly serving public good is discretionarily made by persons or institutions being their founders.

2.3.2.1.3.6.

The principle of democratic management

Here in turn, a kind of "advantage" can be attributed to social economy. For the very fact that it is based on the principles of mutuality supports the development of democratic managerial practice in its institutions (the famous principle "one man, one vote"). In this case, the voting rights derive directly from participation in an undertaking, and are not "weighted" by the amount of owned capital, in contrast to the situation in regular companies. Here lies the essence of emancipatory nature of social economy. In this respect, the situation is different for non-profit institutions: one of the basic forms of non-profit activity, namely the foundation, is not required to be and usually is not democratically governed. Its creation and operation may simply depend on the will (or even fancy) of its founder who provided it with its resources. The philanthropist may discretionarily choose goals that are worth to be supported by his foundation and that, no need to mention, do not necessarily have to be related to the emancipatory tasks that are so prominent in the social economy. The Carnegie Foundation may be a good example here: its founder earned an enormous fortune (sometimes using rather indecent methods, such as ordering to shoot striking workers in his factories) from which he endowed a foundation that, among other things, supports libraries throughout the United States.

Of course, doubts as to the democratic management methods are sometimes raised also in the case of cooperatives and associations, where the required democratic rule is often nominal rather than actual, and the control from members sometimes proves to be fictional. And it sometimes

²⁴ Jakub Wygnański, „Ile powinien zarabiać Święty Mikołaj?“, see <http://www.ngo.pl/strona/43203.html>

happens that such organisations transform into a kind of employment cooperatives for their personnel. In other cases, theoretically powerful cooperatives with broad membership base are controlled by a kind of oligarchy, in view of low participation levels of or great dispersion of voting rights among their members. And that is one of the reasons why the Act on social cooperatives, recently passed in Poland and based on Italian model, provides for the upper limit of their membership.

2.3.2.2. Competing paradigms – conclusion

Thus in fact, the main differences (or similarities) between the two models relate to the choice of the aims of their operation, methods of internal control in organisations and ways of eventual profit distribution.

It can be disputed which of the two models is “better”. Each of them has its strengths, but unfortunately they also share one fundamental weakness, namely their generality. To be able to cover extremely vast organisational territory, they have to pay the price of numerous complications as to their practical application. In search of some basic common ground for a very diverse institutional reality, they focus on typical (canonical) categories of organisations, and are well fitted for them. But as a consequence, both paradigms are much less sensitive to border and untypical cases which meet only some criteria, and which are our main interest in this Report. Moreover, both models to a great extent remain static, descriptive rather than explanatory tools, so they are not best fitted to account for the dynamic processes that are under way within each sector.

2.4. Step three – social entrepreneurship as the “core of social economy”

To solve the above discussed problems, also another method can be used: we can simply look for a “new territory” covering sections of both models. And here, the very concept of **social enterprise (hereinafter called social economy enterprise – SEE)**²⁵ may be helpful. SEE are the main subject of this Report, so let us now try to describe their nature.²⁶ What

are social economy enterprises? In what respects are they different from the other forms of activities pursued within the Third Sector and the old social economy?

2.4.1. Identification of social economy enterprises (SEE)

First, we should note that SEE may evolve from both the non-governmental sector and cooperatives or mutual societies. They may also be initiated outside the realm of the Third System, being created from the beginning, as totally new undertakings (for example, in Poland this is the case for social cooperatives²⁷). It should be underlined here that the concept of SEE is not only classification for organisations, but also an attempt to identify a specific **process** of change that takes place within the Third Sector and the traditional social economy. The said process consists in, on the one hand, economisation of the non-profit sector, and on the other, modernisation (which sometimes, paradoxically enough, means a return to origins) of the old social economy.

The concept of SEE is, of course, narrower than the concept of social economy. But its advantage is its definite meaning, although even in this case – as will be seen later – its precise borders can prove to be hard to establish. In our opinion, the term as well as the very practice of social entrepreneurship become, undoubtedly and increasingly, more autonomous in relation to the term “social economy” (the situation here is similar to the relations between the concepts of “non-governmental organisations” and “civil society”).

In part, this autonomisation also results from the “efforts” of interested researchers themselves who try to separate a new kind of institutional “cluster”, specific and different in nature from the traditional cluster of non-profit organisations. The process is also related to a shift of the intellectual “centre of gravity” (which for studies on non-profit sector used to be located in the United States) towards Europe where the concept of social economy and social enterprise is much more popular, though the real knowledge in these fields is still not widespread. Just as there was once heated discussions concerning issues of the definition of non-governmental organisations, their potential, and the available support for them, now the very same questions are asked in relation to the new entity, the social economy enterprise.

The main institutional promoters of research projects concerning SEE are the research network EMES and Centre for Local Development based in Trento, Italy. In this respect, an

25 Sometimes, an even narrower category (a subset of social enterprises) is identified, namely the so-called Social Firms, the main purpose of which is to create employment for special categories of people who are disadvantaged on the open labour market (e.g. mentally or physically disabled people, etc.). But in this Report, the concepts of social enterprise and social economy enterprise are used interchangeably.

26 Supporters of introduction of the category of social enterprises (Borzaga, Defourny) cite the classical criteria of entrepreneurship presented by J. Schumpeter. They maintain that SEE, to a different degree, satisfy them, for they are entities that (a) provide new products, or products of a new quality, (b) introduce new organisational methods, (c) use new production factors, (d) are based on new types of market relations and (e) operate based on new organisational forms.

27 In their present form, they remain hybrid entities (some call it confusion) combining elements of non-profit sector and traditional entrepreneurship. This two-dimensional nature may bring some advantages, but at the same time it creates major tensions that undermine accepted classifications.

important role is also played by research networks that so far have focused on cooperative movement, such as CIREC, which now redirect their interest towards the “new” social economy.

Specifically Polish definitions of SEE are yet to be developed, so we have to content ourselves with using one of the most commonly cited foreign ones.²⁸ It was proposed by the EMES network²⁹ which since 1996 has conducted studies on social entrepreneurship.

Social enterprise can be defined as private, autonomous organisation supplying goods or services for the wider community, founded or managed by a group of citizens, and complying with some limitations on the distribution of material benefits. A social enterprise cares about its autonomy and is ready to take economic risk related to its continuous social and economic activity.

This definition is not a very precise one, perhaps as a result of its intended broad international use. But it is worth noting the special use of the term “community”. Of course, it can be argued that it has its traditional meaning, like in the expression “local community”, but the perception that its meaning is somewhat unclear is more and more widespread, and not only in Poland: for instance, we do not know whether it has only territorial or broader connotations. As indicated by Jerzy Szacki in his monumental *History of Sociological Thought*, in 1955 George Hilley³⁰ analysed the uses of the term “community” and found that it had extremely broad usage, which in most cases relates to the following three aspects:

- a. territory
- b. social integration
- c. permanent ties between its members.

Usually, though not always, the three aspects come together. Today (also as a result of IT development) the territorial condition seems to be increasingly dispensable (unless by territory we mean a virtual space), so in some instances, to construe the term “community” as “local community” may be dubious.

Activity for the sake of wider community may also prove to be hard to operationalise based on traditional distribution

of benefits. The definition says that individual profits, while not being banned, are subject to limitations (though the nature of such limitations is not clear: are they customary or perhaps legally binding). It is explicitly stated that SEE are to deliver goods or services, which tasks were not allowed for the traditional non-profit sector organisations. Thus, SEE means activities for the sake of wider community, not excluding some limited individual profits on the part of their participants.

It is also worth noting here that the above definition says that SEE should pursue, on a continuous basis, activity based on the entrepreneurial model, and moreover, do it, so to speak, “seriously”, i.e. taking the full risk related to the outcomes of such activity.

Finally, we should mention here other terms related to social enterprise, namely the concepts of **social entrepreneurship** and **social entrepreneur**. They indicate a type of attitude towards social problems rather than institutional category (in this connection, the term “civic entrepreneurship” is also used). What is meant here is entrepreneurship (or undertaking) rather than enterprise as an institution. Both terms place an emphasis mainly on innovation and orientation towards problem-solving, which are not necessary attributes of every enterprise. A similar approach, widely represented in countries such as the United States, is the focus on the so-called **social entrepreneurs**, and invoking the notion of “entrepreneur” as construed by J. Schumpeter who in his early works wrote about people representing the “spirit of entrepreneurship” – *Unternehmergeist*. Such belief in a special role of the individual who is able to find new solutions, willing to take risks and capable of implementing his or her ideas, is especially popular in the United States. And it is in the United States where ASHOKA (www.ashoka.org) is located – one of the most important organisations supporting such individuals (also in Poland). We mention this alternative approach here to provide a kind of reference point for our discussion on social entrepreneurship. For on the one hand, as far as Continental Europe is concerned, social economy is directed to people who for various reasons are not self-reliant and need help, while on the other, mainly in the United States and the United Kingdom, social entrepreneurship seems to mean an attempt to secure participation of exceptionally gifted people in solving various social problems.³¹

28 Important two more definitions worth citing here are the one proposed in 1999 by OECD: “any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity to bring innovative solutions to the problems of social exclusion and unemployment”, and the one presented by Social Enterprise London in 2001: “Social Enterprises are competitive businesses, owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share and making profit. Social Enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community”.

29 <http://www.emes.net/>

30 George Hilley, *Definitions of Community*, 1955.

31 For example, in the case of ASHOKA it is assumed that, in statistical terms, such specially gifted social entrepreneurs are very rare. Personally, I do not share this “pesimistic” outlook. Social entrepreneurs are often people who attained (sometimes even enormous) success in commercial activity, and then decided to try to face more complex problems. As an example, Jeff Skoll may be cited here, a millionaire and initiator of the Ebay portal, one of the most profitable ones in its category. Now, he is a chief of Skoll Foundation which supports social entrepreneurs (see <http://www.skollfoundation.org/>).

3.

Territory of social economy enterprises

3.1. The most important issue – SEE competence as a means to reclaim independence and empowerment by people, institutions or communities

The “new” social economy should be perceived above all in the context of entrepreneurship, understood as willingness and ability to take responsibility by individuals or groups for their own lives. Second, it should be seen in the context of political (where, of course, politics is construed as public activity rather than party affiliation) responsibility for community. **Responsibility is a key word here, equally important as self-organisation that forms the basis for both social economy and the Third Sector.**

Responsibility in the economic domain means essentially activity for **as broad economic self-reliance and independence as possible** (in short called hereinafter “economic empowerment”). In the social economy perspective, it means undertaking efforts **enabling individual people, organisations or communities to take – to a greater extent than before – independent decisions as to the aims and forms of their activity.**

The above general proposition means:

- **For individuals**, a chance to quit the status of a client, a person dependent on the assistance received from others (including the help from non-governmental organisations), and a chance to become a self-reliant person, capable to take care of his or her own life and the life of his or her family. The crucial factor here is the possibility and at the same time the necessity, to work and secure an income in order to be able to use such earned income and reclaim human dignity that springs from the power to make one’s own, independent choices.

- **For organisations**, obtaining resources for their own activities and abandoning the position of seeker of funds, of constant dependence on public institutions, and changing it for the position of independent entity, capable of pursuing activities in the public sphere in accordance with its mission and decisions taken by members and founders of the organisation.
- **For communities**, the ability to be self-reliant in preparing developmental strategies based on their own resources, implementing genuine ideas of self-government and fostering the well-being of their citizens.

Responsibility in the public domain means in fact activity for the sake of as broad social influence on political decisions as possible (it is called hereinafter “participation” or “political empowerment”) – in this way, individuals, organisations and communities become included in decision-making processes that touch them, and become partners (subjects) rather than objects of political processes. The principle of “helpfulness” receives here a true shape. Social economy is a unique phenomenon combining both possible behaviours (Exit and Voice³²), and strengthening both the “voice” and the “choice”.

Then, what chance and what “promise” are given by the idea of social economy?

- **For individuals** social economy creates conditions for active participation in social and political life (at both local and national levels), and for taking into account the voice of interested individuals (social consultation), at least as far as issues of immediate interest to them are concerned. Social economy on the one hand is a mechanism that guarantees some basic economic self-reliance, which forms a necessary pre-condition for human dignity and, consequently, full citizenship, and on the other, it is a kind

32 A. Hirshman, Exit, Voice, and Loyalty, Cambridge, MA: Harvard University Press, 1970.

of civic education tool through participation in democratic procedures.

- **For organisations** social economy means at least partial financial independence from public administration and business sector, enabling them to become a reliable partner in civil dialogue.
- **For communities** social economy means at least partial independence from external political and economic pressures, and hence a chance to shape local policies in accordance with the real needs of the community and its members.

Thus, social economy is of interest to us here mainly in terms of its role in fostering independence and resulting empowerment of communities, organisations and individuals.

Such an approach to social economy enables us to refer to another, increasingly commonly used term, the “new social economy”, which differs from the so-called old social economy mainly in that it aims at producing goods of more general and public nature, while also using economic instruments. In other words, the group of beneficiaries of its activities include not only members of cooperatives (as consumers and as producers), but also a wider community. The new social economy in this sense is very close to the traditional non-profit sector which to a great extent defines its mission exactly in those terms, as – very roughly speaking – the efforts of private institutions for the sake of public good. The idea is very akin to the concept of SEE, for the latter also operate in the border area between two sectors (the non-profit sector and traditional social economy sector).

The issue is well illustrated in the below table which clearly shows how promising the concept of new social economy is: theoretically, it could enable empowerment to be achieved in both dimensions.

	Economic dependence	Economic independence
Political neutrality	Philanthropy	Old (traditional) SE*
Political empowerment	Civic sector	New SE (social entrepreneurship)

* The old social economy is construed here based on the practice of its operation rather than on its theoretical assumptions.

Our intention here is not only to identify the territory of the new social economy, but also to demarcate more clearly the other sectors. The reason for our efforts in this respect is in no way a belief that the Third Sector organisations not covered by this definition (both those described here as the civic sector and philanthropic institutions) are less important – on the contrary, we believe that such more precise demarcation can only benefit these organisations, for it will highlight all their essential and constitutive characteristics. The proposition is relevant for both the non-governmental sector and the old (traditional) social economy for which –

as it seems to us – it opens the way to abandon its present and quite “schizophrenic” situation where it belongs neither to the traditional business sector, nor to the domain of non-governmental organisations. Perhaps, it is better to accept the fact that the cooperative movement (hopefully, retaining its social responsibility) will in part transform into regular business organisations (which inevitably often means its “de-mutualisation”), and in part will return to its “origins”, even if they are called here, ironically enough, social economy.

3.2. Basic criteria and characteristics of the social economy

Many proposals on how to identify the group of social enterprises are available. Which of them is the right one? We should remember here that the choice is not altogether discretionary, for accepting any particular option can make it harder to make comparisons with others. So we should accept that the choice is, at least to some extent, conventional, but regardless of which proposal will be used, it will not be possible to apply it uncritically, and some corrections will be necessary. The more universal the proposed criteria, the more general (or even vague) they become, and for that reason it is necessary to develop local versions, but then again comparability of data may be weakened. So the problem forms a kind of vicious circle, but this is the price that has to be paid by authors of universally valid accounts. Fortunately enough, in Poland we are only starting to experiment with both social economy solutions and the notions used for their description; hence, we decided to choose and use here only one, the most commonly cited and applied definition of social economy, namely the one developed, or at least promoted, by the European research network EMES. It contains nine criteria for social economy (of which four are of economic nature and five are of social nature). The criteria partly coincide with each other, so it seems that they should be applied with some caution. Below we present the definition, together with our comments and footnotes.³³

3.2.1. Economic criteria

1. **Activity pursued on the relatively continuous and regular basis, using economic instruments, i.e. the sale of goods or services produced.** In the case of

³³ Today, the EMES extends its research activity to Central and East European countries, and for this purpose it has presented slightly less restrictive version of the said criteria: economic activity does not have to be necessarily continuous, autonomy may be partial, organisations do not so much have to employ people, but must plan to do so; the notion of economic risk is absent, and social criteria are also less strict; it is enough that activities for the sake of the wider community are one of the organisation's goals rather than its main goal, and instead of the criterion of limited profit distribution, it is said that only organisations which aim at maximising profits are excluded from social economy area. In our opinion, such “laxity” may deprive the criteria of their capability to demarcate separate organisational territories.

market goods, their buyers are mainly individual consumers (individuals or firms). For the goods of a public nature (including communal services), their buyer may be the public administration (but it should be noted that we do not mean here grants, but purchase of goods that may be offered by other providers on competitive terms). The requirement of continuous activity should also be stressed here: in other words, an institution that occasionally (e.g. once a year) sells hand-made postcards produced by its members, cannot be counted as social enterprise.

2. **Independence (sovereignty)** of organisation from public institutions. Of course, the condition does not prevent organisations from even very close cooperation with public administration institutions (or, to put the matter straight, benefiting from public funds), but organisation must be able to make autonomous decisions on the direction of its activity. The criterion is not intended to rule out public administration from participation in or even initiation of undertakings of this type (also through reasonable partnership, creating a “space” for social entrepreneurship within various social problem-solving or employment market promotion strategies), but it clearly signals that public administration should only support creation and operation of such initiatives rather than interfere with social activity in this field by creating its own institutions. In Poland, the criterion forms one more call for implementing into practice the constitutional principle of subsidiarity.
3. **Economic risk.** The activities of SEE must incorporate elements of economic risk, or to put it more generally, a clear correlation between the results of sale of goods or services and economic condition of organisation must be visible. The criterion does not require full economic viability of organisations (which often are supported), but it is to serve as a requirement differentiating between proper “entrepreneurship” and initiatives that have only therapeutic or rehabilitation nature (even if they produce some items). When the work and production conducted within such undertaking is not required to pass any “market tests”, and the demand for goods produced has no bearing on the financial standing of organisation, it is not an enterprise, but rather occupational therapy institution. So we can say that the minimum condition for an organisation to be classified as a social enterprise is at least some genuine willingness on its part to take the risk of market “verification”.
4. **Employment of (at least) some remunerated personnel.** Although SEE may use voluntary work (in fact, the willingness of volunteers to work in such undertakings creates a specific “added value”), the SEE in great part (and especially social firms) have pro-employment orientation. In SEE, work is not “merely” a production factor, but becomes in itself, as it were, a product and a value. Participation in work (participation in profits – share in benefits) in social enterprises is often seen as the main mechanism of reclaiming empowerment and independence by its members.

3.2.2. Social criteria

5. **Undertaking explicitly oriented to socially beneficial goals.** The prevalence of social gains over capital. A thesis can be risked that here lies the difference between social economy and capitalist economy, where the adjective “capitalist” means not only profit-orientation (it may also be the case for social economy), but more exactly a return on capital (rent) as a kind of alienated, abstract category separated from people by whom it is produced and from the location where the production takes place.³⁴ Once more, it should be emphasised here that social economy is not about some “ideological infatuation” and destruction of sound market mechanisms, but rather about their skilful use for social aims. So the undertaking has to have important social goals. They may be promoted directly, through provision of general public goods in a general sense (e.g. cultivation of a tradition) or more particular (collective) public or communal services useful for local community, such as cleaning public localities, public transport for disabled people, care services, operating a nursery etc.). The said social goals may be fostered by production of market goods (e.g. through opening a coffee-shop, foodstuff production etc.), but in a way which – in view of production system organisation (and especially employment of excluded people) – adds to the process features typical for public good.
6. **Grassroot, civic nature of the undertaking.** The undertaking should result from cooperation and jointly diagnosed need to undertake activity for the sake of broadly construed (territorial or other) community. The criterion is hard to apply in practice, but it clearly leads us towards the original intentions of the founders. Emphasising authentic character and, as a consequence, social embedding of undertakings, it is intended to discriminate between genuine social economy initiatives and various pro-employment programmes organised by the public administration or the business sector.
7. **Specific and democratic management system.** In its canonical form, this criterion is based on the principle “one man, one vote” which directly originates from the long tradition of the cooperative movement where voting rights

³⁴ The banking sector may serve here as a good example. In a traditional bank, from the fact that its branch operates within local community, and as a result benefits from its resources, does not automatically follow any obligations towards the local community. Deposits from clients are being summed up into anonymous and vast network. In response to the situation, the social economy usually created mutual financial institutions (such as mutual savings institutions, credit unions, mutual guarantees etc.). Sometimes, to inspire responsibility for the environment where a bank operates purely legal instruments are used. Even in the United States – a country that cannot be accused of hampering economic freedom – since 1977 the Community Reinvestment Act is in force, which makes the banking sector reinvest a portion of its profits in local communities. In 1993, the law was replaced by the Community Development Financial Institutions Act, a less repressive and more positive law. The act provides for incentives for partnership-building between local communities and the banking sector in order to foster local financial infrastructure. It resulted in many initiatives fostering cheaper credit, local housing construction financing, creating local mutual guarantee systems etc. See Barr, M.S. et al., 2000, “The Community Reinvestment Act: Its impact on the lending in low-income communities in the United States”, in C. Guene and E. Mayo (eds.): Banking and social cohesion: Alternative responses to a global market. Charlbury, Jon Carpenter.

are not dependent on the volume of capital share owned.³⁵ This principle should be seen not only as a special privilege of co-deciding, but also as a mechanism of stimulating responsible attitudes. The principle has motivating influence on participants.³⁶ Management of this type is based on the idea of stakeholders rather than shareholders. In special situations (e.g. in foundations which have no membership) the principle can be implemented through granting an important voice in deciding the ways of service delivery to their very recipients (e.g. the voice of parents of children participating in therapy).

- 8. A participatory nature of activities, which include those for whom they are designed.** In the case of initiatives aimed at excluded people reintegration on the employment market, they should be organised “by” people and not (in spite of the best intentions of their initiators) “for” people. In Poland, this condition means that at least some undertakings organised by public administration (e.g. in the form of Social Integration Centres) or by the business sector (protected workshops) cannot be counted as social economy enterprises. They are not definitely excluded, but in our opinion their possible classification as SEE should be conditional and dependent on meeting other criteria, of which the most important is the degree of empowerment of people who are addressees of such activities.³⁷ The idea of participation is also relevant in situations (other than pro-employment initiatives) where SEE provide goods for a wider community. In this case, participation means greater responsiveness to the opinion of those to whom a given activity is addressed or those who are touched by its implications. Such responsiveness may have its customary forms (asking consumers or local community leaders for their opinion) or be more institutionalised (e.g.

formal cooptation of particular group representatives into management mechanisms of an organisation).³⁸

- 9. Limited distribution of profits.** Though listed at the end, it is one of the most important criterion and, at the same time, the hardest to operationalise. In theory, for traditional non-profit sector the task seems to be an easy one, but in practice it often proves to pose many problems. First, it is worth noting that for non-profit organisations its strict application may bring harmful effects, for the idea here is not that revenues must be, by definition, lower than costs incurred by organisation in its activities. In the long run, such interpretation of the criterion would be economically suicidal for organisations, and its stressing often leads to an increase rather than a decrease in costs of activity because many organisations try not to show profits (behaviour observed also among business organisations), which usually means intentional inflating of costs. But for the non-profit organisations, the question of at what level of costs they reach such a balance is very important is.³⁹ The tendency to “escape from profits towards costs” may be dangerous, for it has demotivating effects as far as effectiveness of activity is concerned (and such effects would ruin all hopes for beneficial influence of social entrepreneurship). The issue of profits is much less problematic (at least at the starting point) for the traditional social economy sector where it has always been granted that activities are economically motivated. Within social entrepreneurship, the relevant question is whether eventual profits benefit anybody other than the members of the cooperative, and if not, what conditions should be met for the situation to be seen as socially beneficial in a broader sense. In this way, the last criterion finds some common ground with the first one.

35 The model is relatively efficient in small groups, but when activities are pursued on a larger scale (and the benefits deriving from „economies of scale” are often precondition of success on the open, competitive market) it may cause various difficulties. For that reason, in recent years it is hard for the cooperative movement to meet this requirement (especially where it is necessary to attract major investors in order to gather substantial capital resources).

36 ESOPs (employee share ownership programmes) are a special form of practical implementation of this principle. In the early 1990s, in Poland such arrangements – inspired mainly by examples from the United States – together with mutual insurance societies – in this case, modelled mainly on French solutions – were promoted, as it were, in parallel to mainstream economic concepts, also by some activists and supporters of the Solidarity movement. In a sense, the transfer of those ideas formed a kind of annex and further assistance from both “directions”, in addition to the support given in the 1980s. But both solutions, gently speaking, were not accepted on any larger scale, which does not mean that they should be seen as finally rejected: perhaps, some of them should be revived today when the concept of social economy gains in popularity and we are less sure that the state and the market can manage to resolve all social problems. The effectiveness of this mechanism of employee participation in management processes and responsibility for work results is also recognised by commercial companies themselves which often distribute company shares on preferential terms among their employees in order to create closer ties with their place of work.

37 This remark may be especially relevant for Protected Workshops, where disabled employees were often only a means to obtain certain tax preferences (e.g. VAT allowances) by businesses. Many disabled people who were nominally their employees were not even required to come to the workshop. When we look at the efforts of Polish government undertaken in recent years to support the employment of disabled people, it is really surprising how – by spending (directly and indirectly) for this purpose such monstrous sums – it only „succeeded” mainly to „devalue” the work culture among disabled people in Poland and secure Poland the last place in Europe in terms of levels of their employment.

38 In this respect, a special form of legal arrangements is related to the British concept of Community Interest Company, introduced in 2005 as a new „hybrid” entity. As indicated by its name, such an enterprise is required to operate in the interest of wider community. It enjoys special advantages, but at the same time it has to meet special requirements (such as e.g. assets lock, limiting „draining out” profits outside local community where it operates, or the so-called community interest test). The whole concept also includes the function of a so-called regulator, a public official who is authorised to control CIC. In the British tradition, where Charity Law is in force since 1601 it is an important innovation: in relation to CIC (that cannot acquire the legal status of traditional Charities), the regulator adopts functions that, in the case of the latter, were reserved for Charity Commission.

39 In Poland, the problem is extremely complex. The level of internal costs in organisations is practically not regulated at all: the only exception is the – rather awkwardly formulated – provision in the Act on public benefit introducing the upper limit on wages in organisations conducting remunerated not-for-profit activity (it does not apply to organisations which conduct no such activity or pursue simply economic activity). Then, we have the problem (though it relates to a very small group of organisations – the median of average wages in non-governmental sector was approx. 1 000 PLN in 2004) of excessive internal costs, relating mainly to remunerations that sometimes may be shockingly high for wider public in view of the prevalent opinion on postulated unselfishness of non-profit institutions. Presumably, the problem will be emphasised within regular efforts on the part of the government to tax activities of NGOs. Sooner or later, some efforts to control internal costs of organisations or attempts to define more precisely the criteria for use of profits for statutory tasks (social – at present, the area covers wide range of goals described in the act as public benefit activity) will be undertaken. Again and again, the question will arise of whether for public benefit organisation to be exempt from taxation it is sufficient that it spends all its resources for its own operation (without passing them to any external beneficiaries).

3.3. How social enterprises are created?

As we mentioned before, social economy enterprises originate as a result of various processes in which either the existing institutions change their nature (migration), or totally new institutions are created. Thus, we can identify three basic types of mechanisms leading to social economy enterprises' emergence.

- economisation of Third Sector institutions, a process by which they become more and more dependent on sale of goods and services (regardless of whether they are sold to individual recipients or to public administration);
- institutions of the old social economy (and in particular cooperatives) which start to provide goods and services of broader interest other than satisfying the needs of their members ("new social economy");
- institutions created totally anew (e.g. social cooperatives).

What are the reasons for interest in social entrepreneurship on the part of different institutions? Why do they abandon their "old" territory and migrate towards SEE? It seems that slightly different motivations are relevant for various types of institutions. Let us try to uncover them.

3.3.1. SEE as a mechanism of "economisation" of the Third Sector

First, we will present some observations on limitations faced by organisations of the Third Sector. Can the social economy help to remedy them? The non-governmental sector suffers from a whole spectrum of, so to speak, immanent limitations concerning its activities – described as the so-called "voluntary failure".⁴⁰ In the context of the discussion on social entrepreneurship and its possible beneficial effects, from this catalogue of deficits⁴¹ the limitation of resources (the so-called "philanthropic insufficiency") and deficit of competence, which often cannot match the good intentions, (the so-called "philanthropic amateurism") are worth mentioning here. Transformation into social economy enterprise can partly compensate these deficits (having in mind the possibility of transferring the same failures), but at the same time creates new ones, of which the most important is the so-called isomorphism, i.e. losing the unique characteristics of particular organisational activity. The problem may arise in the context of cooperation with both public administration and business. Here, more important is a "creeping" danger of losing its own specificity, or sometimes even identity, rather than a threat of some more or less aggressive political

takeover (a situation that also happens, e.g. in the case of creating QUANGOs of various types). The process may be a result of providing public services or blindly imitating business behaviours. The problem lies in a gradual abandoning of the original values of organisation which – though not codified systematically as in the case of cooperative movement – nevertheless are present in common awareness.

Another danger lies in an opportunistic shift of interest towards areas where greater funds for activities of organisations are available. When we look at the whole organisational ecosystem, the process is to some extent understandable, but the fact remains that it may lead to impoverishment of its diversity by promoting organisations with greater adaptive capabilities. Adaptation is a mechanism of survival, but does not necessarily have to be beneficial for the diversity of the organisational system. Thus in practice, transfer of available funds towards pro-employment activities is good news for many organisations, especially those active in the field of social services (and in particular, in the field of services related to unemployment and social exclusion). But for other organisations, especially those active in political or advocacy rather than economic or service fields, the situation may prove to be rather uncomfortable. Data from a survey led by KLON/JAWOR Association in 2006 seem to confirm the hypothesis. It can be observed how organisation gravitate towards more heavily sponsored activities, even if previously they were not of main interest for them. And social economy has now become one such centres of gravitation. The process creates a danger that such shift of interest, while not being genuine, will remain an opportunistic manoeuvre made in order to gain resources for an organisation's survival, and as a consequence, will fade away when the inflow of funds for given activities stops (which sooner or later will happen). Of course, also another possibility remains open, namely that the original circumstantial interest will in time evolve into genuine commitment, but social economy organisations should always base their activities on the values of independence and self-reliance which they intend to spread among their members. In this connection, it is worth remembering that social economy means also (and in our perspective, above all) a mechanism of reclaiming independence by organisations. For many of them, it is the need or even necessity to get independence from sponsors or to obtain funds for not-sponsored activities that forms the main incentive to economisation. Simply put, the "earned money" often forms the only truly own resources for organisations.

3.3.2. SEE as a means to overcome deficits of the old social economy

These are hard times for the cooperative movement worldwide: it has to cope with several challenges (if not crises)

40 L. Salamon (1987a) „Of Market Failure, Voluntary Failure and Third-Party Government – Nonprofit Relations in the Modern Welfare State”, *Journal of Voluntary Action Research*, 16: 1, 29-49.

41 J. Wygnański, *Organizacje pozarządowe w polityce społecznej i rozwój społeczeństwa obywatelskiego. Nowe Dylematy Polityki Społecznej w Polsce, CASE 2006.*

that can be summarised under the following three headings (according to Hans H. Munkner).⁴²

- **Identity crisis** – consists in blurring of the demarcation line between the cooperative sector and the public (or even state) sector on the one hand, and the market on the other (cooperatives, intentionally or not, imitate commercial businesses).
- **Effectiveness crisis** – results from lower effectiveness in comparison to commercial businesses (when measured in purely economical terms).
- **Environmental crisis** – that consists in an unfavourable social environment resulting from a negative perception of the cooperative movement, an unfavourable legal and institutional environment, lack of appropriate infrastructure etc.

Ironically enough, the said crises result in some measure from... successes of the social economy idea. When we recall the goals set by cooperative movement in the early 19th century, we realize that contemporary business enterprises have often more in common with the idea of social economy than with the concept of “wild capitalism”. To see that it is enough to mention rich social packages, participation of employees in decision-making processes, employee share distribution systems as a means to motivate employees, or adopting social goals and social responsibility schemes – perhaps, not as “internalised” choice, but rather as an element of PR marketing strategies.

As anticipated by founders of the cooperative idea, the principles and methods of the cooperative movement proved to be, in the long run, effective. So no wonder that the business sector abundantly borrows them. A success of the said methods in the business sector proved to be a great challenge for cooperatives. The advantages of social enterprises are used in market activities of regular companies. As a result, what economic incentives does a consumer cooperative have to offer, if hypermarkets use, in their activity, the principle of lowering costs, and even offer one of the main measures of consumer cooperatives, namely lower prices for members (contemporary business firms are ready to give discounts for regular clients, and do not require in exchange any contributions or risk-taking). And housing cooperatives face a strong competition from private housing firms which offer closed and surveilled (and sometimes even with other social services included) housing complexes. So their clients receive advantages similar to those offered by cooperatives, but without a need to take any responsibility.

Today, the cooperative sector faces very hard choices, for its problems are negatively correlated with each other.

For example, a truly difficult question is how to compete in the free market, while maintaining cooperative identity (mutuality, democratic management). In particular, for cooperatives it can be hard to exploit the mechanisms of the “economies of scale”, for they seem to contradict the values of mutuality and direct participation. In a sense, it can be said that the decrease in transaction costs related to mutuality (used also, as shown before, by business organisations) cannot compensate deficits resulting from a small scale of activity. And to be left in the void of being neither truly a social institution, nor truly an effective one, seems to be the worst fate of all. Hence, the inevitable solution (as suggested by some authors, e.g. A. Piechowski) may be a kind of split in the cooperative movement: on the one hand, perhaps some cooperatives and mutual societies should dispose of the false social appearance and transform into regular, though socially responsible, businesses, while on the other, there may be a need for “grassroots” work, for “rediscovering the true origins” and supporting small, authentically cooperative initiatives genuinely, and not only formally, based on cooperative principles.

3.3.3. Social economy institutions created totally anew

Along with transformation of existing entities (or entities operating on the basis of traditional institutional formulae), new organisations are created, based on special rules developed in such a way as to meet the needs of the social economy, or more precisely, the new social economy. In recent years, many countries (especially within the EU) have introduced special legal forms that take into account the “two-dimensional nature” of public benefit institutions realising their goals through economic activity. Sometimes, granting a new status to already existing entities (like in the case of the status of public benefit organisation in Poland) is sufficient, and sometimes (a situation of more interest for us in this Report) new types of legal entities are created which are either totally new solutions (like social cooperatives), or consist in the creation of quasi-institutions (such as Social Integration Centres, Social Integration Clubs or Vocational Rehabilitation Facilities) which are defined in terms of their function, but can be operated by various entities. Such a process of “institutional creation” of the social economy has been under way in Poland only for a couple of years, so it is difficult to evaluate its effectiveness. It has both its strong supporters and opponents. Without taking any side, we will try to describe the basic facts related to this process.

Social cooperatives: formally introduced by the Act on social cooperatives of April 27, 2006, in practice they are being established in Poland since over a year. Modelled on the Italian solution, they are to combine economic activity with social and professional integration of their members – disabled people or people experiencing difficulties on the

⁴² The account is based on an article by Adam Piechowski, “Alternatywne modele rozwoju spółdzielczości”.

labour market. By the end of the first quarter 2006, 45 social cooperatives have been created throughout the country, the highest number in Wielkoposkie voivodship (9, including two in Poznań), Lubuskie and Mazowieckie voivodships (5 in each of the regions).

So far, a comprehensive evaluation of their actual condition is difficult, but gently speaking, it is hard for them to "launch" their activities. By its promoters, the Act on social cooperatives is seen as a great achievement. In many respects, the Act was heavily inspired by the Italian model of type-B social cooperatives. This legislative „borrowing" raises great expectations (which, if disappointed, may cause problems for cooperatives themselves). Many social cooperatives are in fact not able to start their proper activity. They face many obstacles in their activity, which result from both the environment of their operation and the lack of appropriate skills on the part of their founders who, and no wonder, often lack proper „sense of entrepreneurship". For the cooperatives, it is also often difficult to obtain orders from both individuals and private businesses, as well as public administration. It seems that there is a kind of incompatibility between capabilities and aspirations of members of the cooperatives on the one hand, and expectations and requirements of the potential clients and partners on the other. So far, in Poland there is no appropriate legal and social environment for social cooperatives. They often have a quite unfavourable public image, usually based on unjustified prejudice. They have to operate in, as it were, an „unfriendly environment". For many, they are neither non-governmental organisations, nor real businesses.

The example of social cooperatives reveals serious limitations as to the transferability of models. It is worth noting here that in Italy, the discussion on social cooperatives had been led for over ten years, with participation of both Christian democrats and communists. A movement for economic self-reliance of special groups of people (a kind of proto-cooperatives) started at least in the mid-1970s, and the legal act of 1992 only regulated an existing and vigorous social sphere. So it is clear that a simple „translation of the last chapter" cannot quickly bring about the desired results. The task is even harder, for in Poland there is no comparable legal and cultural environment. It is also worth noting here that the success of social cooperatives in Italy (or at least their growth in number) in part also resulted from a simultaneously introduced legal limitations on service activities led by associations. Fortunately, in Poland such proposals are not advanced.

Another method of "institutional creation" of social economy enterprises was the introduction of **Vocational Rehabilitation Facilities**. While the status of cooperatives as institutions of a common identity with other entities of social economy is unquestionable, in the case of VRF the situation

is different, mainly because the majority of them are created and controlled by local self-government authorities, as well as in view of the fact that they are not membership organisations. Nevertheless, many see them as a prototype for social enterprises in Poland. VRF are institutions that are active in the field of supported employment and assistance for people having special difficulties on the employment market; they were formally introduced by the Act on vocational rehabilitation and employment of disabled people of August 27, 1997. As for the period of time that has elapsed since the Act was passed – even if we remember that implementing regulations to the Act were issued only in 2000 – the number of such organisations is very low. By now, only 35 facilities operate throughout the country, with the highest number in the regions of Małopolska and Wielkopolska (5 in each of them). A similar type of institution are **Social Integration Centres and Clubs**, introduced by the Act on social employment of 2003. Throughout Poland, about 35 Centres and over 90 Clubs are active. In principle, they may be created by both public and private institutions, but so far they have been mainly established by local authorities or public administration institutions operating in the field of social assistance.

A kind of asymmetry is easy to see here. In short, social cooperatives are (by definition) organisations created by people excluded from the employment market. In institutional terms, they are located outside public administration, but in practice they have been left on their own (in many instances they have even not received the promised support from Employment Offices). It is obvious that social cooperatives face enormous organisational challenges resulting from their very nature (for they gather unemployed people who, in the long run, are in no way ingenious entrepreneurs). It is often a great problem for them to produce goods and services that would sell on the open market (as a result of absence of appropriate promotion of their activities and a very low level of the so-called ethical consumerism attitudes in Poland). They try to secure orders from public administration, but even here they can only use a kind of price dumping to obtain orders for more simple works or try to enter the segment of freely granted contracts, until the Act on public procurement is changed so as to effectively include in the criteria for evaluation of offers the aspect of social benefits. In Poland, no mechanism (similar to solutions that are in force e.g. in Germany) has been introduced to encourage businesses (especially those who do not employ disabled people) to buy services from social cooperatives. Instead, Polish businesses pay fines to the PFRON fund, which to a great extent is used to maintain an inefficient and bureaucratic redistribution system. Furthermore, institutions created by the public administration or business enterprises (as is the case for Protected Workshops), are fairing much better than those institutions that are created by independent organisations, especially of a self-help nature.

To optimise the system, it seems that in the future it will be necessary to introduce clear evaluation mechanisms concerning the quality and effectiveness of activities pursued by different types of institutions, as well as to grant them a greater role in decision-making processes on allocation of public funds dedicated to support their operation.

3.4. Application of the criteria in Poland

Below, we present a table, which is, a very simplified initial attempt to apply the criteria for identification of social economy enterprises. In many instances the choice cannot be directly based on sectoral or institutional localisation of organisation (the cases marked +/-). The following compilation of data is in no way final. It resulted from consideration of characteristics of different institutional types in the context of their sectoral affiliation. But sometimes such a general diagnosis is not possible, and then to verify whether a given criterion is met, a closer observation of entities is necessary (e.g. in the case of foundations, a closer inspection of the degree of participatory management mechanisms); only then can any final conclusions as to their fulfilment of the said condition be drawn. In other words, the scope of social entrepreneurship should be determined *a posteriori* rather than *a priori*. Such "secondary" demarcation is possible based on surveys such as those led by the KLON/JAWOR Association.

Criteria	Non-profit sector		Cooperatives		Public sector
	Foundations	Associations	Traditional	Social	
Conducting, on the relatively continuous (regular) basis, of activity based on economic instruments, i.e. sale of goods and services produced	+/-	+/-	+	+	-
Independence	+	+	+	+	-
Economic risk	+/-	+/-	+	+	-
At least minimal remunerated personnel	+/-	+/-	+	+	+
Explicit orientation towards socially useful goals of undertaking	+	+/-	+/-	+	+
Grassroots, civic nature of initiative	+	+	+	+	-
Specific, democratic management system	+/-	+	+	+	-
participatory nature of activity	+/-	+/-	+/-	+	+/-
Limited profit distribution	+	+	-	+	+

4.

Inspirations – social economy and social entrepreneurship in Europe

4.1. The scope of social economy and social entrepreneurship in the EU

In European Union member states, the concept of the social economy is quite broadly construed, and includes entities such as companies, mutual societies, social enterprises, ethical banks as well as associations and foundations (traditionally called the Third Sector). In total, it is estimated that in Europe about 900,000 such organisations operate, generating approx. 10 percent of the total GDP.

Data in Full Time Equivalent (FTE)*

Country	Employment in cooperatives	Employment in mutual societies	Employment in associations	Total employment in SE	% of total employment
Austria	53,373	7,325	173,964	233,662	8.08%
Belgium	33,037	11,230	161,860	206,127	7.13%
Denmark	78,160	no data	211,322	289,482	13.85%
Finland	75,896	no data	62,684	138,580	8.18%
France	293,627	91,200	830,000	1,214,827	6.81%
Germany	448,074	130,860	1,281,927	1,860,861	6.46%
Greece	11,861	884,000	56,025	68,770	3.31%
Ireland	32,018	1,000	118,664	151,682	15.89%
Italy	479,738	no data	667,230	1,146,968	8.23%
Luxembourg	1,979	28,000	4,733	6,740	4.6%
Netherlands	109,000	no data	660,000	769,000	16.64%
Portugal	48,750	1,042	60,892	110,684	3.50%
Spain	403,233	1,425	473,750	878,408	9.97%
Sweden	90,718	6,991	83,084	180,793	5.83%
United Kingdom	127,575	22,387	1,473,000	1,622,962	8.42%
TOTAL	2,286,039	274,372	6,319,135	8,879,546	7.92%

* In most cases, the data come from over ten years ago (1995). They were mainly gathered under a monumental research project, the international study on non-profit sector coordinated by Johns Hopkins University (Baltimore, USA). The above table is taken from the study by R. Spear contained in the Opening Report, FISE 2006.

Employment within the social economy in Europe (15 old EU countries)

The scale of employment in different types of social economy institutions may serve as an approximation of the size of the sector in EU member states.

As shown in the table, the scale of employment is different, but significant in all the countries of the “old” EU. The sector is now one of the most rapidly growing employment markets in the EU (the growth in number of jobs in the sector results in part from its taking over tasks of the public administration). And it is this process that forms one of the main reasons for greater interest in the social economy sector on the part of EU institutions.

4.2. The diverse activities of SEE in the EU

Activities classified as social economy relate to the majority of social spheres. It is hard to identify any single European model of social policy: instead, we rather witness parallel processes of searching for appropriate national models (Irish Local Development Agencies, Italian social cooperatives, Portuguese CERC, Finnish workers’ cooperatives, the Dutch program of neighbourhood development, French SCIC etc.) which may serve as a source of inspiration for others. Also the border conditions, and in particular legal regulations, for social economy development are very different in different countries. In 1991, in Italy the Act on social cooperatives took effect, but first social cooperatives operated there as early as in 1984. In 1995 in Belgium the concept of enterprise with “socially useful goals” and in Portugal the concept of “social solidarity cooperatives” were introduced; in France similar regulations were passed in 2001.

However, if we try to understand the reasons for successes or failures of social economy, we should follow its development not only at the national level, but also at the regional levels. It is, once again, a sign of the close dependence of the social economy on local tradition and availability of both social capital and specifically construed spirit of entrepreneurship. A question is worth asking of why SEE thrive in some rather than other regions, e.g. in Andalusia or the Basque Country in Spain, and around Bristol in England or around Glasgow in Scotland. Also in Italy differences are visible in popularity of social economy in different regions. In Poland too, local propagation centres of social economy (like the region of Małopolska) can be identified. It seems that the success of the idea may depend on many factors, such as (together with the above mentioned factors) the existing relations between local authorities and local community, the presence of big industrial plants and related (often paternalistic) corporationalist model of relations between the authorities and citizens (the last environment decreases chances for social economy development).

4.3. Social entrepreneurship as a result of the welfare state crisis in Europe

Elsewhere in this Report, the traditions and history of the social economy worldwide and in Europe are discussed in more detail. Here, it is worth emphasising the fact that historically the interest in undertakings in the sphere of social entrepreneurship, and more generally the Third Sector, is subject to periodical fluctuations which in Europe are visibly correlated with the changing role of the state in public service provision (and in particular in social service provision). As put by Nicholas Deakin in one of his works “the Leviathan became a Chameleon⁴³”. The first wave of civic initiatives that came as early as in the beginning of the 19th century formed a response to the need to compensate the deficits of the state on the one hand, and of the market on the other. We have to bear in mind that in those times the state had much more modest social functions, while the market – with all implications of the fact – operated much more freely. And it is then when on the one hand, numerous mutual institutions (cooperatives, mutual insurance organisations, relief and credit unions, credit unions), and on the other philanthropic institutions (in particular foundations) were created practically throughout Europe (and of course also in Poland). And it is then that the basic differences started to unfold, for example, in England the first consumer

cooperatives were being formed, while in Germany housing cooperatives were being established. In France and in Italy where the process of industrialisation was slower, production cooperatives were developed to a greater extent than anywhere else in Europe – it can be said that they had enough time to develop in a less competitive environment. And the differences are visible to this day. However, with time the functions of some of these originally civic initiatives were taken over (or even intercepted) by other sectors. In order to survive on the market, cooperatives had to evolve towards market institutions. On the one hand, national social insurance systems were introduced (a fact that may be seen as a success), and on the other, commercial, large scale insurance firms started to operate, weakening the role of mutual insurance unions. The state started to participate on a much larger scale in social service provision which obviously changed the role of philanthropic institutions.

All European social policy systems introduced after the World War II gave an enormous role to the state. All adopted models, whether continental, residual, social-democratic or even real-socialist, were indeed only different variants of the welfare state model. From the middle of the 1970s and the first major economic crisis in post-war Europe (with its resulting wave of unemployment) practically to this day a process of reforming the said model of the state is under way. It seems that United Kingdom is the leader on this path, consistently implementing reforms from 1979 when Margaret Thatcher became Prime Minister. Today, virtually in all EU member states, a need to evolve from welfare state towards welfare society is emphasised.

It is already a long time since social policy based on full employment and the traditional model of inter-generational solidarity became an unrealistic dream, in view of the unbearable financial burdens created by it. However, neither consent for an increase in tax burdens, nor political will to reduce social functions of the state are declared. As a natural result, cheaper (for taxpayers) and/or more effective ways of providing necessary services are being looked for. Thus, public institutions inevitably reveal a growing interest in social entrepreneurship, seen as a means to partly lower the costs of services delivered by being more ‘efficient’ and as a market-like mechanism to optimise allocation of resources.

Social entrepreneurship also challenges a **major change in the status of social service recipients**. Benefits cease to be undifferentiated. An opportunity is created to provide necessary services in a way that helps people in a difficult situation, while not making them totally dependent on such assistance. In theory, it is a chance to return to a situation where entitlements are accompanied by obligations.

43 Nicholas Deakin (2000) “Putting narrow-mindedness out of countenance”: The UK voluntary sector in the new millennium LSE Civil Society Working Paper 4

Social entrepreneurship also gives rise to an expectation for **much greater innovative potential in realising public tasks**. By definition, it is more open to experiments, competition and “learning”. Social entrepreneurship is certainly oriented to solving problems rather than their petrification through ambivalent interdependence between those who need help and those who try to offer such help.

Thus, at least in the last thirty years, we have observed some renaissance of interest in Third Sector organisations and their role (especially in the context of public good provision). In my opinion, the period may be divided into two intermingled sections. The first of them witnessed mainly the process of giving over (usually on a contractual basis – the so-called contract culture) public tasks to non-governmental organisations. The development was not only solicited by organisations themselves, but also remained in accordance with the prevalent trends in public administration modernisation (New Public Management, managerialism etc.). But the process meant a change of the service provider rather than of the basic model of their provision. The second period of greater interest in social entrepreneurship focused on the method itself and, as a consequence, issues such as abandoning the unconditional character of benefits, encouraging recipients to take at least partial responsibility for their lives etc. The process described here was also accompanied by a parallel changes in the style of operation of basic institutions of the social economy. Cooperatives more often than before try to offer services addressed to parties other than their members, while associations in their activities go beyond the traditional model based on social (voluntary) work of their members – more and more often, in order to continue, rationalise and develop their activity they adopt elements of business organisational culture. The language previously typical for the business sector (TQM, Management by Objectives, Project Cycle Management etc.) is imported to non-governmental sector. Peter Drucker writes books on management in non-profit organisations⁴⁴, while the adjective “business-like” becomes, quite surprisingly, a compliment in the non-governmental circles. The institutions approach the model of a social enterprise from “both sides”.

4.4. “Institutional creation” of SEE in the EU

One of the most important issues faced by those who would like to foster the development of social economy en-

terprises is the question of the legal environment for social economy, including the question of whether they require a separate legal form. Here, we encounter various approaches. In few EU member states is the concept of social enterprise not only an analytical tool, but has its direct translation into legal arrangements. A year ago, an act introducing an entity under the name of social enterprise was passed in Italy. The United Kingdom is a special case,⁴⁵ where although such an entity is non-existent in the language of law, social enterprise is a subject of governmental initiatives: recently, the British government has even developed a special strategy aimed at supporting social enterprises.⁴⁶ In many other countries, a general functional category of social enterprise can be identified, though they operate under very different legal forms. For example in France, where a Ministry of Social Economy is present, a concept of social enterprise was not formally introduced into the legal system. In 2001, the notion of Cooperative d'Interet Collectif (SCIC) was established, but in the five years that elapsed only slightly more than 80 such entities have been created.

It is extremely hard to determine to what extent it is at all possible to “create” social enterprises through legal instruments. It seems that in countries where spontaneous activities were first pursued; legislative measures can be helpful, facilitating further development of a given type of undertaking. For example, this is the Italian case, where social cooperatives in fact operated before the respective act came into force. It is worth noting that a heated debate on the matter, taking place especially between Italian Christian Democrats and Communists, lasted almost ten years. In addition, development (or at least growth in number) of social cooperatives was strongly influenced by simultaneous prohibition on continuous economic activity on the part of associations. Ultimately, the number of social cooperatives in Italy is impressive, but they may have not been “created” as a result of introduction of legal instruments. The role of legal measures was rather to institutionalise already existing movement. The above remarks can be especially relevant for Poland where the very Italian model was, so to speak, imported. It is too early to draw final conclusions as to the extent to which the model will become accepted in the Polish conditions, but it is worth remembering that even without any act on social cooperatives, activities meeting the criteria of social entrepreneurship have been and are pursued.⁴⁷

44 Drucker P (1990) (Managing the Non-Profit Organization: Practices and Principles (1990) HarperCollins Publishers, New York

45 Roger Spear, Ramy instytucjonalne dla przedsiębiorstwa społecznego: wyzwania dla Polski i innych nowych krajów członkowskich, Raport Otwarcia, FISE 2006.

46 Social Enterprise: A Strategy for Success, 2002.

47 In this connection, it is worth citing an enlightening opinion of Alexis de Tocqueville: “... political societies are not what they became as a result of their legislations, but what they are prepared for by feelings, beliefs, customs of heart and mind of their members, what they are made by nature and upbringing”, Letters.

4.5. Main institutional “incarnations” of SEE in Europe

4.5.1. Basic types of activities

The main fields of activity for social enterprises include service provision (and especially public service provision), common good realisation (including issues connected to environmental protection) and international employment. A special area of their activity is provision of special services for local communities (the so-called community services, community welfare). The latter orientation is especially popular in the United Kingdom where it has even received a separate legal form (Community Interest Company). Outside Europe the model is commonly implemented in the United States (under the form of Community Development Company). The three areas (related to three basic levels of gaining empowerment: community, association/institution, individual) have their respective types of activities:

1. **Public service provision** (community services) – in this case, goods of a public nature are delivered. A system of their provision is often initiated by self-organising citizen groups. This category may include e.g. operation of a school, nursery, asylum for homeless people. Examples of such activities can be found throughout Europe. E.g. in Austria, France and Sweden nurseries for children are increasingly directly led or to a great extent controlled by parents. In some cases, such initiatives result from the fact that previously high quality services of this kind were not offered, while in others they are the sign of emancipation of people who previously were only their consumers. In this case, the aim is to reclaim control over the way in which given services are provided. The category also includes e.g. creation (in Denmark and other EU member states) of “supported housing” where, in contrast to housings offered by large public institutions, people that are not self-reliant, can receive help from co-inhabitants. British Home Care Coops where inhabitants are employed to offer care services for neighbours are based on a quite similar idea. Social services, healthcare services, and in particular training and counselling help form the fields of activity of the famous social cooperatives of type A introduced in Italy in 1991 (in addition to them, there are also cooperatives of type B and C).
2. **Public goods provision** – in this case, some values or mission set by an organisation are implemented (e.g. environmental education, provision of goods of “fair trade”, support for developing countries, environmental protection, cultivating traditions, promoting democracy etc.). The aim here is not a direct delivery of services addressed to individuals, but rather provision of goods of a more general nature.
3. **Integration on the labour market** – it seems that this is one of the most important functions entrusted to social economy enterprises in EU. In a sense, these enterprises form a special sub-sector within the sector of social economy enterprises, namely Work Integration Social Enterprises (WISE). Their activity on the labour market takes the following three basic forms:
 - **Integrational employment** – undoubtedly, one of the fundamental functions of social enterprises consists in helping to include on the labour market those who would otherwise have very limited or even null chances on the market (e.g. disabled people, former prisoners, mentally ill people, immigrants etc.). Of course, such people can be supported in various ways (for example, through subsidising their employment on the open market). But here, the task is to prepare them to permanent inclusion on the labour market. A great variety of such institutions can be found in Europe.
 - **Transitional occupation** – activity that consist in temporary employment and related trainings that should result in an increase of the chances of participants to find a permanent job. In Poland, the idea is to be implemented by Social Integration Centres, “graduates” of which are supposed to start, for example, social cooperatives.
 - **Supported permanent jobs** – such initiatives are intended to be able to survive on the open market, thus providing relatively permanent jobs. They are supported in various ways during the initial period of operation. In Poland, the idea is to be implemented by social cooperatives which at the beginning if their operation may (at least in theory) receive support from public funds.

5.

Instead of a conclusion – the future of the social economy in Poland: main challenges

It seems that the debate on social economy and social entrepreneurship is getting more vigorous in Poland, at least in terms of frequently the notion appears in discussions among non-governmental organisations' representatives. Of course, the concepts have not yet entered (and may never enter) the everyday language. In fact, when used outside the circle of interested people, they need an explanation as to their precise meaning. Perhaps, like in the case of the term „Third Sector“, the notions are doomed to remain unfamiliar to the wider public. But the problem lies elsewhere: the important issue is not whether the terms will be increasingly mentioned in discussions but rather whether their real correlates will be more widespread in real life. So far, we remain in a sphere of „verbal“ constructions: real achievements of the „new social economy“ in Poland are far from being impressive. The borders of social economy are being extended through terminological manipulations (such as the assumption that non-governmental organisations form a part of the social economy) rather than by its real growth. On the sectoral map, borders are being moved and certain already existing activities are being incorporated into social economy, but its real size remains only slightly changed. What should we do to foster a genuine growth of the social economy, and in particular social entrepreneurship, in Poland? Below, we try to outline the basic, and necessarily far from being exhaustive, „map“ of barriers and challenges for the social economy in Poland. Often enough, we have to content ourselves with only indicating problems, rather than offering solutions. But the map is intended to be comprehensive and systematic: perhaps immodestly, we would like it to be a kind of a „globe“ where we try to mark all the challenges facing the social economy in Poland. Below, we present a basic, and perhaps still incomplete, version of a list of such challenges.

5.1. Terminological problems – the need for definition and self-definition of the social economy

The notions of social economy to a greater, and social enterprise to a lesser, extent, are subject to an *evolution* process that, for a much longer period of time, has also affected the concept of civil society. Also in this case, we encounter multiple traditions and – like with the notion of civil society – for some these are key concepts, while for others, only misleading names which, dangerously enough, give the impression of consensus only to hide the real differences. But at the end of the day, the analogy with the notional diversity of the term “civil society” may be instructive, helping to envisage at least some of the variations of use of the term “social economy”. For in both cases, we can distinguish at least three definitional aspects of the respective concept. So, in short, in analogy to the case of civil society, we can speak of social economy as:

Noun – social economy as a group of institutions,

Adjective – social economy as a special kind of economy with special (social) characteristics such as values, specific relations between participants etc.

Space – social economy seen as a network, space, means of communication between participants (mutuality), capability to mobilise various resources, an „access“ to goods rather than ownership over them.

When trying to define what social economy is and how it works, it is crucial to avoid dogmatism. So far, the debate in this respect in Poland has not gone too far: the most heated is a dispute of rather secondary importance on the proper translation of the term „social economy“ into the Polish language.

However, when we turn to more essential aspects of the social economy issue we have to say that both excessive narrowing of the concept, e.g. to cover only social employment, and undue broadening of its meaning (to include e.g. business philanthropy), leading to its total vagueness and “banalisation”, may be harmful to the very idea of social economy. When searching for the right definition, we also have to bear in mind that, presumably, social economy and even social entrepreneurship may prove to be too general or even too abstract, to attract the attention of practitioners or the wider public. General debates on their true meaning are prone to be long-lasting, also because they seem to be intrinsically „evolving” concepts. Such debates are worth continuing, but for the purposes of promoting practical solutions it is better to distinguish some clear-cut and well defined elements: like in the case of civil society, to „practice” social economy the broad awareness of its theoretical underpinnings is not necessarily needed. In addition, we have to remember that a reverse path of theory-building is also possible: theory may just „experimentally” emerge from practice – in fact, in our surveys (led by KLON/JAWOR Association) inductive schema was used in our efforts to define the domain of social entrepreneurship. To be clear, the field of our research was delineated in advance (whole Third Sector + cooperatives) but the ultimate choice of undertakings that are genuine social enterprises was, necessarily, based on examination of their practical activities. The question of which non-governmental organisations and cooperatives are in fact social enterprises, meeting specific criteria for this purpose, could not be seen as a trivial one: depending on the strictness of the criteria, the domain of social entrepreneurship may shrink (and so far, to a rather small size in Poland) or grow to really huge dimensions. Both options are acceptable, but the assumptions underlying them have to be clearly realised.

5.2. The Need for a specific identity of the social economy in Poland

In the process of social economy development in Poland, we should ensure proper recognition of its domestic origins. Social entrepreneurship comes as a new term and label, but in fact it names solutions that, often enough, have quite long and rich tradition in Poland. While fostering Polish version of social economy, we should search for our own roots in this area, for they can not only serve as a source of inspiration, but also anchor these efforts in existing values and create a link to our own history. Hence, it is worth studying historical analogies in search of motivations and examples for our own actions.

Of course, the social economy growth can be inspired by external experience which, however, cannot be directly transplanted, since their local context is untranslatable (*idiomatic*). Often enough, solutions that work in one country prove to be of a very limited usefulness in another. To foster „genetically modified” social economy development is a path leading astray. The growth of social entrepreneurship in Poland should be patiently seen in terms of a „long march”, and the efforts for and expectations of the social economy sector should be appropriately dosed to the long-term perspective.

5.3. The risk of over-promotion of the social economy concept – „management of expectations”

We have to beware not to over-publicise the social economy concept lest it is seen as an universal remedy for every problem, arousing inflated expectations that, at least today, cannot be met by social economy initiatives in Poland. Such over-promotion might result in compromising the whole idea that may start to be regarded as an artificial or even propagandist and hollow slogan. Hence, careful „management of expectations” is needed. It is easy to show in theory that social entrepreneurship would be very helpful in the Polish situation (many arguments for this have been presented by ourselves), as well as it is easy to cite examples from other countries illustrating the possible scale of its activities, but we should be very careful in such promotional action so long as we are not convinced by practical examples that the idea can be easily and unproblematically introduced in Poland. We should rather remain modest, especially in light of such limited domestic achievements in this field. The promotional strategy for the social economy arrangements should be based on careful presentation of real-life proofs for their usefulness, instead of inflating a „balloon of expectations”.

5.4. Regulatory issues – what is needed, what is possible, and what is impossible

Regulations can, undoubtedly, influence the growth of social economy. But here again, we should not overestimate the causal power of legal acts. In recent years, many efforts have been made to improve legal environment for the operation of the Third Sector in general, and the social economy in particular. The task was very demanding, and required intensified work (which, in view of the limited resources

available, meant that other activities had to be neglected). Today, the Polish legal system, though not being totally free from minor defects, seems to be rather favourable for social entrepreneurship. The question remains whether while not hampering it, it has already started to foster social economy growth – the answer to the question seems to be positive, but to be sure of that we have to wait and see. In my opinion, in this respect we may witness a kind of „legal impossibilism”, where pushing social entrepreneurship growth with the help of legal regulations may bring effects contrary even to the best intentions of the social entrepreneurship promoters, especially when such regulations are hurriedly prepared and are not based on a thorough analysis of their implications or with sufficiently detailed testing through pilot projects. The models we are inspired by, like the Italian one, originated, as it were, in a reverse order: a grassroots and genuine social activity in social entrepreneurship preceded its legal codification that came only at a later stage.

Having in mind all the above, we would like to indicate several important issues that nevertheless require solutions in the form of legal regulation. We refer to these issues as legal solutions, but of course the technical-legal solution should be preceded by, if we can call it so, systemic political decisions. In particular, a general decision is needed in the matter of to what extent, in fiscal legal terms, the social (statutory) tasks of organisations will be allowed based on income from economic activity. To sum up the common attitude towards the economic and statutory activities of non-governmental organisations that has so far prevailed, we can say that the former is seen as a kind of necessary „evil” in the successful pursuit of the latter. Moreover, an opinion that economic activity would be better prohibited for NGOs is quite often expressed (it is sometimes argued that such prohibition would, at the end of the day, be beneficial for them). But the problem is that in the case of social entrepreneurship the very combination that has been so far regarded as unacceptable, i.e. realisation of statutory tasks through economic activity, becomes the fundamental principle of social enterprise operation. This unavoidable collision may lead to tensions: for example, the recently introduced law that social cooperatives are both non-governmental organisations and enterprises, is criticised. For some, their hybrid status is an interesting innovation, while for others, it leads to a kind of „confusion” that is detrimental to the logic of the legal system. The latter ones reveal in this way their unwillingness to grant the status of public benefit organisation to institutions that traditionally have been seen as companies. Today, the issue of separation (or combination) of statutory and economic activities remains presumably one of the greatest challenges we face.

A closely related challenge is the problem of whether social enterprise (or, more generally, non-governmental organisation) should be treated as regular commercial enterprises.

Of course, in some cases such treatment may be beneficial for social enterprises (e.g. as regards the use of support infrastructure offered to regular enterprises), but elsewhere it may lead to complications (assistance for NGOs becomes subject to regulations and limitations applied to public support for enterprises). Decision on the issue also has implications for mechanisms of access to public resources – the system of grants developed in recent years is based on the assumption that its beneficiaries are not-for-profit organisations. On the other hand, the public procurement system (quite often implemented in a rather unplanned way) is much better fitted to operations of enterprises than NGOs.

In this connection, introduction of coherent regulatory system seems to be a necessary but at the same time very difficult task when we bear in mind the specific problem of Polish legislation, consisting in a great diffusion of regulations and unsynchronised (or even chaotic) changes in existing laws⁴⁸. Here, the problem is the more dangerous in view of an enormous range of legal issues (employment law, social assistance law, non-governmental organisations’ activities, economic activity, public finance, fiscal regulations etc.) related to the idea of social entrepreneurship. Below, we will discuss further the need to consolidate, or at least exchange information on activities pursued between the social economy actors. Such consolidation in legal dimension should be seen as a very urgent task.

5.5. The need to recognise the developmental importance of a broadly construed social economy adoption by central government and policy community.

There are many reasons to suppose that social economy has a nature of a self-fulfilling expectation: we need to strongly believe in its importance for it to become true. But such faith on the part of interested actors is not enough: also institutions and parties determining the direction of Poland’s development, both at the central and at the regional level as well as the local levels, should be convinced of its potential. In our view, the social economy (or rather the whole „bunch” of related activities, such as empowerment, community development, community welfare, participatory governance

⁴⁸ It is worth mentioning that the nature of the philosophy of law- the anglo-saxon system which informs UK and US models is based on stating what activities are illegal, whereas the Napoleonic system which informs continental European and the former soviet legal systems is more declarative – stating what is allowed to be done. So anglo-saxon systems are incoherent, as they mostly plug gaps, whereas the Napoleonic system is supposed to be coherent.

etc.) is truly needed in Poland, where for decades a model of organising social life „from the top” has been cultivated, despite its poor results. In spite of some (in our opinion, slightly exaggerated) achievements in the fields of self-government promotion and general decentralisation, today Poland needs new developmental paradigms, and in this respect almost all solutions offered by the social economy may prove to be helpful. Challenges are numerous: anarchistic and passive social and employment assistance systems, extremely low (the lowest in Europe) level of inclusion into the job market of disabled people, a dangerously low level of social capital, deep deficit of civil participation, non-governmental organisations' dependence on public administration, bureaucratic and ineffective public governance etc, etc. The list may be much longer. In several European countries and regions, such as England, Scotland, Andalusia, the social economy has been chosen and is regarded as the first developmental „driver”. In those regions, its growth has been recognised as an explicit goal of public action, and is accordingly fostered. In Poland, on the other hand, so far only a few people from the government circles promote social economy initiatives, while the great majority of decision-makers completely ignore its potential. Both central governmental and self-governmental strategic documents for the years 2007-2013 barely mention social economy and its promotion; also none of the 16 regional operational programs is explicit on the issue, while its presence at the national level is also weak and virtually limited to the problems of social integration, thus wasting the enormous potential of social economy for national development.

Hence, even with a dose of scepticism as to their eventual success, it is worth listing the basic proposals in this field. First of all, social economy institutions should no longer be discriminated against in the access to assistance resources (many programmes used to list eligible beneficiaries, often excluding social economy institutions). The social economy should not be confined solely, as today is often the case, to integrational and pro-employment spheres, which moreover are controlled by public administration. Instead, the numerous programmes aimed at small and medium entrepreneurship support should open for, or even encourage participation of social enterprises. Soft financing as well as improvement in technical infrastructure for social entrepreneurship initiatives should be given much broader attention than before. Social economy means not only a group of institutions but also a special network of their mutual relations based on the principle of partnership.

Assistance offered to Poland should not be seen as a gift for officials and administration but rather as a means to support (while not substituting them) the efforts of individual communities. It is not a good idea to excuse citizens from their responsibility to consider their future: instead, we should foster more organic and participational attitudes

in the preparation and implementation of developmental strategies, otherwise the transitional assistance from the EU will not result in fostering citizens' activity and self-sufficiency, but may rather lead to complete degradation of those virtues. In this connection, a greater than before recognition for collective actors, such as Local Action Groups, is urgently needed, for they are rooted in a common territory and collectively prepare and implement locally based plans. It is impossible (though, in our opinion, it would be highly desirable) to reformulate the programming and realisation of 2007-2013 programmes in such a way as to make these groups their basic „element” (like in the British *Single Regeneration Budget*), but it is necessary to include in the category of beneficiaries and intermediaries of the process of distribution of resources supporting local initiatives at least those which are capable of self-organisation. Here, we do not mean the traditionally construed Global Grants mechanism (on the macro level) but rather the role of intermediary (mezzanine) in distribution of micro-grants. If there is no room for such solutions we will have to forget about any chances to obtain EU support for the smallest and often very valuable local projects (even today, only 4 percent of them have been able to benefit from such funds). Lack of such „controlled deregulation” may even plausibly result in oligarchisation and a stratification of the sector.

A far-reaching developmental reflection is needed that will not back off from the risk-taking or even the possible failure (given that it is an opportunity to get new useful experience). Thus, first of all mechanisms within financing systems should be created that would allow for higher risk levels (here, we do not suggest more laxity in financial management of programmes but rather more room for initiatives that may fail despite all necessary efforts on the part of their authors). Otherwise, we risk that financial resources will be spent for activities that are easy, secure... and useless, while those who really need assistance will be left on their own. Second, we have to invest, and do it intensely, in what can be called an education for entrepreneurship in a broader sense of the term than mere business and generating of wealth. Here, we rather mean promoting an attitude of responsibility, openness to risk-taking and a general willingness to change the environment. This is a kind of human capital that is lacking in Poland and should be strongly supported. Heretical as it may sound, we would insist that today we need support for entrepreneurial attitudes at the individual level (especially among young people), for there lie the true origins of the spirit of entrepreneurship. Programmes of this kind are implemented in many European countries: in Germany, for several decades a special federal body has been operating for this purpose; also in England numerous initiatives have been recently started – see, for example, the so-called UNLtd at <http://www.unltd.org.uk/>, an organisation that has given assistance to 1400 young individuals in their efforts to realise their social projects. Let us

ask a simple question: is it not a 1400 times better idea than another course in CV writing and PC use?

5.6. Inflow of funds from the EU – an opportunity to make dreams come true or a trap for the spirit of entrepreneurship?

Poland's accession to the EU creates great opportunity to obtain assistance for important social projects, one of which may be the social economy, especially if we manage to import not only money but also inspiration for action from the EU. However, we have to realise that the generous financial support for social economy initiatives has itself some ambivalent and dangerous aspects. For a situation where so affluent an inflow of grants, especially when the simultaneous selling of goods and services can be, in general, seen by beneficiaries as irrational behaviour (since the amount of a grant is automatically diminished by the volume of commercial income), may sometimes make it hard to promote entrepreneurial attitudes among actors. It is also worth noting that the most important factor is the structure and rules of access to funds (especially for smaller organisations) rather than their mere volume.

Hence, we would daresay a hypothesis that the huge inflow of funds to Poland (directed, in particular, for activities on the employment market) may but does not necessarily have to foster social economy growth. As shown by numerous historical examples, the social economy grew in response to a deficit of resources rather than their affluence. In saying this, we would only like to indicate that availability of huge amounts of money requires a strong character on the part of their beneficiaries which, let us hope, will not be lacking among Polish non-governmental organisations.

5.7. The need to create a clear vision of social policy that would include the social economy

Poland, together with Lithuania, is the poorest country in the European Union (in terms of per capita GDP). In addition, huge differences in the levels of development of different Polish regions are recorded, from 70 percent to 31 percent of the average per capita GDP in EU countries.

In Poland, like in other countries of the former communist bloc, a model of peculiarly construed post-socialist welfare state is still very popular, being moreover often invoked and

effectively exploited by populist politicians in their struggle for votes. For many people, „making up” of income from various social benefit transfers, together with black job market employment, is a common and often, unfortunately, the only available method to secure living, and still worse, a specific style of life. In the situation, it proves to be very difficult to promote the idea of self-reliance, individual pro-active attitudes etc., especially among excluded people. Hence the introduction of the concept of social economy which in its classical version is based on the idea of entrepreneurship and related risk-taking is also very difficult.

After all, the phenomenon of citizens turning into consumers of social services is not a specifically Polish problem: it is faced by almost all EU (and other) countries, quite independently from their social policy model. Everywhere, it becomes clear that the „end of welfare as we know it” has come, and a hurried search for new models is under way. Quite universally, a need for a path from „welfare state” to „welfare society” or from „welfare” to „workfare” is emphasised. A specifically construed „responsibility privatisation” becomes increasingly a question of necessity.

Poland is also searching for such new models, though in our opinion, rather awkwardly and without any clear direction, haphazardly going from one simple model to another. The situation is not very comfortable for „moderates”. A rational debate on social policy, based on valid arguments is needed. Those models that are attempted often play the role of political „gifts” or electoral „debt settlement”. Instead of a broad vision, still new ideas and „fashions” are introduced, often without prior appropriate preparation and effectiveness evaluation after their launching.

5.8. The question of social economy compatibility with the needs and attitudes of its potential beneficiaries

In Poland, especially among the potential beneficiaries of integrational version of social entrepreneurship, a syndrome of inculcated helplessness is, unfortunately, quite common. Attitudes of constant demands, lack of self-confidence or even genuine deficit of professional or social competence, so crucial in difficult situations, are widespread phenomena. To take a formal legal job is often an uneconomic and risky solution: for many, it is better to pursue „making up” of income from social transfers (e.g. unemployment benefits), together with income from black job market part-time employment. According to rather conservative estimations from Social Diagnosis 2005, the phenomenon may concern even approx. 360,000 people in Poland. For them, the to-

tal income obtained in this way may often be higher than possible remuneration from legal work. In Poland, every sixth person of working age lives in a household, where not a single member is has a job. Moreover, in the context of the social economy, it is worth indicating here that having a job does not give protection against poverty is much more common situation in Poland than elsewhere in the EU. The class of so-called working poor, people who in spite of their permanent employment remain below the poverty threshold, reaches 12 percent of all those employed. For self-employed people the indicator is as high as 21 percent. So, quite ironically, employment does not always protect against poverty.

So the question is whether the idea of social entrepreneurship, with its inherent risk and self-responsibility taking, may indeed be attractive for Poles. The issue is not a trivial one, since much easier and less responsible tasks often remain untaken.

5.9. Acceptance or rejection of the social entrepreneurship idea within the non-profit sector

Although non-governmental organisations apparently should be interested in social economy growth, the process of migration towards social entrepreneurship may face many obstacles within the sector. First, many organisations generally prefer less risky financing strategies for their activities, based on sponsors and grants. On the other hand, some organisations are of the view that NGOs should not, in principle, pursue any economic activity. 10 percent of them believe that organisations should not sell their services at all. 12 percent of them are afraid that such a shift towards economic activity can lead to diversion from their mission. The doubts are not unreasonable: in some cases, we can already witness a kind of „slipping into commercialisation” among NGOs: indeed, there are some organisations that, after starting commercial activity, quickly become virtually undistinguishable from regular commercial businesses. After their „conversion” to the market, they often reveal an unhealthy eagerness of neophytes, unfalteringly sticking to the principle that „nothing is for free”. When absolved from the „sin” of profit taking, they seem to forget the goals for which the profit made.

The clue to the economisation process of the Third Sector lies not only in the sphere of intentions but also in the field of skills. Although NGOs are quite uncritical in the evaluation of their own competence and capability to compete on the open market, in our opinion the issue of competence may be an important challenge for them.

5.10. The role of other sectors and groups in social economy growth – the private sector

The environment for social entrepreneurship is formed practically by all three sectors. So far, we have considered the attractiveness of its offer for the non-governmental sector, since we believe that it is there where the „cluster” of social entrepreneurship will be shaped. In this respect, other sectors have different, though also a very important role to play. For the purposes of this discussion, we should differentiate between public administration on the one hand, and (often interfering with the former) political institutions. Both of them can take different roles: an enemy, competitor or a partner for social economy. They can also remain completely neutral to ideas of social economy or become their promoters, though such promotion may sometimes prove to be harmful for the very idea of the social economy. There is no room in this paper to dwell on this situation, but we can only say that in Poland the social economy proves to have its specific political scent which has nothing to do with it being on the right or on the left, at the front or at the rear, for the only „information” carried by this scent is that the idea of the social economy, no matter what it contains, is not „ours”. This very dangerous habit of sensing rather than thinking have already destroyed many beneficial initiatives in Poland, so it should be openly discussed and criticised, especially in the case of social economy which by its very nature could host different types of sensibility. For it may find in it both an evangelical meaning of labour, the need to take responsibility for one’s destiny, and an attempt to bring back the recently faltered balance between rights and obligations. It can accommodate those who believe in working class emancipation and workers’ democracy. Social economy makes room for thinking in terms of both global economy and global solidarity, and the protection of the local, the unique and fragile. Social economy is an extremely „ecumenical” concept, so we must to strive to prevent it from becoming, as in the case of the idea of solidarity, an idea that divides instead of uniting.

For the growth of the social economy, its perception in business circles is equally important. And here again, we need to make some distinctions. Social economy (and in particular its cooperative component) simply forms a part of the business sector: industrial self-government, guilds, chambers, cooperatives, none of them have to apply for citizenship rights in the world of business. But the business sector is a very differentiated one, and accordingly differentiated are attitudes of its members towards social economy and social entrepreneurship. They can be relatively unfavourable when social economy institutions start to trespass „their territory” and distort, by benefiting from various advantages, the mechanisms of fair competition. In Poland, a good

example of this phenomenon are SKOK (credit and savings cooperatives) which on the one hand can be seen as the leading achievement of Polish social economy, but on the other for many are institutions compromising the idea of social economy, because by benefiting from privileges granted to social economy initiatives they have grown to a monstrous size, inevitably losing their authenticity and mutuality. Such disputes can be very emotional. So far, it seems that businessmen in Poland would prefer a clear-cut distinction between philanthropy and business, for they are familiar with and willing to support the former one. But for them, the prospect of competing on the market with social economy institutions raises some doubts: they sniff a trap, undue state protectionism, unjustified tax exemptions and unfair competition. Their reaction may often seem exaggerated if we bear in mind that so far the number of social cooperatives in Poland has not exceeded fifty, and their aggregate turnover is in fact negligible in comparison to the scale of operation of medium enterprises, not to mention the big ones. For business circles in Poland, the social economy concept has yet another aspect. Discussions about and in particular encouragements to practice social economy are often underpinned by a kind of implicit assumption that social economy has some moral prevalence over traditional business. No matter how justified they may be, such hints must be quite annoying for representatives of the business sector who as a result recall that, at the end of the day, social economy experiments are financed from their taxes, or to assert themselves in the conviction that business morality consists in the very profitability of economic activity. Such reactions strengthen their sceptical attitude towards any economy with „adjectives“.

In our opinion, for social economy to „work“ in Poland, it is important to reach at least mutual understanding (or even agreement) with business circles. Of course, both parties should retain the sense of their distinctness, but it would be better if social entrepreneurs honourably decide that in many (though not all) cases it is feasible and worthwhile for them to try to operate on equal terms and win on the open market, without using any artificial advantages. On the other hand, it will be welcomed if the business sector is willing to take the role of a partner (or sometimes even mentor) for people who, by our joint efforts, either will be helped to change their fate as lifelong social benefit-takers or be given such benefits.

5.11. The danger of a chaotic development of the social economy – the need to introduce mechanisms of identification and distribution of the right models

The last challenge that we would like to discuss here relates to the scale of social economy operations. In our opinion, despite numerous experiments in the social economy, its growth is rather chaotic. We would like to stress that we do not mean here any attempts to administer this developmental process, but we think that it is of high importance to try to at least „softly“ influence it. To predict and shape the dynamics of sector („cluster“) building is an extremely difficult task, also in the case of the social economy. However, it seems that several activities can be undertaken that can play a beneficial role in the process. The first of them is an impartial method of identifying successful models of operation („distillation“ of models), and the second is their distribution. In our view, the key task is to use the positive models that are worth following to reach those local communities in Poland that are evidently backward in terms of developmental level, local resources and capacity to modernise themselves. For it is often the case that in communities where social economy would be especially helpful in problem-solving, it is especially difficult to mobilise local resources to foster its growth. Both methods of „distillation“ and „distribution“ are necessary to, as it were, „re-scale“ social economy in Poland from the discussion level to the level of implementation of system solutions.

Basic facts about social economy institutions. Selected data from a survey led by KLON/ JAWOR Association (2006)

- According to official registers, today there is over 58,000 non-governmental organisations in Poland (excluding Voluntary Fire Brigades), of which 50,000 are associations, 7,500 are foundations, 5,500 are business and professional self-government organisations (excluding trade unions), 12,500 are cooperatives, almost 1,000 are mutual assistance societies (e.g. relief savings unions), and 9 are mutual insurance societies.
- In recent years, new types of organisations have also been created in Poland, serving social and occupational integration goals, such as social cooperatives (by the first quarter of 2006, 45 social cooperatives operated throughout the country), Vocational Rehabilitation Facilities (35), Social Integration Centres and Clubs (35 and over 90, respectively).
- In Poland, remunerated personnel is employed by approx. 26 percent of non-governmental organisations, 55 percent of business self-government organisations, every two of three social cooperatives (the latter only start their operation), and practically all traditional cooperatives.
- The aggregate employment in the Polish non-governmental sector totals about 120,000 people, and in terms of full time employment equivalent – 64,000. Business self-government organisations employ approx. 30,000 people, and cooperatives almost 450,000 people.
- Low level of remunerated personnel in non-governmental organisations is compensated by social activity of volunteers, members or directors. Sometimes, such activity takes the form of regular, unpaid work for organisation. For every three Polish organisations, two use social work (which should not be mistaken for volunteer work offered by people who are neither members nor directors of organisation) in their activity regular. For the whole sector it means approx. one million additional (excluding volunteers) “social workers”.
- Among social entities other than enterprises, economic or remunerated activity is pursued by approx. 40 percent of business self-government organisations (i.e. 1,500-2,000 organisations), and approx. 18 percent of associations and foundations (i.e. 8-9,000 organisations). But we should remember that the total number of non-governmental organisations charging fees for their services is much higher, for almost 40 percent of them declare charging such fees, of which 23 percent in the form of contributions from their members, approx. 18 percent in the form of partial or full remuneration for their services, 3 percent in the form of contracts granted by public administration, and approx. 5 percent in the form of donations which in practice are equivalent to payment of fees for their services.
- Half of organisations conducting economic and remunerated activity declare their willingness to expand such activity. Almost the same percentage would like to maintain the scope of their activity on the present level. Organisations that plan contracting their activity in this field are almost non-existent.
- In the next two years, about 5 percent of organisations plan to start remunerated activity, and another 10 percent of them consider such option, but still have not decided on this matter. Declarations concerning economic activity are similar.
- Organisations offering employment market services in Poland have annually at least 400,000 recipients of their services. The most popular services offered by organisations are trainings and courses, employment counselling and rehabilitation.
- 37 percent of cooperatives conduct, in addition to their regular economic activity, social activity. 20 percent of them focus on activity in the field of social services and social assistance, 16 percent declare activities in the field of local development, and over 12 percent activity related to the labour market, employment and occupational rehabilitation.

Note on methodology

The survey “**Condition of social economy sector in Poland, 2006**” was conducted on a representative, random and stratified national sample of 1,903 social economy entities, including:

- 1,242 non-governmental organisations: associations and foundations (of which 1,041 were head-office organisations, while the rest were their local branches);
- 363 cooperatives;
- 156 business and professional self-government organisations (including sub-samples of farmer’s circles, agricultural producer groups and other entities of business nature);
- 7 mutual insurance societies (out of 9 existing ones);
- 27 social cooperatives;
- 22 Social Integration Centres;
- 28 Vocational Rehabilitation Facilities;
- 108 other social economy undertakings (selected based on indications of competent juries, using the criteria developed under the “SE” project).

The survey was led in the form of direct questionnaire interview, between April 15 and August 15, 2006. The survey was realised by the Public Opinion Research Centre.

The sample of entities surveyed was randomly chosen from a set completed based on REGON register of Polish Main Statistical Office (in the case of associations, foundations and business self-government organisations), the register maintained by the National Cooperative Council (in the case of cooperatives), and registers maintained by the Ministry of Labour and Social Policy (in the case of social cooperatives, Social Integration Centres, Vocational Rehabilitation Facilities).

The survey was led under the Third Sector Programme, financed by the Trust for Civil Society in Central & Eastern Europe and Stefan Batory Foundation, with participation of funds from the European Social Fund under the Community Initiative EQUAL.

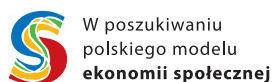
More details on methodology of the survey will be available in the full Report on its results that will soon be published at the web site: www.badania.ngo.pl

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