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KRYSTYNA KIETLIŃSKA
Social Academy of Science, POLAND

INSTITUTIONAL FORMS OF ACTION AGAINST SOCIAL EXCLUSION IN POLAND

Abstract:

Negative social phenomena such as poverty, unemployment disabilities and social pathologies have been building up. Governments in many countries search for the new methods of governing in order to confine the processes or at least, to reduce their growth.

Solutions based on the establishment of non - governmental organizations as institutions compensating for the weaknesses of the public and private sector have turned out insufficient.

It has become necessary to create jobs for persons exposed to discrimination and unequal treatment in labour market. Extension of the non-profit sector to include business organizations that can create jobs for the disadvantaged with State's support in one of the implemented measures. Theory has labeled this enlarged sector as a social economy. In addition to classic nonprofit institutions, other components of the sector are social enterprises, social cooperatives and Social Integration Centers.

The paper aims to value such organizations activity in the Polish circumstances. They were formally set up in Poland in 2003-2006.

The analysis takes advantage of relevant law and statistical data concerning the activity of the established and operating organizations.

The analysis will show the tendencies of development of these institutions in Poland. Besides it allows to limit their weak points and to assess their usefulness to the economy.

Keywords:

social enterprise, cooperatives, disability, unemployment, social exclusion.

JEL Classification: L31, L33

Introduction

Social enterprises and social cooperatives as subjects of social economy

Social enterprises are relatively new solution, as they appeared in the 1990s of the last century. The name has only theoretical significance, because it does not formally exist in many countries, including Poland.

The term “social enterprise” is applied to initiatives meeting certain economic and social requirements¹.

The economic requirements include:

- continuous production and distribution of goods and services in order to secure employment for these groups of people the enterprise was established for,
- considerable autonomy,
- operations involving economic risk,
- possibility of using both financial and non-financial sources in its operations,
- operations based on gainful as well as voluntary work,
- primacy of social goals over profit maximization.

The social requirements are as follows:

- activity results from collective efforts of citizens that belong to the same community and have the same needs or goals,
- democratic enterprise management is guided by the principle: one person, one vote, so decisions do not depend on the amount of contributed capital,
- beneficiaries of services are represented in the enterprise structures.

The term social enterprise applies to various types of business activities, all being focused not on profit maximization, but on solving social problems² of persons who have been excluded from the labor force for the following reasons:

- physical or mental disability,
- economic disability (unemployed persons, families with financial problems),
- social disability (homeless persons, long-term unemployed, alcohol and drug addicts who graduated from rehab programs, ex-prisoners)³.

¹ E.Leś, Nowa ekonomia społeczna. Wybrane koncepcje. New Social Economy. Chosen Concepts. „Trzeci sektor”, quarterly, no 2, 2005.

² J. Defourny, From Third Sector to Social Enterprise, [in:] C. Borzaga. J. Defourny, The Emergence of Social Enterprise, Routledge, London 2001

³ I.Vidal, op.cit.

In the Polish economy, the first two groups (physical and mental disability and economic disability) can be placed within the coverage of social enterprises. The third group, i.e. the socially disabled persons, is assigned to social cooperatives⁴; however, lines dividing tasks being fulfilled by each of the organizations are fluid.

Social enterprise as a form of employment for physically and mentally disabled persons

In 2013, the number of disabled persons living in Poland amounted to around 3,3 million.

This number comprises persons with various degree of disability. This percentages were the following:

- persons with considerable disability – 28,7%
- persons with moderate disability – 41,6%
- persons with low disability – 29,7%⁵

Among disable persons 63,4% comes from towns and 36,6% - from villages.

In spite of actions serving the disabled work and aid programs only 17,6% of them are professionally active⁶

Enterprises employing disabled persons have been operating in our country for a long time and they were established to provide this group of citizens with jobs. Two types of such enterprises can be distinguished:

- organizations employing at least 25 disabled workers who represent around 6% of all company's workforce,
- sheltered shops obliged to have not less than 50% of disabled workers among their total workforce.

Until the end of 2003 each type enjoyed certain privileges granted by the State.

On January 1 2004, support measures available for enterprises employing disabled persons were changed. The alterations were introduced in pursuance of the EC Regulation effective in Poland⁷ that concerns public aid to employment and defines the permitted forms of aid under the EU's competition policy.

The rules of subsidizing enterprises with disabled workers were changed in Poland by replacing the tax relieves and exempts with subsidies to wages earned by the disabled

⁴ Social cooperatives act of 17 Nov. 2004.

⁵ National Strategy of Social Integration for Poland, Ministry of Social Policy, Social Reintegration Task Force, Warsaw 2004 with following amendments.

⁶ Statistical Yearbook, Warsaw, 2014.

⁷ EC Regulation no. 2204 of 5 Dec. 2002 regarding the application of articles 87 and 88 of the EC Treaty with respect to public aid to employment. Rzeczpospolita daily of 30 July 2004.

workers, their amounts being dependent on the degree of worker disability⁸. The subsidies are funded by the State Fund for Rehabilitation of Disabled Persons (PFRON).

Additionally, an employer having disabled workforce may seek reimbursement of the training costs. PFRON is also obligated to support disabled persons running their own business.

Beside aid financed from PFRON's public funds, a social entrepreneur can apply for additional money to the Community Initiative EQUAL⁹. Seventy five percent of EQUAL's resources come from the European Social Fund and the other 25% is contributed by the national budget.

Resources made available by the Program can be used to finance a variety of goals, one of them being reimbursement of higher employment costs of disabled workers.

Another source of funds available for social entrepreneurs are funds provided by non-governmental organizations.

In Poland, actions serving the disabled are covered by law and aid programs. Because it is not possible to discuss all of them, we present only the most important of them. A worrying phenomenon is the multitude of programs and institutions that are responsible for them. Problems with coordinating actions of all the organizations may produce inefficiencies such as the duplication of services and beneficiaries possibly taking advantage of many support measures offered by the duplicating institutions.

Assistance available for social enterprises employing jobless persons (the economically disabled).

Unemployment rate in Poland in 2014 was 11,4%. Looking from provinces point of view – the lowest rate of unemployment was in Wielkopolska province (middle – west part of Poland) – 7,6%. The highest rate was in Warmińsko – Mazurska province (north – east part of Poland) – 18,7%.

Among unemployed person women comprise 51,5% and men 48,5%. Over 41% of all unemployed are out of work.¹⁰

Although solving the problem of disabled persons' employment can be explicitly put within the coverage of social enterprises, the issue of unemployment has to be discussed in a broader context. The reason is that many institutions deal with unemployment and they are not only instrumental in creating jobs but also help prepare workers to take them. The discussion is quite difficult, because the two areas

⁸ New rules of PFRON subsidies for enterprises employing disabled workers act. Dz. U. no. 7, 2004 and Dz. U. no 127, 2011.

⁹ Regulation by the Minister of Economy and Labour of 9 August 2005 concerning specific conditions and the procedure for supporting employment under the operational program – Community Initiative Program EQUAL for Poland 2004-2006. Dz. U. no. 154 , items 1288, 2005.

¹⁰ General Agriculture Census, Warsaw, 2015.

of activities cannot be clearly separated, as many labor market institutions prepare workers, offer placement services and create jobs.

Institutions whose main goal is preparing people to take jobs are:

- public employment service responsible for the labor market policy in a region;
- employment agencies being private organizations that offer placement services in Poland and abroad. Other services include job counseling and temporary positions;
- training institutions being public and non-public organizations that provide unemployed workers and job seekers with training,
- social dialogue and labor market partnership organizations are NGOs cooperating with the public employment service and Voluntary Labor Units (VLU) to promote employment and economic activation of persons who are unemployed or run the risk of unemployment.

Another problem is creation of jobs for the unemployed. This activity lies in the domain of social enterprises. The encouragement for social entrepreneurs to assume the task is entitlement to financial support, i.e. to a partial reimbursement of the incurred costs. The main funding source in the area is the Labor Fund¹¹.

The Labor Fund is a special public fund supplied by the following sources:

- obligatory contributions,
- grants from the national budget,
- EU funds for co-financed projects,
- EU budget's resources for employment co-financed under EURES,
- interests on Labor Fund's deposits and on funds provided by various sources,
- interests on loans granted by the Labor Fund,
- other.

Labor Fund's resources are allocated to two basic groups of tasks:

- investments in human capital (costs of training, retraining, job counseling, conferences and meetings, as well as those incurred by bodies supervising such activities),
- supporting jobs for the unemployed.

Considering the subject of this paper, the other group of tasks seems to be more interesting.

¹¹ Employment promotion among the labour market institutions act of 20 April 2004, Dz. U. no. 99, item 1001, 2004, with following amendments.

Employment of the jobless is supported by financial assistance available to social enterprises that create jobs for them. In practice, the assistance varies depending on unemployed person's age and two groups of the beneficiaries have been distinguished: youth and adults.

Youth employment is organized by the Voluntary Labor Units. This organization is financed from public funds and it is responsible for pursuing goals such as employment and prevention of marginalization and social exclusion among young people, as well as job counseling and educational services.

Assistance addressing employers involves reimbursement of the costs of wages and social security contributions paid for junior workers with employment contracts. Funds are provided by the Labor Fund or the national budget if projects are co-financed by the European Union.

Persons responsible for arranging jobs for unemployed adults are the *starostas*, i.e. heads of county administration. The type of support available for social enterprises employing previously jobless persons depends on the type of employment.

Every social enterprise planning to recruit unemployed workers is eligible for the following types of support:

- reimbursement of the costs of equipment or extra equipment needed for a station, if the worker continues full-time employment for at least 12 months,
- periodical reimbursement of the payroll and social security costs connected with a previously unemployed worker if the above requirement is met.

The above shows that the support for social enterprises recruiting unemployed workers is actually limited to various refunds of the payroll and social security costs. Provisions for that area can be found in the employment promotion and labor market institutions act¹². They are not only scattered, but also frequently focus on trivia. Another puzzling thing is why they use different bases to calculate reimbursements of the payroll costs, e.g. the minimal wage in economy, an equivalent of the unemployment benefit and the average wage paid in economy. As a result, things become too complicated and so irregularities can be expected.

To summarize the discussion, the types of Labor Fund's expenditures are worth presenting in order to visualize the weight of active support measures targeted to social enterprises among all financial tasks of the Fund.

¹² Employment promotion act of 20 April 2004 ... op. cit.

Table 1. Structure of Labor Fund's expenditures, years 2010-2014.

	2010	2011	2012	2013	2014
Total spending	100,0	100,0	100,0	100,0	100,0
Passive forms	40,5	54,8	55,2	52,6	49,9
Active forms	53,8	38,0	40,3	40,9	45,5
Other expenditures	5,7	7,2	4,5	6,5	4,6

Source: National budget expenditure www.mf.gov.pl

According to table 1, only in 2010 higher amount of money was spent on the active forms of expenditure. From the year 2011 the active measures show decreasing trend. Generally, one of the reasons was the downward trend of unemployment. But in this case unemployment rate in 2011-2013 was not so much higher (13,4%) than in 2010 (12,5%). So, it is difficult to find the reason of this situation.

Support measures for social enterprises creating jobs for socially excluded persons (socially disabled)

Although the social exclusion problem has always been present in our country, its solutions were given legal foundations quite recently, i.e. in 2004¹³.

Social exclusion is difficult to define, as it incorporates a variety of problems generated by social marginalization. In very broad terms, social exclusion affects people who give up the established and socially acceptable way of life or dropping out for economic reasons (poverty, dismissals, lack of qualifications) or social reasons (addictions, long-term sickness, disability)¹⁴.

According to the social employment act, the following groups of people are vulnerable to social exclusion¹⁵:

- long-term unemployed,
- homeless,
- addicted to alcohol, drugs and other intoxicating substances, after they graduated from the therapeutic programs,
- psychiatric patients,
- ex-prisoners,

¹³ Social employment act of 13 June 2003. Dz. U. no. 122, 2003 with following amendments.

¹⁴ National Strategy ... op. cit.

¹⁵ Social employment act ...op. cit.

- refugees.

The National Strategy of Social Integration¹⁶ has added to the list:

- children and youth dropping out from the school system,
- some categories of rural population, e.g. workers of the former state-owned farms,
- tenants who run the risk of eviction,
- immigrants.

Today social exclusion has drawn the interest of the government, which is evidenced by actions such as:

- development of the National Strategy of Social Integration for Poland,
- implementation of the social employment act.

The National Strategy of Social Integration deals with the social exclusion issue by providing a theoretical outline of the related problems, presenting its extent and indicating State's policy goals in the area. It does not propose any solutions, but stimulates their creation¹⁷.

The social employment act¹⁸ was announced in 2003 but its more dynamics implementation started as late as the turn of 2004 and 2005, probably because the National Strategy was publicized at that time that made obligatory actions to contain negative social phenomena.

Actions serving socially excluded persons as provided in the act focus on:

- social reintegration, i.e. reconstruction of skills allowing individuals to participate in community activities and to fulfill their social roles in places where they work, live or stay (re-educational activities),
- occupational reintegration, i.e. restoration of persons' ability to be self-reliant members of the labor force (job training),
- beneficiaries' economic activity, by assisting them in taking a job or starting their own businesses.

To fulfill the tasks, the act has provided for an institution called the Social Integration Center (SIC). A SIC can be established by mayors, as well as public benefit organizations. SIC status is granted by a governor on the SIC founder's motion. A SIC operates as an enterprise operating according to simplified rules or, if set up by a public benefit organization, as a unit having its own organizational and financial identity.

¹⁶ National Strategy ... op. cit.

¹⁷ National Strategy ... op. cit.

¹⁸ Social employment act ...op. cit.

SIC actions in support of the socially excluded are divided into stages, i.e.:

- social reintegration,
- occupational reintegration.

Beneficiaries participating in the process receive allowances amounting to 80% of the unemployment benefit.

Once the two stages are complete, a SIC may refer a beneficiary via the County Labor Office to work:

- for an external employer,
- at SIC.

It is also possible for the beneficiaries to start up their own business in the form of a social cooperative.

Employers recruiting socially excluded workers are refunded a corresponding part of their payroll together with the related social security costs, provided that:

- they have signed a contract with the SIC,
- the period of employment is at least 18 months.

The refund is paid out by the *starosta* for the period of 12 months and its amount makes up:

- 80% of the unemployment benefit plus the related social security contribution costs in the first three months,
- 60% in the next three months,
- 40 % in the last six months.

The same rule applies, when jobs are created by the SIC.

In addition, an employer can apply for the Labor Fund money to cover 80% of his attested costs of legal advice, consultations and advisory services, but the refunded amount cannot exceed an average wage in the national economy.

Beside SICs that are established at the county level, the act allows communes to form Social Integration Clubs that develop temporary work programs helping workers find jobs based on civil law contracts signed with employers. The act is silent on the terms of assistance addressing employers¹⁹.

Another law with respect to job creation for socially excluded persons (the socially disabled) is the social cooperatives act²⁰.

Social cooperatives are established to support the social and occupational reintegration of its members. The members can be all persons that can be deemed

¹⁹ Social employment act ... op. cit.

²⁰ Social cooperatives act ... op. cit.

socially excluded. A cooperative can employ other persons as well, but their jobs must require special skills that are lacked by other cooperative members.

A social cooperative is granted the following privileges in order to be able to attain its goals:

- exemption from the tax on civil law transactions, stamp duty and court fees,
- preferential purchase of the usable right to properties held by the Treasury or local governments,
- financing by the Labor Fund for the period of 18 months

part of the payroll costs and social security costs

The precondition is a contract signed between the competent *starosta* and the cooperative.

Social cooperatives become more and more important among organizations that endeavor to create jobs for persons with various disabilities. This evidences that such support is needed.

Final remarks

The end of the 20th c. and the beginning of the 21st c. has been a period, in which negative social phenomena such as poverty unemployment, disabilities and social pathologies have been building up. These negative social problems is revealing nowadays, during the financial crises. Governments in many countries seek ways of reducing the weight of the problems.

Solutions based on the establishment of non-governmental organizations as institutions compensating for the weaknesses of the public sector and private sector have turned out insufficient. It has become necessary to create jobs for persons exposed to discrimination and unequal treatment in the labor market. Extension of the non-profit sector to include business organizations that can create jobs for the disadvantaged with State's support is one of the implemented measures. Theory has labeled this enlarged sector as a social economy. In addition to classic non-profit institutions, other components of the sector are cooperatives, mutual companies, social enterprises and social cooperatives.

This paper characterizes the last two types of organizations that have been operating in our economy for a relatively short time. They incorporate three types of institutions that employ:

- physically and mentally disabled persons,
- unemployed workers (economically disabled),
- socially excluded persons (socially disabled).

In Poland, the most developed type of social enterprise is organizations recruiting physically and mentally disabled persons. The methods for financing such enterprises via public funds were effectively changed as late as 2011, which impedes evaluation of the enterprises.

The most scattered and unclear regulations concern social enterprises creating jobs for unemployed persons (i.e. the economically disabled). They categorize enterprises according to the type of employment (regular jobs, intervention work and public works). The funding comes from the Labor Fund. The most limited support is offered to employers interested in recruiting regular workers. Those who employ workers under intervention work and public works can receive much large financial assistance. Because entrepreneurs are awarded contracts following a tendering procedure, some irregularities may occur.

Jobs for socially excluded persons (the socially disabled) are available in the Social Integration Centers and social cooperatives. The latter are subjected to rather clearly defined laws; however, some problems arise when it comes to defining SICs' status. They implement human capital development programs and offer individuals supported employment on program completion. Their other function, i.e. SIC as an employer, generates certain doubts. According to law, a SIC can manufacture, trade or provide services, but it is not deemed a business. Therefore, what is a SIC in its employer capacity: a school workshop, occupational therapy institution or an economic activation establishment²¹? If social enterprises and social cooperatives are doing well as employers, why should not the function be left with them?

The above discussion allows to identify a series of barriers that obstruct the expansion of social economy institutions established to solve burning community problems in our country. The most significant barriers include:

- multitude of institutions developing assistance programs,
- detailed and complicated laws,
- unclear status of many institutions,
- red tape hindering the establishment of social enterprises,
- Labor Fund being one of the main sources financing social enterprises,
- a multitude of intermediaries in the distribution system of Labor Fund's money,
- different types and scopes of support made dependent on the type of social enterprise.

²¹ T. Kaźmierczak, Centra Integracji Społecznej jako pomysł na przeciwdziałanie wykluczeniu społecznemu? Refleksje wokół ustawy o zatrudnieniu socjalnym (Social Integration center as an idea for counteract the social exclusion? Reflection around the social employment act. [in:] „Trzeci Sektor”, quarterly no. 2, 2005.

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