

The Social Economy And Public Employment Services In Poland – Principles, Prospects And Directions For Cooperation

prepared by **Magdalena Klaus** on the basis of

*Ekonomia społeczna a publiczne służby zatrudnienia w Polsce –
zasady, perspektywy i kierunki współpracy* (The Social Economy

And Public Employment Services In Poland – Principles, Prospects
And Directions For Cooperation),

a guide edited by **Stanisław Mazur** and **Agnieszka Pacut**



Introduction

Dear Readers,

The idea for the “Professional Employment Services for the Social Economy and the Third Sector” project originated in the Department of Public Gain of the Ministry of Labour and Social Policy in the autumn of 2006. The decision to provide public employment services with education and training in social economy and the third sector was driven by the new challenges facing this particular professional group.

The drop in the unemployment rate resulting from Poland's growing economy and job-oriented immigration has revealed or rather confirmed the existence of a disadvantaged labour market group for whom conventional work activation tools (training, supported employment) deployed by employment services have proven ineffective.

Recent years have also witnessed the introduction of new legal and organisational solutions promoting the development of civil society and the social economy. Legislation such as the Act on Public Benefit and Volunteer Work, the Act on Social Employment and the Act on Social Cooperatives have given rise to numerous initiatives, both civic and public, aimed at integrating people threatened with social exclusion and strengthening the potential of the civic sector. New grass-roots initiatives inspired by civic organisations require strong support from public administration partners. Public employment services need to expand their knowledge of the social economy and the third sector if they are going to become effective partners in promoting labour market policies. Educational programs addressed to public employment services are needed to support inter-sectoral cooperation and to expand the range of available activities.

The mission of the Ministry of Labour and Social Policy is to promote education and good practices in a manner which complements and creates better access to innovative solutions to social problems. The “Professional Employment Services for the Social Economy and the Third Sector” project is an excellent example of this.

This project aims to design and implement an innovative training program for 450 county and regional labour office personnel. The training program is to be supplemented by this guide which is a comprehensive source of knowledge on the social economy and the third sector. The initiators of the project decided to make the program more attractive by introducing a strategic game with supplementary material on the social economy. The “Professional Employment Services for the Social Economy and the Third Sector” project is supported by a call centre and an interactive website for educating public employment services. The website contains the

latest news, commentaries and advice on new social economy services and tools. The e-learning platform has proven most effective in supporting the exchange of knowledge and experiences between project participants. The opening conference, the meeting which summarised the results and the workshop on expanding and systematising social economy knowledge have all pointed to a clear need for third sector projects. The “Professional Employment Services for the Social Economy and the Third Sector” project was carried out by the Department of Public Gain with the assistance of the Foundation for Social and Economic Initiatives. We hope that this publication will serve as a valuable source of information on the social economy in Poland as well as a useful guide for public employment services.

Krzysztof Więckiewicz
Director of the Department of Public Gain
Ministry of Labour and Social Economy

The Department of Public Gain (DPG) was created in the then Ministry of Economy, Labour and Social Policy on 1 April 2003 as the unit responsible for implementing and promoting the measures introduced by the Act on Public Benefit and Volunteer Work of 24 April 2003. The DPG is also responsible for creating a favourable environment for non-governmental organisations (NGOs) and other public benefit institutions and for promoting cooperation between public administration and the third sector. The department provides NGOs with financial support and knowledge in setting up social enterprises by drawing on the assistance of the Civic Initiatives Fund (FIO), the European Social Fund (as part of Human Capital Operational Program) and by participating in Partnerships for Development as part of EQUAL Community Initiative "Find Work Here" and "Searching for a Polish Model of Social Economy" which foster the growth of the social economy through educational, promotional and information measures. The DPG also promotes international cooperation in public benefit, volunteer work and the social economy, and initiates and organises surveys on citizens' dialogue. The department is headed by Krzysztof Więckiewicz. The DPG consists of two organisational units: the Program, Analysis and Cooperation Division; and the Legal Affairs, Non-Governmental Organisations and Supervision Division.

www.pozytek.gov.pl

The Foundation for Social and Economic Initiatives (FISE) is an independent non-profit organisation created in 1990 by people who had been part of the political opposition in the communist People's Republic of Poland (1944-1989). Jacek Kuroń sat on the Foundation's Management Board for many years, and Henryk Wujec still does. FISE's mission is to support employment, especially among unqualified and passive jobseekers. The Foundation provides labour market and employment services. To date, we have trained around 7000 employees of public and private labour market institutions and have published dozens of books on labour market problems. We also maintain a website addressing employment issues at www.bezrobocie.org.pl. The Foundation continues to search for new occupational activation measures. We have been initiating discussions on the development of the social economy sector in Poland among NGOs and public administration authorities since 2005. We organise debates, job fairs, conferences and training programs. We have published dozens of books on the subject and are a leading contributor to the social economy website at www.ekonomiaspoleczna.pl. In 1994, we started the FISE School of Enterprise which organises training courses for employees of labour market institutions on the labour market, the social economy, occupational activation and entrepreneurship.

www.fise.org.pl

www.bezrobocie.pl

Introduction

Social economy is not a new concept. The idea of solving social problems for the common good of the community on the principle of social solidarity have been known for centuries as have many of the activities giving effect to it.

The social economy is currently undergoing a revival for a number of reasons, including the dismantling of the welfare state and the growing dissatisfaction with the way the State has been tackling social problems. This dissatisfaction is being accompanied by a declining trust in the market as a mechanism capable of providing a complete range of quality goods and services, including those of a social nature. These negative trends are being further exacerbated by demographic change (ageing societies) and public debt in many countries. This renewed interest in the social economy is also being driven by the search for mechanisms to engage the citizenry in public affairs. This is a reaction to the phenomenon of democratic deficit, ideologically linked to the philosophical and political concept of communitarianism.

This situation has inspired a search for individual and community activities to level out the adverse consequences of the observed trends. These sorts of measures are not initiated with a view to building alternative systemic solutions targeting State aid or the market but to correcting deficiencies and developing ancillary resources. The social economy complements rather than negates State intervention and market mechanisms.

There are many definitions of social economy and this issue will be discussed in detail in subsequent parts of this publication. For the time being, we would like to quote the general definition promoted by the OECD (LEED Program, Centre for Local Development): *The social economy, often associated with concepts such as “third sector” and “non-profit sector”, refers to a wide range of organisations between the State and the market, fulfilling both economic and social missions, whose final objective is not the redistribution of profit but its reinvestment in the organisation, in order to expand and consolidate its activities and its overall mission. The organisational forms which social economy entities adopt depend on national legal frameworks and can include associations, traditional cooperatives, social cooperatives, charities, foundations and other types of organisations. Regardless of the different definitions and organisational forms, however, what brings this diverse set of actors together is their role in fostering social cohesion in areas where traditional private or public schemes often have limited capacity for success. Social economy organisations mainly operate at local level, as they are rooted in local communities, relying and contributing to the development of formal and informal networks of people, knowledge and resources.*¹

¹ www.oecd.org/dataoecd/46/0/34955534.pdf (p. 2).

The social economy delivers both utilitarian and axiological benefits. It can create work for social excluded people and people threatened with social exclusion, delivering top quality, well-targeted public services, especially social services, building social capital, rationalising public spending and redefining the welfare state. In the axiological dimension, the social economy has the potential to build a participatory democracy and to redefine the role of the citizen in developing and delivering public services.

Social enterprises have a number of constitutive features which set them apart from other labour market players when it comes to social integration and building social capital. These include the primacy of social utility over monetary profits, democratic decision-making processes and the use of profits to pursue social goals. Social enterprises have local roots. They concern themselves primarily with the unresolved problems and unfulfilled needs of the local community. They operate by integrating and activating dispersed local resources, harnessing the local community's passion, energy and determination to solve problems which cannot be effectively remedied by individual citizens or public institutions. Social enterprises attach equal importance to the ways in which social and economic problems are solved as they do to the solutions themselves. They are able to align the social and economic rationale by engaging in business activities that promote social goals. This duality of objectives is yet another characteristic feature of social enterprises.

The material presented in this publication is based on the publication *The Social Economy And Public Employment Services In Poland – Principles, Prospects And Directions For Cooperation*. This publication discusses the concept of social economy in Poland and offers recommendations to public employment services to help activate socially excluded people and people threatened with social exclusion.

Social Economy Conceptualisation

Jerzy Hausner

1. Introduction

This chapter discusses the concept of “social economy”. We begin by looking at where the social economy fits into the system and describing how it can complement a market economy, a civil society and a democratic state. This chapter also presents those constitutive features of the social economy which have been used to describe its functions (including combating social exclusion, promoting alternative forms of financing social ventures, consolidating and activating social capital, upgrading public service systems, and reinforcing the mechanisms of a participatory democracy).

Later, we investigate the nature of social enterprises and their distinctive features, such as the priority they give to individual and social goals over capital, their voluntary and open membership, the democratic control exercised by their members, their development of solidarity and responsibility, and their autonomous management.

We finish this presentation on the social economy by discussing its localised origins and its significance for the growth of local communities, in particular those whose unresolved, mounting problems are obstructing activity and development.

2. Where the Social Economy Fits into the System

The term “social economy” is somewhat contentious, but as this inaccurately translated term has become permanently entrenched in the Polish language, I will not be revising this issue. What is worth noting, however, is that “social economy” is not a new approach to economics or any of its manifold branches. The social economy is a specific segment of economic activity placed inside a triangle whose sides represent a market economy, a civil society and a democratic state.

According to Witold Kwaśnicki², “social economy” is placed inside this triangle to indicate that its main purpose is to reconcile the different rationales attributed to the market (allocation), the State (distribution) and society (solidarity rationale).

The social economy is a specific segment of economic activity placed in a triangle whose sides represent a market economy, a civil society and a democratic state.

This approach is supported by Jan Jakub Wygnański³ in the “Opening Report” of the flagship “Searching for a Polish Model of Social Economy” project. The report postulates that from the standpoint of the relationship between the State and the market, the social economy can be positioned in several ways:

Firstly, it has alternative solutions to whatever purely free market and centrally planned economies have to offer. These include specific principles of exchange which pose a radical alternative to the market.

Secondly, social economy can be seen as a special way of participating in the market. This approach speaks of evolutionary rather than revolutionary changes in areas where the weaknesses of the market and the inefficiency of public administration are most apparent.

The author adds that the report focuses on the latter approach.

Numerous attempts have been made to describe and define that segment of the economy referred to as the “social economy”. Most of them discuss those core values which serve as a point of reference for third sector enterprises, their specific goals and their various legal forms.

Such an approach was presented by Bruno Roelants⁴ in synthesising the proposals of others. Roelants claims that in the realm of values, “social economy” is characterised by:

- » solidarity and social cohesion
- » social responsibility and involvement
- » democracy and participation
- » autonomy and independence.

As regards goals, Roelants emphasises that social enterprises are oriented towards satisfying the needs for social cohesion and equilibrium, and a pluralistic, participatory and democratic society based on the principle of solidarity. These are needs that other sectors of the economy cannot meet. According to the author, the most

2 W. Kwaśnicki, *Gospodarka społeczna z perspektywy ekonomii liberalnej*, „Trzeci Sektor” no. 2, 2005, p. 12.

3 J. J. Wygnański (and P. Frączak), *Ekonomia społeczna w Polsce – definicje, zastosowania, oczekiwania, wątpliwości*, in the Opening Report of „Searching for a Polish Model of Social Economy”, FISE, Warszawa 2006, pp. 39-41.

4 B. Roelants, *Defining the Social Economy?*, in the Preparatory Dossier to the First European Social Economy Conference in the EU Candidate Countries, Praha 2002.

typical forms of social enterprises are cooperatives, mutual societies and associations conducting business activity.

These approaches are not very helpful in describing the unique nature of the social economy or in distinguishing it from the private and public sectors. The terms used to characterise the social economy are not overly illuminating. This sort of imprecise and generalised approach takes us back to the nineteenth century concept of social economy which encompasses all economic phenomena having a social dimension and all social phenomena having an economic dimension, thus promoting the view that social economy is merely a specific approach to political economy⁵.

The specificity of social economy stems from the social nature of the activities they conduct and the mechanisms they have to control those activities.

The main difference between private economy and social economy is that social enterprises are oriented towards achieving social goals, especially preventing social exclusion, rather than making a profit. Social economy differs from public economy in that its entities are not controlled by the public administration but by citizens and/or civic organisations, and that in principle they do not make public goods and services available to everyone, but offer goods and services which directly or indirectly (revenues support social goals) benefit the recipients thereof, mostly underprivileged social groups. The specificity of social economy stems from the social nature of the activities they conduct and the mechanisms they have to control those activities.

If we were to follow the rationale proposed by Rafał Towalski⁶, who claims that social economy:

- » Generates quality jobs and improves living standards
- » Creates a framework for new forms of entrepreneurship and work
- » Significantly contributes to local development and social cohesion
- » Promotes the stability and the pluralistic nature of the market economy
- » Is consistent with the European Union's core values and strategic goals such as social cohesion, full employment, eliminating poverty and social exclusion, participatory democracy, better governance and continued development

then perhaps the above attributes could be ascribed to small and medium-sized enterprises or, in more general terms, a modern knowledge-based economy.

The image and significance of social economy are determined by practical rather than idealistic goals. The social economy is not an economy of great magnitude and ambition. Most social enterprises are localised, operate on a micro scale and cater to unemployed and socially excluded people. They initiate business activity with the

5 J. Defourny, P. Develtere, *Social Economy: The Worldwide Making of a Third Sector*, in *Trzeci sektor dla zaawansowanych. Współczesne teorie trzeciego sektora – a collection of articles*, Stowarzyszenie Klon/Jawor, Warszawa, 2006.

6 R. Towalski, *Rozwój sektora gospodarki społecznej w krajach Unii Europejskiej. Wnioski dla Polski* (mimeo), 2004, p. 5.

involvement and for the benefit of people for whom equal opportunities, even if they are familiar with the concept, are out of reach.

In view of the above, the assertion that social economy has a competitive nature seems surprising⁷. If a social enterprise were to compete in a free market and gain a competitive edge, it would cease to qualify as “social”. This is not to imply that social economy ventures cannot be entrepreneurial, innovative and more effective than other forms of management. It is simply that these attributes relate solely to areas of social activity which the public sector cannot manage and in which the private sector is not interested because there are no profits to be made.

The social economy has a relative advantage because its enterprises offer special types of employment (including volunteer work) with significantly lower labour costs. Social entrepreneurs introduce innovative measures by making use of unused or undervalued resources (in particular social capital), creating new social services or devising new methods of supplying traditional services⁸.

The proponents of social economy should not be contrasting it with a market economy and a democratic state. Nor should they be dismissing those institutions as liberal while holding up social economy and civil society as institutions of solidarity. If Iłona Iłowiecka-Tańska⁹ is right in saying that *“From the perspective of the social entrepreneur, a free market poses a similar threat to the social change program as that posed by the public administration, albeit in a different dimension. Social entrepreneurs see free market competition and the public administration authorities as institutions that destroy social bonds,”* then social economy advocates who subscribe to the above have adopted a dogmatic and utopian standpoint. They would no doubt concur with Peter Wolkowski¹⁰ that social economy *“as an ‘economy of solidarity’ will steer humanity away from a ‘money for money’ philosophy towards a ‘genuine relationship based on interdependence’”*.

In my opinion, it is not the role of the social economy to give a social edge to the private and public sectors or to convert shareholding capitalism into stakeholding capitalism, a longstanding goal of a lot of old and new socialists (including the British Labour Party when Tony Blair first came to office), but to resolve, or at least alleviate, the social problems that the market and the State inevitably create. And if social economy succeeds in doing this, even partially, then it can help bring about the transformation (evolution) of the private and public sectors and, consequently,

Social economy alleviates social problems created by the market and the State.

7 *Ekonomia społeczna. Kraków 2004*, Związek Lustracyjny Spółdzielni Pracy, Ministerstwo Polityki Społecznej, Warszawa 2005.

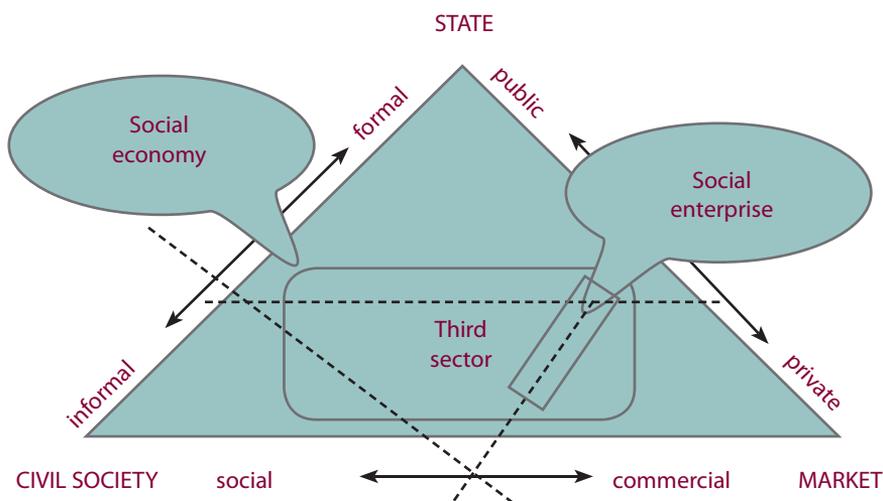
8 Ch. Leadbeater, *The Rise of the Social Entrepreneur*, Demos, London 1997.

9 I. Iłowiecka-Tańska, *Pieniądze a tożsamość społeczników*, appendix to the Opening Report ..., op. cit.

10 P. Wolkowski, *Dobre zarządzanie – wspólnym zarządzaniem? – excerpts*, appendix to the Opening Report ..., op. cit.

contribute to long-term social and economic growth. Kwaśnicki¹¹ is right in saying that social economy has a complementary relationship with the market and the State. It is not a systemic alternative to the private economy but can compensate for its weaknesses within a relatively narrow sphere. If it is to remain social, then it has to stay like this; it cannot substitute or replace the market. This also applies to the public economy.

Fig. I. 1. Where the social economy fits into the system



Source: The author's own study with a diagram proposed by Victor Pestoff a. Refer: V. A. Pestoff ,*Social Enterprises & Civil Democracy in Sweden: Enriching Work Environment and Empowering Citizens as Co-Producers*, Stockholm University School of Business: Stockholm 1996, p. 9.

The above diagram illustrates social economy as being the place where the main segments of the social system come together. Although it is most closely connected with civil society organisations (the third sector), it has certain features in common with both the public sector (e.g. employment and social integration policies) and the private sector (e.g. corporate social responsibility)¹².

11 W. Kwaśnicki, *Gospodarka społeczna z perspektywy ...*, op. cit., p. 11.

12 M. Rymysa, *Stara i nowa ekonomia społeczna, Polska na tle doświadczeń europejskich*, „Trzeci Sektor” no. 2, 2005, p. 4.

3. Distinctive Features of Social Economy

The European Standing Conference of Cooperatives, Mutual Societies, Associations and Foundations agreed that *"The organisations of the social economy are economic and social actors active in all sectors. They are characterised principally by their aims and by their distinctive form of entrepreneurship. The social economy includes organisations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in certain fields such as social protection, food, banking, insurance, agricultural production, consumer affairs, associative work, craft trades, housing, supply, neighbourhood services, education and training, and the area of culture, sports and leisure activities"*¹³.

A definition of a new social economy was also proposed by the Flemish Consortium for Social Economy (YOSEC) which uses the term "new social economy" to describe initiatives and enterprises whose main goal is to generate social benefits and to observe the fundamental principles of giving priority to labour over capital, following democratic decision-making processes, being guided by the overriding goal of providing services to local communities, reinforcing credibility, and offering quality and lasting activities¹⁴.

If social economy has firm social foundations as a result of having been born of local initiatives, then it will inevitably be stimulated and shaped by the social, cultural and religious values of local communities¹⁵. There is therefore no single, dominant or universal model of social economy. Jerzy Wilkin¹⁶ points out that social economy is associated with a "socially rooted economy", a term coined by Austrian economist and philosopher Karl Polanyi.

Certain ideas, such as ecology, which have been popularised globally, may affect the development of different forms of social economy, but this always happens in a local context and is filtered by the level of local self-awareness. New social exclusion factors and mass-scale pathological phenomena have arrived on the scene. These include the working poor, the isolation of the elderly, juvenile delinquency and environmental degradation. The degree of threat varies considerably from one community to another. The level of risk may also vary among different groups within the same community. For this reason, social economy initiatives are increasingly likely to reflect the needs and the activity of particular social groups than those of entire communities¹⁷.

13 E. Leś, *Nowa ekonomia społeczna. Wybrane koncepcje*, „Trzeci Sektor” no. 2, 2005, p. 37.

14 Ibid, p. 38.

15 J. Defourmy, P. Develtere, *Social Economy: The Worldwide Making of a Third Sector...*, op. cit.

16 J. Wilkin, *Przekształcenia własnościowe, zawodowe i społeczne na obszarach wiejskich*, expert report for the Government Centre for Strategic Studies (mimeo), 2005, p. 84.

17 J. Defourmy, P. Develtere, *The Worldwide Making of a Third Sector...*, op. cit.

The legal form of an enterprise cannot be the criterion under which it is assigned to the social economy so long as the latter is defined primarily in terms of its local origins¹⁸. Nor does it make sense to classify cooperatives, associations and mutual societies as social enterprises simply on account of their legal forms when the economic and social significance of these can vary so much from country to country.

Characteristic features of a social enterprise:

- » Placing service to its members or to the community ahead of profit,
- » Autonomous management,
- » A democratic decision-making process,
- » The primacy of people and work over capital in the distribution of revenues.

In view of the above, social economy cannot be defined by listing the legal and organisational forms characteristic to this sector (i.e. by adopting a legal and institutional approach). Instead, the common features of the various enterprises participating in the social economy need to be identified (i.e. a normative approach has to be adopted). According to Jacques Defourny and Patrick Develtere¹⁹, social enterprises are distinguished by the following:

- » Placing service to its members or to the community ahead of profit
- » Autonomous management
- » A democratic decision-making process
- » The primacy of people and work over capital in the distribution of revenues.

Autonomous management means that social enterprises are not controlled by the State or private owners. A democratic decision-making process makes their management participatory. This gives various groups, including members, employees, volunteers, consumers and beneficiaries, a say in how they are run.

The above list should be expanded to include a social enterprise's local origins and its activities for the benefit of the local community. I have decided to accentuate these aspects by drawing on the experiences of other countries, mainly the United Kingdom. The most robust and innovative social enterprises are formed when they are not rigidly separated from their local community. This enables them to form open relationships with their beneficiaries and partners and to evolve organically with them.

Those five characteristic features determine the following social relationships:

1. A social economy organisation (SEO) and its beneficiaries – the goal is not to make a profit but to be socially beneficial.
2. Autonomous management – the relationship between the SEO's clients, none of whom can make the organisation change its statutory goals.
3. A democratic decision-making process – the relationship between the SEO's members, all of whom have a say in running the organisation.
4. Work takes precedence over capital – the relationship between the SEO's clients and its members. Profits are not distributed but used to achieve social goals.

18 A. Królikowska, *Finansowanie instytucji ekonomii społecznej*, „Trzeci Sektor” no. 2, 2005, p. 74.

19 J. Defourny, P. Develtere, *The Worldwide Making of a Third Sector...*, op. cit.

5. Local roots – the relationship between the SEO and the local community. The organisation works within and for the local community.

In this light, social economy is best viewed as an economic sector oriented towards social utility which uses any surplus it generates to achieve social goals. This mission results from and is protected by the autonomous management, democratic decision-making processes and local roots of social economic organisations.

4. The Functions and Development of Social Economy

The most important function of social economy is preventing social exclusion. Social enterprises recognise the long-term unemployed, the homeless, drug addicts, alcoholics and isolated people as being especially vulnerable to social exclusion. By helping those people return to the workforce, social economy organisations increase social cohesion in marginalised areas where public assistance is ineffective.

Traditional social policy is likewise oriented towards preventing social exclusion, but has had limited success in this area. This is why social economy approaches the problem from an entirely different angle. The essential difference has been captured by Tomasz Sadowski²⁰ who argues that in the traditional welfare model, beneficiaries are regarded as passive recipients of services supplied by a specialist group of professionals. This model seldom supports the beneficiaries becoming actively involved in the reintegration process and relies heavily on public funds and donations. Social enterprises are principally oriented towards social integration through the occupational activation and empowerment of socially excluded people. They have to make a profit to achieve these goals autonomously.

Social economy additionally supports development by:²¹

- » Creating a resource base for civil organisations
- » Promoting alternative forms of credit
- » Contributing to the development of social capital
- » Revitalising public space in the local community
- » Supporting the concept of a civil society
- » Facilitating public sector reforms.

Social economy contributes to the development of social capital, supports the concept of a civil society and facilitates public sector reforms.

20 T. Sadowski, *Ekonomia społeczna w Polsce – nowe perspektywy w przeciwdziałaniu wykluczeniu społecznemu* (mimeo), 2005.

21 M. Woolcock, *Social Capital and Economic Development: Towards a Theoretical Synthesis and Policy Framework*, "Theory and Society" Vol. 27, 1998; J. Defourny, M. Simon, S. Adam, *The Co-operative Movement in Belgium: Perspectives and Prospects*, Editions Luc Pire 2002; *Social Enterprise. A Strategy for Success*, Department of Trade and Industry, London 2002 (www.dti.gov.uk/socialenterprise/strategy.htm).

Charles Leadbeater²² combines the pro-developmental functions of social economy with the role of a social entrepreneur who:

- » In the short term, creates new jobs which create added value and/or reduce public spending
- » In the mid-term, introduces solutions which lead to the reform of the traditional welfare state,
- » In the long term, generates and utilises social capital.

Cezary Miżejewski²³ offers some interesting insights into the role of social economy. *“Social economy fulfils three key roles which significantly contribute to the concept of a new social economy. Firstly, they promote the idea of a participatory democracy through a new vision of social order and by integrating local communities. Secondly (...), they may influence employment policies by plugging local social services shortfalls and creating employment opportunities for the most disadvantaged members of society (disabled, long-term unemployed people). Thirdly, (...) they contribute to social integration by enabling community members to redefine their occupational and social roles (by building communities based on solidarity rather than dependence). Social economy organisations are an antidote to the workfare state concept in its most primitive form (voluntariness instead of the restrictiveness of forced occupational activation)”*.

In the *Opening Report*²⁴ cited above, Wygnański postulates that the pro-developmental role of social economy consists in:

1. Controlling the market socially, especially “mitigating” it (including consumer protection and a broader understanding of corporate responsibility).
2. Compensating for market weaknesses by supplying goods not automatically supplied by the market, or by supplying them to people who, for whatever reason, are not active market participants.
3. Searching for new solutions and alternative forms of market organisation.
4. Lowering transaction costs through the principles of reciprocity and mutual trust.
5. Taking a holistic approach to balancing profits and losses.
6. Making use of innovative managerial mechanisms appropriate to the social sector.

22 Ch. Leadbeater, *The Rise of ...*, op. cit., p. 25.

23 C. Miżejewski, *Polityka społeczna wobec sektora ekonomii społecznej*, (in:) *Opening Report ...* op. cit., p. 5.

24 J. J. Wygnański (and P. Frączak), *Ekonomia społeczna w Polsce – definicje, zastosowania, oczekiwania, wątpliwości*, (in:) *Opening Report ...* op. cit., pp. 43-46.

5. The Essence of a Social Enterprise

The concept of “social enterprise” combines the attributes of entrepreneurship and community. The former indicates that the organisation conducts business activity, supplies products or services by combining the available material and intellectual resources in a way which generates added value and produces an economic surplus. Schumpeter held that entrepreneurship implies innovation and efficiency. No organisation lacking these attributes merits the appellation “enterprise” and no commercial activity undertaken without them qualifies as entrepreneurial. A social enterprise therefore engages in economically risky activities whose results are subject to economic validation.

The “socialisation” attribute refers to the origins of a social enterprise’s basic resources and its mission. Social economic organisations rely on the social capital shaped by their specific local communities for their resources and their mission is to support social integration within the local community. Their main goal is to counteract social exclusion through occupational and economic activation.

The social enterprise is a unique market economy participant in that its mission and goals lie outside the market.

When we look at a social enterprise from this angle, we notice that it produces its own feedback loop. It operates using social capital, namely the economic resources created through social bonds and interpersonal contacts based on trust, communication and cooperation, while at the same time expanding and mobilising this type of capital.

This makes the social enterprise the key link in the social economy chain. It not only supplies specific types of goods and services but also mobilises social capital, generates innovative solutions and expands the market by engaging socially excluded people.

The social enterprise is a unique market economy participant in that its mission and goals lie outside the market. It participates in the market economy but adheres to a specific set of rules which set it apart from a private enterprise.

Social enterprises supply goods and services, but more importantly, generate additional demand on the part of their employees, which would not be there otherwise. The social enterprise may obviously not be the dominant organisational structure in a market economy, but it is a necessary complement without which the market would lead to mass exclusion and self-constriction. Market expansion is not the goal of social enterprises, but markets cannot expand or develop without them.

By merging their “community” aspect with local social capital, social enterprises engage various actors-partners in their operations, including social entrepreneurs (managers), employees, volunteers, recipients, civil organisations and local public

institutions. Ownership relationships between partners are less important in a social enterprise as these place greater emphasis on the functional relationships between the social roles played by their partners than on ownership rights. For this reason, a social enterprise is an organisation grouping interested parties rather than shareholders, stakeholders and owners. Relations between owners are subordinate to the partnership of stakeholders and not the other way around as is the case in a private enterprise.

A social enterprise links the third sector with the private sector and is one of the institutional forms that bridge the gap between a civil society and a market economy.

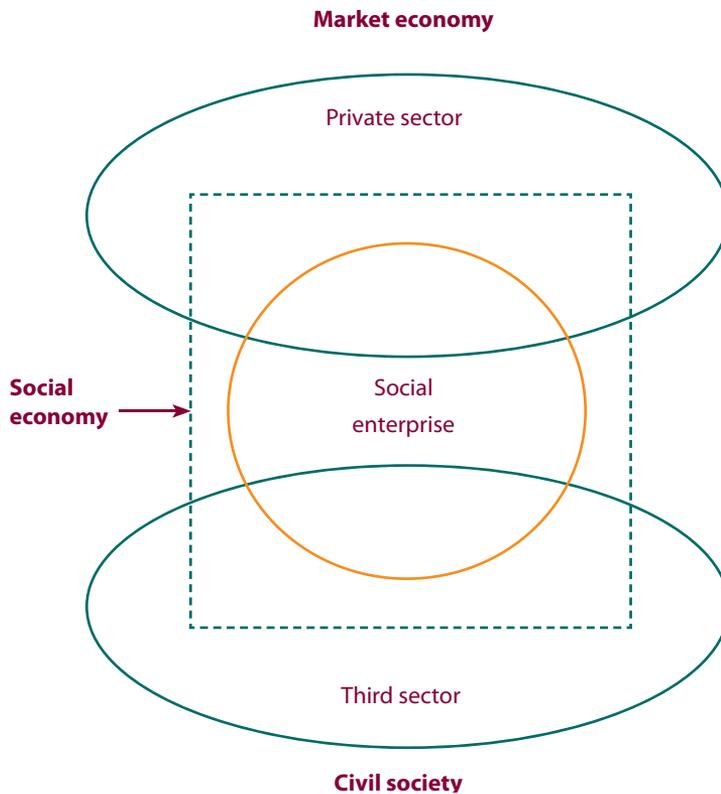
It is impossible to clearly demarcate the roles of stakeholders in a social enterprise. A social enterprise owes its innovativeness and adaptability to the flexibility of the relationships pertaining between its various stakeholders. The search for optimal solutions has led to the development of organisational forms combining the roles of producer and consumer, such as the “parent nurseries” which have become so popular in Sweden and France. The management culture of a social enterprise differs from that of a private firm by relying more on partnership and participation than on management and subordination²⁵. Social entrepreneurship needs social entrepreneurs if it is going to develop. Charles Leadbeater,²⁶ in a pamphlet published by the independent British research institute Demos, gives an interesting insight into the social entrepreneur movement. Social capital, activated by networking with various individuals, groups, organisations and institutions, is the point of departure for the social entrepreneur. This provides access to physical and financial capital which can be used to create and develop an organisation.

A social enterprise links the third sector with the private sector and is one of the institutional forms that bridge the gap between a civil society and a market economy. A social enterprise is an important segment of social economy which encompasses various organisational forms and institutions. These relations are illustrated in Fig. I.2.

25 J. Defourny, *Social Enterprise in an Enlarged Europe: Concept and Realities*, (in:) *Ekonomia społeczna*. Kraków 2004 ..., op. cit.

26 Ch. Leadbeater, *The Rise of ...*, op. cit.

Fig I. 2. Locating a social enterprise in the system



Source: Own data.

The drawing shows that, by its very nature, a social enterprise is a specific type of social economy organisation and market organisation. I do not subscribe to the views of those authors who refuse to recognise this specificity or attempt to downplay it. This applies equally to those authors who equate a social enterprise with a private firm and those who identify it with social economy. As Ryszard Praszkie and Andrzej Nowak²⁷ claim, not everyone who brings about social change in his or her community is a social entrepreneur. This is because not every social innovator is an entrepreneur and not every entrepreneur is a social innovator. I do not concede that the social economy is the only sector which combines business activity with social capital. Social capital is not unique to social entrepreneurship as claimed by Tomasz

27 R. Praszkie, A. Nowak, *Zmiany społeczne powstałe pod wpływem działalności przedsiębiorców społecznych*, „Trzeci Sektor” no. 2, 2005.

Każmierczak²⁸. Every type of entrepreneurship depends on it. Social entrepreneurship relies on a specific kind of social capital which is rooted in the third sector and placed in a local, community context.

6. Features of a Social Enterprise

Popular belief has it that social enterprises are tightly bound to the social economy by the following distinctive features²⁹:

- » Primacy of individual and social goals over capital
- » Voluntary and open membership
- » Democratic control exercised by the membership (except foundations)
- » Interests of users and beneficiaries are congruent with the public interest
- » Development and promotion of solidarity and responsibility
- » Autonomous management and independence from State authorities
- » Profits support ongoing goals, services for members or shared tasks.

The most mature definition of a social enterprise was offered by *The Emergence of Social Enterprises in Europe* project commissioned by the European Commission. The EMES definition distinguishes the economic criteria and indicators of this kind of enterprise (the entrepreneurship attribute) from those which are predominantly social (the socialisation attribute).

Four factors have been applied to corroborate the first attribute³⁰:

1. A continuous activity producing goods and/or selling services.

Social enterprises, unlike some traditional non-profit organisations, do not normally have advocacy activities or the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity, but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.

28 T. Każmierczak, *Centra Integracji społecznej jako pomysł na przeciwdziałanie wykluczeniu społecznemu? Refleksje wokół Ustawy o zatrudnieniu socjalnym*, „Trzeci Sektor” no. 2, 2005.

29 *Social Economy 2002. Briefing Paper. First European Social Economy Conference in Central and Eastern European Countries*, (Prague, 24-25 October 2002), p. 6.

30 J. Defourny, *Social Enterprise in an Enlarged Europe ...*, op. cit., pp. 52-53.

2. A high degree of autonomy

Social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. They may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or other organisations (federations, private firms, etc.). They have both the right to take up their own position (“voice”) as well as to terminate their activity (“exit”).

3. A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative inevitably linked with such undertaking. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

4. A minimum amount of paid work

As in the case of most traditional non-profit organisations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

To encapsulate the second feature, five criteria have been selected³¹:

1. An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of responsibility at local level.

2. An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim, this collective dimension must be maintained over time in one way or another, even though the importance of leadership – often embodied by an individual or a small group of leaders – must not be neglected.

31 Ibid, p. 53-54.

3. A decision-making power not based on capital ownership

This generally means the principle of “one member, one vote” or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the capital are obviously important, the decision-making rights are generally shared with the other stakeholders.

4. A participatory nature which involves the various parties affected by the activity

Representation and participation of users or customers, stakeholder influence on decision-making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

5. A limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations which - like cooperatives in some countries - may distribute profits, but only to a limited extent, thus avoiding a profit-maximising behaviour.

These criteria are presented in Table I.1 below.

Table I. 1. The nine criteria characterising a social enterprise

Economic criteria	Social criteria
1. Does the organisation offer paid work?	5. Was the organisation set up by citizens?
2. Does the organisation assume a significant level of economic risk?	6. Is the decision-making process independent of external interests?
3. To what degree is the organisation autonomous?	7. Does the organisation have a participatory management style?
4. Does the organisation conduct commercial activity?	8. Are profits distributed outside the organisation?
	9. Does the organisation have an explicit aim to benefit the community?

Source: M. Aiken, *Social Enterprise in Social Economy. UK Experience in the European Tradition and Context*, “Trzeci Sektor” 02/2005, p. 67, based on: C. Borzaga, J. Defourny, *The Emergence of Social Enterprise*, Routledge, London 2001.

7. Types of Social Enterprise

The most common types of social enterprise are cooperatives, mutual societies, associations and foundations. Yet some authors, among them Kwaśnicki³², have doubts as to whether cooperatives and mutual societies should be classified as social economy entities.

Kwaśnicki argues that cooperatives are not necessarily social enterprises, although they can be. Whether a cooperative qualifies as a social enterprise depends just as much on its guiding principles and the way it is run as on its legal structure. The International Cooperative Alliance lists the following guidelines for cooperatives to put their values into practice:

- » Voluntary and Open Membership
- » Democratic Member Control,
- » Member Economic Participation
- » Autonomy and Independence
- » Education, Training and Information
- » Cooperation among Cooperatives
- » Concern for Community.

The development of social enterprise has mostly been driven by community needs and initiatives, but can go nowhere without subsequent legislative support. This sequence of events has been observed in a number of European countries. Italy introduced the status of social cooperative in 1991. Belgium created the “social purpose company” in 1995 and Portugal the “limited liability social cooperative” in 1999. France legislated for the “cooperative company of collective interest” in 2000. A general legal framework enables social economy entities to combine entrepreneurship and business instinct with social activity³³.

Monica Loss³⁴ lists the categories of members covered by the Italian law on social cooperatives as workers, consumers, volunteers, financial contributors and other legal persons (both public and private).

Ewa Leś³⁵ enumerates the legal requirements a Belgian enterprise has to meet in order to qualify as a social purpose company as follows:

- » The partners agree not to operate for profit or at least to restrain their profit-maximising behaviour
- » The company has clearly defined social goals of which indirectly returning profits to its partners is precluded

The growth of social enterprise has mostly been spurred by community needs.

32 W. Kwaśnicki, *Gospodarka społeczna z perspektywy...*, op. cit., p. 31.

33 Defourmy, *Social Enterprise in an Enlarged Europe...*, op cit, p. 50.

34 M. Loss, *Spółdzielnie socjalne we Włoszech*, „Trzeci Sektor” no. 2, 2005, p. 48.

35 E. Leś, *Nowa ekonomia społeczna ...*, op. cit., p. 41.

- » The company's profit distribution and reserve creation policies must correspond with its social goals,
- » The company must publish an annual report detailing how it pursued its social goals (including data on investment outlays, operating costs and wages and salaries)
- » Every employee has the right to become a partner after a year of satisfactory work
- » An employee ceases to be a partner upon terminating his or her contract with the company
- » Whenever a social purpose company is liquidated, any surplus remaining once its liabilities have been paid is transferred to another social enterprise so as to achieve social goals.

An important new initiative in 2003 was the British proposal to create Community Interest Companies (CIC)³⁶. This predominantly sought to introduce new ways of providing public services while at the same time supporting social entrepreneurs creating employment opportunities for disadvantaged members of society. CICs use their profits to supply public goods and services although they are subject to certain constraints as to how they can use their resources.

Social enterprises in the form of public benefit companies principally aim to support local communities by developing and revitalising public space, mostly squares, parks and buildings which people are keen to use provided they are clean, safe and appealing. The British government supports this mission by awarding special purpose grants to public benefit companies.

Two main models of a social enterprise have been identified based on the analyses of the EMES project:

1. Social enterprises providing municipal services – public benefit companies
2. Social enterprises integrating through work.

Thirty nine categories of social enterprise were classified as Work Integration Social Enterprises (WISE)³⁷ in the twelve EU countries studied.

³⁶ *Civil Renewal: A New Agenda*, The CSV Edith Kahn Memorial Lecture, 11th June 2003, by David Blunkett 2003.

³⁷ J. Defourny, *Social Enterprise in an Enlarged Europe...*, op cit, p. 54. 38 Ibid, p. 51.

8. Social Enterprise Defined

Various definitions of “social enterprise” have been put forth and promoted by different authors and communities. One such attempt was the proposal contained in the UK government’s social enterprise strategy paper of 2002 which states that³⁸ “A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”.

John Pearce³⁹ formulated the following definition of a social enterprise: “It is a general term applied to all business entities having a social goal, not oriented towards generating and distributing capital and democratically involving its members in its governance”.

Based on an analysis of the presented definitions, a social enterprise can be said to have the following characteristics:

- » Goods and/or services are provided at some economic risk and the results of this activity are subject to economic validation
- » Activities are oriented towards social integration at the local community level
- » Capital owners share decision-making rights with stakeholders
- » Management culture is based on partnership and participation
- » Stakeholders exercise democratic control.

Characteristics of a social enterprise:

1. Goods and/or services are provided at some economic risk,
2. Activities are oriented towards social integration
3. Capital owners share decision-making rights with stakeholders
4. Management culture is based on partnership and participation
5. Stakeholders exercise democratic control.

9. The Social Economy and Socio-Economic Growth

The alternative solutions proposed by the social economy in relation to existing solutions have to be analysed in a relational rather than a dichotomic context. The social economy does not eliminate the need for social welfare and is not a substitute for it. Yet we now find ourselves turning to the social economy as a reaction to a crisis situation and a criticism of the welfare state. It is no accident that traditional forms of social enterprises, especially mutual societies, have been weakening and even disappearing in those countries where the welfare state has been growing and access to social security systems becoming more widespread⁴⁰. In cases where the economy and social life is centrally regulated in the extreme (fascism, communism), these forms lose their civic dimension completely and become a part of the State organism.

38 Ibid, p. 51.

39 J. Pearce, *Social Enterprise in Anytown*, Calouste Gunbelkian Foundation, London 2003, p. 190.

40 C. Borzaga, E. Tortia, *Social Economy Organisations in the Theory of the Firm*, (in:) A. Noya, E. Clarence (ed.), *The Social Economy. Building Inclusive Economies*, OECD, Paris 2007.

The term “social economy” disappeared from the economic lexicon after World War II. It was revived in response to the neoliberal revolution of the last decades of the 20th century. Over the course of several decades, industrialised societies have come to realise that neither the State (the public administration) nor the market (the private economy) can create organisational forms capable of satisfying traditional, let alone new, social needs wrought by changes in the traditional family model, an ageing population etc.

I do not think, however, that the old ideas are about to make a comeback. This shift in the direction of social economy, from a market economy to an economy of solidarity and from a centralised State to communitarism, is no pendulum. What we observe today is the outcome of a long-term evolution of the State and the market. The contemporary social economy does not reverse or restrict previous trends but rather leads to their gradual institutional transformation and development. The third, or NGO, sector was a symptom of this evolutionary movement and, at the same time, one of the driving forces behind it. This sector gave new meaning to the concept of civil society. NGOs stimulate the creation of social enterprises, enabling them to retain their autonomy and raise funds to support their mission. This is why NGOs were long opposed to getting involved in commercial activities which they perceived as more a threat than an opportunity. The concept of making money seemed morally wrong and inconsistent with their social mission. In most cases, NGOs were legally prevented from starting up business operations. Legislators failed to foresee that the social economy was necessary or that it could develop alongside the private and public economies⁴¹. Many politicians viewed social economy as communism in disguise.

The contemporary social economy is slowly trying to find its place on the market by responding to unresolved social problems and unmet needs, especially those of disadvantaged and underprivileged social groups. The place and the role of the social economy is being shaped locally rather than at the level of large-scale political programs. The local arena is where innovative ideas and solutions are born and where the social economy develops its potential and dynamism. This is the best evidence that the social economy is needed and best attests to its natural and organic growth.

Social economy is neither a new phenomenon nor a new category. Yet the conventional wisdom of the past few decades has placed it in opposition to the market economy and the State. It was radically separated from those sectors or falsely regarded as a political alternative. This was noted by Polanyi⁴² while commenting

41 C. Borzaga, A. Santuari, *New Trends in the Non-profit Sector in Europe: The Emergence of Social Entrepreneurship*, (in:) *The Nonprofit Sector in a Changing Economy*, OECD, Paris 2003.

42 K. Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time*, Beacon Press, Boston 1957.

on the philosophy and experiences of Owenism, a 19th century movement which aimed to create a utopian market society free and separate from politics.

The majority of advocates of a “new social economy” do not subscribe to such far-reaching doctrinal assumptions and do not contrast it with the market or the State.

This approach to social economy guarantees alternative solutions without offering a political alternative. It is not an idea or a way of rejecting the market or the State, but a road to political evolution. It offers practical solutions to social problems on a local scale (neighbourhood solidarity economy, local public benefit services), and is also a vehicle for more profound political changes, including changes in the market economy (corporate social responsibility) and the State (co-management, public, social and private partnership).

The social economy may therefore be perceived as an instrument or as a part of the system by recognising its practical advantages and far-reaching consequences⁴³. The expectations for the social economy relate to different aspects of social life. The only drawback is that those expectations are not always realistic. The social economy is not a universal remedy offering a miraculous cure to all problems. It would be a mistake, however, to see the social economy as a mere shadow of a neoliberal social revolution relentlessly extending the reach of the market as far as possible, with social workers unwitting pawns in capital’s “enveloping strategy” to take over the domain of social services and non-governmental organisations⁴⁴.

The social economy will definitely not eliminate traditional welfare support. Nor will it guarantee the occupational activation of all members of socially unprivileged groups. But social enterprises have more to offer than the activation and integration of these people through employment. They can provide various types of support, such as social care, to socially excluded people and can help them become active members of their local communities. In this sense, social enterprises may be more effective in providing these kinds of services than welfare institutions, especially as they generate income. From this perspective, the welfare sector opens up new possibilities for the State who, by fulfilling its social welfare function and observing the principle of subsidiarity, sees the social economy as a means of achieving social goals and resolving problems.

The State may treat social enterprises instrumentally by delegating selected tasks through grant competitions or by contracting out services to NGOs. Yet they should recognise social enterprises as autonomous partners which can become major

43 P. Lloyd, *The Social Economy in the New Political Economic Context*, (in) A. Noya, E. Clarence (ed.), *The Social Economy. Building Inclusive Economies*, OECD, Paris 2007.

44 Peck, A. Tickell, *Neo-Liberalizing Space*, “Anitopode” Vol. 34, No. 3, 2002.

players in generating socio-economic growth, given the right means and support. In this sense, the social economy is necessary, not just because it can perform selected public tasks in the area of social support more economically, but mainly because it directly fulfils a social goal by stimulating commercial activity. The type of activities funded by the generated revenue is just as important as the way in which those activities are conducted.

The social nature of the “social economy” reflects not only the mission of its business activities (non-profit) but also the manner in which those activities are conducted. If this latter attribute were not taken into account, then any business allocating a significant portion of its profits to some predefined social goal would fit the definition of a social enterprise regardless of what it did or how it did it. This definition would also cover businesses which acted in ways inimical to certain social values (e.g. by polluting the environment) so long as they allocated some of their profits to protecting and promoting those values.

To analyse the social economy solely in terms of business activity is to trivialise its main goals which, if taken to the extreme, can reduce them to a straggle of organisational, rather than individual, charitable instincts. This is not to deny the admirableness of charitable instincts or claim that they should not be acted upon. The social economy is not only characterised by its goals (mission) but also by the fundamental principles on which its business activity is conducted. There is undoubtedly a need to discuss these principles, their practical application, and the criteria for observing them together with the legal requirements which need to be imposed on enterprises wanting to avail themselves of the privileges the legislature has reserved for social enterprises. Establishing those principles and working out the consequences of acting on them is no mean feat. But it must be done if the social economy is to become an important sector, or sub-system, of the overall economy.

The area in which social enterprises operate can be mapped out by the two vectors of providing social services and creating jobs for socially excluded people.

The area in which social enterprises operate can be mapped out by the two vectors of providing social services and creating jobs for socially excluded people. Every permutation and combination of these variables depends on local conditions and the capabilities of particular organisations. By working in this area, social enterprises not only generate a surplus to support social goals, but their operations also create certain social values. By describing social enterprises as “non-profit” organisations, we do not simply mean that they do not pay dividends to shareholders. The organisation’s primary objective is to create certain values rather than make a profit. Profits, if any, are incidental to the organisation’s goals, not the goals themselves.

The social economy occupies a particular niche carved out by the market economy (the private sector) and the State (the public sector). This space is not shaped unilaterally but reflects the relationships between the various sectors of the economy. The relationship between the social economy and the private sector may be formed

according to one of the three principles of competition, coexistence and complementarity. I find complementarity the most fertile ground for the development of the social economy because it paves the way to cooperation and exchange. The range of relationships between the social economy and the public sector runs the full gamut from hostility to indifference, clientelism and partnership. Partnership is the only relationship which fosters a supporting environment for social enterprises. Clientelism implies that social enterprises are only used instrumentally and are dependent on the public administration. They cannot creatively fulfil their mission, even if they have the necessary material resources. Social enterprises need to work together with the public administration and take advantage of public support. It is important that social enterprises be able to do so without losing their autonomy, their freedom to use their resources as they see fit, or their capacity for innovation. Once deprived of that, they lose their independence and special character.

If we are going to determine where the social economy fits into the system, then we need to define its relationship with the NGO sector. These two concepts are neither identical nor interchangeable. NGOs are not social enterprises unless they conduct business activity. Conversely, not all social enterprises are NGOs.

Social enterprises need to work together with the public administration and take advantage of public support while retaining their autonomy, their freedom to allocate their resources as they see fit, and their capacity for innovation.

10. Social Economy and Local Development

One of the most popular and frequently cited conceptions of local development was devised by Angelo Pichierr⁴⁵ who identified four basic types:

1. Endogenous development in which local actors make maximal use of local resources. This type of development can be observed in areas where human, financial and material resources can mobilise themselves in the right quantities and quality.
2. Exogenous development in which external actors utilise external resources. This type of development is reported in areas lacking financial and material resources and local institutions capable of mobilising the local workforce. Exogenous development relies on the use of external factors, such as technology, capital and raw materials. The local workforce is mainly used to keep labour costs down. The output is sold mainly externally.
3. Stimulative development (internal resources) occurs when local development is stimulated by external actors using local resources. External companies may use their own capital and technology, and suitably qualified local workers and other local resources. External companies operating on a global scale are effective be-

45 A. Pichierr, *Concertation and Local Development*, „International Journal of Regional Research”, Vol. 26, No. 4, 2002, za: J. F. Nowak, *Modernizacja lokalnej administracji publicznej a rozwój lokalny*, „Prace habilitacyjne” no. 25, Wydawnictwo Akademii Ekonomicznej w Poznaniu, Poznań 2006.

cause they have the necessary business connections to market and sell output on external markets.

4. Attractive development (external resources) in which local actors are activated through access to external resources, mostly finance and knowledge, methods and training.

This classification results from combining four variables – the participants and resources of the development process, both internal and external, are illustrated in Fig. 1.3. below.

Fig. 1. 3. Types of local development based on resources and participants

		Participants	
		Internal	External
Resources	Internal	Endogenous development	Stimulative development (internal resources)
	External	Attractive development (external resources)	Exogenous development

Source: A. Pichierri, A. Pichierri, *Concertation and Local Development*, "International Journal of Regional Research", Vol. 26, No. 4, 2002.

Social economy is based on local resources identified and mobilised by local actors.

Social economy supports endogenous development because it is based on local resources identified and mobilised by local actors. This is particularly important in areas marked by social and economic depression where unresolved problems obstruct activity and growth. Social economy can support the revitalisation of these environments, and social enterprises can become indispensable partners in the process of social and economic revival.

Social enterprises can engage people and underutilised resources with relative ease and at little cost. They do this by launching work integration schemes and providing services that generate social capital and stimulate the development of human capital.

Every local community lives within its own space and time continuum as part of its culture. In this sense, a community is a social structure, and how the available

resources are identified and deployed depends on how this structure is built⁴⁶. Bob Jessop⁴⁷ argues that social enterprises which set out to serve the community rather than generate monetary profits may change the way a community functions within that time and space continuum by building trust, collaboration and eliciting the support of local actors. Social enterprises can exert this beneficial effect on the local community provided they are able to generate additional demand by supporting the reorientation, activation and integration of socially excluded people. They may also provide social housing or energy conservation services.

Social enterprises make a valid contribution to the rehabilitation and revitalisation of local communities because they have ready access to local knowledge and technology. This enables them to make the best use of local heritage which may not have significant economic value outside local context. This aspect may be theoretically illustrated by different definitions of competitiveness showing that new organisational forms are capable of building a competitive advantage by drawing on local knowledge. According to Carlo Borzaga and Ermanno Tortia⁴⁸, these concepts speak strongly in favour of the social economy and explain the competitive edge of social enterprises. They are also sound arguments for social enterprises in a local context. The relationships between the social economy and the local community are neither fortuitous nor unnecessary. They can be seen most clearly with services requiring geographical proximity between suppliers and recipients. For this reason, the best providers of these kinds of services may be small, local social enterprises which create jobs into the bargain⁴⁹.

In addition to welfare, social enterprises sometimes provide services whose success requires changes in the attitudes and behaviours of small communities where local bonds and sense of identity are strong. This is especially true of ecological services, including waste collection and management. In this case, a change of old habits is a prerequisite for success, but this may be very difficult to achieve through persuasion or punishment. I believe that social enterprises should be offering a broader range of ecological services, including the development and protection of green areas and the use of local renewable energy sources.

This approach could be especially promising for rural areas. EU countries are gradually moving away from the notion of commercial farming towards "multi-functional development". According to Wilkin⁵⁰, these activities mainly focus on the non-market functions of agriculture, such as environmental protection, the protection of cultural

46 M. Halamska, *Uwagi do strategii rozwoju obszarów wiejskich i rolnictwa na lata 2007-2013* (mimeo), IRWIR PAN, Warszawa 2004.

47 B. Jessop, *Liberalism, Neo-Liberalism, and Urban Governance: A State-Theoretical Perspective*, "Antipode" Vol. 34, No. 3, 2002.

48 C. Borzaga, E. Tortia, *Social Economy Organisations ...*, op. cit.

49 C. Borzaga, A. Santuari, *New Trends in the Non-profit...*, op. cit.

50 J. Wilkin, *Przekształcenia własnościowe ...*, op. cit.

heritage in rural areas, and the significance of farming in rural communities. This developmental philosophy is strongly supported by the European Union with vast amounts of structural funding.

In a direct analysis of the relationship between the social economy and local development, Xavier Greffe⁵¹ observes that noticeable changes in the practical and political approach to local development occurred after 2000. The focus has shifted to local factors and the institutional conditions for development. The most important local factors are new services and jobs, soft infrastructure, human resources, quality of life, cultural image and private funding for public benefit projects. As regards the institutional framework, the focus is on activities promoting the strategic combination of economic and social growth factors, setting up development partnerships, establishing local networks for coordination and cooperation, and forming clusters which can put their local heritage to profitable use. This reinforces the endogenisation of local development, but not isolation, autarky or stagnation. Local multilateral partnerships and participatory management strengthen the local community and open it up to the outside world. Social enterprises have an important role to play in forging this model of local development.

The social economy has traditionally been confined to occupational activation and integrating socially excluded people. However, when combined with local development, it can effectively prevent social degradation and exclusion, thus becoming the front line of an active and activating social policy.

11. Summary

In my opinion, Poland needs a structured approach to promoting the social economy and developing local systems of social services. This would accelerate the development of the social economy, even in rural areas where it does not currently exist. This orientation would enable social enterprises to preserve their social character through their local origins and their bonds with the local community. There is an increasing threat to non-governmental organisations of economisation and oligarchisation. This has the capacity to make them act more and more in the interest of their employees and turn the third sector into a corporate lobbying machine. This approach will intensify the use of local resources, including labour, revive local communities and speed up the social and economic growth of depressed and marginalized areas. This would foster national growth because social enterprises can only be effective when their operations are based on reciprocity and solidarity, and when

51 X. Greffe e, *The Role of the Social Economy / Local Development*, (in:) A. Noya, E. Clarence (ed.), *The Social Economy. Building Inclusive Economies*, OECD, Paris 2007.

they make use of and expand social capital. This capital is a function of cooperation, co-production and co-management.

Jerzy Hausner

Professor at the Cracow University of Economics (Department of Economics and International Relations), Head of the Chair of Economics and Public Administration at the Cracow University of Economics. Prof. Hausner has coordinated several research projects and has participated in 6 academic scholarships. He was granted the title of Professor of Economic Sciences in 1994 and the title of Ordinary Professor in 1998. He is a member of the Committee of Economic Sciences of the Polish Academy of Sciences. During the 1990s, Prof. Hausner headed a team of advisors to the Deputy Prime Minister of Economy, was the government spokesman for reforming the social security system and a member of the Team of Economic Advisors to the President of the Republic of Poland. He served as a parliamentary deputy from 2001 to 2005. Prof. Hausner was appointed Minister of Labour and Social Policy in Leszek Miller's cabinet in October 2001. He was appointed Minister of Economy, Labour and Social Policy in January 2003 and Vice President of the Council of Ministers in June 2003. Prof. Hausner developed the Hausner plan to rationalise public spending. He was Deputy Prime Minister and Minister of Economy and Labour in Marek Belka's cabinet (from May 2004 to March 2005) and coordinated the drafting of the National Development Plan for 2007-2013. Prof. Hausner has won numerous awards, including the Kisiel award and the Władysław Grabski award. He is the editor-in-chief of the quarterly magazine *Zarządzanie Publiczne* (Public Management). Prof. Hausner has written more than 250 academic publications.

Recommendations for public employment services – issues which should be taken into account when planning activation measures for long-term unemployed and socially excluded people

Polish Labour Market with Special Emphasis on the Situation of Underprivileged Groups

Recent years have shown that a great many people from underprivileged social groups are unable to better their position on the labour market even when the economy is booming. Their structural problems can be overcome only through comprehensive labour, social and fiscal policies implemented by public institutions with the active involvement of social organisations (including social enterprises) and businesses. In view of the above, any such measures should be geared towards:

- » changing the philosophy and policies of the State – by departing from the traditional welfare model and moving in the direction of the workfare model which promotes gainful, long-term employment. This requires a change from a passive to an active and activating social policy
- » increasing the intensity and effectiveness of active labour market programs targeted at underprivileged groups, both on the national and the local level
- » supporting social economy initiatives, such as the development of social enterprises
- » developing an institutional child care system so that people can balance their professional and personal lives
- » eliminating legislative barriers and measures discouraging unprivileged people from taking up employment (e.g. by reducing the tax wedge).

Legal Instruments for the Social Economy

There is no shortage of legislation regulating the institutional, material, legal and functional aspects of running entities which qualify as social enterprises, whatever their strict legal status. These regulations do not, however, make up a cohesive set of legal instruments suitable for the social economy. The Act on Social Cooperatives is ill adjusted to the existing legal framework, including the Cooperative Law, the Act on Freedom of Economic Activity, the Act on Public Benefit and Volunteer Work, and has done nothing to make this legislative framework more cohesive. Given the relative unpopularity of the Act on Social Cooperatives, the legislature would be well advised to:

- » search for other legal instruments regulating the social economy which need to be inventoried and systematised
- » offer special treatment for businesspeople who conduct business activity and pursue statutory social goals as part of the preparation and implementation of the proposed Act on Social Entrepreneurship.

Public Employment Services – Forms of Partnership

Public employment services have been working more closely with non-governmental organisations, but this cooperation still falls short of satisfactory. The following measures are needed to intensify and systematise this cooperation:

- » public employment services should introduce a motivational management system to ensure that their staff are highly qualified and interested in seeking out innovative solutions to labour market problems
- » public and non-public (non-governmental organisations, social partners etc.) labour market institutions should be encouraged to develop and maintain partnership relations
- » bureaucratic obstacles should be eliminated to improve the quality and efficiency of services offered to those attending public employment programs (including NGOs)
- » NGOs should be allowed to provide more labour market services
- » NGOs should be better represented on employment boards.

Public Employment Services and Welfare Institutions

There is a broad range of measures which can be jointly initiated by public employment services and welfare institutions. The following measures are needed to fully utilise the existing legislative options:

- » both parties should work together more closely on drawing up strategic and operational documents (e.g. strategies for resolving social problems, and programs promoting employment and the activation of local labour markets)
- » institutional measures are needed to enable both parties to exchange complete and timely information (e.g. organising meetings to go over the coordination of shared tasks)
- » both parties should refer their clients to social employment institutions and work together on organising public benefit schemes and public employment programs.

The Social Economy and the Labour Market

Social enterprises have valuable resources which, if deployed effectively, can make occupational rehabilitation measures more effective, especially those addressed to people who are unemployed or at risk of becoming so. For social enterprises to become major players on the labour market:

- » public employment services have to change their approach to social enterprises and acknowledge that they are an important partner in resolving complex labour market issues
- » social enterprises have to adopt a professional approach to meet the standards required to perform the labour market tasks assigned to them

- » systemic solutions are needed to stimulate cooperation between social enterprises and labour market institutions
- » better use should be made of subsidised employment, traineeships and public benefit work to promote the occupational rehabilitation mission of social enterprises
- » NGOs should have improved access to structural funds supporting occupational rehabilitation measures, especially those addressed to underprivileged social groups and people threatened with social exclusion.

Public Employment Services and NGOs

The major barriers to real partnership and cooperation between public employment services and non-governmental organisations is each partner's lack of understanding of how the other operates, and the absence of institutional solutions and generally accepted standards of cooperation. These deficiencies can be made good by:

- » functionally adapting the competencies of labour market players to their real potential and their ability to change the situation on the local and regional job markets
- » drawing up a list of labour market services provided by NGOs
- » contracting out more job market services to NGOs, especially services whose scope extends beyond the standard operating frame of public employment services
- » amending the Public Procurement Act to increase the involvement of NGOs in providing labour market services.

Financing Social Economy Initiatives

Enterprises working towards greater social integration and occupational rehabilitation have more and more means of financing their activities. This does not mean that they are finding it easier to acquire the necessary funds to perform their statutory goals. There is any number of internal and external obstacles restricting the actual availability of these resources. Four measures are proposed to eliminate these barriers:

- » simplifying the principles and procedures for social enterprises to acquire financial resources, especially structural funds
- » developing a system for financing the operations of social enterprises (e.g. loan funds, guarantee funds created with the involvement of public and private capital, establishing centres promoting social entrepreneurship)
- » developing transparent and cohesive legal regulations enabling social enterprises to take up business activity (e.g. the Act on Social Entrepreneurship),
- » introducing regulations for auditing social enterprises applying for financial support from both public institutions and businesses.