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## Selected Aspects of Social Cooperatives in Poland

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### Abstract

The paper describes the characteristics of social cooperatives in Poland, which constitute an important element of the national sector of social entrepreneurship. Social cooperatives are non-profit organizations that combine economic activity with the social and professional reintegration of their members. The paper puts particular emphasis on the presentation of the social and economic potential of the social cooperatives sector in Poland.

The paper presents the results of the monitoring of social cooperatives in Poland, which was carried out in 2015. It is the most comprehensive study that has been carried out among social cooperatives so far, which facilitated the acquisition of the comprehensive statistical information concerning the aforementioned sector. Additionally, the study presents contextual information concerning the legal and institutional conditions in relation to the functioning of social cooperatives in Poland.

### Keywords

Social cooperatives; Poland, Monitoring; Social and economic performance

### JEL codes

C42; J21; L31; M41

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## 1. Introduction

The traditions of social organizations in Poland are very rich, dating as they do from the first half of the 19th century. The first cooperatives were established in the 1870s, during the partition era, when Poland did not exist as an independent and sovereign state. The real boom of the cooperative movement took place in the interwar period; in 1920 a law on cooperatives was adopted, one which was regarded as amongst the best and most modern laws at that time in Europe. Unfortunately, after 1945 the activity of the various types of social organizations was heavily limited. During the period of real socialism, the conditions under which cooperatives were permitted to operate changed radically, being completely subordinated to state policy. After the war, cooperatives underwent top-down processes of nationalization and centralization, leading to the weakening of some of their key features.

A renewed interest in social and cooperative organizations emerged after 1989. A rapid reconstruction of the cooperative system in Poland occurred in the wake of the political transformation initiated by the deliberations of the Roundtable; also notable was the dynamic development of social organizations. A further spur to the development of social organization was the integration of Poland into the European Union in 2004; this encouraged the dissemination of the concept of social entrepreneurship throughout Poland. In 2003, the Polish government passed the Law on public benefit and volunteer work, defining for the first time the concept of non-governmental organization under national law and determining the forms of cooperation and interaction between the subjects of the third sector and public administration. Today, the social economy sector in Poland consists of the following:

- i) cooperatives (e.g. housing cooperatives, worker cooperatives, cooperatives of agricultural clubs, cooperatives of people with disabilities, dairy cooperatives, savings and credit cooperatives);
- ii) mutuals (mutual insurance companies and employees' loan and benefit funds);  
and
- iii) foundations, associations and similar organizations whose goal is other than the maximization of profits (Nałęcz, 2008).

This study aims at analysing the performance of social cooperatives in Poland. The history of these entities is fairly recent, since the law on social cooperatives was adopted only in 2006 (it is worth noting that the law on social cooperatives acknowledged, for the first time, the status of social enterprises in the Polish legal system). Technically, social cooperatives operate as joint ventures based on the personal work of members and are aimed at the promotion of the social and professional reintegration of their members (Mizejewski, Ołdak and Wasiak, 2010).

The literature concerning the performance of social cooperatives in Poland is relatively sparse. In particular, there are no empirical publications illustrating the social and economic potential of the social cooperative sector in Poland (Kobielska, 2010; Czarkowski, 2013; Izdebski and Ołdak, 2013; Izdebski, 2015). Extant studies are fragmentary and based primarily on surveys, or rely on general information included in administrative registers. Until recently, the only nationwide studies on social cooperatives in Poland were those published in the government reports prepared by the Ministry of Labour and Social Affairs (now the Ministry of Family, Labour and Social Policy, MPiPS) (DPP MPiPS 2012; 2014). Owing to the methodology used (online survey), the low rate of return of the questionnaires, the inclusion of a narrow and restrictive range of data from national administrative registers and the public statistics system, the ministerial reports delivered cannot be regarded as a complete and reliable source of information on social cooperatives in Poland.

The aim of this paper is to present the characteristics of the cooperative sector in Poland, emphasizing in particular its social and economic potential. The data presented in this study derive from a survey conducted in 2015 by a group of researchers from the University of Warsaw, carried out on behalf of the Ministry of Labour and Social Policy (Izdebski et al., 2015). The main cognitive goal of the research project, funded by the Human Capital Operational Programme, was to provide holistic and comprehensive statistical information concerning the sector of social cooperatives in 2015. Furthermore, the aim of this project was to develop a methodology for the cyclical and regular monitoring of social cooperatives in Poland.

Section 2 of this paper presents the institutional conditions of the legal functioning of social cooperatives. Section 3 comprises information on the forms and the extent of public support given to such entities. Section 4 addresses the characteristics of a testing methodology, and Sections 5 to 7 present the main results of the study, with particular regard to data concerning the number of active cooperatives, the number of their members and employees, and data on their economic activity and financial situation.

## **2. The legal framework governing the performance of social cooperatives in Poland**

Act of 13 June 2003 on social employment (*Journal of Laws 2003 No. 122, item. 1143*) initiated new forms of activation addressed to the unemployed and people at risk of social exclusion in Poland. The act defined the concepts of social exclusion, social employment, and the so-called supported employment, *inter alia*, within the cooperative form of economic activity.

At that time, people at risk of social exclusion who were leaving the centres of social integration were—for the first time—provided with the possibility of professional activation through the establishment of cooperatives. The very concept of a “social cooperative” was first used in the Act of 20 April 2004 on employment promotion and labour market institutions (*Journal of Laws 2004 No. 99, item. 1001*). The aforementioned act amended the Cooperative Law by introducing the possibility of creating a new type of entity, a specific type of cooperative work, not targeted at maximizing profit. Social cooperatives were assigned an important role in the labour market and the social security system<sup>1</sup> and, in parallel; the work on a separate piece of legislation was commenced, with the purpose of regulating the status of the new entities. Finally, on April 27, 2006, a new Law on social cooperatives was passed (*Journal of Laws 2006 No. 94, item. 651*); this law indicated that the main objective of the social cooperatives was the integration of their members in the labour market via the operation of a joint venture of people at risk of social exclusion<sup>2</sup>. Thus, a new legal entity was created whose purpose was not only the performance of an economic activity, but also the facilitation of:

- the social reintegration of cooperative members, by way of activities aiming at rebuilding and maintaining the skills that facilitate engagement in the life of the community and social roles in the place of work, residence or stay;
- the professional reintegration of members of the cooperative, which should be understood as activities aimed at restoring and maintaining the ability to independently perform work in the labour market.

In accordance with the provisions of the act, the founders of social cooperatives may be both natural and legal persons. If the founders are natural persons, their number may not be less than five. The natural persons entitled to create cooperatives principally include:

- the unemployed, within the determination of the Act of 20 April 2004 on the promotion of employment and labour market institutions,
- the people referred to in the Act of 13 June 2003 on social employment, that is:
  - people addicted to alcohol or drugs and other intoxicants after treatment;
  - homeless people who follow an individual program of overcoming homelessness;
  - former prisoners who have difficulties in integrating with the social environment;
  - mentally ill people;
  - refugees facing integration problems;

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<sup>1</sup> The explanatory memorandum to the project of The Act on social cooperatives, [www.sejm.gov.pl](http://www.sejm.gov.pl).

<sup>2</sup> [www.sejm.gov.pl](http://www.sejm.gov.pl).

- people with disabilities, defined according to Act of 27 August 1997 on vocational and social rehabilitation and the employment of the disabled;
- other people, provided that their number does not exceed 50 per cent of the total number of founders.

A social cooperative may also be established by at least two of the following legal entities:

- NGOs within the meaning of the Act on public benefit and volunteer work;
- local government units;
- church legal persons.

### **3. Public support for social cooperatives in Poland**

Social cooperatives in Poland have been accorded an important role in the labour market and social security. Owing to this, social cooperatives can rely on financial support from the state budget and the EU, both of which are an important element of the policy supporting the development of social economy in Poland. People who are interested in starting a business in the form of social cooperative are entitled to apply for a one-time grant by the Labour Fund in an amount that neither exceeds four times the average salary per each member-founder of the social cooperative, nor three times the average salary per each member joining an already existing cooperative.

Between 2007 and 2013, social cooperatives were awarded 733 grants by the Labour Fund. On average, social cooperatives received about 100 grants a year; however, the average figure could be misleading, since the number of grants awarded by the Labour Fund varied over particular periods. The highest number of subsidies were awarded in 2010, whereas the smallest were granted in 2008. Nevertheless, it is worth noting that in not every social cooperative established between 2007 and 2013 gained public support from the Labour Fund.

### **4. Monitoring of Social Cooperatives 2014: data sources and methodology**

The Monitoring of Social Cooperatives 2014, a nationwide study conducted in 2015, used the same sources of information as the previous projects of a similar type<sup>3</sup> i.e., administrative records and a survey (Izdebski et al., 2015). However, this study differed from the previous ones in two important aspects. First, the analysis involved a much wider range of information obtained from administrative records; secondly, the survey

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<sup>3</sup> Three national studies on the social cooperatives sector had been conducted respectively in 2011, 2014 and 2015.

employed different techniques of reaching out to the representatives of the social cooperatives sector with a questionnaire form.

The Monitoring of Social Cooperatives 2014 employed three types of administrative data. These included information dealing with social cooperatives from two administrative registers: the National Court Register (KRS), the National Official Business Register (REGON); and data on the scope of support to the social cooperatives of the Ministry of Labour and Social Policy (MPiPS). The previous studies on the social cooperative sector did not make use of information supplied by REGON, whereas the data from KRS played a minor role restricted simply to the fact that the information available constituted the basis for determining the number of social cooperatives operating in a given period of time and estimating the level of the survey implementation. Conversely, the current study analysed data from the KRS and REGON records in terms of their immediate usefulness in monitoring the condition of social cooperatives. The information in these two registers is of a high degree of completeness and consistency and the data allowed for a comprehensive analysis of the dynamics of the development of social cooperatives in Poland. As a result, it has been possible to present in a reliable and accurate form the changes in the size of the sector of social cooperatives in both absolute and relative terms; to show the average time of the formation of parties; and present their main fields of economic activity.

One of the most important methodological solutions applied in surveys was to enable the surveyor to contact every social cooperative appearing directly in the registry<sup>4</sup>. This helped the verification of the status of the cooperative: the interviewer could immediately verify whether the registration address actually corresponded to a given entity. At the initial stage of the study, the surveyor had to make a preliminary interview, during which basic data on cooperatives were collected, and a selection process to the appropriate survey was determined. The full survey covered only those cooperatives that declared performing economic and/or social activities in 2014. The process of collecting information in the field followed a traditional method (i.e., the respondents replied to a questionnaire issued in paper format). The questionnaire used in a proper/given study contained closed questions and only essential enquiries related to the description of the functioning of social cooperatives. During the field research, contacts were made with two thirds of the social cooperatives included in the REGON register. As regards the cooperatives that could not be contacted, 70 per cent did not exist, and the others could not be reached despite the many attempts made. The estimated study conduct level indicator—expressed as a ratio of the number of surveys collected during the study of a number of entities listed in the REGON register—exceeded 53 per cent.

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<sup>4</sup> It was facilitated by the data on the location of social cooperatives included in the REGON register.

## 5. The development of social cooperatives in Poland

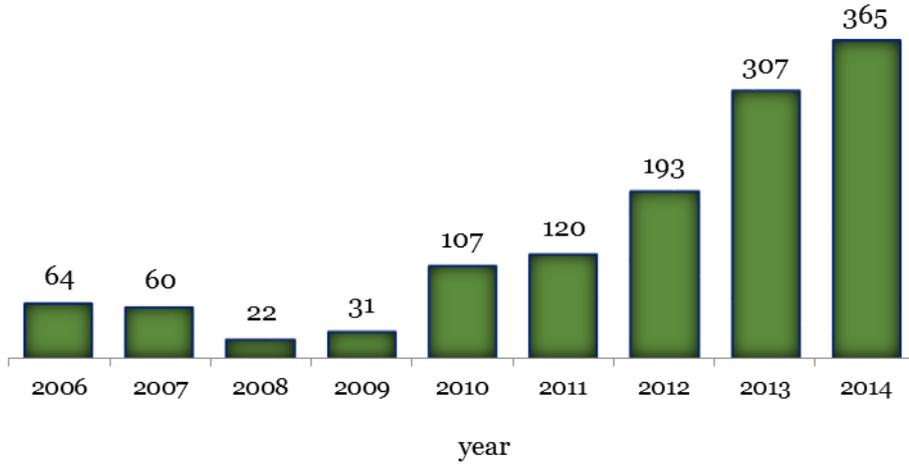
In order to describe the development of the Polish social cooperatives sector, data from the REGON registry were used. The utility of this type of information is determined by the comprehensive nature of the data and its degree of reliability, given that each entity starting a business activity is obliged to submit an application for registration to the national economy. Despite the fact that the scope of the REGON data is not very extensive, it does enough to characterize the development of the social cooperatives sector, partly because—on the basis of the data—it is possible to accurately determine the number of cooperatives established in a given period of time. One drawback of this source is the fact that the number of registered social cooperatives does not have to strictly comply with (and usually it does not) the number of actually existing entities. The register also include obsolete information, as the authority keeping the register can learn about the cessation of business activity only and directly from the entity that has ceased the activities. However, providing information on the cessation of the activity is not necessarily a priority for people representing a company. As a result, the notification of the cessation of activities can be done after many years, which means that there are more social cooperatives included in the REGON registry than there are operating in reality.

### 5.1 *The dynamics of creation of social cooperatives*

The main indicator pointing to the scale and the pace of development of the social cooperatives sector in Poland is the number of social cooperatives established in a given year. Based on the information on the year of entry in the National Court Register, the number of social cooperatives created in a given year was determined. Until the end of 2014 the REGON registry included 1,269 social cooperatives, thus, almost 20 times more than there were at the end of 2006. This means that in the period analysed, the annual average growth rate in the number of social cooperatives sector amounted to 45 per cent.

Based on the chronological order, we can identify various periods in terms of the rate growth of social cooperatives in Poland. A relatively large number of social cooperatives were established in 2007, when the number of the indicated entities almost doubled in comparison to the previous period. On the other hand, in the following two years, i.e., 2008 and 2009, a clear decline in dynamics can be observed. In 2008, the number of cooperatives increased by only 17 per cent, while in the following year the number increased by 21 per cent in comparison with the previous year. The following year saw the establishment of over three times more cooperatives than in the year before, and consequently, their number increased by more than 60 per cent *per annum*. In the subsequent years covered by the analysis, the growth rate in the number of social cooperatives remained at the level of 40-50 per cent year-on-year.

**Figure 1 – Number of social cooperatives established in the period 2006-2014.**

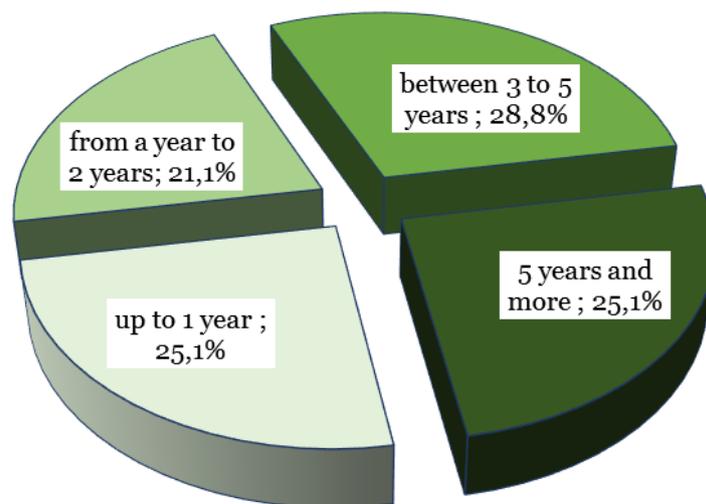


Source: the National Official Business Register (pl. REGON) data.  
Note: the figure related to year 2006 includes entities established in 2005 and 2006.

### *5.2 The structure of social cooperatives according to the time of performance*

The structure of social cooperatives can be characterized by the time of their business performance. The aforementioned data indicate the market experience of the companies. Additionally, it should be noted that share of the companies by the time of performance would undergo changes in the future, as evidenced by an increase of the presence of the cooperatives with the longest market experience.

**Figure 2 – Structure of social cooperatives by time of performance (end of 2014)**



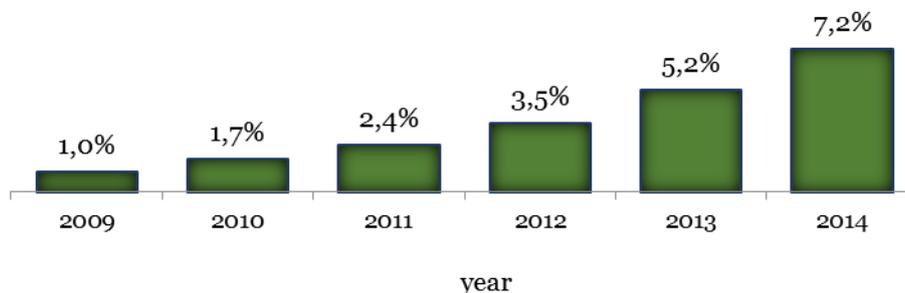
Source: the National Official Business Register (pl. REGON) data.

In 2014, in the sector of social cooperatives the distribution of entities by the time of their activity was fairly even. The share of the cooperatives displaying the shortest performance time approximated the share of the cooperatives having the longest period of activity. However, it is worth noting that the total share of entities characterized by a relatively short time of performance (i.e., up to two years among the total number of social cooperatives was significant); it exceeded 46 per cent. This confirms the fact that social cooperatives constitute a new form of economic activity.

### 5.3 The relative size of the social cooperative sector

Describing the tendencies of development of social cooperatives in Poland, it is necessary, apart from specifying the absolute number of social cooperatives, to refer to other quantities, which describe the business sector in general. Considering the information available concerning the number of social cooperatives and the number of business entities operating in the form of a cooperative with a legal status<sup>5</sup>, it was calculated that the value is multiplied by 100. In this way, the generated quotient illustrates, in percentage, the part occupied by social cooperatives among the total number of economic entities operating in the form of a cooperative. In the light of the provided analysis, it should be stated that the presence of social cooperatives among the national economy entities operating as a cooperative in the analysed period increased systematically. In 2014, the social cooperatives share in the total number of cooperatives was seven times higher than in 2009; nowadays, there is a social cooperative every 14 Polish cooperatives.

**Figure 3 – Social cooperatives among cooperatives registered in REGON (2009-2014)**



Source: the National Official Business Register (pl. REGON) data.

<sup>5</sup> Both pieces of information can be found in the REGON register.

It can be assumed that the greatest growth in the share of social cooperatives among the total number of cooperatives in the recent past is primarily connected to the possibility of financing their establishment by the European Social Fund. For example, in 2013 the share of social cooperatives in the total number of cooperatives increased by 1.7 percentage points, while in 2014 the increase was already 2 percentage points.

#### *5.4 The structure of social cooperatives according to the economic activity conducted*

The structure of social cooperatives was reconstructed by sections of the Polish Classification of Activities (pl. PKD), based on the information about the code of the prevailing economic activity inscribed in the REGON register<sup>6</sup>.

The analysis conducted shows primarily that the social cooperatives are not active in all sectors of the Polish economy. For obvious reasons, in all the periods covered by the analysis, none of the social cooperatives declares that it will carry out the prevailing economic activity in the sections: T - households employing workers; households producing goods and providing services for their own needs; and U - extraterritorial organizations and bodies. In addition, during the previous period, (i.e., between 2007 and 2011), the cooperatives did not undertake activities in four other sectors of the economy: B - mining and quarrying; D - manufacturing and electric energy, gas, steam, hot water and air conditioning supply; K - financial and insurance activities; O - public administration and national defence; compulsory social security. However, in 2014 a few cooperatives which planned to conduct their prevailing economic activity in the abovementioned sections did appear. The economic sectors in which the majority of the cooperatives stated their intention to conduct economic activity are: C – industrial processing; F – construction; I - activities associated with accommodation and food service; N - services within business administration and support activities. Almost 60 per cent of the cooperatives specified their dominant economic activity in the abovementioned sections in 2014. Therefore, at the present, the economic activity of social cooperatives is heavily concentrated in a few sections of the Polish economy, although in comparison to previous years, one may observe a decline in this concentration.

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<sup>6</sup> A declaration concerning the prevailing economic activity does not definitively determine that the company will actually carry out exactly the type of activity indicated, but it does definitely show the entrepreneurs' intentions.

**Table 1 – Structure of social cooperatives by prevailing economic activity in the PKD section (2007, 2011 and 2014)**

The PKD section	Year		
	2007	2011	2014
Agriculture, forestry, hunting and fishing	4,1%	2,5%	2,2%
Mining and quarrying	0,0%	0,0%	0,1%
Industrial processing	16,3%	12,5%	12,9%
Production and electricity, gas, steam, hot water and air systems supply	0,0%	0,0%	0,2%
Water supply; sewerage, waste management and remediation activities	1,6%	1,7%	1,9%
Building	22,0%	18,5%	12,4%
Wholesale and retail trade; motor vehicle and motorcycle repair	6,5%	6,5%	8,1%
Transportation and storage	0,0%	0,2%	0,9%
Accommodation and food service activities	12,2%	13,7%	16,3%
Information and communication	3,3%	3,2%	2,4%
Financial and insurance activities	0,0%	0,0%	0,5%
Real estate services activities	0,8%	1,0%	0,9%
Professional, scientific and technical activities	1,6%	3,2%	3,6%
Administrative and support service activities	13,8%	18,5%	15,7%
Public administration and defence; compulsory social security	0,0%	0,0%	0,2%
Education	3,3%	4,0%	4,6%
Health care and social assistance	8,9%	9,5%	10,6%
Cultural, entertainment and recreation activities	3,3%	3,2%	3,7%
Other service activities	2,4%	1,7%	2,9%

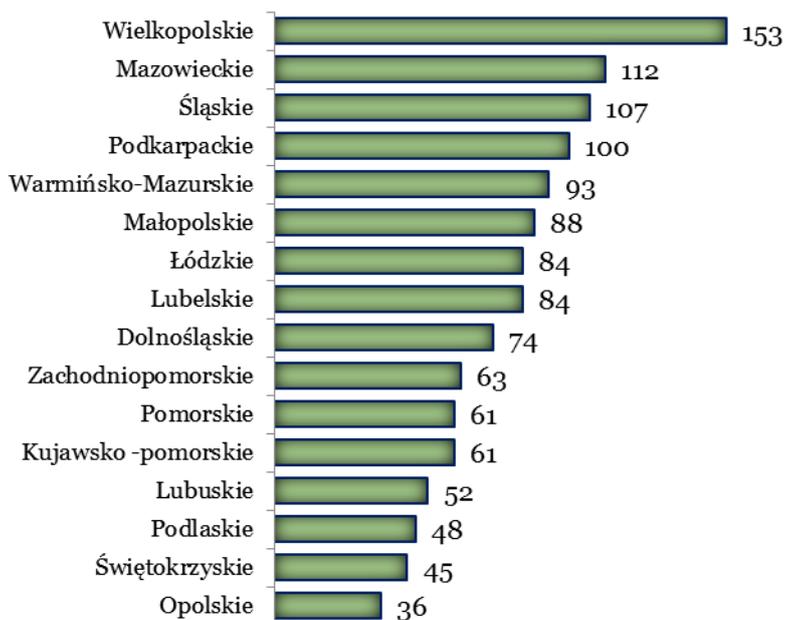
Source: the National Official Business Register (pl. REGON) data.

### *5.5 Spatial distribution of the location of social cooperatives.*

The data included in the REGON register regarding the location of the entity office served as the basis for determining the spatial distribution of social cooperatives. The location of entities in certain provinces indicates the level of evenness/unevenness of the social

cooperatives sector development throughout the administrative divisions of the country. According to the results obtained, the greatest number of social cooperatives are located in the province of Wielkopolskie. A relatively large number of social cooperatives are located in the Mazowieckie, Śląskie and Podkarpackie Voivodeship—numbering no less than 100 entities.

**Figure 4 –Number of social cooperatives operating in particular provinces (end of 2014)**



Source: the National Official Business Register (pl. REGON) data.

The province that includes the smallest number of the social economy entities is Opole.

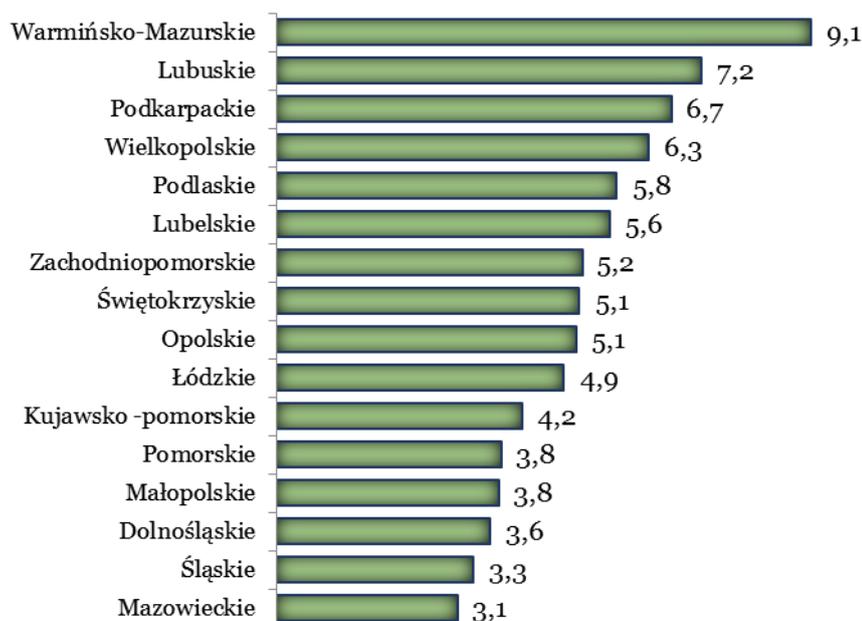
The analysis carried out on the distribution of social cooperatives among provinces does not provide sufficient and definitive information concerning the popularity of this form of economic activity in different regions of the country. It turns out, however, that the majority of social cooperatives are located in the main Polish provinces. In order to determine the level of approval of doing business in the form of a social cooperative, one should eliminate the differences in terms of the population of particular provinces. To meet this purpose, data of the Central Statistical Office (GUS)<sup>7</sup> relating to the number of people of productive age (15-65 years) were used.

The data obtained revealed that the largest number of social cooperatives in relation to the number of inhabitants of particular regions is found in the Warmia and Mazury province, where 9.1 social cooperatives per 100.000 people in the productive age are counted.

<sup>7</sup> This data is published in a cyclically in the Demographic Annals of GUS.

The smallest number of social cooperatives relative to the people in the productive age operated in the provinces are found in Mazowieckie, where there were only 3.1 social cooperatives per 100.000 inhabitants.

**Figure 5 - Number of social cooperatives per 100,000 people (aged 15-64) in particular provinces (end of 2014)**



Source: the National Official Business Register (pl. REGON) data, and the Central Statistical Office of Poland data.

## 6. Employment and membership in social cooperatives

The main objective of doing business in the form of a social cooperative was the socio-professional reintegration of the defined categories of people at risk of social exclusion<sup>8</sup>. In accordance with the legal provisions, the founding group may include natural persons who remain outside the labour market. Due to the indicated role of a social cooperative in the labour market, research on the social cooperative sector could not disregard analysis on human resources, which are at the disposal of the indicated entities. The information gathered during the nationwide survey was used in to describe the human resources available to the social cooperative sector. Each round of research in the form of a survey included a vast number of questions concerning the size and structure of employment in the sector of social cooperatives<sup>9</sup>. Many of these questions were identical, making it

<sup>8</sup> The Act of April 27, 2006 on social cooperatives (Journal of Laws 2006 No. 94, item. 651 with the subsequent amendments) defines the categories of natural and legal persons who may set up a social cooperative.

<sup>9</sup> In 2014, in some cases questions were asked on the state of human resources at the end of 2012 and 2013.

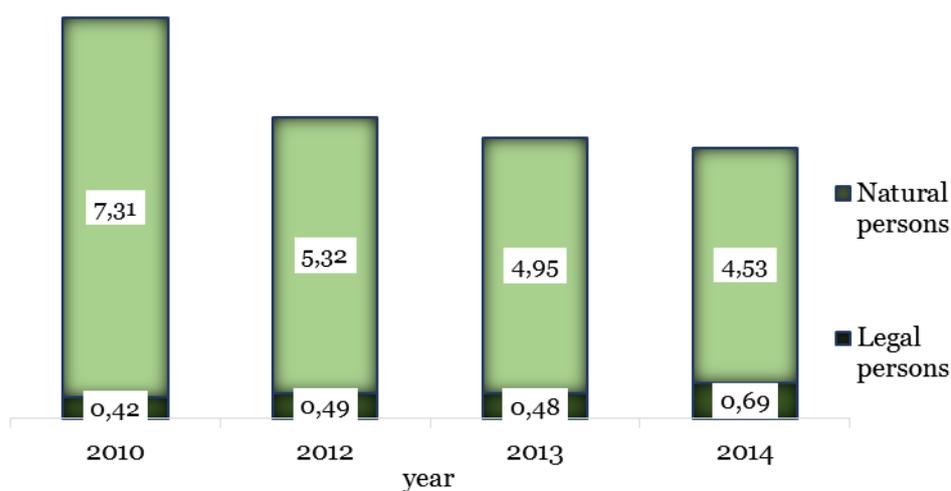
possible to present the results of comparative analyses, which illustrate the transformations.

One drawback of the survey data is the fact that none of the three rounds of the study on the social cooperative sector covered all entities; moreover, in 2011 and 2014, the study involved less than a half of all entities. The results obtained are therefore indicative. Another difficulty resulting from the method of collecting the data lies in the fact that the answers provided by the respondents concerning the size and the structure of employment in social cooperatives do not usually refer to the whole period, but reflects only to a certain state of a given moment (i.e., the end of the year). There is some seasonality of employment in social cooperatives, as in every enterprise per annum. In addition, the information gathered during the survey on the number of employees might display certain inaccuracies stemming from the failure of the respondent's memory.

### 6.1 The membership structure of social cooperatives

The empirical material collected in national surveys provides a description of the size and structure of the described entities in terms of the number of members. The index shows the average number of members of a social cooperative, with the division into legal and natural persons; and makes it possible to specify several aspects of human and organizational resources available to the indicated entities. First, it defines directly the size of the cooperatives in terms of membership. Second, it provides knowledge about the rising proportion between legal and natural persons among the members.

**Figure 6 - Average number\* of members of social cooperatives divided into natural and legal persons (2010-2014)**



Source: The Monitoring of Social Cooperatives 2014 survey data

Note: \* the arithmetic average

In the light of the analysis, it should be stated that the member resources of social cooperatives are small; on average, there are about five people. Moreover, the average number of members decreased over time. Whereas in 2010 the average number of members amounted to about 7.7 people, in the final year under analysis, it amounted to about 5.2 people.

Natural persons clearly constitute a majority in social cooperatives. Natural persons occurred about ten times more frequently than members having the status of legal personality. In the years 2010-2014, multidirectional trends were observed in relation to changes in the number of members having a different legal personality. In the case of natural persons, a decline occurred in the average number of members from 7.31 in 2010 to 4.53 in 2014. In the case of legal persons, their number grew from 0.42 to 0.69 in the same period.

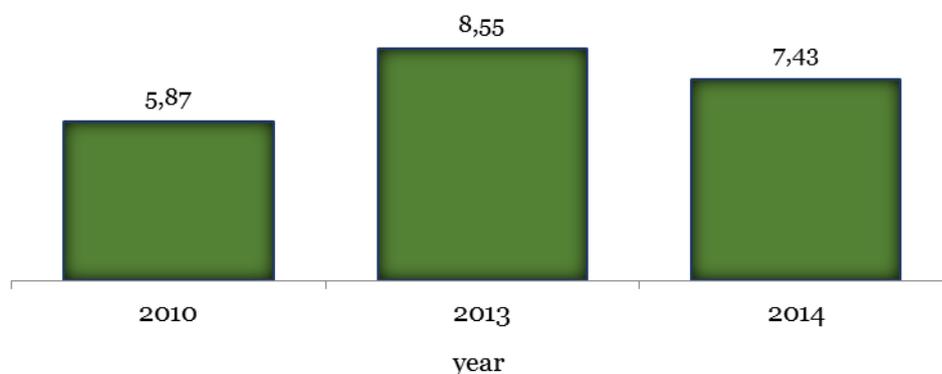
### *6.2 The size of the employment in the social cooperative sector*

The information about the number of members is only an indirect indicator of the size of the aforementioned entities. This depends on the fact that social cooperatives may employ people who are not members. Therefore, the data collected during the survey focused also on the size of employment in social cooperatives. On one hand, the presented indicator describing the average number of employees in cooperatives presents directly the size of these companies; on the other hand, however, it provides the possibility of estimating the number of workplaces that were created in Poland by the social economy entities.

In the context of the employment figures, a typical social cooperative appears to be a micro-enterprise, as in each year covered by the analysis, the number of employees did not exceed nine people. In the dynamic approach, it is impossible to identify systematic trends. Nevertheless, it can be stated that in 2010 the average employment in the monitored entities was lower than in the subsequent periods, which suggests that Polish social cooperatives increased the scale of employment over the time.

During the study conducted in 2015, efforts were made to determine the number of operating entities. The data was ultimately obtained from 515 entities, while 220 subjects refused to participate in the study. Bearing this in mind—on the assumption that the average employment in social cooperatives participating in the study was similar to those that refused to join the study—it is possible to estimate the number of workplaces created by the social cooperatives sector in Poland. The estimated number of workplaces created by the social cooperative sector in 2014 was nearly 5.5 thousand.

**Figure 7 - Average number\* of employees in social cooperatives (2010-2014)**



Source: The Monitoring of Social Cooperatives 2014 survey data

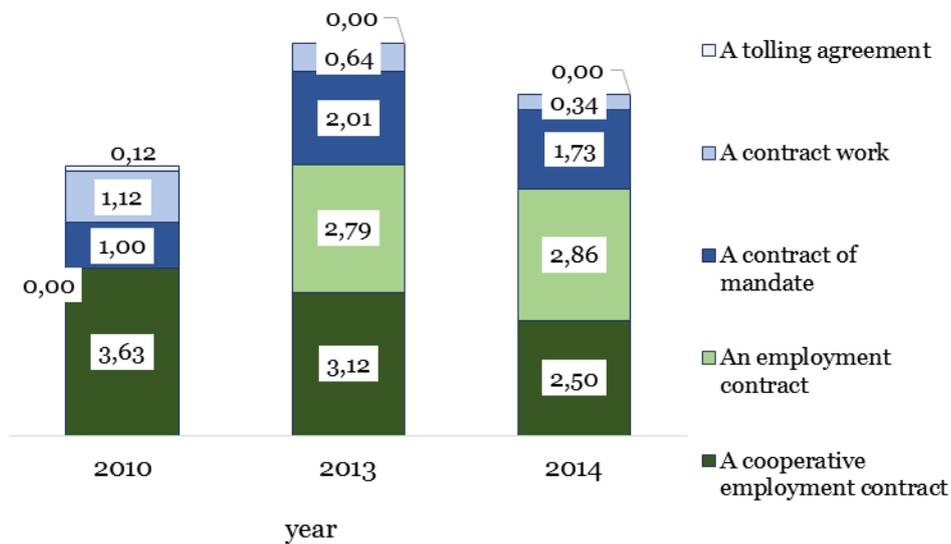
Note: \* the arithmetic average

### *6.3 The forms of employment in the sector of social cooperatives*

In the context of the aims attributed to social cooperatives, namely job creation, the legal basis upon which workers are employed is an important aspect. In other words, the question is whether the cooperative sector creates stable places of work. In all rounds of the cooperative surveys, the questions concerned the number of employees by types of employment. Based on the information collected, an indicator reflecting the average number of people employed in social cooperatives by the type of employment was determined. The indicator provides information on the structure of employment among the investigated entities and, indirectly, shows how these enterprises are doing in the economic dimension. It can be assumed that if the company has a stable position in the market, the engagement of people performing professional activities on the basis of the employment contract will be greater than during the period when the market position of the company is unstable.

In assessing the stability of the work places created by the social cooperative sector, one should take into account that the average number of employees by the type of contract displayed a certain variability in various periods of time, due to differences in the average levels of employment. For this reason, it is necessary to refer absolute figures to the general level. It appears that stable jobs dominate in the social cooperatives sector (i.e., employees perform their tasks on the basis of an employment contract). One can even record a systematic increase in stable jobs in the time span under analysis. Whereas in 2010 the number of employees working under a contract amounted to 62 per cent, in the next period it was 7 percentage points higher, and in 2014 nearly three out of four employees were employed under such contracts in Polish social cooperatives.

**Figure 8 - Average number\* and structure of employees by the employment base type in social cooperatives (2010-2014).**



Source: The Monitoring of Social Cooperatives 2014 survey data

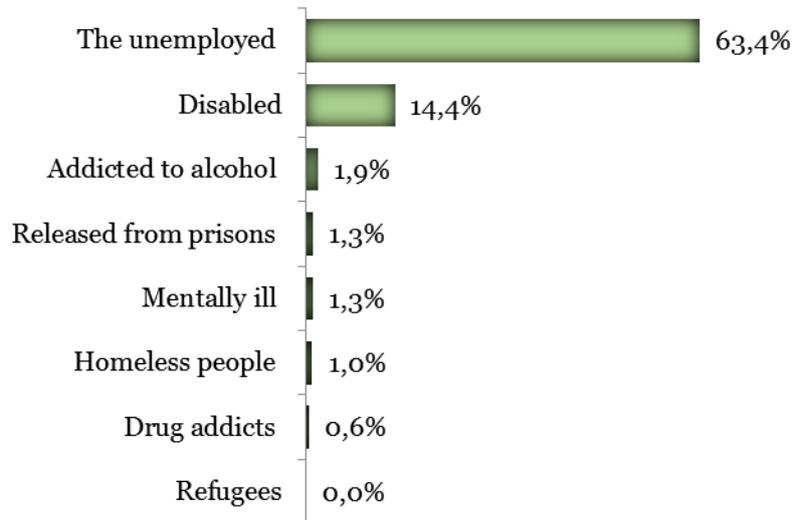
Note: \* the arithmetic average

The majority of employees employed on the basis of civil law contracts included people who worked under a contract of mandate. In 2013 and 2014, the fraction of such people was nearly three times higher than those who performed a contract work.

#### *6.4 The employment of disadvantaged groups in the sector of social cooperatives*

In monitoring employment in social cooperatives, it is not possible to disregard a very important function, namely the duty to ensure the professional activation of people from the disadvantaged groups. It should be noted that in the first and second round of the survey, the aforementioned aspect of the significance of social cooperatives was only minimally addressed; as a consequence, the indicators presented below apply only to the last measurement taken in 2015. The indicators illustrating the role of the social cooperative sector in the process of the professional activation of people from the disadvantaged groups in the labour market show the share of a given category in the total number of employees in the company. On the one hand, the presented indicators display the extent to which social cooperatives sector fulfils the functions of the professional activation of disadvantaged people in the labour market; on the other hand, they indicate the human resources at the disposal of the social economy entities.

**Figure 9 - Participation of the disadvantaged groups in total number of people employed in social cooperatives (2014)**



*Source:* The Monitoring of Social Cooperatives 2014 survey data

In the course of the study, the disadvantaged groups were divided into the following categories: unemployed, disabled, addicted to alcohol, released from prisons, mentally ill, homeless people, drug addicts, refugees. Based on the empirical material collected, it could be stated that—on average—the groups exposed to social exclusion constituted 82 per cent of all employees among the total number of people employed in social cooperatives. The employees recruited from the unemployed dominated among them: nearly two out of three workers employed in the social cooperatives sector came from the indicated category. A significant share in human resources at the disposal of the presented companies included people with disabilities. The remaining categories of disadvantaged people less represented in the groups employed by social cooperatives. In particular, it must be emphasized that none of the entities studied employed refugees.

## **7. The financial situation of social cooperatives**

One purpose of the study was to obtain information on the financial situation of social cooperatives in 2014. The material collected and the accepted indicators provide the possibility of presenting information in the field: the average size of economic entities (income); 4) the profitability of the economic activity (profit or loss); 5) the business model based on economic autonomy indicators.

The quality of the financial data obtained in surveys is loaded with a certain margin of error. However, thanks to a relatively large number of respondents participating in the national study in 2015, and taking in to account the accepted method of research, the data

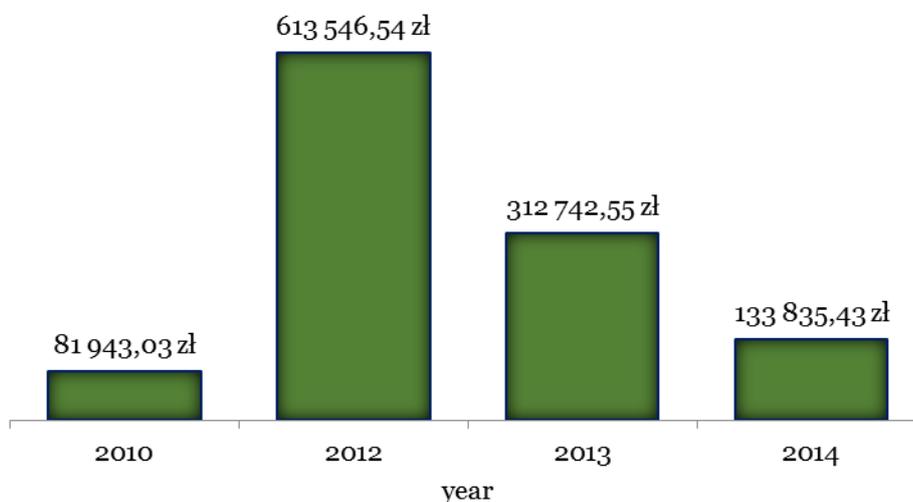
collected constitutes the most reliable source of information on the financial situation of social cooperatives in Poland.

### 7.1 The social cooperatives revenue

Data on revenue provide knowledge on the size of the cooperative sector and its contribution to the national economy. The data obtained facilitate an assessment of the economic size of cooperatives, because the revenue indicates the scale of economic activity<sup>10</sup>, as well as the assets possessed (e.g., interests on bank deposits). In 2014, the average total revenue of social cooperatives amounted to about 133.000 PLN.

Data presented indicate a strong degree of fluctuation of the total revenue gained in different years. One can observe a gradual decline in the value of income in 2013 and 2014 by comparison with 2012. The interpretation of this phenomenon is not a simple task. In theory, the falling value of revenue could suggest a worsening of the conditions for the economic activity being carried out (economic downturn), a deterioration in the average quality of governance in cooperatives, which could be accompanied by an increase in the number of social cooperatives in the following years, or even other market factors. Theoretically, revenue volatility could be explained by the diverse range of support that social cooperatives received from the state over the time.

**Figure 10 – Average\* characterized by total revenue of the cooperatives\*\* (2010-2014)**



Source: The Monitoring of Social Cooperatives 2014 survey data

Notes: \* the arithmetic average; \*\* applies only to the entities that provided overall information on income

<sup>10</sup> Revenue is the total value of the net sale of goods, goods and services - excluding VAT - in the settlement period.

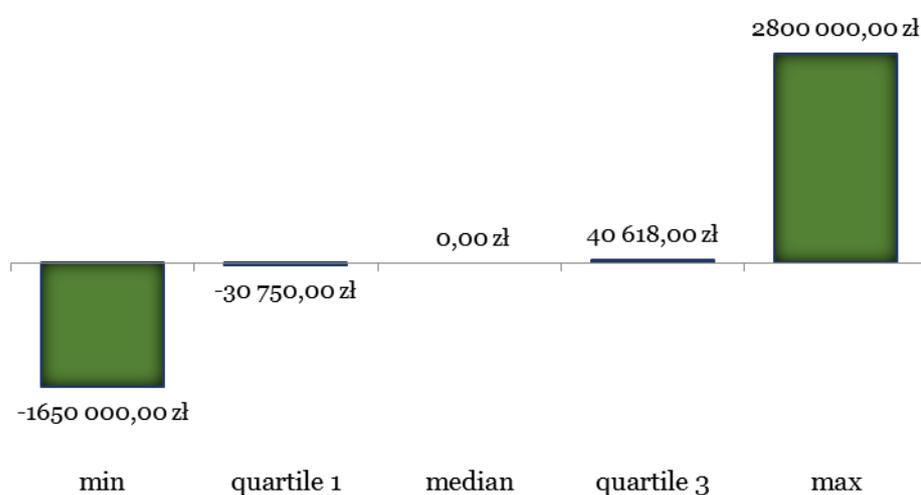
## 7.2 The financial result of social cooperatives

The data collected on the financial result of social cooperatives in 2014 provides the possibility of determining the profitability of the economic activities conducted. The values were obtained on the basis of the answers given by the respondents to the questionnaire survey concerning the income and expenses involved in running the business. The financial result was calculated according to the formula: total revenue minus operating expenses<sup>11</sup>.

The maximum financial result recorded amounted to a profit of 2.8 million PLN, and the minimum a loss of more than 1.65 million PLN. At least 25 per cent of social cooperatives that displayed the worst financial results, admitted a loss of not less than 30.75 thousand PLN in 2014.

However, in the case of at least 25 per cent of the most profitable social cooperatives, the average financial result was positive and meant a profit of at least 40.62 thousand PLN. The data presented indicates a significant variation among the social cooperatives covered by the study in terms of the achieved financial results, which suggests that we are dealing with a group that is internally nonhomogeneous as to the results of economic activity. The amount of annual losses generated by the least profitable social cooperatives is particularly worrying.

**Figure 11 – Averages characterizing financial results of social cooperatives\* in 2014.**



Source: The Monitoring of Social Cooperatives 2014 survey data

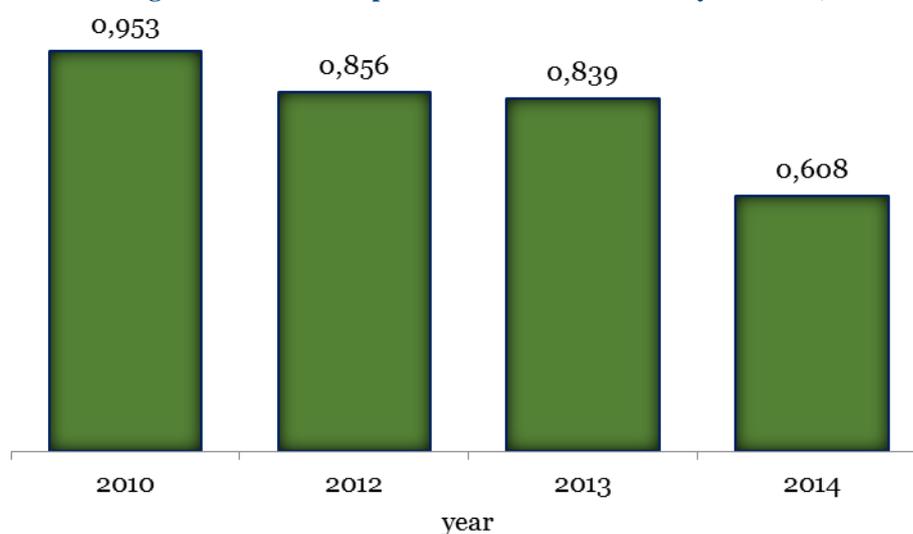
Note: \* - Applies only to those entities that provided overall information on income and general operating costs in 2014

<sup>11</sup> Of course, this was possible only in the case of entities that provided information concerning the year 2014.

### 7.3 The economic autonomy of social cooperatives

The values of the economic autonomy index were determined on the basis of the answers given by the respondents to the survey questions. This index represents the ratio of the total share of income earned through bids on the open market, and the income resulting from the commissioned public tasks to the total income earned in 2014. The high index value (close to unity) indicates that the entities operate independently, i.e., raise funds from the market and thus do not enjoy the overwhelming level of public support in the form of grants. Therefore, it contains a large information loaded about the business model implemented in the social cooperatives.

**Figure 12 - Average value\* of the cooperatives economic autonomy index\*\* (2010-2014).**



Source: The Monitoring of Social Cooperatives 2014 survey data

Notes: \* the arithmetic average; \*\* applies only those entities whose total income was higher than zero and that submitted reports on their income from market activities and the outsourced public tasks

In 2014, the average value of the index amounted to 0.608, which means that more than half of the average income of social cooperatives was generated from tenders acquired on the open market and the tasks assigned, while the average share of subsidies in total income did not exceed 40 per cent. This data should be viewed positively, because it suggests that operators in the sector of social cooperatives in Poland are not so heavily dependent on the system of subsidies.

However, the gradual decline in the index recorded in subsequent years should be seen as alarming. The data clearly demonstrates the increasing importance of subsidies in the structure of total revenue, and thus a decline in the economic autonomy of social cooperatives. Theoretically, this phenomenon may be caused by three different reasons: (i) an increase in the scale of grants to social cooperatives by the public sector; (ii) a decline in economic performance in the framework of the cooperative model (meaning that less revenue is obtained from market offers); (iii) a decrease in the number and value

of the commissioned tasks, which in turn may be due to the limited financial possibilities of local government units, or to the reluctance of local governments to assign tasks to cooperative entities.

In theory, there is also the possibility that the phenomenon indicated results from an increase in the number of social cooperatives established in recent years (the cooperatives receive start-up grants, which might affect the decline in the economic autonomy index value). In total, the data illustrating the dynamics of changes in the economic autonomy index should be regarded as alarming, since they indicate the growing dependence of social cooperatives on public support.

## 8. Summary and conclusions

In the light of the results of the nationwide survey on *Monitoring of social cooperatives 2014*, the situation of social cooperatives in Poland appears to be very diverse. The aforementioned differences occur in both the territorial dimension, which reflects an uneven process of the adaptation of the entities indicted to the requirements of socio-economic operators in different regions of the country, as well as in other areas, such as the scope of their economic and social activity, financial condition, and organizational structure. The survey results show, however, that despite the problems faced, Polish cooperatives not only conduct socio-economic activities, fulfilling the tasks associated with the socio-professional reintegration of people at risk of social exclusion, but also create jobs for others. The cooperatives display some optimism and a potential for development and the respondents have noted an opportunity for further expansion of their activities, despite the negative impacts of economic conditions or real difficulties faced when competing for offers with commercial companies.

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