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## **SUPPORTING SOCIAL ECONOMY SUBJECTS AS ILLUSTRATED WITH AN EXAMPLE OF SOCIAL ECONOMY INCUBATOR IN KLUCZE**

### **Introduction**

The paper presents a model of supporting social economy subjects as illustrated with examples of Social Economy Incubators which were created in Klucze and Nowy Sącz under the systemic project ABC of Social Economy financed by HC OP within the Framework of Sub-measure 7.2.1.

The Project was implemented from September 2009 until December 2010 by Voivodeship Employment Office in cooperation with Association for Sustainable Social and Economical Development 'KLUCZ' and Association for Supporting Entrepreneurship and Local Initiatives 'STOPIL'. The activities of the Project covered the whole area of Małopolskie Voivodeship, especially districts of Olkusz, Proszowice, Tarnów, Nowy Sącz and two cities: Krakow and Nowy Sącz.

The Project implemented an innovative method of coaching based on supporting people who cannot find their place in the job market because of their difficult family situation and encourage them to look for employment or to extend their education. The project covered mostly people taking care of children or non-self supporting persons. Those people were mainly women and the disabled. Supported employment coaches made use of the results of the EQUAL project 'Entrepreneurship Academy. Developing Alternative Ways of Employment'. One of the results of the Project were the bases for supported employment coach work.

Another form of support was the creation of two Social Economy Incubators in Nowy Sącz and Klucze. The aim of the incubators was to support actions for establishing and running Social Economy subjects in Małopolska.

Among others, the results of the Project covered:

- 5 subjects of socio-professional activation, including 3 social cooperatives ('Opoka' in Klucze, 'Zdrojowianka' in Piwniczna-Zdrój and 'Nova' in Łososina Dolna) and 2 associations ('Aktywne Wsparcie' – Active Support in Nowy Sącz and a branch of Association 'Klucz' in Pałecznicza);

- 1164, among them 225 disabled, socially excluded people received support

When the Ministry of Regional Development competition ‘EFS Good Practice 2010’ was held for the fourth time, the Project ‘ABC of Social Economy’ was one of the fifteen projects which were awarded with the title ‘Best Investment in Human 2010’, Only two projects from Małopolska (out of the total of 360) were given this title.

## 1. Legal framework for social economy subjects

Polish legislation system gives provisions which are the base of establishing a social enterprise. The regulations, via their detailed stipulations describe limitations in using the profit which can arise in the course of the subject’s economic activity and specify social aims for the subject. These detailed regulations decide on the conditions necessary for social economy subjects to fulfill.

A non-governmental organization is defined by Act on Public Benefit and Volunteer Work<sup>1</sup>. Art.3 para 2 of the Act defines “non-governmental organizations” as ‘corporate and non-corporate entities not forming part of the public finance sector as described in Public Finances Act, not operating for profit, and formed against relevant legislative provisions, including foundations and associations, in recognition of para 4 stipulations (the provisions are not applied to political parties, trade unions, employers organizations, professional self-governing authorities and foundations, for whom the State Treasury or a local authority organization are the sole founder, unless stated otherwise by separate provisions<sup>2</sup>. These regulations are made more precise by two more legal acts: Act on Associations<sup>3</sup> and ‘Act on Foundations’<sup>4</sup>. Art.2 para 3 of Act on Associations’ explains that an association’s activity is based on voluntary work of its members, but it can employ personnel to do administrative work<sup>5</sup>, whereas Art. 34 says that, ‘an association may conduct economic activities according to general principles provided by other regulations. Proceeds from activities of an association serve to realize its statutory objectives and may not be shared among the association’s members’<sup>6</sup>. On the other hand, ‘The foundation may engage in economic [profit- making]

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<sup>1</sup> Act of 24<sup>th</sup> April 2003 on Public Benefit and Volunteer Work, Journal of Laws No 94 item 873, as amended.

<sup>2</sup> Ibidem.

<sup>3</sup> Act of 7<sup>th</sup> April 1989 on Associations, Journal of Laws 1989 No 20 item 104 as amended.

<sup>4</sup> Act of 6<sup>th</sup> April 1984 on Foundations, Journal of Laws 1991 No 46 item 203 as amended.

<sup>5</sup> Act of 7<sup>th</sup> April 1989 on Associations, op. cit.

<sup>6</sup> Ibidem.

activity to the extent serving to accomplish its purposes. If it does so, the value of the foundation's assets set aside for the economic activity should be not less than PLN 1000<sup>7</sup>.

Other important legal acts concerning the activities of social economy subjects are: Act on Social Cooperatives<sup>8</sup>, Act on Social Employment<sup>9</sup>, Act on Insurance Activity<sup>10</sup> and Act on Social and Vocational Rehabilitation and Employment of Disabled<sup>11</sup>.

According to Acts on Social Cooperatives and Social Employment, members of the association or the cooperative may not share the profits freely. Act on Social Cooperatives makes it possible to establish and run a specific entity – a social cooperative. Art.8 para 1 states that statutory activity of a social cooperative concerning social and vocational reintegration and the activity as described in Art.2 para 3 (social, cultural and educational activity) is not regarded as business as described in Act of Freedom of Economic Activity<sup>12</sup> and may be treated as statutory paid work. Statutory paid work is implemented in Act on Public Benefit and Volunteer Work and refers to public benefit activities<sup>13</sup>. Moreover, the earnings in the social cooperative are shared as follows:

- 1) Increase of the resource fund – not less than 40%,
- 2) Objectives specified in Art. 2 paras 2 and 3 of the Act (vocational reintegration, social, cultural and educational activity) – not less than 40%,
- 3) Investment funds.

The Act forbids to share the balance surplus among the social cooperative members. The surplus may not serve to increase the equity fund or to pay interest.

Act on Social Employment specifies the framework for social employment and creation and functioning of Social Integration Centers and Clubs, which should be registered by the local authority (Voivode). Art.9 para 1 of the Act states that the Center may, within the framework of vocational reintegration, organize production, commercial, service as well as agricultural activities. However, the following are excluded: production and selling of oil industry products, cigarettes, beers, wines and spirits, including products containing more than 0.5% of alcohol, and products of noble metals or containing them<sup>14</sup>. Production, commercial and service activities are not business activity as described in Act on Economic

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<sup>7</sup> Act of 6<sup>th</sup> April 1984 on Foundations, op. cit., art. 5 para 5.

<sup>8</sup> Act of 27<sup>th</sup> April 2006 on Social Cooperatives, Journal of Laws 2006, No 94 item 651 as amended.

<sup>9</sup> Act of 13<sup>th</sup> June 2003 on Social Employment, Journal of Laws 2003 No 122 item 1143 as amended.

<sup>10</sup> Act of 22<sup>nd</sup> May 2003 on Insurance Activity, Journal of Laws 2003 No 124, item 1151 as amended.

<sup>11</sup> Act of 27<sup>th</sup> August 1997 on Social and Vocational Rehabilitation and Employment of Disabled, Journal of Laws 1997 No 123 item 176 as amended.

<sup>12</sup> Act of 27<sup>th</sup> April 2006 on Social Cooperatives, Journal of Laws. 2006, No 94 item 651 as amended.

<sup>13</sup> Ibidem.

<sup>14</sup> Act of 13<sup>th</sup> June 2003r. on Social Employment, Journal of Laws 2003 No 122 item 1143 as amended.

Activity (Art.9 para 2). The Act defines substitute economic activity and substitute employment as Individual Social Employment Program done as mandatory contract.

The Act of May 22nd 2003 on Insurance<sup>15</sup> states ‘that the insurance activity may be pursuit by an insurance undertaking in the form of a joint stock company or a mutual insurance undertaking’. Art. 46 para 10 provides limitations in disposing the proceeds of an undertaking by stating that ‘The annual surplus may be earmarked to repay share capital, as referred to in paragraph 3. (The statute of an undertaking may foresee paying off the share capital from surpluses only and in the period of creating the capital to persons who brought in the capital, or not paying of the capital to some persons), or to increase equity and membership funds in the mutual undertaking<sup>16</sup>.

The Act on Social and Vocational Rehabilitation and Employment of Disabled describes tools necessary to conduct the rehabilitation process through social and vocational integration. Art. 10 states that the participation of the disabled in occupational therapy workshops and rehabilitation stays<sup>17</sup> are basic forms of activity, which help the vocational and social rehabilitation process of these people. Art. 10 also states that ‘Workshop shall mean an organizationally and financially separated unit which gives the disabled people who are not able to work a possibility of social and vocational rehabilitation during acquiring or restoring skills necessary to be employed’<sup>18</sup>. Art. 29 para1. specifies the conditions under which a commune, district, foundation, association or any other organization, whose statutory objective is to rehabilitate the disabled may create an organizationally and financially separated unit and obtain the status of the Vocational and Rehabilitation Facility (ZAZ) for it. In order to create ZAZ, the following conditions must be fulfilled<sup>19</sup>:

- There must be at least 70% of the disabled people out of the total number of employees. These people should be sent to work there by district job centers (and should be with a high or moderate level of disability, diagnosed with autism, mental retardation or mental disorder);
- Buildings and rooms occupied by the facility must conform with the regulations and rules of occupational safety and health. Workplaces must be suited to the disabled needs (rooms and passages must be easily accessed);

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<sup>15</sup> Act of 22<sup>nd</sup> May 2003 on Insurance Activity, Journal of Laws 2003 No 124, item 1151 as amended.

<sup>16</sup> Ibidem.

<sup>17</sup> Act of 27<sup>th</sup> August 1997 on Social and Vocational Rehabilitation and Employment of Disabled, Journal of Laws 1997 No 123 item 176 as amended.

<sup>18</sup> Ibidem.

<sup>19</sup> Ibidem.

- General and specialist medical care, consulting and rehabilitation services are provided.

Occupational Therapy Workshops and Vocational Rehabilitation Facilities are mostly funded by The National Disabled People Rehabilitation Fund.

The principle of openness is necessary to monitor the operations of social enterprises. All privileges granted to social enterprises or public benefit organizations should be monitored by both administrative units and the public. One of the monitoring tools is the publication of annual financial reports. In the case of companies acting not in the form of a joint-stock company, this obligation must be embedded in its statute. The publication of the financial statement results in building social trust around the brand.

## **2. Financing social economy units**

Social economy units can be financed from multiple sources. Social economy units operate on an open market and they must follow all the market principles, including the principle of competitiveness. The State Budget and local administrative budgets are the main source of financing. They finance public tasks which are performed via calls. European Union funds are another source of financing social economy subjects. The funds may come from both European Social Fund and European Regional Development Fund. These funds are also distributed via calls. For social subjects tax exemption systems are a significant source of money. Public and business charity manifests itself in gifts and giving 1% off the income tax. Social economy subjects may also finance themselves by running their own business activity. Act on Public Benefit and Volunteer Work has introduced the term of substitute business activity in the case of public tasks performed by non-governmental organizations within their statutory framework. Similarly, the substitute business activity is a part of regulations concerning Social Integration Centers as introduced by Act of Social Employment, Art.9 and Act of Social Cooperatives, Art.8. Unpaid public benefit work consists in the provision of services against a legal agreement, with no remuneration due to them. Paid public benefit work consists in operations within the framework of tasks considered public, for which remuneration shall be charged. Furthermore, paid public benefit work consists in the sales of commodities or services generated or provided by individuals using the results of public benefit work directly, in particular in such areas as rehabilitation and/or occupational coaching for the disabled, or sales of donation proceeds to support the aim of engaging in public benefit work. Any income generated in paid public benefit work shall be used only to perform tasks recognized as public or relating to statutory objectives. At the domestic level

the Ministry of Labor and Social Policy has prepared Operational Program Citizens' Initiative Fund (PO FIO)<sup>20</sup>. One of the main tasks of the program is providing equal opportunities for non-governmental organizations in territorial, potential and support areas. The program covers support in all areas of public benefit. It conforms with the National Development Strategy 2007-2015 and it implements the development Policy of pro-social community behavior and the creation of civil society structures. The Strategy aims at creating integrated and civil-oriented local communities as one of its objectives. Another source of financing domestic social economy is the Operational Program Human Capital (OPHC) whose objective is to increase the level of employment and social cohesion. The following areas qualify for the support: employment, education, social integration, adaptability of employees and enterprises, development of human resources in rural areas, creating efficient administration and friendly state and the promotion of a healthy lifestyle among working people. Social economy subjects may apply for Measures and Sub-measures within the 7 OPHC Priority<sup>21</sup>. Within the framework of calls of Sub-measure 7.2.1 – Social and vocational activation of persons threatened by social exclusion projects comprising the following categories are funded:

- support (legal, organizational, coaching and financial) to creating and functioning of social integration entities, including: social integration centers, social integration clubs, vocational activity institutions and entities working for socio-vocational activation (whose main task is not economic activity), with exception of work therapy workshops;

- Courses and trainings enabling to acquire, update or change qualifications and professional competences for persons threatened with social exclusion;
- Internships, subsidized employment and vocational reintegration lessons at employer's company;
- Psychological, psychological-social or vocational counseling, leading to social and vocational integration for persons threatened with exclusion and their families;
- Development of new forms and methods of individual and community support for vocational and social integration (including for instance community social work, local activation centers, streetworking, coaching, work training);
- Developing social services overcoming individual barriers in social integration, including concerning re-entry to the labor market;

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<sup>20</sup> For more information see [www.pozYTEK.gov.pl](http://www.pozYTEK.gov.pl) link FIO.

<sup>21</sup> See brochure *Fundusze strukturalne dla małopolskich spółdzielni socjalnych*, Grodzki Urząd Pracy w Krakowie, Kraków 2009.

- Development of skills and social competences, necessary on the labor market;
- Support to creating and functioning of community activation institutions for disabled persons, including persons with mental disorders;
- Promotion and support as to voluntary work, in the field of integration of persons affected by exclusion and threatened by social exclusion;
- Support to creating and functioning of non-school forms of youth's social integration (youth community centers, including those with socio-therapeutic program, community clubs) coupled with realization of activities in the field of social and vocational reintegration;
- Development of dialogue, partnership between society and public institutions and cooperation for human resources development on regional and local level.

Within the framework of Sub-measure 7.2.2 Support to social economy the activities connected with financial support to creating and/or functioning of institutions from social economy sector's surroundings, performing the following services:

- legal, accounting or marketing services,
- counseling (individual and group counseling), trainings enabling to obtain knowledge and skills necessary to initiate and conduct activity in the social economy sector,
- promotion of local partnership in the social economy sector.

Activities of social economy subjects can also be funded by private funds and foundations, capital, security or hybrid instruments, which consist in debts and grants. Social enterprises can utilize all the instruments mentioned above. In practice, however, their possibilities are limited. Credit, capital, loan and security institutions operate on a free-market principle and therefore they cannot place their credits in subjects which are economically weak and which do not bring any profits. In Poland, hybrid instruments may be an attempt to solve this problem for selected social subjects, whose implementation requires business activity. Building tenant flats with relatively low rents (housing associations – TBS) and social housing are a good, but virtually the only example of support in obtaining capital. For those institutions, a system supporting the obtainment of capital and lowering its liabilities has been created<sup>22</sup>.

Credit and security funds are best - although still not enough – suited to social economy needs. Financial infrastructure, such as local and regional credit and security funds is

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<sup>22</sup> I. Herbst, *Analiza możliwości finansowania podmiotów Ekonomii Społecznej Polsce*, Bank DnB Nord, Warszawa 2008, p. 12.

supported from public funds for the needs of small and economically weak enterprises and non-governmental organizations. The first funds appeared at the beginning of the 90-ties using foreign public funds (USAID, KnowHow Fund, Fundusz Mikro, Program TOR 10 – World Bank). In 2002 the government program ‘Venture Capital for Entrepreneurs’ was started. The program supported financially start-ups and development of local and regional credit and security funds created by local authorities in cooperation with private entities. Since 2004 they have been entitled to utilize EU funds<sup>23</sup>.

In 2009, the Małopolska School of Public Administration and Departments of Economy and Public Administration of Cracow University of Economics decided to create Małopolski Social Economy Fund (Małopolski Fundusz Ekonomii Społecznej). Securities offered by the Fund are addressed to all subjects, irrespective of their legal status, which assume social targets in their activity. The security may cover a credit, a loan, a grant, including the share capital and equipment of a social co-operative, commercial liabilities, financing a tendering security and bridge financing of EU-funded projects. A standard security covers up to 70% of the liability value. In some socially justified cases the amount can be increased up to 100%. Presently, the amount of security does not exceed 50,000PLN (10% of the fund capital). Larger securities require co-signing. The maximum security term is 5 years. A promissory note with the blank promissory note agreement are required. Sometimes, spousal consent is also needed<sup>24</sup>.

### **3. Social Economy Incubator in Klucze**

The mission of the Social Economy Incubator is to provide friendly, comprehensive and professional services and to react flexibly to the needs of the participants of the project, thus supporting the development of social economy and local community. Its overall objective is to develop and test the system of creating and supporting subjects of social and occupational activation as a new organizational form of social economy subjects. Specific objectives include:

- supporting the creation of social economy subjects in Małopolskie voivodeship,
- long-term and complementary support of newly established social economy subjects,
- promotion of social economy in local communities,
- education on social economy in local communities,

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<sup>23</sup> Ibidem., p. 13.

<sup>24</sup> For more information on Małopolski Social Economy Fund see [www.mfes.pl](http://www.mfes.pl).

- creating a favorable atmosphere for implementing social economy into local communities.
- stimulating the cooperation of local institutions in order to begin works on creating comprehensive solutions for social economy subjects.

In order to execute the objectives correctly, it became necessary to specify tasks, plan the activities and match means/tools indispensable to perform them. The tasks were divided regarding the two earlier selected groups of project participants taking into consideration areas of operation:

- 1) newly established social economy subjects,
- 2) subjects from social economy surrounding.

The following activities were planned for the first group:

- preparation and education of action groups to establish social economy subjects,
- seeking new ideas for social economy subjects,
- legal and logistics assistance for the subject establishing,
- assistance in making a business plan and economical analysis,
- assistance in preparing documentation and financial engineering,
- support and representation of the subject against external institutions,
- organization of training courses for improving skills.

The subjects from social economy surrounding were assisted by an education project on social economy issues.

Rooms and office equipment were made available for the needs of newly established social economy subjects on the premises of the Incubator. This availability was of a significant importance for the subjects. When an enterprise has just been established, costs of renting offices and purchasing office equipment may be a real burden to the budget. This activity supported largely the social economy subject during the project.

Consulting and counseling for social economy subjects were performed by experts on social economy, marketing, accountancy, business plans and law.

Until 20<sup>th</sup> November 2010, 91 people, including 44 women, made use of the support offered by the Business Incubator in Klucze. 14 people (11 women) were long-term unemployed; 53 people (23 women) were economically inactive and 3 women worked for a non-governmental organization. Among them there were 14 people under 25 (6 women) and 15 disabled people (7 women). 68 people (34 women) lived in rural areas. 60% of all counseling referred to

business and business plans. Also, support in social economy (18%), legal advice on creating social economy subjects (11%) and accountancy (11%) were provided.

#### **4. Establishing Social Cooperative ‘OPOKA’ in Klucze**

The cooperative was registered on 29th October 2009, thus fulfilling the main result of Business Incubator in Klucze. The activities of the Incubator were matched with the activities of the local Social Welfare Center in Klucze. There, from 2008, a group of people interested in creating a social cooperative organized meetings. Those people were trained in social enterprise and legal conditions for cooperatives by the Social Integration Club and Business Incubator. However, in spite of the constant support, the majority of the people interested resigned from joining the cooperative. At the beginning there were 12 people, but, in March 2009, only 4 people remained. Even they were not ready to register the cooperative. The main reasons for such behavior were:

- lack of an idea for the cooperative
- no responsible person who would coordinate all the activities
- no possibilities to obtain support from the Labor Fund
- no possibilities of own financial contribution to cover obligatory 15% of the subsidy.

Since Klucze Commune had always declared support for the cooperative, in April 2009 they decided to create a cooperative based on legal entities, including the Commune. It was possible due to the amendment of the Act on Social cooperatives. The amendment enabled to create social cooperatives by legal entities, including a local government unit. Representatives of Klucze Commune suggested a form of activity, namely organizing and running school canteens in Klucze. From March till May 2009 meetings with local council members, employees from the Social Welfare Center and Department of Education took place with, however, no final decisions. Especially the council members expressed their doubts on transferring the resources of the Commune, i.e. the kitchen and the canteen into the cooperative. Therefore, the employees from the Incubator and the Welfare Center organized a meeting with representatives of two associations working on socially excluded people in Klucze area. After a few meetings, Association for Sustainable Social and Economical Development ‘Klucz’ and Christian Charity Association mutually decided to create a social cooperative and delegate their representatives to the Supervisory Board and the Board of Directors. After the Statute and relevant documents had been prepared, the cooperative applied for registration with the National Court Register.

The Cooperative 'OPOKA' offers catering and training services. Thanks to the cooperation with the Commune of Klucze, the cooperative rented a kitchen facility of the primary school in Rodaki and was able to lease a vehicle adapted to catering needs. The cooperative also organizes training courses in cooperation with Welfare Centers on systemic projects within the framework of Sub-measure 7.1.1 of OPHC. In 2010, the cooperative organized a series of courses on creating social cooperatives within the framework of 'Development of Social Economy' project on behalf of the Regional Social Policy Center. The meetings took place on a regular base throughout the year in Klucze and Krakow. 'Opoka' was also a partner in one of the projects of the Polish National Union of Cooperatives. The aim of the project was to promote social entrepreneurship. The project was addressed to representatives of communes, municipalities and welfare centers all over the country. The project comprised study visits and workshops promoting good practices in creating and running social cooperatives.

In 2010 the Cooperative received a grant of 20,000PLN from the Social Cooperative Support Center in Krakow. The grant was spent on kitchen equipment and catering activity.

#### **'OPOKA' - strengths**

- legislation favoring cooperatives when applying for public contracts,
- orienting at people in care of Welfare Centers . It gives the possibility of obtaining a large spectrum of clients at the start,
- social aspect: local governments improve their promotion image (caring for social initiatives) and public relations by providing work for a social cooperative. The local governments are in touch with social partners, namely the two associations operating in Klucze area. The governments show themselves as being socially sensitive and supporting local initiatives. It should be stressed here that currently the local governments have to limit their expenditure on social welfare and combat the growing unemployment.

Supporting the activity by task offering will help to create new jobs for those who are: long-term unemployed, in care of Welfare centers, disabled, over 50 years old, threatened with exclusion, homeless, etc. Service prices are competitive, thus the local governments will be able to reduce their expenses. The cooperative was created by two associations, which have been operating in Olkusz district for a considerable amount of time. They are recognized by the governments and they also have suitable technical base to conduct such activities. The

associations have experience in working with the socially excluded. Being locally known and regarded as trustworthy, they will help our activity significantly.

The possibility of calling for grants from systemic projects and employment offices to employ the excluded and support new cooperative members was another factor which largely facilitated the start of the cooperative. Moreover, the cooperative made use of the base of the Incubator in Klucze for a year. For the cooperative, it meant free use of the premises, office and accountancy services as well as legal and marketing counseling. Since the employees had no earlier relevant experience, this activity proved very helpful.

### **‘OPOKA’ – weaknesses**

Low qualifications and lack of previous business experience of subjects establishing the cooperative are the main weaknesses. Also, a relatively low share capital may make the start difficult and the competition in Olkusz area could lead to lack of clients. Therefore, an activity plan was developed. The plan will allow to limit the influence of negative factors on the activities of the cooperative. The plan comprises:

- continuous improvement of the qualifications by participating in courses funded under systemic projects,
- participation in courses organized by the local Employment Office (at district level)
- utilization of funds offered by the local Employment Office for subsidized employment. This means that employees will support the activities of the cooperative but they will not generate extra costs.

The problem of the low share capital was already solved by obtaining subsidies and support from the local government. The cooperative leases a vehicle for catering services. In 2010 the cooperative received 65,000PLN from the local Employment Office with the aim of employing socially excluded. In 2011 the cooperative obtained grants for projects within the framework of OPHC and Citizens’ Initiative Fund. Now, the cooperative has expanded its activities, adding building services and production and sales of handicraft. In the future, the cooperative is planning to develop care services.<sup>25</sup>

### **Conclusions**

The development of various institutions or social economy centers can largely support the transition from the welfare state to new forms of activity offering work rather than social

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<sup>25</sup> More information on Social Cooperative ‘Opoka’ on [www.opokas.pl](http://www.opokas.pl).

benefits. It refers to groups particularly threatened with exclusion, which is connected with long-term unemployment, addiction, disability or homelessness.

Social Economy Incubators can play a significant role. The old social model 'donator – recipient', which makes the recipient a dependent person is still prevalent. Paternalistic relations are also improper since it does not help a person from a dysfunctional group to bear the responsibility for their life and decisions. Social economy helps people who have been beneficiaries of different programs to become co-partners, co-owners and managers of the activities provided. They should not be subjects of the decisions as such behaviour leads to becoming addicted and stops independence processes. It is a challenge for the Incubator and local partners (public and business institutions and organizations as social partners). Very often old habits, expectancies and fears, which create fear against the unknown, win.

Not sufficient knowledge about social economy institutions is another problem, therefore the existing legislative system is not sufficiently used to develop institutions enabling social and economical integration in local communities. The Acts on Public Benefit, Social Employment and Social Cooperatives came into force a few years ago. It is also possible to create new economic subjects with the help of non-governmental organization. So far, in Poland not many social integration institutions have appeared, compared to the scale of social problems. There are only 50 social integration centers, about 150 social cooperatives (half of them did not even start any activity) and very few businesses sponsored by non-governmental organizations. All these institutions encounter numerous difficulties. Experiences have shown that it is necessary to create a support system for social economy institutions. Hence, establishing Social Economy Incubators seems indispensable. The development of Social Economy animation systems by establishing new information, counseling and training services for social economy subjects is useful only when there is a favorable local surrounding. Incubators should be extended by creating local partnerships for integration and evolving social responsibility among local partners, thus facilitating the inclusion of those who are, or are going to be excluded from the economical mainstream in local community. The improvement of the intensity and quality of the intersector cooperation, supporting partnership projects and keeping transparency and ethical rules is the challenge for the next years. It is necessary to continue the cooperation between 'old social economy' institutions, such as worker cooperatives, mutual insurance societies, credit unions or traditional third sector organizations, and 'new social economy institutions', which include social integration centers (CIS), social cooperatives, non-profit companies or vocational rehabilitation facilities (ZAZ).

The idea of corporate social responsibility is still little known in Poland. Private enterprises have been operating for about of twenty years, which mainly results in profit maximization. There are not many entrepreneurs who define sustainable development as a source of chances, innovation and competitive advantage. They mostly speak about charity, extra costs or a duty. Social Economy Incubators should contribute to public debates on that subject with the participation of the business, thus expanding the information and knowledge about social economy and social responsibility, which has become popular in Europe and other parts of the world. Entrepreneurs still have no sufficient knowledge on social economy institutions. Some Polish regions are still deprived of non-governmental organizations and activities of social integrations centers, social integrations clubs, social cooperatives, vocational rehabilitation facilities, local partnerships creating a friendly environment for social economy initiatives. Therefore, the cooperation between social economy institutions and businesses are not fully developed yet. They are sometimes perceived as competition. Entrepreneurs must understand that social businesses are not unfair competition – on the other hand, they provide a solution to social problems by using effective business mechanisms. People who are in difficulties do not have to be a problem or a burden to the local community, but they can become consumers and partners in creating new social relations.

Social cooperatives appear to be an excellent vocational activation instrument. They offer excluded people vocational qualifications and teach how to function in a community. Those people are placed in the open employment market, under pure economical conditions. By employing disadvantaged persons cooperatives reduce the number of people seeking help in local labor offices. They do not prove to be any competition to employment agencies, although they use public subsidies. Cooperatives are independent economical subjects generating profits and paying taxes. Cooperatives are not a financial burden to the state – on the contrary, their members learn to become independent of state's support. The participation of social cooperatives in local partnerships can offer a valuable input into creating a comprehensive vocational activation strategy in local communities. Both partners can utilize mutual experience, as one of them knows how to work with the excluded and the other is an expert on labor market.

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- [2] *Act of 7<sup>th</sup> April 1989 on Associations* (Journal of Laws 1989 r. No 20 item 104 as amended)
- [3] *Act of 6<sup>th</sup> April 1984 on Foundations* (Journal of Laws 1991 No 46 item 203 as amended).
- [4] *Act of 27<sup>th</sup> April 2006 on Social Cooperatives* (Journal of Laws No 94 item 651 as amended);
- [5] *Act of 13<sup>th</sup> June 2003 on Social Employment* (Journal of Laws No 122 item 1143 as amended);
- [6] *Act of 22<sup>nd</sup> May 2003 on Insurance Activity* (Journal of Laws No 124 item 1151 as amended)
- [7] *Act of 27<sup>th</sup> August 1997 on Social and Vocational Rehabilitation and Employment of Disabled* (Journal of Laws No 123 item 176 as amended).

**Web-sites**

[www.opokas.pl](http://www.opokas.pl)

[www.hamlet.org.pl](http://www.hamlet.org.pl)

[www.garncarskawioska.pl](http://www.garncarskawioska.pl)

[www.ekon.org.pl](http://www.ekon.org.pl)

[www.pozytek.gov.pl](http://www.pozytek.gov.pl)

[www.mfes.pl](http://www.mfes.pl)

***Summary***

The purpose of this article is to describe an exemplary model of social economy subjects support. As illustrated by the Social Business Incubator in Klucze the principles of creating and supporting social cooperatives have been shown. Legal and financial regulations of social economy subjects in Poland have also been described.