



SUPPORTING SOCIAL ENTERPRISES IN THE CONTEXT OF FINANCIAL EFFECTIVENESS

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Abstract

The cooperative form of management is an essential part of the social economy. One of the most important elements in supporting social entrepreneurship is the problem of efficiency of different kinds of support. This paper presents an assessment of the effectiveness of social cooperatives in the traditional way, using the concepts and measures typical for-profit enterprises. The main objective of the research was to assess the effectiveness of financial aid, received by social cooperatives. The subject of the study were twenty social cooperatives, created from 2005 to 2010 in one of the Polish region (Warmia and Mazury). The study shows that there is some level of support, that allows to develop Polish social cooperatives.

Keywords: social cooperative, social entrepreneurship, effectiveness

JEL classification: H00

1. INTRODUCTION

Social cooperatives are regarded as small private enterprises but are also a good example of social entrepreneurship and the social economy, an economics sector. Both the social economy and social entrepreneurship lie in direct interest of the central and regional policy in most European Union countries. The development of social economy enterprises, such as social cooperatives, can contribute to an increase in local communities' economic potential.

Cooperative management is an essential part of the social economy sector to implement the principles of an active labour market policy, which protects social inclusion. In most EU countries, social cooperatives are considered as an autonomous association of people united voluntarily to meet their common aspirations and needs of economic, social

and cultural rights through a jointly-owned and democratically controlled enterprise. A social cooperative is a form of legal entity combining characteristics of companies and non-governmental organization. It should enable its members, who are often at risk of social exclusion, a return to orderly social and labour market activity.

There is a growing number of articles written on the subject of social entrepreneurship and social enterprises (such as social cooperatives). The concept of social entrepreneurship has received growing attention in the mass media over the recent years. At the beginning of the 1990s, hardly any articles in US newspapers mentioned social entrepreneurship, but by 2000 almost forty articles mentioned this concept, and by 2007 more than 150 articles did so. Similarly, the number of articles dedicated to social entrepreneurship in major international journals has increased exponentially (Vasi, 2009, pp.155-173).

These articles define social value and determine how to measure it, as social enterprises must develop their own metrics (standards, measurements, evaluation criteria, and terminology (Yunus, 2006, pp. 39-44)). First of all, this is because social enterprises should be dealt with differently from traditional for-profit businesses. Secondly, it stresses the importance of measuring outcomes, effectiveness, efficiency and other variables assessing a social enterprise. Metrics can be helpful in conversation with donors or investors and for internal management, with people affected by an organization's work, and with peers or the general public. However, all these conversations differ and each calls for the appropriate kind of evidence (Young, 2006, pp. 56-73).

This paper presents an assessment of the effectiveness of social cooperatives in the traditional way, using the concepts and measures typical for-profit enterprises. Of course, this assessment is one-dimensional and does not recognize the social aspects of social cooperatives. However, as mentioned earlier, this approach is useful, and those who judge in this way will not automatically forget that social cooperatives are formed primarily to combat unemployment and poverty. In addition, certain amounts of money can cause different results, both economic and social.

The approach to the economic efficiency of social enterprises is widely discussed in scientific literature. Some authors emphasize the advantages of self-sufficiency claiming, that effective social enterprises which generate profits have greater stability, with less employee turnover, than their nonprofit counterparts (Durieux and Stebbins, 2010, pp. 129-144). Other proponents of social enterprises' profitability even argue that social entrepreneurship should be defined in terms of the pursuit of earned income alone. Opponents of this belief argue that many social goods do not lend to market approaches (Bornstein and Davis, 2010, p.147), and social enterprises, such as social cooperatives, are a useful tool for both central and local governments. G. Mulgan explains that they can create social value more effectively than the state on its own: the value associated with producing outputs and outcomes, but also a more intangible value of rebuilding social capital (Mulgan, 2006, pp. 74-95). So if social enterprises assume responsibilities from public authorities, in return they should support them financially. In addition, many researchers and practitioners highlight the difficulties that social entrepreneurs face to acquire capital. This is due to many factors, such as a poorly developed social stock market, a lack of social business investors, and the existing norms and conditions of trading (Jacokes and Pryce, 2010, pp. 67-84; Lynch and Walls, 2009, pp. 65-80; Palmer and Randall, 2002, pp.1-304). It all has to justify state aid.

However, the most common is the idea that social enterprises should combine public and private sources, in the same way as they combine social mission and market-based

approach. Therefore, different measures of performance evaluation should be used for such projects. The authors combine three key definitional features of social entrepreneurship – sociality, innovation, and market orientation – and then proceed to explore and estimate the contested issues around each (Boschee, 2006, pp. 356-390; Bornstein and Davis, 2010, pp.30-37; Haugh, 2006, pp. 180-205; Kendall and Knapp, 2000, pp. 105-132; Buckmaster, 1999, pp. 186-197; Wang, 2002, pp. 805-829). However, tools used by private business such as profitability of investment and payback period also apply to social enterprises. They do not ignore their social mission, but instead gain valuable knowledge for decision making and potential “social investments”.

2. SOCIAL COOPERATIVES AS A TOOL TO COMBAT UNEMPLOYMENT AND SOCIAL EXCLUSION IN POLAND

Among other types of social units, social cooperatives are considered a classic example of social enterprise, in light of claims that the experience of social cooperatives have unequivocally demonstrated that social enterprises can substantially modify the supply of welfare services to the advantage of citizens (Borzaga and Scalvini, 2007, p. XIII-XVIII). Of course, the classification of social cooperatives within the cooperative movement differs from country to country. In Poland very often admired the performance standards of Italian social cooperatives. Hence the number of publications comparing the differences and similarities in the functioning of these enterprises in both countries (Social Enterprises..., 2008, pp.1-50). Despite these differences, social cooperatives possess important distinctive characteristics. The general interest mission as a primary purpose is an essential characteristic of social cooperatives. The concept of general interest is linked to fundamental human needs in a given territory or community, covering all citizens living in it. Social cooperatives often manage general interest activities relinquished or unmet by the public sector. Like all cooperatives, social cooperatives are non-state economic entities based on the free association of persons, despite the fact that activities which they carry out are often financed by the public budget, given the general interest character of these activities (World Standards of Social, 2004, pp. 1-5). The cooperative movement is a social movement which arose in the nineteenth century to combat poverty (Zakrzewski, 2001, pp.161-175). The problem is very important, because in some countries, mainly low and middle tier ones (for example Poland or even Spain), the implementation of severe adjustment processes ended, in general terms, with remarkable improvements in the economic growth rate, but with very different poverty outcomes. This is confirmed by the number of cases in which mean income growth was compatible with significant poverty reduction and some cases where poverty increased (Ayala and Jurado, 2011, pp.103-121). A key factor in these differences is the positive effect of redistributive policies on poverty reduction. Most egalitarian societies ensure a more efficient transformation of growth into poverty reductions (Jantti and Danziger, 2000, p. 309).

Social cooperatives can be one of the very useful tools to combat poverty in a local environment. They are an example of institutions which are able to collaborate with other local institutions in order to realize their social motivation, the welfare of the local population. Inside their operative territory, they can be considered as local brokers of social relations (Palombo and Bartoli, n.d.). This point of view is becoming increasingly popular in the Polish economic environment, as well.

The special feature of the Polish route to a free market economy was the policy of shock transformation, also known as the “big bang”. It called for the transition from central planning to a free-market system to be made in a single leap, with direct government control of enterprises kept to a minimum. This solution was characterized by a number of positives (Bozyk, 2002, pp. 90-102). However, it also resulted in adverse events, such as human helplessness, loss and poverty. These dysfunctions are a direct interest of the social economy; most academics, practitioners, and philanthropists characterize social entrepreneurship as a process by which citizens build or transform institutions to advance solutions to social problems, such as poverty, illness, illiteracy, environmental destruction, human rights abuses and corruption, in order to make life better for many (Bornstein and Davis, 2010, p. 147).

The first cooperatives were founded in Europe as a defense mechanism against changing circumstances, a consequence of the industrial revolution. Thus, the analogy of social cooperatives’ utility for radically changing economic conditions, as with the Polish systemic transformation, appears to be accurate in Poland and other Central and Eastern European countries. To prevent malfunctions caused by turbulent transition, venturesome human potential must be created, and the role of the state is crucial here. While setting up and developing, businesses results from the creativity and commitment of individuals rather than from action taken by government, the conditions that enable and/or constrain the process of entrepreneurship are affected by the wider social, economic, political and institutional context, over which the state has a major influence (Smallbone and Welter, 2008, p. 31). The idea of the active role of the state also applies to the creation of social cooperatives in Poland.

Even though the cooperative organizational model pioneered in Rochdale, United Kingdom, in the nineteenth century is the most powerful example of community driven social entrepreneurship, Europe is not the only place where the idea of social cooperatives is popular. For example, Latin American cooperative models of social ventures that centre on civil society rather than on government or the private sector are particularly popular (Davis *et al*, 2003, p. 290). Today, cooperatives are the most widely spread organizational format in the world and have transformed economic and political power relationships from Nicaragua to Dhaka (Nicholls, 2006, pp. 1-35). For example, by grouping small-scale producers into cooperatives the Fair Trade model has countered the problem of price monopsony often exploited by middlemen and returned more of the commodity value-chain back to farmers (Nicholls and Opal, 2005, pp. 32–54).

The social cooperative in Poland was explicitly defined as a social enterprise in Act of 20 April 2004 on the promotion of employment and labour market institutions (Journal of Laws of 2004 No. 99, pos. 1001). The current legal basis for the functioning of cooperatives is the Law of 27 April 2006 on social cooperatives (Journal of Laws of 2006 No. 94, pos. 651), which came into power on July 6, 2006. A social cooperative is a form of legal entity combining characteristics of companies and non-governmental organizations and should enable its members (which according to Polish law must be in 50% of those at risk of social exclusion) to return to orderly social and labour market activity. According to Polish law, social cooperative can be established by:

- unemployed people,
- disabled people,
- homeless people,

- ex-addicts (alcohol, drug or other psychoactive substances) after psychotherapeutic treatment in special clinics,
- people with mental disorders according to the law on protection of mental health,
- ex-prisoners,
- refugees being under individual integration program,
- people with specific qualifications, which members of social cooperatives do not have, but are very necessary in cooperative's activities (The Polish Law of 27 April 2006).

A social cooperative is a kind of cooperative work combining social and economic functions. The object of the social cooperative is to carry out a joint venture based on the personal work of members and the promotion of social and vocational integration of its members. According to the social cooperatives act, these institutions should work towards:

- social reintegration of its members, which is meant by action to restore and maintain the skills for participation in community and social roles in the workplace;
- professional reintegration of its members, which is meant by action to restore and maintain the ability to self-perform work on the labour market - and these actions are not executed in the course of a social cooperative business.

The social aspect of social cooperatives is consistent with the idea of the cooperative movement, because the cooperative is an association of people, not capital. For this reason, each cooperative (despite the fact that it is an enterprise) belongs to the social economy sector. Profit in these enterprises is not an end in itself but an instrument that is designed to achieve social goals. Because of the diversity of cultures and legal regulations in different countries, the cooperative appears in various forms of the development. In some countries, as in Italy or Poland, there are separate laws for cooperatives, in others the cooperatives law is included in other laws, and finally in others, there are no such regulations in general. However, there are common values and principles for the whole of the international cooperative movement. They are defined in the Declaration of Cooperative Identity adopted by the XXXI Congress of the Jubilee International Cooperative Alliance in Manchester on 20-22 September 1995. The International Cooperative Alliance is an independent, non-governmental organization that unites, represents and serves cooperatives worldwide. Founded in 1895, it currently has 222 member organizations from 91 countries, that are active in all economic sectors (National Cooperative Council, n.d.).

Proponents of limited public funding for social cooperatives emphasize the high risk of failure of such initiatives and thus a waste of public funds. Answering such charges, leading social entrepreneurship expert Mike Alken claimed that through the development of social economy enterprises, the economic potential of not only individual organizations but entire communities may increase, which also has a long-term effects on the regional level (Alken, 2005, p. 67). In this sense, the transfer of funds "for a good start", can be recognized as a local strategy of "investing" in human capital and community infrastructure, than a "simple cost". This issue is widely discussed in Poland, as many cooperatives have been created in recent years with public sector support.

This is followed by a discussion on the reasonableness and effectiveness to support such enterprises. The discussion is led by politicians, journalists and, unfortunately, to a lesser extent scientists, and therefore, it is emotional with a distinct lack solid scientific research and statistical data. G. Galera claims that there is still insufficient research on social enterprises conducted in Central and Eastern Europe. This lack of research data is accompanied by a negative perception of the concept of the social enterprise as a whole, as

well as a negative reputation of some organizational models (e.g. cooperatives) (Galera, 2008, p. 131-158).

This current negative image of cooperatives is a consequence of Polish history, especially the time after World War II. During that period, the cooperative movement was incorporated into a system of centrally planned economies and became an instrument of state power. These facts have set the cooperative movement in opposition to the nascent civil society and democratic structures after 1990 (Brzozowska, 2007, p. 33-41). The situation regarding research and statistics for the social cooperative is also difficult because of the high rate of change for closure and the creation of social cooperatives. Thus, compared with Western European countries, studies on the impact of social cooperatives on the prevention of social exclusion are very modest (Galera, 2008, p. 131-158). Example of a study on the impact of social enterprises can see in the Polish economy. However, research sample does not allow to draw conclusions of general nature (studied for 26 social enterprises, including only 11 cooperatives). The latest figures show that in Poland, there are 447 registered social cooperatives, mostly dealing with the provision of various services (table 1).

Table no. 1 The activity of social cooperatives by sector in Poland

Sector	Share %
Business and Economy (printing, advertising, shops, retail, office accounting, office services, photo studio, financial counseling, job placement, mobile phones, telemarketing)	8,4
Home and Garden (cleaning houses, cleaning of green areas, care of graves, snow removal, landscape design, maintenance and household appliances, gardening equipment service, laundry, florist)	25,6
Gastronomy (catering, events, dining, food, room rental, pizza)	10,2
Furniture (repair and maintenance of furniture, furniture sales, furniture, furniture for the disabled, wicker furniture, the production of stained glass, furniture transportation)	2,7
Manufacturing and Industry (sewing and tailoring, recycling, ornaments and decorations, renewable energy, forestry, metal products, wicker products, toys)	5,6
Health and Beauty (care services, rehabilitation services, physiotherapy, beauty treatments, rehabilitation equipment, veterinary services)	6,8
Architecture (repair services, hydraulic services, painting services, maintenance services, carpentry services, electrical services, masonry, locksmith services, welding services)	18,3
Education (training, recreation, tutoring, psychological counseling, kindergarten, music education, first aid)	6,7
Internet and Computers (web design, computer service, SEO, web administration, online shops, multimedia presentations)	4,9
Automotive (trucking, manufacturing and bicycle repair, removal, transport of persons, sales of cars and parts, transport facilities, courier operations, car washes, automobile repair)	3,3
Leisure and tourism (social events, accommodation, tourist attractions, sporting events, equipment rental, farm tourism)	3,3
Other (artistic activities, monitoring and surveillance facilities, arts and crafts, hawking, trading second-hand things, painting galleries)	4,0

Source: [author's own work based on material developed under the Act on social cooperatives and statistical data made by the Office of the Ombudsman]

In most cases, members of cooperatives are unemployed, less often - disabled. Research shows that cooperatives are established in the vast majority by the unemployed (83%). The second group of founders are people with disabilities (38%). There is not among them, members of other groups who are allowed to set up cooperatives - that former prisoners, drug addicts and refugees. The quoted study commissioned by the Ministry of Labour and Social Policy in the period June-September 2011, were conducted by the National Association of Social Cooperatives Audit (n.d.). The Polish landscape is dominated by small cooperatives, numbering from five to nine members - only 10% have more than ten members. These social cooperatives provide employment for only a few thousand people. With over 2 million unemployed people (Monthly information..., 2012), including 30% of long-term unemployed (longer than 1 year), the impact of social cooperatives on the labor market is negligible.

Table no. 2 Economic activity of population in 2012 - basic data

Voivodship	Population in thousands ¹	Unemployed persons in thousands ²	Unemployment rate in % ²	Number of social co-operatives ³	Economic activity of population-ranking ⁴	"Economic social activity" of population-ranking ⁵
Dolnośląskie	2877,8	154,1	13,2	30	4	12
Kujawsko-Pomorskie	2069,5	148,3	17,7	24	11	10
Lubelskie	2151,9	131,1	14,1	25	14	9
Lubuskie	1011,0	64,7	16,5	17	6	3
Łódzkie	2534,4	148,5	13,5	37	9	4
Małopolskie	3310,1	155,7	11,2	43	8	7
Mazowieckie	5242,9	261,8	10,4	44	1	14
Opolskie	1028,6	51,9	14,2	12	10	8
Podkarpackie	2103,5	154,3	16,3	28	16	6
Podlaskie	1188,3	70,3	14,9	9	15	15
Pomorskie	2240,3	114,5	13,2	22	3	13
Śląskie	4635,9	201,4	10,8	49	7	11
Świętokrzyskie	1266,0	88,2	16,0	7	12	16
Warmińsko-Mazurskie	1427,2	114,5	21,1	27	13	1
Wielkopolskie	3419,4	145,9	9,8	58	5	2
Zachodnio-pomorskie	1693,1	116,4	18,5	23	2	5
Poland - whole country	38200,0	2121,5	13,2	455	X	X

¹ At the begininig of January 2012 –information portal of the Central Statistical Office- www.stat.gov.pl

²At the end of January 2012 - The monthly information on unemployment from the Central Statistical Office- www.stat.gov.pl

³ At the end of March 2012 - According to The National Association of Social Cooperatives Audit - www.ozrss.pl/katalog.htm

⁴ 1 – the best result; 16 the worst one - According to number of companies per 1000 inhabitants

⁵ 1 – the best result; 16 the worst one - According to number of social cooperatives per 1000 inhabitants

Source: [author's own work based on statistical data – www.stat.gov.pl/gus]

Table 2 depicts basic statistical data on economic activity in the voivodships. Significant relationships cannot be determined between variables. The data presented in table 1 does not show any relationship between population and the number of established social cooperatives. Social entrepreneurship is also not due to “normal” entrepreneurship. The most enterprising region, Mazowia, is only 14 in the number of cooperatives per 1,000 inhabitants. The region with the highest percentage of unemployment, Warmia and Mazury, is also ranked first in terms of “economic social activity”, but the second place belongs to the region with the smallest percentage of unemployed, Wielkopolskie. Among other variables, which also show no relation to the number of running cooperatives, this number depends on public funding for the operation of social cooperatives. The fact is that only a few cooperatives were created without any public support.

Social cooperatives are currently treated in Poland as a kind of experiment. They rather serve as a good example of social entrepreneurship development and maybe as an effective tool to fight unemployment. The creation of social cooperatives has had little impact on the current number of jobs. However, if the social cooperatives successfully fight unemployment, new ones will appear. If a substantial part of future cooperatives are created without the involvement of public funds, it will mean that the experiment was successful and worth the investment of public funds.

3. EFFICIENCY OF CREATING SOCIAL COOPERATIVES IN WARMIA AND MAZURY REGION - EMPIRICAL RESULTS

The main objective of the research was to assess the effectiveness of financial aid, received by social cooperatives. The subject of the study were twenty social cooperatives, created from 2005 to 18 January 2010 in the Polish region of Warmia and Mazury¹. The study was conducted in August and September 2010.

More than 57% of the surveyed cooperative members were women. The scope of activities undertaken was diverse, but the most common activities were road works (eight cooperatives), although they often did not constitute the main activities of the cooperative. Quite often artistic activities were a recurring occupation, possibly meaning that there are many unemployed artists. Such people acknowledged that they had earlier exercised their talents outside the business, often without social security. These people are often educated, experienced and artistically talented but have labour market problems, so under a cooperative, they attempt to pursue their passions. Such activities are mainly related to arts i.e. embroidery, handicrafts, musical presentations, artistic, design and artistic prints and advertising and organization of performances. For six cooperatives, the main scope of activity was renovation and construction. Often people who set up such cooperatives have been trained in the construction industry, and have licenses to use specialized construction equipment. Nine of the cooperatives had a membership of five, and for the other eleven cooperatives, this number ranged from six to ten.

As mentioned before, the main objective of the research was to assess the effectiveness of financial aid received by social cooperatives. Therefore, following hypotheses were stated:

1. State budget expenditures on financing emerging social cooperatives exceed the revenues associated with the activities of the cooperatives.

2. State actions undertaken to prevent the negative effects of unemployment by helping to create new jobs, despite the lack of financial performance, have a social dimension and give meaning to such activities.

In order to confirm the first hypothesis, the effectiveness of social cooperatives was estimated.

The analysis included source materials as follows:

- survey used as a research tool,
- data archived by the special Cooperatives Social Support Center in Olsztyn, the capital of Warmia and Mazury,
- professional literature on the subject of research,
- legislation (mainly the social cooperative act),
- websites,
- data from the Central Statistical Office in Poland.

To gather data in the study, questionnaires were addressed to the presidents of cooperatives, and direct standardized interviews were conducted with cooperative members, the director of Cooperatives Social Support Center in Olsztyn, and the person responsible for contacts with unemployed people who start their own business financed by the special Labour Fund in the Municipal Labour Office in Olsztyn.

The study was conducted using the method of direct surveys. For the study, a special questionnaire was designed. It contained information on social cooperative, as well as its members. In addition to the cooperative's financial data, a questionnaire related primarily to forms of financial and non-financial aid, received by the cooperatives.

The economic principle of economic efficiency is linked with defining and implementing an organization's objectives and achieving effects and costs. Therefore, most definitions of economic efficiency emphasize the relation between a particular effect and factor(s) of production used to gain this effect (Matwiejczuk, 2000, p. 27; New Universal Encyclopedia, 1996, p. 484). If we add to these two quantities the fact, that everything must be done and be evaluated at a specified time, it can be concluded that the economic efficiency of development processes is determined by three components: inputs, effects and time (Wesołowski, 1996, p. 133). The same perspective has been used to examine the problem of economic efficiency of Warmia and Mazury social cooperatives in this paper.

In the calculations presented in this article, benefits for the state budget included:

- Value Added Tax and other taxes paid by cooperatives,
 - income taxes paid by cooperatives members (workers),
 - paid social insurance (retirement fund) to the Social Insurance Institution,
 - unpaid allowances from social security – money paid by the state to those in need (members of social cooperatives do not receive it),
 - unpaid health insurances (these insurances are paid by the state in the case of unemployed people).
- State budget costs included:
- grants from Labour Fund given to social cooperatives,
 - social insurance paid to the Social Insurance Institution by local governments.

Since the value of the health insurance during the studied period achieved different levels, the study adopted the arithmetic mean of the rates in force in Poland. Also, the average amount of the unemployment benefits paid by the social security offices was assumed, depending on the „income criteria”, which is the difference between the maximum

amount of unemployment benefit and the income of the person. The calculation also took into account the period of operating the cooperative after using the refund of social security contributions.

In order to assess the financial performance of the operation of cooperatives in the region, revenues and costs of all of the entities were totalled.

Based on the above, financial efficiency was estimated as:

$$\text{Efficiency} = \frac{\text{Benefits}}{\text{Costs}}$$

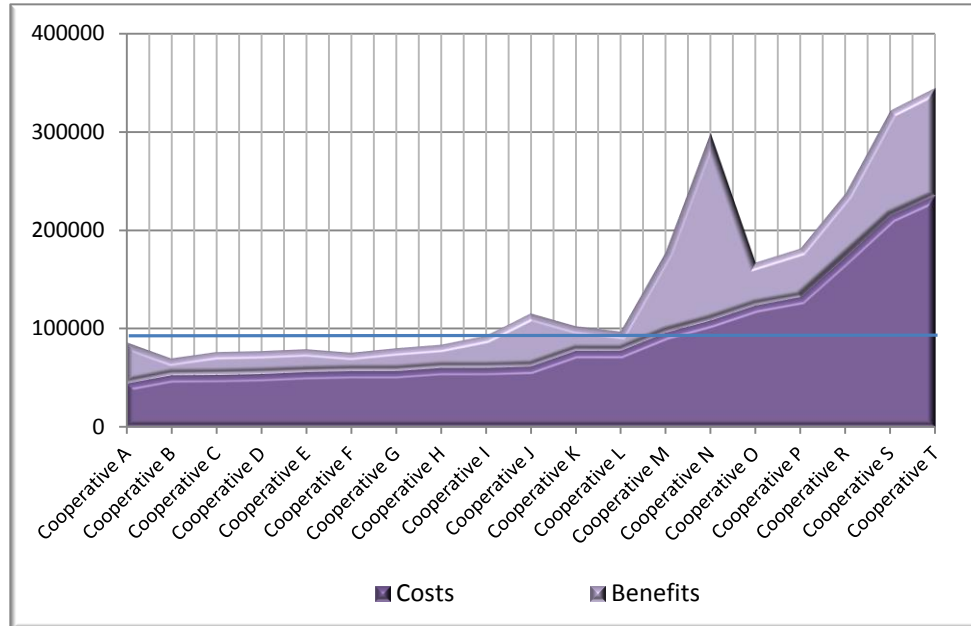
Table no. 3 Financial efficiency of social cooperatives support

Cooperative name	Costs (PLN)	Benefits (PLN)	Efficiency (%)
Cooperative A	44760	41590	92,9
Cooperative B	53107	16584	31,2
Cooperative C	53481	22881	42,8
Cooperative D	54503	22881	42,0
Cooperative E	56319	23022	40,9
Cooperative F	57279	23022	40,2
Cooperative G	57279	18438	32,2
Cooperative H	60514	23270	38,5
Cooperative I	60514	32438	53,6
Cooperative J	61729	53877	87,3
Cooperative K	77617	25173	32,4
Cooperative L	77758	19270	24,8
Cooperative M	96416	81153	84,2
Cooperative N	108747	190350	175,0
Cooperative O	123902	43314	35,0
Cooperative P	132318	49249	37,2
Cooperative R	173015	64302	37,2
Cooperative S	214664	107170	49,9
Cooperative T	235606	109290	46,4
Total	1799528	967274	53,8

Source: [author's own work based on studies]

Financial effectiveness of individual cooperatives is at different levels, starting with a payback of 25% in the cooperative L to the return of 175% in the longest running cooperative N (since 2007). The effectiveness of the financial operations of all cooperatives surveyed stands at 54%. This means that more than half of the invested funds returned to the state budget (as mentioned before state budget benefits). Public authorities expended on social cooperatives almost 1 800 000 PLN, but recovered more than 967 000 PLN (i.e. the

net cost of creating cooperatives amounted to 832 thousand PLN). Financial performance also shown in the figure 1 to better illustrated.



Source: [author's own work based on studies]

Figure no. 1 Relations between benefits and costs of social cooperative to the state budget

Only six cooperatives presented in figure 1 (those with names) still operate in the market, and the others have unfortunately failed. Figure 1 shows, that at a higher expenditure incurred by the state, the efficiency increases. However, this situation is fairly obvious. Cooperatives that received at least 100 000 PLN in financial support, have a better chance of survival (70% of the successful enterprises received 100 000 PLN or more in financial support). As depicted in figure 1, only cooperative A has received less money and still exists, because its members are disabled and thus receives another kind of assistance from PFRON (State Fund Rehabilitation of the Disabled).

4. CONCLUSIONS

Social entrepreneurship and its methods, borrowed from the world of business, are becoming more and more popular among morally conscious people who wish to solve a particular social problem and possibly make money in the process (Durieux and Stebbins, 2010, p. 336). Throughout the world, socially conscious individuals have introduced and applied innovative business models to address social problems previously overlooked by business, governmental and non-governmental organizations (Zahra et al, 2009, pp. 519–532). One of the most important elements in supporting social entrepreneurship is the problem of efficiency of different kinds of support. The funds used in supporting social organizations, i.e. social cooperatives, should not only bring profits to the social

entrepreneurs but also it should be efficient from the public point of view; the central or local government in this case is a specific investor interested in efficiency. The key point is to establish appropriate measures which allow local governments to check and to estimate this type of investment.

The cooperative form of management is used as an essential element of the social economy sector in order to implement the principles of active labour market policies and social inclusion. The study confirmed the stated hypotheses. State budget expenditures on financing emerging social cooperatives exceed the revenues associated with the activities of the cooperatives. The studies showed the effectiveness of the financial activities of all surveyed cooperatives at 54%. This means that 54% of PLN 1.8 million invested by the state returned to the state budget (in the form of Value Added Tax and other taxes paid by cooperatives, income taxes paid by cooperatives' members, paid social insurance - retirement fund to the Social Insurance Institution and others benefits).

This level of return is perhaps not too high, but there is also non-financial performance, which refers to social objectives as activities, assistance and activation of the least resourceful in life, who are victims of systemic change in Poland. The state budget does not rely solely on financial gain by providing financial support in setting up cooperatives.

Also the second hypothesis, that the state actions undertaken to prevent the negative effects of unemployment by helping to create new jobs, despite the lack of financial performance, have a social dimension and give meaning to such activities, was confirmed.

The financial efficiency of public funds spent is not the most important factor in combating unemployment. However, one of the main tasks of the social economy is to choose such instruments in the allocation of funds from the budget so that they are spent the most effectively. This means that in addition to financial effects, they also fulfill social functions. Poor financial performance should, therefore, be explained by the pursuit of the objectives of a social economy and state support in incorporating the unemployed into the labour market, a great benefit to the state and local society.

To make the social cooperatives in Poland work effectively, it is necessary to create a system that will not only perpetuate the financing of social cooperatives in the form of grants or subsidies, but will also offer support in the form of number of tools, such as counseling, loans or guarantees. The research showed that social cooperatives need professional care, not only in the initial period of their operation.

Through the research it was found that there is a certain level of aid, investment limit (oscillating about PLN 100,000), which gives a much better chance of survival in the market.

Social cooperatives, which have not received the help of this amount did not survive, while those who received it in the amount of PLN 100,000 or more coped much better on the market. Thus, it can be assumed, that only a certain level of support allows the development of that specific type of business which is a social cooperative. Financial assistance for the appropriate level can help to create and increase opportunities for the development of social cooperatives in a competitive market.

Despite the collapse of most of the surveyed cooperatives, number of existing cooperatives remained unchanged, which means that in place of the fallen, the new ones are constantly created. Due to changes in legislation, several years experience of government agencies and NGOs in the promotion of social cooperatives, there is a good chance that the newly formed cooperatives will survive and provide jobs for many people unemployed.

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Notes

¹ The Warmia and Mazury region is situated in the north-eastern part of Poland. It is the fourth largest region of Poland with 24 thousand square kilometers. It is also one of the poorest regions in the country, characterized by a low level of GDP per capita, low industrialized and highest unemployment rate. These circumstances will cause great interest in the social economy in the whole region.