



**LEONARDO DA VINCI
Community Vocational
Training Action Programme**

Second phase: 2000-2006



**Guidance and Counselling for Self-
employment. "SELF-EMPLOYMENT"**

Agreement No 2004-2242 / 001-001 LE2-51OREF

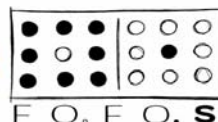
**Desk study report on:
State of the art of Self-Employment in Poland**
Deliverable 2.1

This publication reflects the view only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Deliverable version: **Final (version 0.3)**
Preparation date: 5/05/2005
Author: ASM: Izabela Kowalska, Dominika Stelmachowicz-Pawyza, Katarzyna Mucha
Classification: Public access
Contract Start date: 1st October 2004
Duration: 36 months
Project coordinator: ASM (Poland)
Partners: FO.FO.S (Austria), Small Business Institute (Finland), AJOFM (Romania), DJUG (Romania)



TURUN KAUPPAKORKEAKOULU
Turku School of Economics and Business Administration



This project is financially supported by the European Commission



Table of contents

1. Descriptions and definitions	3
1.1 Country description in context of self-employment	3
1.2 Self-employment in Poland	10
2. Support for self-employment in Poland	17
2.1 Regional and local initiatives	17
2.2 Financial support	18
2.3 Other supporting services.....	20
2.4 Trainings	21
2.5 Summary	21
3. Research made on self-employment.....	23
3.1 Research made on self-employment in Poland.....	23
3.2 Research made on self-employment Internationally	27
3.3 What kind of research would be needed?	29
4. Conclusions.....	30
5. References.....	32

1. Descriptions and definitions

Background

Over the last years an increase in the importance of microenterprising to the economic development can be observed in the entire Europe. However, a special place in this process can be ascribed to the growing phenomenon of self-employment. Unfortunately, although this form is uncommonly popular, at the present stage of research there is no single, complete theory of self-employment and a definition functioning within its framework.

Therefore, as a starting point for works within the framework of the LdV project "SELF-EMPLOYMENT - Guidance and Counselling for Self-Employment" the following description of self-employment has been assumed, which defines it as: "*a one-person company*".

1.1 Country description in context of self-employment

General description

Economy

"Poland's economy, with GDP (Gross Domestic Product) growth of 5.4% in 2004, is developing much faster than in the Euro zone (1.3%) and higher than the average of all 25 EU members (1.6%). Poland's growth has been driven to a significant extent by export growth, industrial production and investment.

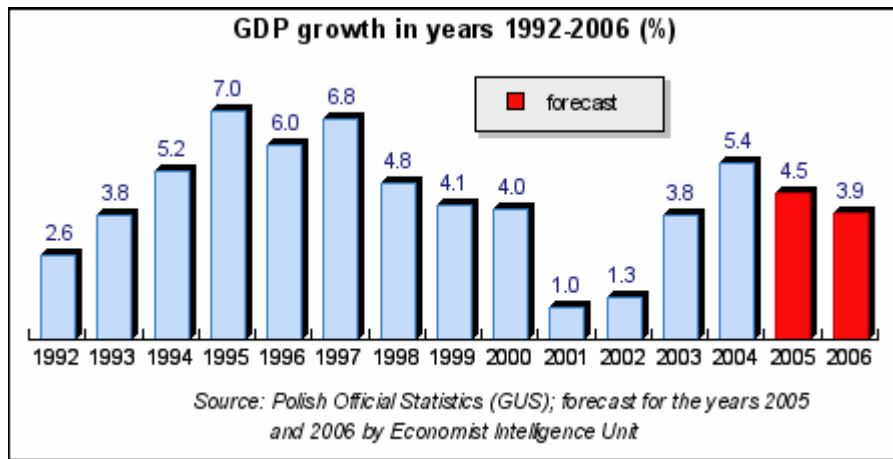
In the mid- to late-1990s the Polish economy grew rapidly. After a slowdown, due mainly to the global economic conditions, Poland has regained the pace of growth that it achieved in the second half of the 1990s. In 2004, GDP grew by 5.4%. Economists forecast that GDP should grow by 5.1% in 2005.

The country is still one of the leaders in terms of economic development among EU countries. In the first quarter of 2004 GDP increased by 6.9%, while in the second quarter of the year the growth amounted to 6.1%. This in turn means that the economy grew by 6.5% in the first half of the year and by 5.9% over the first three quarters of 2004. It means that Poland is still a leader in terms of GDP growth not only within the EU, but also in the region of Central and Eastern Europe.

According to the latest data, in 2004 GDP (at current prices) amounted to PLN 884,2 billion. It increased by 5.4% as compared to the previous year. GDP in 2003 was 2.5% higher than in 2002"¹.

¹ Polish Information and Foreign Investment Agency <http://www.paiz.gov.pl/index/?id=6364d3f0f495b6ab9dcf8d3b5c6e0b01>

Figure 1



Source: Central Statistical Office, forecast by Economist Intelligence Unit²

Consumer price inflation has been dropping since the beginning of transformation. Average annual inflation in 2003 was 0.8% (1.9% in 2002). The latest increase to the level of 3.5% in 2004³ has transitional character and is connected with joining the UE.

Figure 2



Source: Central Statistical Office⁴

Population

Polish population counts above 38 mln of people. The level of pre-working people is decreasing gradually from 1990 and the level of older, post-working people is higher then before and equal 15,3%.

² ibidem

³ ibidem

⁴ ibidem

Table 1: Basic demographic data for 1990-2004

Breakdown	1990	1995	1996	1997	1998	1999	2000a)	2001	2002	2003	2004
Population in total in thousands (as per December 31st)	38183	38609	38639	38660	38667	38654	38254	38242	38219	38191	38175
Annual growth											
in thousands	145	28	30	21	7	-13	-9	-12	-24	-28	-16
in %	0.38	0.07	0.08	0.05	0.02	-0.03	-0.02	-0.03	-0.06	-0.07	-0.04
Population according to age - in %											
pre-working (0-17 years)	29.7	27.6	27.0	26.3	25.6	24.9	24.4	23.5	22.7	21.9	21.5
working (18-59/64 years).....	57.5	58.6	59.0	59.5	60.1	60.6	60.8	61.5	62.2	62.9	63.2
post-working (60/65 years and more)	12.8	13.8	14.0	14.2	14.3	14.5	14.8	15.0	15.1	15.2	15.3
0-14 years (children).....	24.9	22.5	21.9	21.1	20.3	19.6	19.1	18.4	17.8	17.2	17.0
65 years and more.....	10.2	11.2	11.5	11.7	11.9	12.1	12.4	12.6	12.8	13.0	13.0

a) The difference for the year 2000 amounts to 390 000 and results from unbalanced population counts based on the censuses of 1988 and 2002. For the years 2000-2004 data concerning the number and structure of population were balanced on the basis of the results of the National General Census of 2002.

Data concerning the year 2004 is estimated.

Source: „Basic information on demographic development in Poland till 2004”, GUS (http://www.stat.gov.pl/dane_spolgosp/ludnosc/demografia/2004/demografia_04.doc)

Education

The Polish education system consists of comprehensive school, gymnasiums, post-comprehensive general and vocational education, higher education and adult education. The level of high-educated people is low and equal 9,9% for 2002⁵. Fortunately “for young Poles higher education is becoming increasingly commonplace. In 2002 Polish higher schools provided education for 1.8 million students. In the same year over 340,000 people graduated from colleges and universities, four times as many graduates in 2002 as there had been in 1992”⁶.

Gender differences

Women are better educated than men (10,4% to 9,3% of higher-educated people⁷). However, men and women still follow rather different career paths. Men are still most likely to be managers, senior officials and women work on lower level of responsibility and for lower salaries.

Geography

“The territory of Poland spreads on 312,685 square kilometres. It is located between the southern coast of the Baltic Sea and the Karpaty and Sudety mountains. The country is bordered by the Bug river from the east, and by Odra and Nysa Łużycka rivers from the west. The total length of the Polish borders amounts to 3,504 kilometres. The borders with Belarus (418 km), Russia controlled Kaliningrad area (210 km) and Ukraine (535 km) constitute the external border of the European Union, which total length on the territory of Poland amounts to 1,163 kilometres. Polish borders with Slovakia (541 km), the Czech Republic (790 km), Germany (467 km) and Lithuania (104 km) constitute internal borders of the EU; totalling 1,902 kilometres”⁸.

⁵ Central Statistic Office

⁶ Polish Information and Foreign Investment Agency

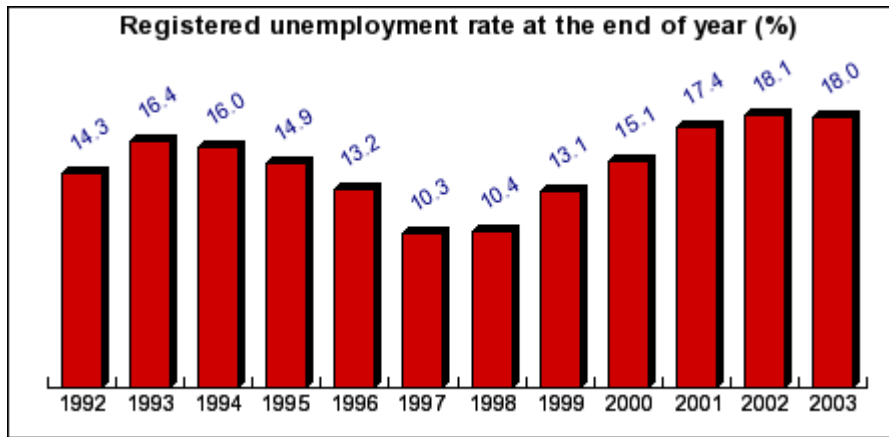
⁷ ibidem

⁸ Polish Information and Foreign Investment Agency

Employment and unemployment

The one of the biggest problems of Polish economy is low employment rate, 44,2%, and high unemployment rate; in March 2005 the registered unemployment rate amounted to 19,3%. By the end of 2004 there were 3 millions people registered as unemployed⁹. The table below show registered unemployment rate in earlier years.

Figure 3



Source: Central Statistical Office¹⁰

Juridical and political environment

Poland is a parliamentary democracy with constitution. The parliament have the legislative power in the country. The president is elected by popular vote for a five-year term and he has an executive power.

Poland is divided into 16 voivodeships with its local authorities.

The civil law system is based on Polish law.

History and languages

Poland exists from the 10-th century. From year 1795 to 1918 it was occupied by Russia, Austria and Germany and has declared its independence again in 1918 after the ending of The World War I.

Official language of Poland is Polish.

Salaries and taxes

In 2004 average monthly gross salary was 2289,57 zł¹¹ what equals c. 575 €. There is a big difference between salaries in regions. In a capital salaries are usually higher than the average. In other region they are often lower.

Minimal salary equals 849,00 for 2005¹² what means c. 213 €.

Height of taxes in Poland is still being changed, also because of joining the UE.

⁹ Central Statistic Office

¹⁰ Polish Information and Foreign Investment Agency

¹¹ Social Security Office, <http://www.zus.pl/niusy/inf008.htm>

¹² ibidem

There are 4 different types of taxes in Poland:

1. Corporate Income Tax (CIT) – tax year corresponds to a calendar year:
from 1 January till 31 December 2002 - 28 percent of taxable base,
from 1 January till 31 December 2003 - 27 percent of taxable base,
from 1 January till 31 December 2004 - 19 percent of taxable base
2. Personal Income Tax (PIT) with scale - 19% 30% 40%
3. Real Estate Tax
4. Tax on Goods and Services (Value Added Tax - VAT) - The basic tax rate is 22 percent¹³.

Internet

Internet in Poland isn't very popular in our country, though there is request for it. First connection Poland with internet was 17 August 1991¹⁴. Only 36% households had a computer in July 2004; access to Internet was in 26% of households. The low level of living and lack of skills in using ICT technology are the main barriers in access Internet in homes¹⁵; nevertheless many public and private institutions have the connection. From March 2005 a tax for Internet services for private users was set up and it can also slow down the development of Internet in Poland¹⁶.

Country description in context of self-employment

On the threshold of the last decade of the 20th century, the political and economic situation of Poland underwent a fundamental transformation¹⁷. Poland's transformations were a part of a more comprehensive process connected with the downfall of the communist system. After 44 years of a regime based on central planning system and nationalization of practically the entire industry, market economy started to be introduced. Up till that moment services and trade, as well as craft, had been accepted in private activity to a strictly controlled degree only. There have been some indications of market changes as early as the last stages of Polish People's Republic (1988), which manifested themselves in an increase of economic freedom and a slight opening to foreign capital; however, the actual transformations came with the introduction of the democratic form of government.

As a consequence of changes in political system, Polish economy has begun to experience some problems connected with demographic trap of classical retirement systems, problems with large state owned companies (railway, metallurgy, mining) as well as an unfavourable agrarian structure (relatively big share of employment in agriculture). However, these issues are of a more widespread nature and familiar to other competitive economic systems as well.

The reforms of the transition period and subsequent hard and consistent monetary policy gave the Polish economy solid foundations: a strong currency and falling inflation (only with transitional increase in 2004¹⁸; currently at about 3,6% → February 2005¹⁹). The implementation of systemic reforms and responsible government policies, as well as improved global competitiveness, mean that expectations of a return to fast-track economic growth are justified²⁰.

¹³ Portal Poland.pl, <http://www.poland.pl/info/invest3.htm>

¹⁴"Internet in Poland -history, today i tomorrow" <http://www.wsp.krakow.pl/papers/trzebinia.html>

¹⁵ "Using of ICT technology in enterprises and households in 2004", Central Statistic Office, 2005, http://www.stat.gov.pl/dane_spol-gosp/spoleczenstwo_informacyjne/index.htm

¹⁶ Development of informative society in Poland and UE countries- statystyki http://www.mnii.gov.pl/_gALLERY/21/214.doc

¹⁷ The beginning of these changes goes back to 1989.

¹⁸ Polish Information and Foreign Investment Agency <http://www.paiz.gov.pl/index/?id=6364d3f0f495b6ab9dcf8d3b5c6e0b01>

¹⁹ Central Statistic Office

²⁰ <http://www.poland.gov.pl/?document=185>

Consistent management of economic policy has introduced Poland, in a relatively short time, to the circle of the most dynamically developing economies in Europe and allowed the integration of Poland into European Union structures in May 2004.

Self-employment: social and economic conditions

Self-employment has first appeared in Poland at the beginning of the political transformation in the early 90s, as soon as freedom of economic activity has been introduced. *Large state-owned enterprises, where layoffs were necessary for economic reasons, offered a possibility to take over or buy their machinery or equipment to the quitting workers and then sub-contracted the services of the companies established by their former employees. It was called a spin-off saving strategy for large enterprises*²¹. Similar circumstances accompany the same phenomenon, but with regard to private companies operating in industries of low profitability or largely seasonal character such as transport or building industry. With reference to the private business sector this occurrence is not regarded as a way to save a company, but as a pathology of economy. It is worth mentioning that the research conducted so far on the private sector has not found any evidence to confirm that contracting the services of self-employed persons is a widespread form of employment.

Till relatively recently, self-employment has been associated with rather negative connotations. It was considered not as a manifestation of employees' thrift and willingness to act, but as *a distortion of work relations in private sector enterprises*²². It was a way to circumvent the restrictive regulations of tax law and employer's obligations such as high employment costs, avoiding observation of sanitary provisions and health and safety at work), i.e. a so-called forced self-employment. These reasons have not been confirmed by the recently conducted research focused on the phenomenon of self-employment²³. Of the total number of research participants (941 persons), the phenomenon of forced self-employment pertained to 10% of the respondents only (69 persons).

Last years have indicated an escalation of the role of self-employment on the Polish labour market. The motives for establishing one's own business have changed as well. In the 90s, especially during the first stage of introduction of market economy, establishing a one-person-enterprise was regarded as a manifestation of one's creativity and initiative – qualities that have only just started developing in a society used to centrally controlled economy. However, the progress of social and economical changes and the increasingly difficult situation on the labour market (rising unemployment rate) have caused self-employment to be considered more and more frequently as a way to avoid unemployment. Simultaneously, there is an increase in the percentage of persons, particularly those well-educated and enterprising, who view self-employment as an opportunity for personal development and independence.

General atmosphere for enterprise development

Activating the labour market is one of the three, besides maintaining a 5% GDP growth and using European funds efficiently for the development of the country, strategic goals of Polish government – presented in the programme "Enterprise - Development - Work II"²⁴. These aims will be realised, among other things, by means of activities aimed at developing entrepreneurship and promoting employment together with self-employment as well as

²¹ According to "Report on the Condition of the Small and Medium-Sized Enterprise Sector in Poland in 2001-2002", Polish Agency for Enterprise Development, Warsaw 2003; p.206

²² Ibidem

²³ Country-wide research on employees, commissioned by PAED and conducted in October 2003, will be described in more detail in chapter 3: "Research made on self-employment".

²⁴ <http://www.poland.gov.pl/?document=186>

supporting innovativeness, development of infrastructure, increasing regional and local opportunities, and efficient use of EU structural funds.

Poland, the ninth biggest country in Europe and populated by c. 38 million citizens, is regarded as a dynamically developing economy. This is confirmed by the recent information prepared by the Department of Economic Analyses and Forecasting of the Ministry of Economic Affairs and Labour²⁵. Since the second half of 2002 an economic growth has become noticeable. Its evidence is an increasing GDP. It rose by 5.4% in 2004 as compared with the previous year. Polish currency is stable, however the interest rates are higher than demanded by the Maastricht criterion applicable to EU states, which is reflected in the relatively high credit interest for persons considering starting their own business activity.

The main problems of Polish economy are low employment rate and high unemployment rate. By the end of 2004 there were 3 millions people registered as unemployed. This was a result of, among other things, increased productivity of labour force, considerable growth in the number of persons at working age and continuation of the restructuring processes in the biggest industries of national economy, such as steel, mining, agriculture, and railway industry. The current improvement of the economic situation permits to presume that the unemployment rate will fall below 19% in 2005.

A cause to anticipate an improvement in the employment situation is the huge **change in the mentality of Polish employees** that has transpired within the last 15 years of economic transformations. First of all, they have learned to respect both their own and other people's work. As the state's protective policy came to an end in 1989, Polish citizens have acknowledged that work is a good that does not come easily and must be therefore appreciated. Today the effects of these changes are already visible in Poland. People who have work perform it solidly; work has become a value. Poles comprise a society that is young – for European standards – increasingly better educated and willing to improve their competencies.

²⁵ The publication "Main macroeconomic indicators for the Republic of Poland", no. 12/2004
http://www.mgip.gov.pl/NR/rdonlyres/193897DB-2060-4447-98EF-DC2FC5EDB326/0/ekon_pol_1204.pdf

1.2 Self-employment in Poland

Definition²⁶

Polish law does not offer an unequivocal, universal definition of self-employment, although the phenomenon itself has been existing for many years²⁷. Nevertheless, as indicated by the authors of the report "Self-employment in Poland in the context of accession to the European Union"²⁸, this concept is used mainly in the context of activities performed for businesses on a basis other than an employment contract. In practice it essentially means "*being employed by oneself*".

An existing non-legal definition of self-employment is the one used by Central Statistical Office (GUS):

"A self-employed person is a person performing independent business activity or activity in the form of a sole proprietorship enterprise of a natural person, not having employees".

Self-employment is most frequently defined as a one-person enterprise, a one-person company, which is characterized by working on one's own account and at one's own risk, and whose work is performed personally, i.e. without having employees.

Naturally, this does not imply that self-employment is a homogeneous phenomenon. There are many different forms within this category.

Considering the existing organizational and legal forms of self employment, the following entities can be distinguished:

- ✓ the independent enterprise without legal form (establishment operated by a natural person, sole proprietorship),
- ✓ the commercial law partnership – a registered partnership, and
- ✓ the sole-proprietor limited liability company.

Furthermore, considering the object aspect, the following types of activity may be recognized:

- ✓ non-agricultural business activity conducted independently or in the form of a civil law partnership, and
- ✓ activity performed personally (source: "Self-employment in Poland in the context of accession to the European Union", PAED, 2003)

Of course, within the framework of self-employment both services and production activities can be performed.

This phenomenon can certainly occur in various legal forms, and its objectives may also be differentiated, but what is particularly significant about the self-employment is the reason for its founding.

Self-employment as such has been functioning in Poland for a relatively short time, but its popularity has certainly been growing. This is due to, among other things, the difficult situation on the employment market. However, if we were to take a closer look at the specifics of this phenomenon, we would come to the following conclusion: there are three situations/groups of persons that contribute to the decision of taking up self-employed activity:

- ✓ persons entering the labour market and functioning outside of it, e.g. graduates or unemployed persons, for whom the decision to become self-employed results from the desire/need to create a work place for themselves – "*self-employment as a chance*"

²⁶ There is selfemployment definition recommended by International Labour Organisation but it treats this phenomenon too widely from point of view which is adequate for aim of Selfemployment project.

²⁷ An accelerated growth of enterprising, including self-employment, occurred particularly during the years of the so called "government and economic transformation", i.e. after 1989.

²⁸ Tokaj-Krzewicka A. Żolnierski A. (Edit.), Raport o stanie sektora Małych i Średnich Przedsiębiorstw w Polsce w latach 2002-2003". Warszawa, PARP, 2004 The report is a part of a bigger study from a research project commissioned by Polish Agency for Enterprise Development and conducted in October 2003.

- ✓ persons already operating on the labour market who come to the conclusion that self-employment will be a more beneficial form of employment for them – “*self-employment as a conscious and free choice*”
- ✓ persons already operating on the labour market who decided to take up self-employment under the influence of pressure from their employer – “*forced self-employment*”

This motivations are also affected by the stability factor, meaning: is self-employment only a transitory form in the development of the business or not? If it is, the next stage in its development may be microenterprise. In the Polish Act of 2 July 2004 on freedom of business activity:

„As a microentrepreneur is regarded such entrepreneur who in at least one of the last two financial years:

- 1) employed less than 10 persons on average per year and
- 2) obtained a net annual turnover from the sales of goods, products and services as well as financial operations not exceeding the PLN equivalent of two million EUR, or the total assets of his balance made out at the end of one of those years did not exceed the PLN equivalent of two million EUR.

Considering the specifics and complexity of the phenomenon of self-employment, it appears justified to distinguish it from other existing forms of business activity.

Political aspirations & statements

As regards this form's of enterprise European aspect of functioning it was crucial that on the 27 September 2001 the Court of Justice stated that the citizens of Poland and other member states have the right to self-employment provided that some conditions are met.

Under Polish conditions, self-employment has been and will be one of the priorities in the state's policy. This is primarily due to the difficult situation on the Polish labour market. According to the Central Statistical Office's data, in January 2005 the unemployment rate amounted to 19.5%. Naturally, there is a number of initiatives having the objective to support enterprise development (this issue is addressed among others by the National Development Plan and the National Strategy for Employment and Human Resources Development) as well as institutions monitoring these problems, e.g. PAED, but the issue of self-employment still appears to be underappreciated and in general it is difficult to determine its place in the enterprise development support policy.

One of the political initiatives that deserve to be taken notice of is the *Parliamentary Team for Enterprise*²⁹ (*Parlamentarny Zespół Przedsiębiorczości*). It was created in 2002 at the initiative of parliament members. The objective of this team is to promote the idea of enterprise development in various environments, in particular among young people. On the 29 March 2004 the Parliamentary Team for Enterprise and the Bachalski Educational Foundation organised a debate aimed at initiating a public dialogue concerning self-employment. As a consequence, it was to lead to the regulation of self-employment policy. One of the most important conclusions from the discussion was the following postulation:

“Self-employment should not be treated as a way to circumvent the impracticable law, but rather as an opportunity to build a new civil society – independent, responsible, creative, and respecting the right to freedom”.³⁰

The meeting included also a presentation of the Global Entrepreneurship Monitor (GEM) study results, performed by Business School & Babson College (Boston). One of the noteworthy recommendations resulting from the study results analysis for Poland was:

„the necessity to constantly adjust the educational system to the current and future economic needs”. It appears that vocational training may be of particular importance here.

²⁹<http://akson.sgh.waw.pl/gazeta/artukul.php?id=211>; http://www.1praca.gov.pl/firma.php?id_doc=3101&archiwum=1

³⁰ Ditto

Being self-employed in Poland

We have already presented briefly the definition aspects, the forms of self-employment and the political ambience towards its development. The growing popularity of self-employment most certainly has many different sources, but the following ones can be specified as the most important:

- ✓ economic reasons, e.g. high unemployment rate
- ✓ legal reasons – legal regulations resulting in reducing employment on a permanent, full-time basis and pressuring the employees to start a business activity on their own
- ✓ mentality reasons – the developing civil society is constituted by people who value independence, self-reliance and creativity

As follows from the GEM study quoted above, *activity in taking up business enterprises in Poland remains at an average level in comparison with other countries.*

In Poland the decision to switch to self-employment results from the conviction that it will bring higher income (24.9%) and the desire for more independence (21.7%). Therefore it is most frequently the case of “*self-employment as a conscious and free choice*”.

The decision-making process connected with self-employment includes many elements of attitudes and beliefs concerning this form. However, the factor to have the decisive impact is usually the perceived potential benefit, being the motivation to become self-employed:

The most frequently indicated potential benefits of self-employment (expectations) are³¹:

- ✓ higher earnings, resulting in an improvement of economic situation
- ✓ greater independence, possibility to decide about one’s own work mode
- ✓ opportunity to cope with loss of job or possibility thereof

Apart from such basic expectations there is a number of potential objective “pluses” of being self-employed. Here are the most important of them:

- ✓ more independence
- ✓ being employed at all
- ✓ having the possibility to work for several employers
- ✓ certainty of employment
- ✓ improvement of one’s own financial situation
- ✓ freedom to decide about one’s own work mode – unregulated working time
- ✓ favourable tax deductions
- ✓ being in control
- ✓ feeling of personal realisation
- ✓ opportunity to work in all EU countries

However, there is also a list of “minuses”:

- ✓ a way to circumvent the law – the problem of forced self-employment
- ✓ the problem of lack of initial capital
- ✓ no identification
- ✓ no feeling of security
- ✓ no (institutional) support
- ✓ high payments to social security
- ✓ costs of vocational improvement trainings
- ✓ no full-pay leave, no sick benefits for the first month
- ✓ full responsibility for one’s own company
- ✓ work after hours
- ✓ low sick and retirement benefits
- ✓ the necessity of book-keeping (or hiring an accountant)
- ✓ the risk of sustaining a loss

³¹ Only micro-scale benefits have been presented

- ✓ personal cost
- ✓ a high number of tax charges and restrictions, complicated description thereof, and unclear implications
- ✓ frequent changes in legal regulations
- ✓ the stereotype of an entrepreneur as a swindler

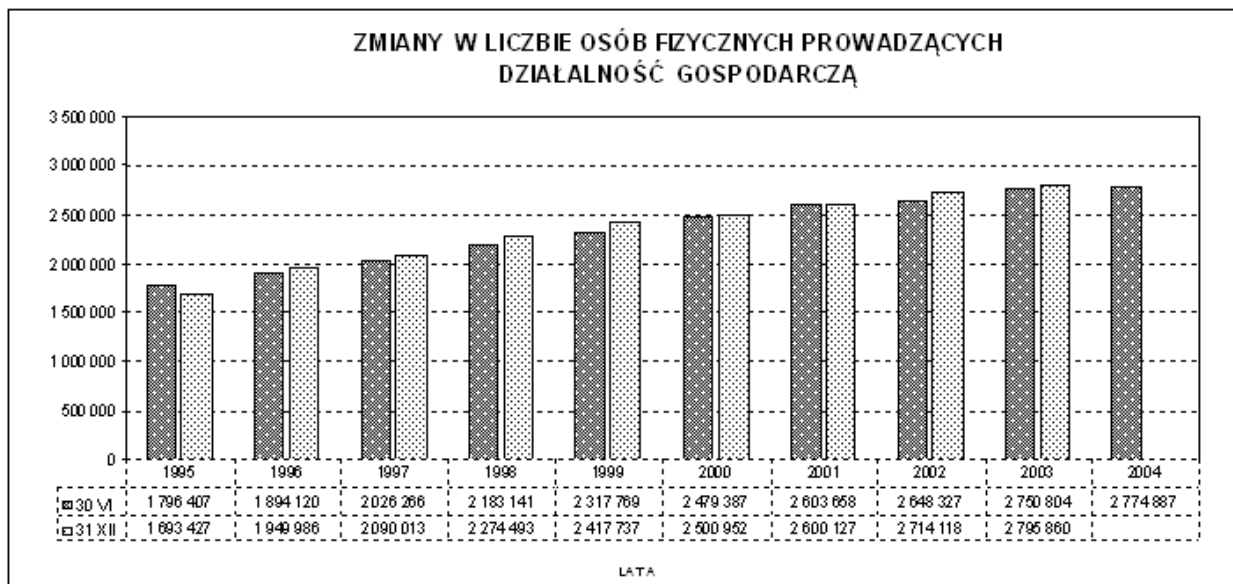
Polish Selfemployment in statistics

The National Official Business Register, called REGON register, is an administrative register run by the Chairman of the Central Statistical Office (GUS). On the basis of its entries business activity in Poland can be described. This is important in that it can be a reference point for the scope of the self-employment phenomenon.

According to GUS data, in the first two quarters of 2004, the *number of natural persons running a business activity was 2 774 887* and it showed an increasing tendency over the span of previous years. However, this information needs of course to be sieved through the filter of “real activity”, which would certainly result in a reduction of the number of actually functioning businesses.

Figure 4

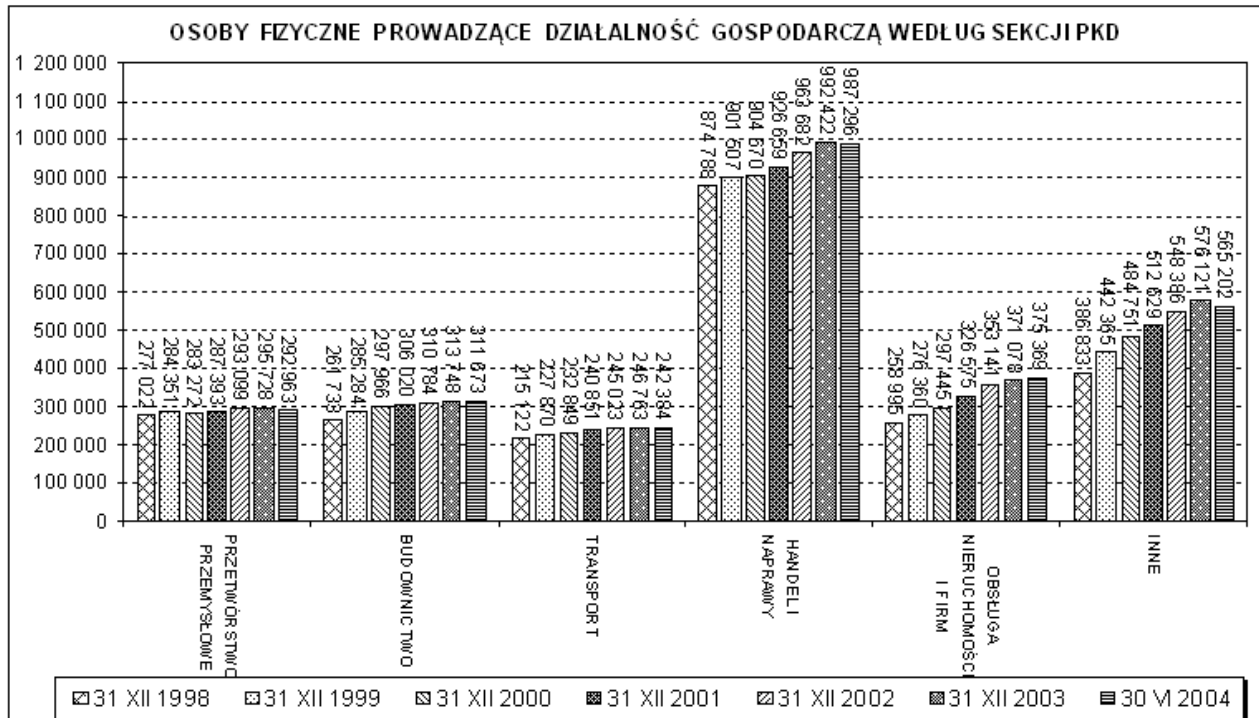
Changes in the number of natural persons running a business.



Source: GUS

When we additionally take a look at the sections (according to Polish Classification of Activities), we can determine the existence of such activity areas, where running a business is particularly popular (*see the figure below*). *One of the most prevalent areas of business operation in general is the area of commerce and repairs*, which at the same time indicates the specifics of the activities to be service rather than production related.

Figure 5
Natural persons running a business, according to Polish Classification of Activities sections.

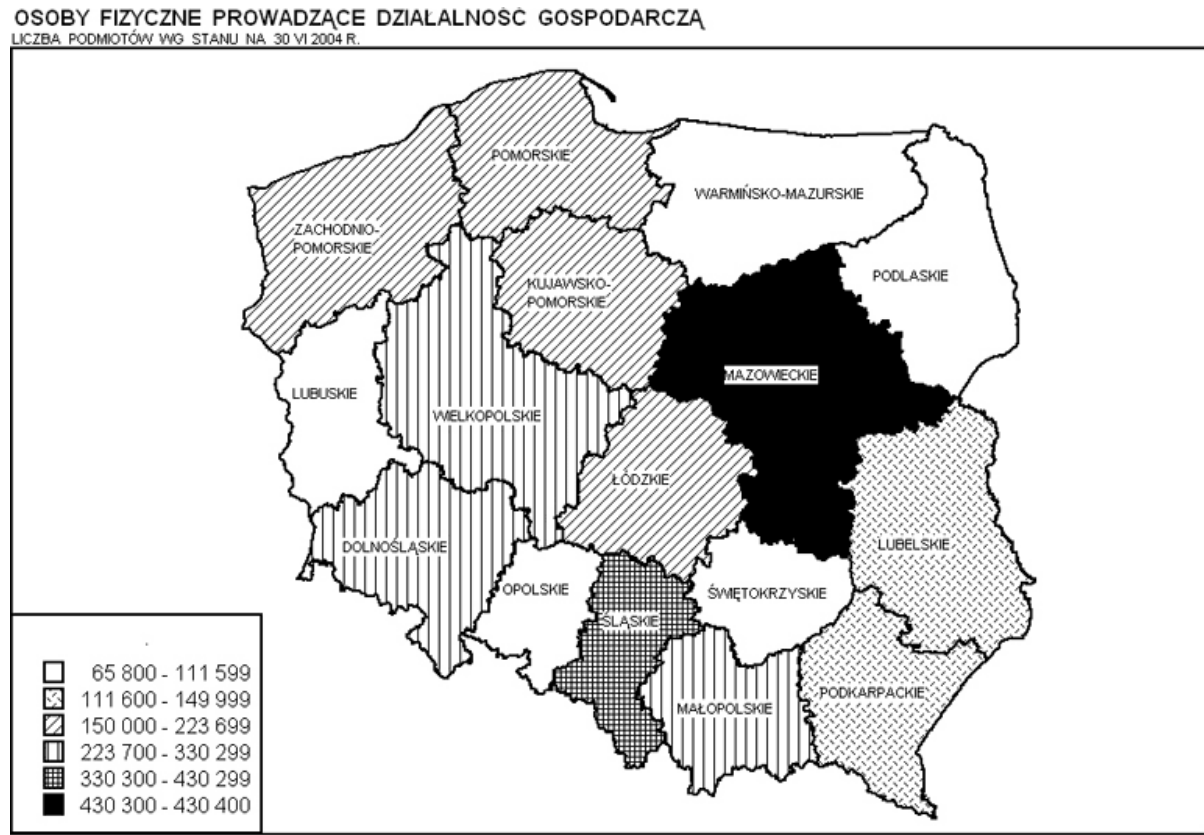


Source: GUS

Historical events, economic potential, and geographical conditions, such as availability of natural resources, have contributed to an uneven economic development in Poland. Therefore, regional differences are still discernible.

The following figure represents the number of persons running a business with regard to regional division. *The region with the biggest number of registered businesses (according to the state on 30 April 2004) was the Mazowieckie voivodship, i.e. the central region of Poland with its capital city, Warsaw.* The regions that diverge the most from the overall situation are regions on the so called eastern wall, i.e. the voivodships: Podkarpackie, Lubelskie, and particularly Podlaskie and Warmińsko-Mazurskie.

Figure 6
 Natural persons running a business.
 Number of entities according to the state on 30 April 2004.



Uwaga: przedziały utworzono przy użyciu metody podziału naturalnego (faktyczna liczba podmiotów danego województwa jak najmniej różni się od średniej przedziału).

Source: GUS

Knowing the overall situation of widely meant entrepreneurship in Poland will make it easier to place the phenomenon of self-employment.

There are many sources that give information on self-employment in Poland. Unfortunately, the lack of clarity as to the concept apparatus they use or the limited possibility of generalizing their results effectively restricts the possibilities of using them for publication purposes.

In order to guarantee the reliability of information, this report is based on data from GUS, as the public statistics (due to their prerogatives) currently comprise data collected in a reliable way and their reports represent the described observations in a credible way. An additional argument for basing on this source is the definition used by GUS in order to identify self-employment:

“A self-employed person is a person performing independent business activity or activity in the form of a sole proprietorship enterprise of a natural person, not having employees”.

There are two sources of information on the condition of self-employment in Poland: the REGON register and the Labour Force Survey in Poland (BAEL)³². However, the method used to collect data for the former source is too much declarative³³. Therefore, for the purpose of this report, data from the BAEL survey will be presented.

BAEL is a survey performed by Central Statistical Office (GUS) on a quarterly basis.

³² We mentioned here two main sources of statistical data describing selfemployment in Poland. Some information can be also found in research “National Population and Housing Census” made lastly in 2002.

³³ It is based on declarations that an enterprise will be a one-person-company.

As results from GUS data (see the BAEL survey) in the 3rd quarter of 2004 there were 2 470 000 persons working for their own account, including 856 000 outside of individual agriculture. In the same time period, the total number of working persons was 13 974 000. It follows that nearly 18% of working persons are self-employed.

In the year 2003 there were 2 451 000 persons on average that worked for their own account, including 875 000 persons outside of individual agriculture.

The below table shows self-employment related data for selected sections of Polish Classification of Activities:

Table 2

Self-employment in the 3rd quarter of 2004 for selected sections of Polish Classification of Activities

TOTAL	working for their own account
Agriculture, hunting and forestry	1 626 000
Industrial processing	91 000
Building industry	100 000
Trade and repairs	295 000
Transport, warehouse economy and communication	93 000
Education	12 000
Health and social care	41 000

As follows from the data included in the table, self-employment is most common in agriculture. However, for the purpose of this research project, this group should be left out because of its specifics. Common practice shows that the self-employment declared in agriculture only formally does not mean employing other persons; the reality of it is different, e.g. other members of the family are helping out with the work.

The most popular section for self-employment is, similarly as in the case of business activity, trade and repairs.

Finally, it is worth mentioning that *self-employment is a form of activity more popular in the male part of population than the female one*. As GUS states in its report "Labour Force Survey in Poland - III Quarter 2004" in the 3rd quarter of 2004 there were 1 559 000 men working on their own account and only 910 000 women.

2. Support for self-employment in Poland

2.1 Regional and local initiatives

Support offered to the self-employed is a result of both public and private initiatives organised on a state-wide, regional and local level.

The Ministry of Economic Affairs and Labour organises and coordinates government supporting actions for self-employed persons through the Polish Agency for Enterprise Development (PAED). It has been created in order to perform actions for the Small and Medium-sized Enterprises (SME) sector, including the self-employed³⁴. It pursues its goals by carrying out the following actions:

- grants subsidies to the SME sector and institutions working for SME development;
- organises trainings for entrepreneurs, persons looking for a job, government and self-government administration offices;
- makes it easier for entrepreneurs to get access to knowledge, economic information, studies and analysis results;
- organises informational and promotional projects;
- manages the National SME Services Network (KSU; see lower), which comprises a list of organisations that ensure the maintenance of high standards in their advisory, information and financial services. The agency promotes those organisations and their actions, and it also provides these organisations with advisory, training and information services³⁵.

Voivodship institutions that manage the process of implementation of policies towards SME sector, chosen by PAED through competitive selection procedures, are the Regional Financing Institutions (RFIs). They act as PAED's representatives in managing the SMEs support tools in their region. They take care of the administration work connected with the execution of EU programmes and they dispense information on support institutions operating on a regional and local basis that give direct help to the interested self-employed. These regional and local organisations are created as a result of initiatives undertaken by self-governments of cities and gminas (communities) or economic self-governments in the given regions as well as private persons. Most institutions providing support services are concentrated in bigger cities and aim their actions at persons operating on the local labour market. If they wish to expand their activity to new regions, they establish branches in other towns or enter into cooperation with institutions from those regions and give support through their agency.

PAED has created the National SME Services Network (KSU) which associates not-for-profit entities working together on a voluntary basis and providing advisory, training, information and financial services directly to SMEs. These entities are:

- specialised, non-government organisations performing not-for-profit activities (associations and foundations, regional development agencies), or
- specialised entities from private sector (advisory and training institutions, consultants and experts)³⁶.

Other institutions of more commercial character, such as banks and leasing companies, can direct their activities towards self-employed country-wide. The situation is similar in the case of private training companies or academies.

The unemployed who wish to take up self-employment can count on the support of the Ministry of Economic Affairs and Labour and register at the local employment offices. Employment offices are organisations created by the government in order to serve the

³⁴ <http://www.parp.gov.pl/en/index.php>

³⁵ <http://www.parp.gov.pl/en/ksu.php>

³⁶ <http://ksu.parp.gov.pl/oksu.html>

unemployed persons (their registration, additional education, searching for work) and they operate on the voivodship and district level.

There are currently some nationwide social campaigns that promote self-employment. These are:

- the campaign "Have your way" ("Postaw na swoim") conducted since 2004 by the International Advertising Association in Poland (Międzynarodowe Stowarzyszenie Reklamy IAA)³⁷
- the government Programme for Vocational Activation of Graduates "First Job" ("Pierwsza Praca") carried out by the Ministry of Economy and Labour and directed at unemployed graduates interested in self-employment as well as full-time jobs³⁸. Within its framework, among other things, the Communal Centres of Information (Gminne Centra Informacji) were created (see the sub-chapter 2.3)

There are no similar initiatives that would promote enterprise development on regional level. There are no initiatives at all that would focus exclusively on promotion of self-employment. It is always SME development promotion at the same time.

The above mentioned campaigns and employment offices activities are directed only at persons interested in becoming self-employed or searching for a full-time job. Actions of other organisations concern the widely-meant SME sector, including the self-employed.

Local initiatives aimed at students and graduates interested in self-employment are Academic Career Services (Akademickie Biura Karier). They are created at public and private universities and academies. However, there are no such initiatives at secondary schools, which would promote enterprise development among young people with secondary and vocational education.

2.2 Financial support

Financial support provided by support organisations to the self-employed includes:

1. Granting interest loans
2. Granting interest credits
3. Giving credit guarantees
4. Refunding the cost of consultation or advisory service
5. Leasing offers

Commercial organisations giving financial support are primarily banks granting interest loans as well as leasing companies. Some banks have a special credit offer directed at the SME sector. However, bank credits require guarantors and financial surety, so they are rarely granted to self-employed persons, particularly if these persons are only just starting their business activity. Among the non-commercial organisations that give financial support to the self-employed the following are predominant:

1. Loan funds

The offer of the loan fund is directed at SMEs as well as persons starting their business activity. Funds that grant loans often provide the possibility to postpone the payment of loan instalments or the payment of capital instalments in the last interest periods. These loans usually have lower interest than bank credits, too. Sometimes they also do not require a guarantee by other persons. Apart from the financial activity, the loan funds can also provide other services, such as helping with the preparation of loan applications or advisory support with regard to the management of a company's finances. The territorial range of a local loan fund's activity is limited to one or more gminas (communities), a district or a voivodship³⁹.

2. Credit guarantee funds

Credit guarantee funds give, against payment, a guarantee of payment of a part of the credit amount contracted by a company at a commercial bank. Such guarantee, of up to 60% of the planned credit, is vital especially to persons starting their business, who are not able to

³⁷ http://www.postawnaswoim.pl/cele_kampanii.php

³⁸ <http://www.1praca.gov.pl/index.php>

³⁹ <http://www.wsb.edu.pl/nawigator/pracana/wsparcie.htm>

provide other financial securities. There are two types of funds: mutual, which require the company to pay some amounts to a common pool; and non-mutual, which do not have this requirement. The basic legal tool for a credit guarantee fund to achieve its fixed goal is a guarantee contract entered into with the bank that gives the credit. This way, the fund takes on the obligation towards the bank to repay the guaranteed credit or a part thereof if the debtor has failed to fulfil his obligation to pay the contracted credit. As a result, the bank gets an additional and reliable security. The territorial range of activity for local credit guarantee funds is limited to one or more gminas, a district or a voivodship⁴⁰.

3. Enterprise Incubators (Inkubatory Przedsiębiorczości)

They direct their assorted service offer at newly created companies that have only just started their business activity (including the self-employed), at favourable prices. They help companies to achieve their maturity and the capability to function on their own. The forms of support available from an incubator are:

- premises infrastructure,
- administration and office services (e.g. legal service, accounting, conference rooms, translations, office equipment),
- trainings, advisory services, consultations with specialists,
- help with establishing business contacts with companies interested in collaboration,
- subject-related support, e.g. with creating credit applications, preparing a business plan^{41, 42}.

A similar offer, aimed at students who are about to graduate and are interested in their own business activity, is presented by the so called Academic Enterprise Incubators. They operate on a similar basis as the Enterprise Incubators, offering e.g. rooms, access to office equipment, accounting – with the exception that some of the services are provided free of charge, e.g. free consultations and advice from lawyer's offices. The students are also given an chance to participate in contests for the best ideas for business and the best business plans. The winning offers have the opportunity to be realised in the Incubators at lower costs⁴³.

The proposals of loan funds, credit guarantee funds, and enterprise incubators are aimed primarily at persons who are starting their business activity and at self-employed who have been operating on the market for no longer than 3 years.

The non-commercial organisations are financed from the means of the European Union, the Ministry of Economy and Labour, local self-governments, international foundations, or private sponsors.

There are no local initiatives for financial support for self-employed persons who are undergoing a business crisis. A government initiative performed by tax offices is comprised of the so called acknowledgement deductions granted to a tax-payer whose company is in a difficult financial situation. However, these deductions are only exceptions from the obligation to pay the tax due and are granted only in special cases.

Self-employment can also yield immediate financial benefits in the form of freedom to choose the amount to be paid to social security. A self-employed person is allowed to pay the same amount to the Social Security Office (ZUS) irrespective of the amount of his income; unlike the full-time employees, whose employers pay to the ZUS a fixed percentage of their income: the higher the income, the higher the amount paid.

Apart from direct financial support, the self-employed can count on advice and information concerning business activity, granted either entirely or partly free-of-charge by most of the support organisations. The registered unemployed persons who are interested in self-employment and have borne some costs for consultations and advisory service can obtain a partial reimbursement from employment offices.

⁴⁰ <http://www.wsb.edu.pl/nawigator/pracana/wsparcie.htm>

⁴¹ <http://lop.uml.lodz.pl/>

⁴² <http://www.wsb.edu.pl/nawigator/pracana/wsparcie.htm>

⁴³ <http://www.inkubatory.pl/index.php?id=139>

2.3 Other supporting services

There are following types of information, advisory, and subject-related services the self-employed:

I. Information services:

1. Giving basic information on the possibilities of establishing a business activity, the responsibilities connected with it, and the running of a business
2. Providing information about organisations that give support to the self-employed and possible sources of financing
3. Helping the self-employed to find customers and establish business contacts

II. Advisory services:

1. Giving basic advice on the procedure of business registration, legal and financial aspects of business activity
2. Providing specialist advisory service in various areas: marketing, finances, law, planning, innovation, etc.

III. Subject-related services:

1. Helping with the preparation and creation of documents requisite for founding and managing a company, such as credit applications, financial support applications, business plans.

Advisory services and information support are provided by a number of organisations both on local and regional level.

On the communal level (gmina) there are the Communal Centres of Information (Gminne Centra Informacji), which help with finding address data of companies, sales markets, information about credits available and currency exchange rates⁴⁴. There are about 500 Communal Centres of Information active in Poland⁴⁵.

Many of the supporting institutions act as a Consultation Desk (Punkt Konsultacyjny) that makes it easier to obtain free-of-charge advisory services, including basic advisory service concerning administrative and legal aspects of founding and managing a business activity. Furthermore, Consultation Desks are able to give information about the offer of banks, leasing companies, loan funds etc. available on the market and aimed at the SME sector. Additionally, they propose to use offers of institutions accredited by KSU as well as EU programmes. During one calendar year an entrepreneur can avail himself of the total of 10 hours of free-of-charge Consultation Desk services^{46, 47}.

The Internet is yet another source of support for the self-employed; it is primarily a source of information support. Internet portals advise of procedures accompanying the establishment of one's own business, the actions that need to be taken in this connection, as well as further actions accompanying the running of a one-person-company. They usually specify the names and addresses of support institutions or offers of help in the form of computer programs (such as the program called "Self-Employment"⁴⁸) and courses by mail (e.g. „How to establish your own company”⁴⁹) or online → e-learning (e.g. „How to write a good business plan”⁵⁰).

A majority of the information, advisory, and subject-related services is directed at persons who are only just starting their business activity or have been running their own business for a relatively short time yet. There are no advice or information sources for persons whose business is undergoing a crisis.

⁴⁴ <http://www.1praca.gov.pl/index.php?id=9&tresc=156>

⁴⁵ <http://www.1praca.gov.pl/index.php?id=4&tresc=2144>

⁴⁶ <http://www.garr.com.pl/wydzialy/wd-1.htm>

⁴⁷ http://www.arpg.qda.pl/arpg/przedsiębiorcy/pkd_p.html

⁴⁸ <http://www.samozaatrudnienie.com.pl/>

⁴⁹ <http://www.wlasna-firma.eskk.pl/?source=google&type=linkwlfir>

⁵⁰ <http://akademia1.biznespartner.pl/>

2.4 Trainings

There are special trainings available to persons starting their business activity, with regard to:

- preparation of business plan,
- business financing possibilities for self-employed persons,
- commercial negotiations, sales,
- filling out applications for EU support programmes,
- income tax accounting,
- VAT accounting.

Such trainings can be attended at the district employment offices, career services, and most of the foundations and associations working towards the promotion of enterprise and business development. These trainings are largely free-of-charge.

The self-employed can also avail themselves of the wide range of general courses, concerning computer skills, foreign languages, or assertiveness. These usually need to be paid for and are organised by employment offices and Academic Career Services.

Specialist courses in the areas of marketing, finances and management, law, craft or other are organised at many non-government organisations, which also usually arrange courses for persons starting their business activity. Specialist courses are directed at self-employed persons who have been operating on the labour market for some time. A special sort of courses is the one provided by economic self-government units such as chambers of commerce, craft organisations. These organisations act for the benefit of persons working in specific occupations and organise trainings with the aim of improving their specific skills.

2.5 Summary

The currently functioning support system for the self-employed covers both purely commercial activities of private sector and public activities inspired and financed, or co-financed, by PAED, regional and local organisations, and private persons. Most organisations do not limit themselves to just one method of providing help, but offer diversified support. Therefore, such organisation often performs the functions of several units, e.g. it is a RFI, a Consultation Desk and a loan fund simultaneously. However, an institution may also give help to the self-employed without doing any of the above mentioned functions. This pertains to e.g. academies, institutions that manage schools, training centres for teachers.

The offer of supporting activities includes a fairly wide range of services, especially informational and financial ones; nevertheless, only a small share of self-employed persons avail themselves of those services – a PAED report from September 2003 specifies this share at 9%⁵¹. This means that within the five years preceding the completion of that research project, only every eleventh of self-employed persons used the supporting services. However, thanks to financial help from UE, especially by programs of EFS, the offer of supporting services is higher. Unfortunately, for today we don't have any data about level of attendance in these services.

The fundamental barrier in using the services is lack of knowledge about the available offer as well as its inadequacy as regards the addressees' needs⁵². There is insufficient information and promotion of the proposed activities and the availability thereof, especially outside of the area of big cities.

An evident predominance is in the offer directed at persons who are planning to become self-employed as well as those who have been running their business for less than three years. Such help is vital, as it allows the self-employed to become familiar with the registration procedures and find the funds for development of their business. However, there is no support offer aimed specifically at self-employed who are undergoing a business crisis.

⁵¹ The report *Services supporting microenterprises, small enterprises and the self-employed*

⁵² *ibidem*

There are neither sources of information and advice on how to come through such situations, nor sources of financial aid.

A bigger support is directed towards the self-employed that have been operating on the market for a longer time. It is primarily an ample range of trainings expanding knowledge in a particular field and improving various skills, as well as an offer of loans and credits for further business development.

There is no form of psychological or emotional support for the self-employed. They are left to cope on their own with problems accompanying establishment of a company or crisis situations while running a business, and they have to either look for psychological support by themselves or burden their family and friends with additional stress.

There are no organisations that would organise into associations the self-employed themselves, apart from economic self-government units, which often encompass self-employed persons. (Such units, however, work for the benefit of their specific professional groups only.) If such organisation existed, it would create an opportunity to exchange experience connected with self-employed person's functioning on the labour market.

There aren't any support programmes or promotion actions directed at the self-employed only, either. Such help is always organised for the entire sector of microenterprises and small enterprises, or SMEs, or – as in the case of employment offices – for all unemployed; both those who wish to start their own business activity and those who look for a full-time position as an employee. This is connected with the lack of unanimity as to the definition of a self-employed person (see chapter 1), which comprises a barrier in forming some kind of action strategy for support and development of this professional group. As long as an unequivocal definition of self-employment has not been determined, some groups of self-employed persons are still going to be discriminated with respect to the amount and availability of means of support.

3. Research made on self-employment

3.1 Research made on self-employment in Poland

Self-employment is a relatively new occurrence on Polish labour market. As in the case of services and trainings, in the research field the interest of opinion-creating environments was also focused more on the SME sector rather than on the phenomenon of self-employment as such. Considering the increasing share of the self-employed as compared to the total number of working people as well as the interest in this form of employment on the part of government circles (it is one of the forms of employment that are promoted by government programmes dedicated to fighting against unemployment and work-related activation of graduates⁵³), the need to analyse and monitor this phenomenon becomes evident.

A major source of employment-related information is BAEL – Badania Aktywności Ekonomicznej Ludności (Labour Force Survey in Poland). It provides quarterly data depicting the situation on the labour market, including population of the employed and unemployed, and economically inactive. This survey is the most important representative research project performed by GUS. The methodology of this survey is compliant with the Council Regulation (EEC) No. 3711/91 of 16 December 1991. Performing research on the labour market (labour force) is obligatory for the governments of all EU member states, and the methodology of this research is specified in main points in the appropriate articles of the aforementioned Regulation. This ascertains standardisation and possibility to analyse the results from a global, European point of view. In Poland this survey has been conducted since 1992.

The research object is a household. The sample comprises about 0.2% of the total number of households. This enables to divide the total population of persons aged 15 years and more into three subpopulations, according to the type of economic activity, i.e. the employed, unemployed and economically inactive. The research method determines how detailed the results are: the data are gathered for the entire country and, to a basic degree, for voivodships.

According to the *International Classification of Status in Employment (ICSE)*, one of separate categories in the research are own-account workers, defined as “a person who operates his or her own economic enterprise, or engages independently in a profession or trade, and hires no employees”. This category allows us to obtain basic information that characterises the self-employed on the basis of such variables as: age, gender, living area (urban/rural), and section of Polish Classification of Activities.

In 2002 there was the National Population and Housing Census carried on. The data indicate that the level of self-employed people was quite high and equal 12% among all groups of workers. It was the second group with regard to amount, after employees (79,4%). The level of self-employment was higher in the country than in towns (19,2% to 9%) and among men than among women (15,3% to 7,9%)⁵⁴. It is connected with definition of self-employment in the research comprising individual rural farms.

The first comprehensive country-wide research project dedicated to the analysis of self-employment was the survey “Self-employment in Poland” commissioned by Polish Agency for Enterprise Development and conducted by Public Profit in October 2003. The survey was focused on three basic groups of research problems:

⁵³ One of the projects referred to here is the programme “First Job” conducted by the Ministry of Economic Affairs, Labour and Social Policy. While summarising the first 6 months of the programme’s performance (June-December 2002) the Deputy Minister of Economic Affairs and Labour Andrzej Zdebski emphasized that: “*The biggest weakness of the First Job programme has turned out to be the graduates’ small interest in establishing their own companies. (...) Therefore, drawing conclusions from the first results of the programme, we will strive to make self-employment more attractive.*”

<http://www.mgip.gov.pl/Wiadomosci/Zatrudnienie+i+przeciwdzialanie+bezrobociu/MSP+w+sluzbie+rynku+pracy.htm>

⁵⁴ “National population and housing census” Central Statistic Office, 2002, http://www.stat.gov.pl/dane_spol-gosp/nsp/index.htm

- ✓ learning the reasons for taking up self-employed activity,
- ✓ defining benefits and costs of being self employed,
- ✓ determining self-employment prospects following Poland's accession to the EU⁵⁵ (source: „Report on the Condition of the Small and Medium-Sized Enterprise Sector in Poland in 2002–2003”, PAED)

The survey was a combination of qualitative and quantitative research and covered a group of 941 self-employed people (national-scale sample). In addition, 6 focus group interviews were conducted with persons representing various categories of self-employment (such as school leavers, unemployed people, participants in the grey economy).

The main objective of the project initiators was to find answers to the following questions:

- What factors (economic, legal, social, etc.) are taken into consideration by entrepreneurs in selecting the organizational and legal form for their economic activity?
- To what extent is their decision “forced” by their employer?
- Is self employment seen as an interesting alternative to employment?
- What are the sources of the competitive advantage of the self employed and what barriers are there to their development?
- What are the opportunities and the risks associated with self-employed activity in light of EU accession?

The most important conclusions resulting from the gathered data.

a) Reasons for taking up self-employment

Positive motivation factors are prevalent, such as conviction that self-employment will provide higher income, be a source of more independence at work and more freedom in managing one's own time (60% indications in total). The remaining reasons are loss of former job or fear that former job was at risk as well as self-employment as precondition for further cooperation with former employer or suggestion by new employer.

b) Self-employment forced by employer

The scope of forced self-employment in Poland is minor. Only 10% of survey participants indicated that their taking up self-employment was a result of suggestion or influence of employer. Majority of these persons was comprised of people whom the employer suggested to take up business activity on their own account in order to be able to further co-operate with this employer (46.1%). Becoming self-employed is usually suggested to young people, living in smaller towns and villages.

c) Barriers for entering self-employment

Barriers are primarily fixed costs and fees connected with running a business (insurance costs and fiscal charges), psychological burdens associated with high degree of responsibility for one's work, fear of excessive bureaucracy, and pessimism resulting from the conviction that the overall economic situation in Poland is bad.

d) Benefits and costs associated with working for one's own account

The benefits were mainly considered to be: independence, higher profitability of such form of work, and gaining the social status of a resourceful and independent person.

The costs were considered to be: a feeling of instability and unpredictability of one's own situation, working on a continuous basis with no leaves and vacations.

e) What are the opportunities and risks for self-employed after Poland's accession to EU?

Self-employed persons saw opportunities associated with EU accession primarily in easier access to European markets, development of new and transparent legal regulations, elimination of corruption and better access to new technologies and sources of capital. As for risks, the following were indicated: increased competition, price increases, collapse of small businesses, and new rules and requirements for businesses.

⁵⁵ Poland's accession to the European Union took place in May 2004.

Recommendations following from the survey.

- a) Promotion of self-employment less in terms of individualism and more as a so-called “small-scale entrepreneurship”.
- b) Modernisation of programmes offered by training and education institutions in order to provide more knowledge and skills that can later on be used at work.
- c) Organisation of trainings and re-trainings for persons whose skills do not match the existing demand for work.
- d) Taking actions that will facilitate gathering of funds for the self-employed persons’ retirement pensions.
- e) Change of the one-person-business’ unfavourable image as a provisional and temporary undertaking. (source: „Report on the Condition of the Small and Medium-Sized Enterprise Sector in Poland in 2002–2003”, PAED)

An interesting survey, the scope of which covered university and academy students, was dedicated to determining the drivers and barriers for students establishing their own business activity. The originator of the survey was Students’ Forum of Business Centre Club⁵⁶. The SF BCC in collaboration with Electoral Campaign Research Centre (OBW) conducted in 2003 a survey among students of the fourth and fifth year of master’s studies at major academic centres, such as: Radom, Katowice, Siedlce, Łódź, Gdańsk, Lublin, Warsaw, and Kraków. The research objective was to find answers to the following questions:

- Why do students not establish their own businesses, despite the lack of legal barriers?
- Why do expectations and legal regulations meant to further the development of entrepreneurship fail to match the reality?
- Which factors are conducive to and which factors impede the establishment of their own companies in the opinion of the students?

The authors of the survey perceived students as a social group that would be the best prepared, as regards education, to establish new enterprises; however, the results have shown that entrepreneurship is viewed by the students more in terms of a last resort⁵⁷. According to the students, factors with the most impact on the decision of establishing one’s company are: situation on the labour market (25.6%) and economic situation of the country (40.1%), i.e. de facto aspects that force them to become self-employed.

The survey results became later one of the pillars for assessments performed by the Students’ Forum of BCC. The scope of these assessments included the following issues:

- Analysis of financing sources for SMEs activity in respect of the real availability thereof to graduates who wish to establish their own business;
- A critical analysis and verification of barriers and expectations conducted from the viewpoint of graduates taking up business activity;
- Analysis of government programmes from the viewpoint of students’ environment.

As a result of verification of the conclusions following from the assessments during meetings with students self-government bodies, recommendations were prepared and subsequently presented to government and parliament circles (e.g. Ministry of Economic Affairs and Labour, representatives of the Chancellery of President, and Parliamentary Circles of the biggest groups of Polish political arena).

Significant information on the condition of support services for the sector of microenterprises, small enterprises and self-employed persons was provided by a report commissioned by PAED and published in 2003⁵⁸. The report was created on the basis of results of country-wide questionnaire- and interview-based project performed by PBS Sopot. The

⁵⁶ <http://www.sfbcc.org.pl/index.php?id=55>

⁵⁷ Pietrzyk Michał, 2004.

⁵⁸ The report “Support services for microenterprises, small enterprises and self-employed persons – final report”, PAED, September 2003.

questionnaire-based survey was conducted on the sample of 1200 entrepreneurs⁵⁹. The interview respondents were representatives of chambers and associations of enterprises, agencies, foundations, and companies providing services to the small enterprises sector. The research covered non-financed services offered on non-commercial terms, the objective of which was to provide information, advice, and training. The project included also business services e.g. book-keeping, legal, or banking services rendered on non-commercial terms.

The research project was focused on the following tasks:

- Analysis of existing national, regional, and local services for small enterprises
- Evaluation of the needs of small enterprises as regards support services and verification of the latter's adequacy to the actual needs
- Providing a coherent set of tools (recommendations), which would improve the situation with respect to support services for small enterprises

The analysis of support services was focused on the scope and type of support services available, quality assessment of the support services offered, availability and use of support services. Main conclusions resulting from the gathered data are presented below.

1. Microenterprises, small enterprises and self-employed persons avail themselves of support services relatively frequently; within the last 5 years (counting back from the date of the project – 2003) nearly 13% of the research participants made use of a support service.
2. Support services were utilised more often by small companies and less frequently by the self-employed.
3. Mature companies avail themselves of support services more often than the newly established; in Europe the trend is reverse.
4. Entrepreneurs are prompted to make use of the services by a negative impulse connected with the company's development rather than by active attitude of pursuing further business expansion.
5. Few companies have availed themselves of support services on a regular basis.
6. A relatively high degree of regional differentiation was registered with regard to the use of support services.
7. A mere one third of the companies believe themselves to be well-informed on the subject of support services (this judgment does not depend on the industry, but it is largely dependent on the region).
8. Enterprises that have used the services express a high level of satisfaction with the support services (the companies are the most satisfied with the quality and scope of the services themselves).
9. The highest demand is for services concerning legal issues, and the lowest one pertains to services concerning innovation and management.
10. There is a high potential demand for support services. This results from the declarations of the surveyed companies – 64% considered support services to be necessary – as well as from the high assessment of services received by the companies who used them – 13%. (source: *“Support services for microenterprises, small enterprises and self-employed persons – final report”*, PAED, 2003)

The most important recommendations following from the research of services supporting small enterprises are:

a) Necessity to assure coherence and rationality with regard to the public support services in order to avoid wasting financial means and provide help adequate to the needs of entrepreneurs; these services should render support to companies at various stages of development, and react to the demand from companies of various sizes and from various sectors;

⁵⁹ The research was conducted basing on similar projects completed in the period between December 2000 and June 2002 by the Austrian Institute for SME Research in fifteen EU countries and in Norway (the report “Support Services for Micro, Small and Sole Proprietor's Businesses” was published in June 2002). The research conducted in Poland covered the same number of enterprises as the entire European survey and was complemented with 64 in-depth interviews with representatives of chambers and associations of entrepreneurs. This enables a comparison of support services systems in Poland and EU states.

- b) Making the support system more flexible in order for the support services offered to react to the changing conditions of business activity and the companies' demand for services;
 - c) Entrepreneurs and the development of their businesses should comprise the ultimate reference while forming support programmes and policies for the sector of microenterprises, small enterprises and self-employed persons;
 - d) In order to assure maximum effectiveness of operation, support programmes and services should be defined in close co-operation with entrepreneurs' organisations and public administration;
 - e) Considering the low level of awareness of the services, information and promotion actions should be taken parallel to the development of the services;
 - f) A coherent offer of support e-services for small enterprises should be prepared and the concept of inter-institutional computer network linking together institutions from business environment should be developed, with the aim to additionally support the help networks of business institutions;
 - g) A constant monitoring system should be in place, with regard to the evaluation of both support programmes and implementation centres;
 - h) In order to build up existing support centres and develop new ones, actions with the aim to improve the qualifications of persons working directly with entrepreneurs should be taken.
- (source: *"Support services for microenterprises, small enterprises and self-employed persons – final report"*, PAED, 2003)

3.2 Research made on self-employment Internationally

In Europe, an essential source of information on self-employment in EU member states is the already mentioned Labour Force Survey, which provides quarterly data on the condition of this phenomenon. An equally valuable source is research conducted by Austrian Institute for SME Research in fifteen EU countries and in Norway from December 2000 till June 2002, dedicated to support services for small enterprises (i.e. self-employed persons, microenterprises and small enterprises). A result of this research project is the aforementioned report "Support Services for Micro, Small and Sole Proprietor's Businesses", published in June 2002.

There are several centres in Europe that specialise in studies focused on the subjects of labour market. Problems of employment, including self-employment, belong also to the research interests of MZES – Mannheimer Zentrum für Europäische Sozialforschung (Mannheim Centre for European Social Research). Many valuable analyses were carried out in the framework of project „Socio-economic Development of Self-Employment in Europe”⁶⁰ (1998-2002) conducted by Walter Müller. The project conducts a systematic comparative analysis in several European societies to describe the development in the various countries and to explain the differences between these countries in the context of specific national structures of incentives and opportunities for self-employed work. Of specific interest also are the implications of the developments for the composition in terms of social characteristics of the self-employed workers and their position in the social structure of advanced societies. The studies cover Western Europe and are based on the European Labour Force Surveys. The subjects of two selected research projects dedicated to self-employment and performed by MZES are briefly described below.

"Self-employed or employee, full-time or part-time? Gender differences in determinants and conditions for self-employment in Europe"⁶¹

Recent European research on self-employment has emphasised the specific dynamic of the rise of female entrepreneurship. The researchers discussed self-employment as attractive option of female labour since it is characterised by a high degree of autonomy. The empirical analysis is based on Labour Force Surveys from five European countries (France, Germany,

⁶⁰ The project was funded by Fritz-Thyssen-Stiftung, http://www.mzes.uni-mannheim.de/fs_mitarbeiter_e.html

⁶¹ Lohmann Henning, 2001: 1

Italy, Sweden, the UK) and the Current Population Survey from the US. The comparison investigates how the institutional framework, which is set by welfare state provisions to combine work and family, influences the assumed link between need for flexibility and self-employment. In order to give an encompassing picture, the study investigates the relation between self-employment, part-time and full-time work and flexibility. The results show that in fact self-employment seems to offer more flexibility to combine work and family, but also, that there is variation between countries with different institutional settings.

“Who is self-employed in France, the United Kingdom and West Germany: patterns of non-agricultural self-employment”.

This another example of analysis based on the Labour Force Surveys (taken between 1984 and 1994). The main goal of this study was to investigate the patterns of male non-agricultural self-employment and how they changed over the time in France, Germany and UK. Self-employment in the three countries is based on the specific institutional frameworks resulting in different opportunities for self-employed. Outcomes revealed that educational requirements differ fundamentally between the three countries and along industrial branches. There emerged some country-specific developments in some sectors of activity but also a remarkable number of common general patters in development of self-employment.

Some interesting projects dedicated, among other things, to the issues of labour market were realised within the framework of the TSER programme – “Targeted Socio-economic Research”⁶², financed from EU funds. One of these projects was the research „Self-employment activities concerning women and minorities: their success or failure in relation to social citizenship policies”. The project focused on the evaluation of success or failure of self-employment projects of women and minorities in relation to social citizenship policies. It consists of theoretically sampled biographical case studies (total=252) in six European countries: Sweden, Denmark, UK, Germany, Italy, Greece. The project coordinator was the Johann Wolfgang Goethe University of Frankfurt/Main.

The research was based upon the explicit hypothesis that active social integration policies aiming at the promotion of self-employment of unemployed women and migrant minority members can only be successful if their specific socialization under unstable biographical and work conditions is recognized and compensation is provided for their discontinues working careers.

The project specifically focused on the evaluation of social citizenship policies on the national and the EU level in relation to self-employment activities implemented by member countries of the European Union. Based on the empirical findings, researchers' evaluation interest was to discuss whether they created paradoxical and/or negative effects. Throughout the project researches evaluated three types of social citizenship policies for new self-employment:

1. Individual bridging allowances from unemployment to self-employment were differing according to the different types of welfare states and were following the logic of the single nation state. In general, the bridging allowance has been evaluated by all examined groups as a positive national welfare policy, with the best practice in Denmark.
2. Collective self-employment programs implemented on the European level have paradoxical outcomes. The collective self-employment projects offered in the northern European countries mainly to migrant women have been rather pure top-down policies. They are trapped by the paradox that they work with the hypothesis of the special cultural

⁶² Under the Fourth RTD Framework Programme (1994-1998), for the first time socio-economic research was introduced through the 'Targeted Socio-economic Research' (TSER) Programme which was implemented through three Calls. Under the Fifth Framework Programme (1998-2002), the scope of socio-economic research was both deepened and widened by the Key Action 'Improving the Socio-economic Knowledge Base' which was implemented through three Calls. More than 300 research projects and thematic networks have been funded during the lifetime of the TSER Programme and the Key Action. More info on: <http://improving-ser.jrc.it/default/>

and biographical resources of the ethnically defined groups, while the programs themselves as well as access criteria to policy are still deficit-oriented and patronizing, thus unable to sustain agency, creativity and networking. In Greece and Italy, collective self-employment projects are offered to native women and there is also a serious problem with motivation

3. Targeted mentoring programs on regional and communal level worked in a complementary way to national and European programs. Detecting biographical resources could be the goal of an intensive orienting consultancy to be offered to native women as well as unemployed migrants or those who want to start a business. Such consultancy should be combined with a mentoring of the business starter. In opinion of researches what is needed is the reflection on the empirical investigation of new types of bottom-up networking which could provide policy makers with entrepreneurial visions for *solo self-employment and with structures for more social security*. (source: "Self-employment activities concerning women and minorities: their success or failure in relation to social citizenship policies (SEM)")

3.3 What kind of research would be needed?

The amount of research and analyses dedicated to self-employment in Poland is very modest in comparison with the work done in other European countries. However, it is unquestionably a subject that emerges more and more frequently in the context of analysis of the labour market and the changes that take place there. The chapter focused on the analysis of support forms available to self-employed persons (chapter 2) has revealed that there is a number of advisory, informational, and training services aimed at people who are willing to take up their own business activity. Therefore, a question arises as to why only such small percentage of people considering becoming self-employed avail themselves of the advisory and informational support available? In order to answer to this question it is necessary to conduct research with the aim to evaluate the effectiveness of the proposed solutions and learn the reasons for the small interest in the support offered.

A similar analysis would be advisable in the case of school graduates who use the "First Job" programme. According to the data from the programme's author, the Ministry of Economic Affairs and Labour, from the forms of support offered, self-employment is relatively the least frequently chosen form of business activity. Therefore, the reasons behind this state of affairs should be determined. Can they be found in the educational system that does not devote too much room to the development of entrepreneurship? Or is the state to blame, because it does not offer effective support to newly established one-person-companies?

With regard to the conducted research, however, the most important thing is to define the phenomenon of self-employment in terms of law, so that it is given a status separate from the status of a microenterprise and make it an independent subject of analysis.

4. Conclusions

Self-employment is a relatively new occurrence in Poland. It first appeared in the early 90s with the oncoming of market economy and the introduction of freedom of business activity. Despite its 15-year presence and its growing share in the employment structure of Polish society, self-employment has not obtained a legal definition yet. In the light of regulations, self-employment does not have a separate defined status and is often put in one category with microenterprises⁶³, the consequences of which are described below.

Polish economy, like so many other competitive European economies, has been struggling with the problem of unemployment for some time. More and more often, in the context of fight against unemployment and activation of the labour market, the postulate of enterprise development through establishment of one's own business activity, thus creating a workplace in one's own capacity, arises. An attempt to put these postulates into effect is the repeatedly mentioned government programme "First Job" aimed at school graduates, and support actions directed at the unemployed. However, the statistics show that self-employment is not a form readily chosen by those groups. The reasons for this state of affairs are to be seen in the following problems.

Graduates and unemployed are groups that perceive self-employment in terms of necessity rather than opportunity. It is often forgotten that apart from motivation and a shot of financial means for the development of one's own business (the most frequently offered and available type of support for those planning to start their own business), it is also necessary to have the knowledge, the skills and a good idea in order for the newly established company to survive. An overhasty decision may result in failure, giving up the business, and the risk of being branded as a loser, a resourceless person, a bankrupt.

That is why it is so crucial that the currently offered support tools be more tailored to the needs of the self-employed and the potential self-employed. The various forms of support functioning on the market (advice, trainings, financial support) are addressed to the sector of SMEs. This means that a person who runs a one-person-business and does not hire any employees uses the same set of services as a person who runs a company employing several or several dozen people. It needs to be realised that these persons' expectations with regard to the scope of required support are different.

A vital aspect in case of one-person-companies is the element of psychological pressure. By choosing to be one's own boss one also takes the decision to face all problems and responsibilities by oneself. Unfortunately, this burden is often so big that it requires help and support from outside. As yet, however, no support service system aimed at resolving these problems has been developed.

The most important factors that could substantially affect the increase of interest in self-employment are:

- Reduction of barriers and costs for establishing one's own business;
- Implementing on a bigger scale the tools of financial support in the form of credits, credit guarantees, systems of partial refund of the interest costs, and the professional advisory service associated with them
- Implementation of informational, advisory, and training support tools, taking into consideration the following factors:

⁶³ Detailed definitions of self-employment and microenterprise are included in chapter 2.

- duration of the company's existence on the market – persons planning to start their business, recently self-employed, or self-employed operating on the market for at least 3 years already⁶⁴
- status of the person who considers becoming self-employed on the labour market – e.g. a graduate, an unemployed person, a person treating self-employment as an opportunity of professional fulfillment;
- Focusing on development of entrepreneurship abilities among pupils and students, by modification of education system

It is also essential that besides creating a base for self-employment development in the form of assorted support services a wide-scale action should be effected with the aim to inform the society about the scope and availability of these services.

⁶⁴ Enterprises that have survived on the market for 3 years are considered to be experienced companies that should be able to operate in future without any bigger support.

5. References

- Apitzsch, Ursula (edit.), 2000. "Self-employment activities concerning women and minorities: their success or failure in relation to social citizenship policies (SEM)", available at: Grabowski Maciej, Piasecki Bogdan, Rogut Anna, Sybilska Alina, 2003. "Usługi wspierające mikro-przedsiębiorstwa, małe przedsiębiorstwa i samozatrudnionych – raport końcowy". Warszawa: PARP.
- Lisicki, Robert, 2002. „Samozatrudnienie”. „Biuletyn Koła Naukowego Prawa Pracy UW” 3/2002.
- Lohmann, Henning, 2001. "Self-employed or employee, full-time or part-time? Gender differences in the determinants and conditions for self-employment in Europe and US". "Arbeitspapier" No. 38, Mannheim: MEZS.
- Lohmann, Henning, Luber Silvia, Müller Walter, 1999. "Who is self-employed in France, the United Kingdom and Wets Germany? Patterns of male non-agricultural self-employment". "Arbeitspapier" No. 11, Mannheim: MEZS.
- Ministerstwo Gospodarki i Pracy, Departament Analiz i prognoz Ekonomicznych, 2005. „Podstawowe wskaźniki mikroekonomiczne” 01/2005, available at: http://www.mgip.gov.pl/NR/rdonlyres/68F12143-E5FD-4C80-AF9B-90FCCA2D5D2E/9268/syt_ekonom_polit01_05.pdf
- National population and housing census” Central Statistic Office, 2002, http://www.stat.gov.pl/dane_spol-gosp/nsp/index.htm
- Pietrzak, Michał, 2004. „Więcej wiary w siebie”. „Businessman Magazine”, available at: <http://businessman.onet.pl/artykul.html?MP=1&ITEM=1203516>
- Pietrzak, Michał, 2005. „Potrzebny kapitał na start”. „Businessman Magazine”, available at: <http://businessman.onet.pl/artykul.html?DB=162&ITEM=1214339>
- Rybińska Agnieszka i Agnieszka Tokaj-Krzewicka (edit.), 2003. „Rynek pracy i bezrobocie”, w: „Raport o stanie sektora Małych i Średnich Przedsiębiorstw w Polsce w latach 2001-2002”. Warszawa: PARP.
- Tokaj-Krzewicka Agnieszka i Aleksander Żołnierski (edit.), 2004. „Zjawisko samozatrudnienia w Polsce w kontekście przystąpienia do Unii Europejskiej”, w: „Raport o stanie sektora Małych i Średnich Przedsiębiorstw w Polsce w latach 2002-2003”. Warszawa: PARP.
- Using of ICT technology in enterprises and households in 2004”, Central Statistic Office, 2005, http://www.stat.gov.pl/dane_spol-gosp/spoleczenstwo_informacyjne/index.htm

Internet sources:

- „Nawigator” Poradnik dla poszukujących pracy i praktyki, <http://www.wsb.edu.pl/nawigator/pracana/wsparcie.htm>
- „Self-employment” – computer program , <http://www.samozatrudnienie.com.pl/>
- Agency of Development of Pomerania S.A., http://www.arpg.gda.pl/arpg/przedsiębiorcy/pkd_p.html
- Academy BiznesPartner S.A., <http://akademia1.biznespartner.pl/>
- Academic Enterprise Incubators, <http://www.inkubatory.pl/index.php?id=139>
- ESKK Correspondence Education, <http://www.wlasna-firma.eskk.pl/?source=google&type=linkwlfir>
- Upper Silesia Agency of Regional Development S.A., <http://www.garr.com.pl/wydzialy/wd-1.htm>
- Kampania „Postaw na swoim”, http://www.postawnaswoim.pl/cele_kampanii.php
- National SME Services Network, <http://ksu.parp.gov.pl/oksu.html>
- Lokalne Okienko Przedsiębiorczości, Urząd Miasta Łodzi, <http://lop.uml.lodz.pl/>
- Polish Agency for Enterprise Development, <http://www.parp.gov.pl/agencja.php>
- Program „First Job”, <http://www.1praca.gov.pl/index.php>
- Polish Information and Foreign Investment Agency
<http://www.paiz.gov.pl/index/?id=6364d3f0f495b6ab9dcf8d3b5c6e0b01>
- Central Statistic Office, <http://www.stat.gov.pl/>
- Social Security Office, <http://www.zus.pl/niusy/inf008.htm>
- Portal Poland.pl, <http://www.poland.pl/info/invest3.htm>

"Internet w Polsce -historia, stan obecny i perspektywy rozwoju"

<http://www.wsp.krakow.pl/papers/trzebinia.html>

Rozwój społeczeństwa informacyjnego w Polsce i w krajach UE - statystyki

http://www.mnii.gov.pl/_gAllery/21/214.doc