

# **CLOSING THE GAP BETWEEN EAST AND WEST IN SPHERE OF NONPROFIT SECTOR FUNDING - THE CASE OF POLAND**

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# Plan

- AFTER COMMUNISM - EAST AND WEST IN 1990s
- WHAT HAS CHANGED?
- WHY?

**The situation of non-profit sector  
and its relations with the public sector  
just after 1989**

## Early 1990s

### - the fall of organisations rooted in communism

- After WWII, the socialist state took over social service facilities run by NPOs and monopolized main human services.
- Some fields like sport, culture, recreation, youth and professional issues were entrusted to *mass-organisations* or *social and political organisations*.
- These organisations were controlled by the state and well subsidised, endowed with offices etc.
- System change of 1989 put an end to this control and financial support.
- **Between 1989 and 1992 the *social and political organisations* lost nearly 2/3 of employees (Nalecz 2004: 316)**

## Early 1990s - the rise of NGOs

- **Mass-registration of new organizations** which were expressing interests of different groups as well as trying to deliver human services, which were not provided by the state nor market.
- **Large number of newly registered organisations did not transform into a sizeable economic potential of the nonprofit sector**
  - the main capital of these new entities was most frequently just peoples' enthusiasm (Nalecz 2004: 317)

## Early 1990s

### **- the role of NPOs in social service delivery**

- **New acts of law adopted after 1989 allowed the provision of the services by non-state providers, but no mechanisms of support for such providers with public funds were established.**
- **Later, step by step, the non-public providers gained some access to public funds (e.g. in education they first get 50% of current costs calculated per a pupil, and later 100% if a school met standards of public education; however lack of investment capital remained a barrier for development of non-profit schools, Nalecz 2004).**
- **These early acts of law treated non-profits and for-profits the same way – as non-public providers.**

**The non-profit sector  
and its relations with the public sector  
in the second part of 1990s**

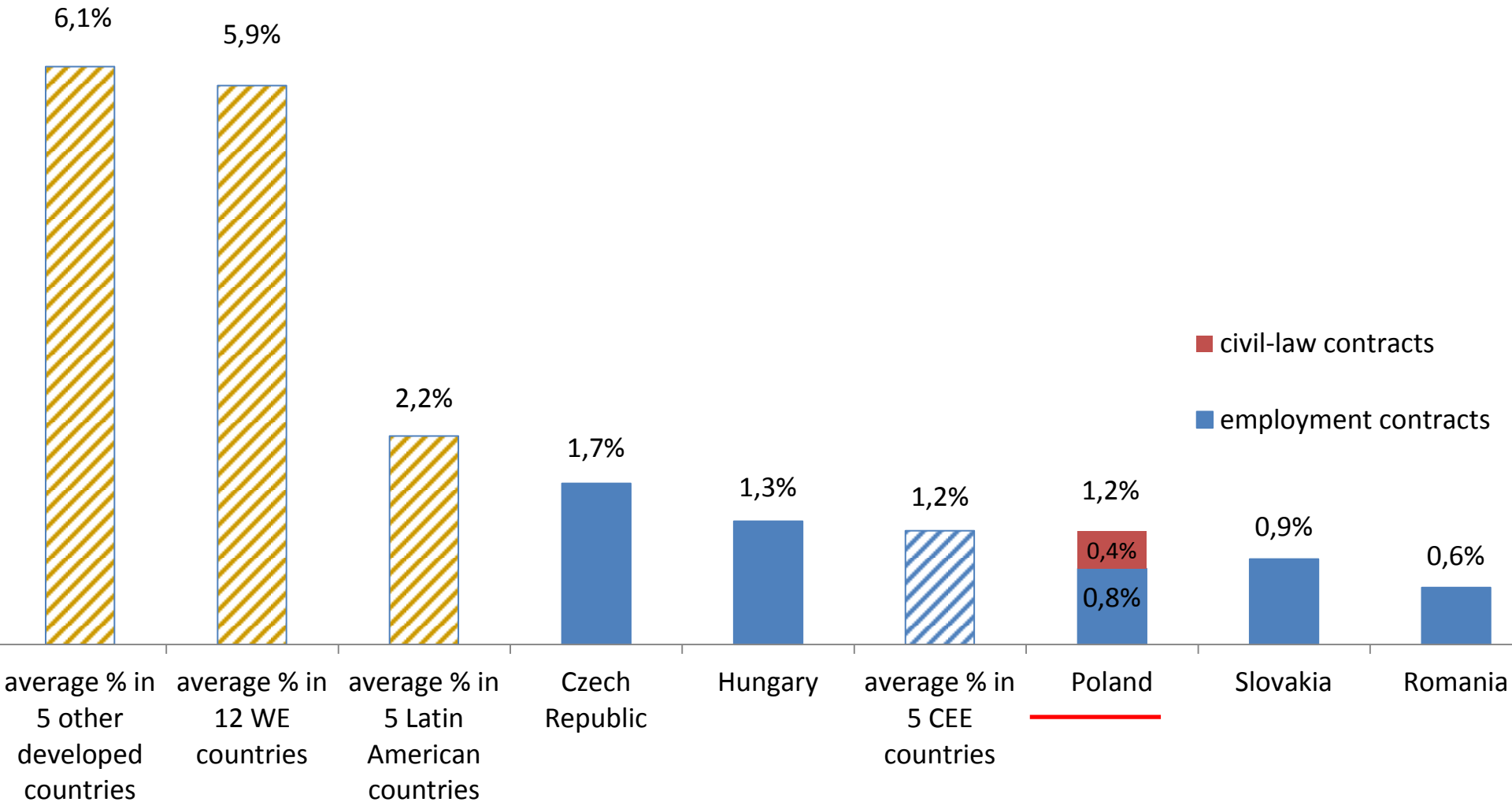
as measured

for the Johns Hopkins

Comparative Nonprofit Sector Project,  
as well as in the European Value Survey  
and in other surveys in Poland

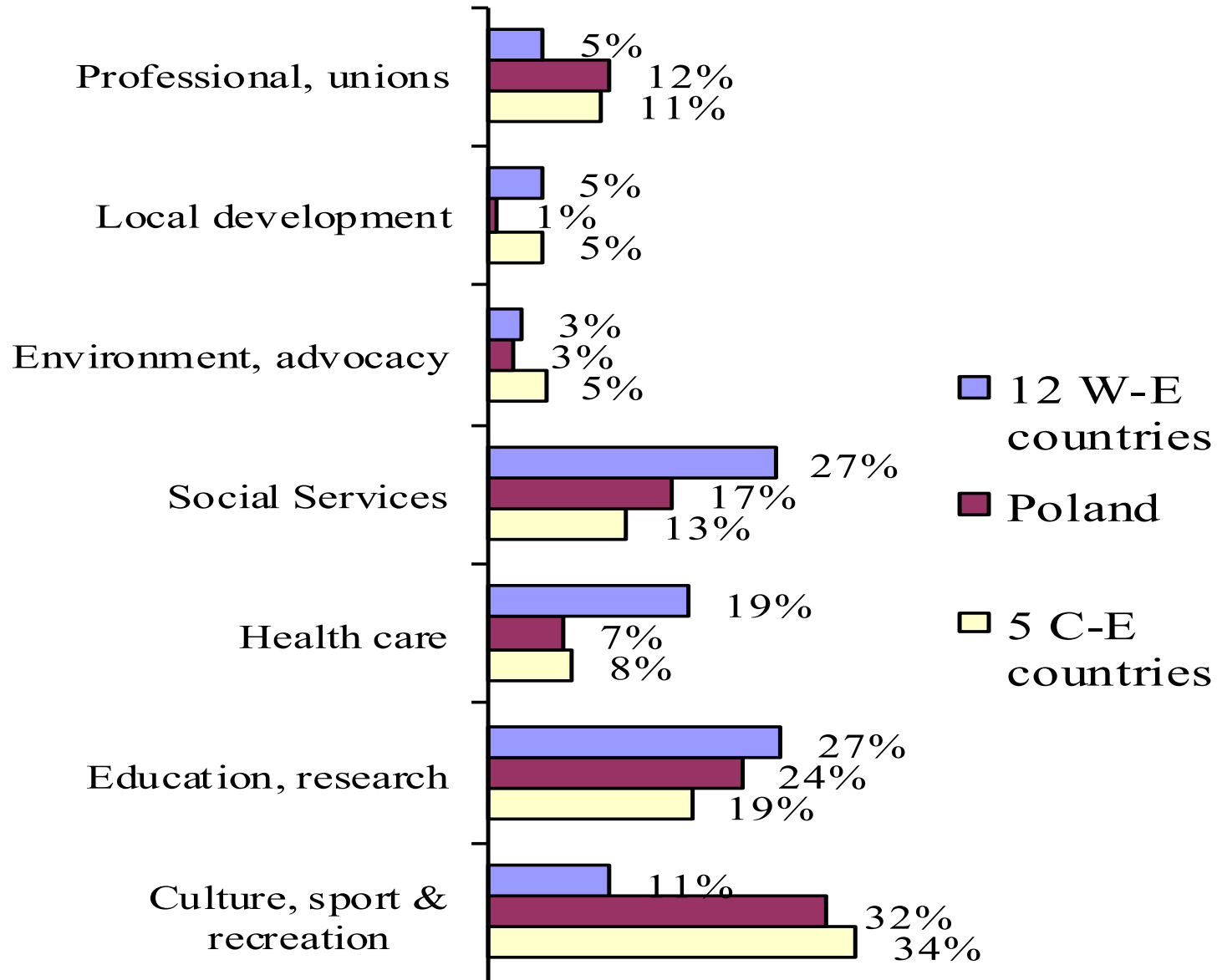
# Limited economic potential of the NPS in Poland and other C-E E. countries:

- NPS employment as a percent of hired non-agricultural employment in Poland (1997), in C-E Europe and in other regions (ca. 1995)



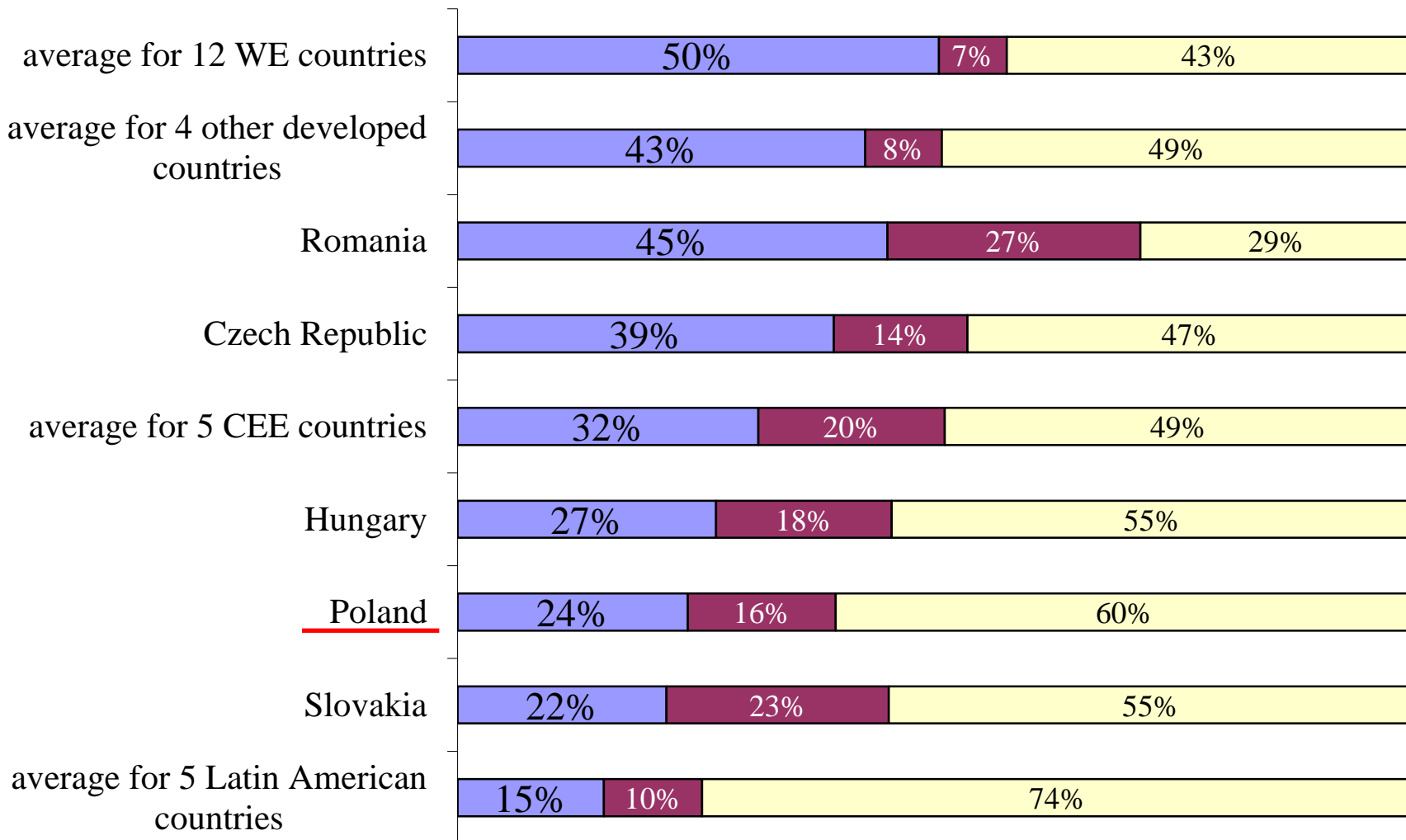


**Sporty structure of the NPS in Poland (1997) and in the other C-E countries as compared to NPS structure in W-E countries (ca.1995): distribution of paid NPS employment by major fields of activities in a given country/region**



# Structure of the nonprofit sector revenues in Poland, in CEE countries and in the other regions, ca 1995

■ public sector ■ private & corporate donations ■ earned income (sales, memb. dues)



# Sporty model of state support for the NPS

The 1997/1998 data showed that **share of state support in the revenues of organisations in the field of *sport, recreation and culture* (36%)** was the highest:

- much higher than average in the NPS (24%),
- higher than in such fields of nonprofits activity as *social assistance* (29%), *health care* (24%) or *education* (21%).

# Marginal shares of the NPS

## in core social services delivery in late 1990s

- **the NPS share in the delivery of social services varied from 0,01 % in the case of primary health care, 0,6% - in the case of primary education 3% in the case of secondary education, up to the highest 14% - a share of inhabitants of stationary social welfare facilities living in the NPS facilities.**
- **Substantial part of the nonprofit sector's social service delivery was coming from the church based charities, which generally had better material base than secular NGOs (the church managed to snap back its pre-WWII properties), and maintains good relations with state officials.**

**Present state of the nonprofit sector  
and  
its cooperation with the public sector**

- What has changed since 1990s?**

# Number of organisations grew 3-fold

- **Between 1997 and 2012 there was three-fold increase in the number of the group of NPOs under study** (associations, foundations, professional and business associations, employers organizations and faith based charities):  
27,400 active organisations in 1997,  
83,500 active organisations in 2012.
- availability of the organisations for citizens grew accordingly:  
from 7 organisations per 10,000 people in 1997  
to 22 organisations per 10,000 people in 2012.

# Paid employment grew by half

- Between 1997 and 2012 the **volume of paid work based on employment contracts increased by 52%** and volume of **paid work under civil-law contracts grew by 43%:**
  - in 1997: **81 thousand FTE jobs under employment contracts** and **37 thousand FTE based on civil-law contracts,**
  - in 2012: **123 thousand FTE jobs under employment contracts** & **52 thousand FTE based on civil-law contracts.**
- **The employment created by the group of studied NPOs accounted for 0.8% national (hired) employment in 1997 and 1.3% in 2012.**

# **Total operating costs increased nearly 4-fold, but the NPS share in the GDP grew modestly**

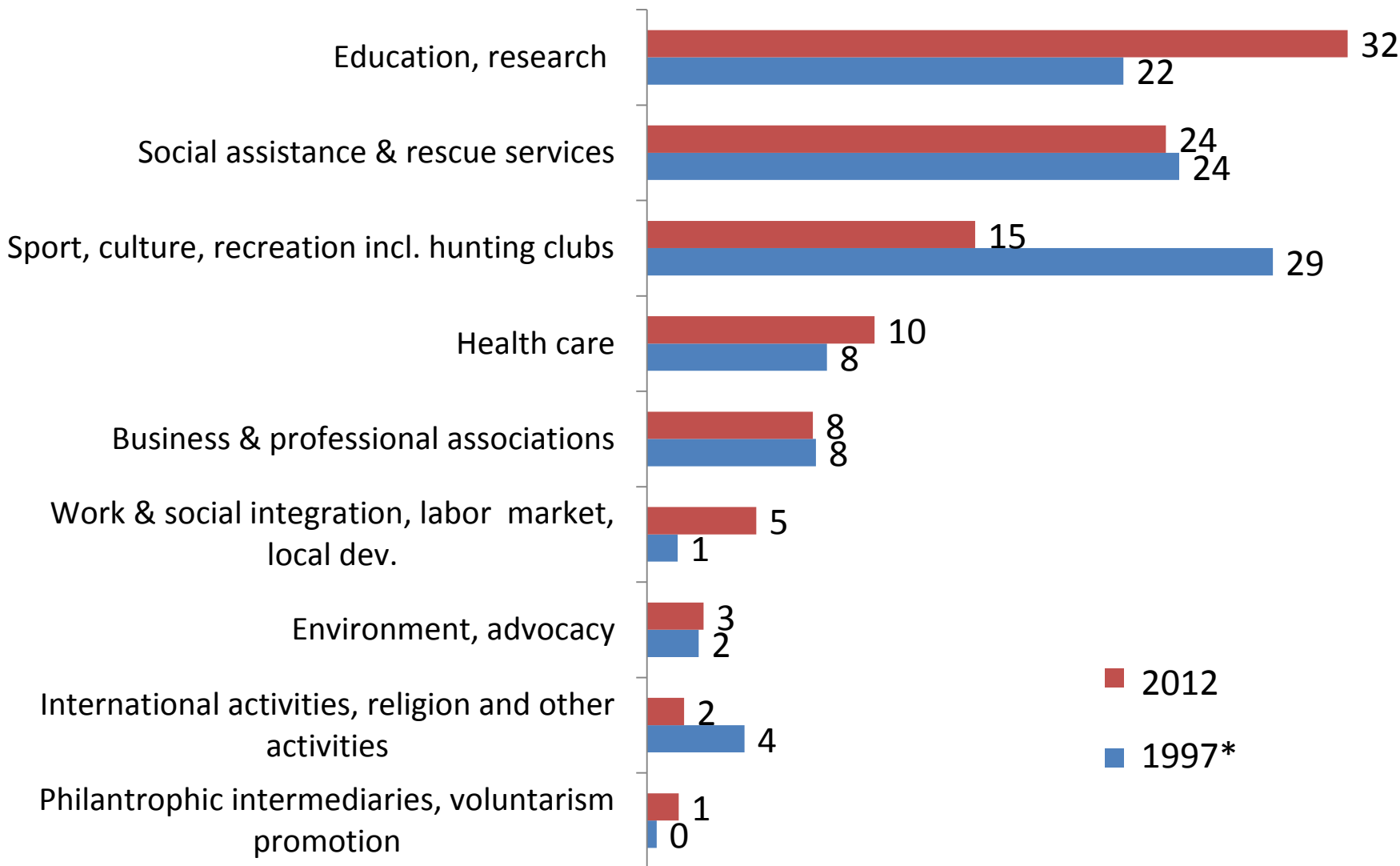
- Between 1997 and 2012 the total operating costs of the group of NPOs under study increased nearly 4-fold:
  - in 1997 it was 6 bln PLN (Polish zloties)
  - in 2012 it was 22 bln PLN (\$ 7 bln)
- **NPS share in GDP grew from 1.2% to 1.4%**



# **Core social services oriented organisations got dominating position within the NPS in terms of the economic potential**

- Between 1997 and 2012 the field of *sport, recreation and culture* lost its leading share in employment contract based workforce of the NPS (29%) and now accounts only for 15%.
- The field of *education & research* took the leading role rising its share from 22% to 32%.
- The share of core social services oriented orgs (aggregated fields of *education, social assistance, health care*) within the NPS grew from 55% to 67%.

# NPS workforce (av. FTE work-contract based employment) - distribution by major field of activity, 2012 & 1997\* (in %)

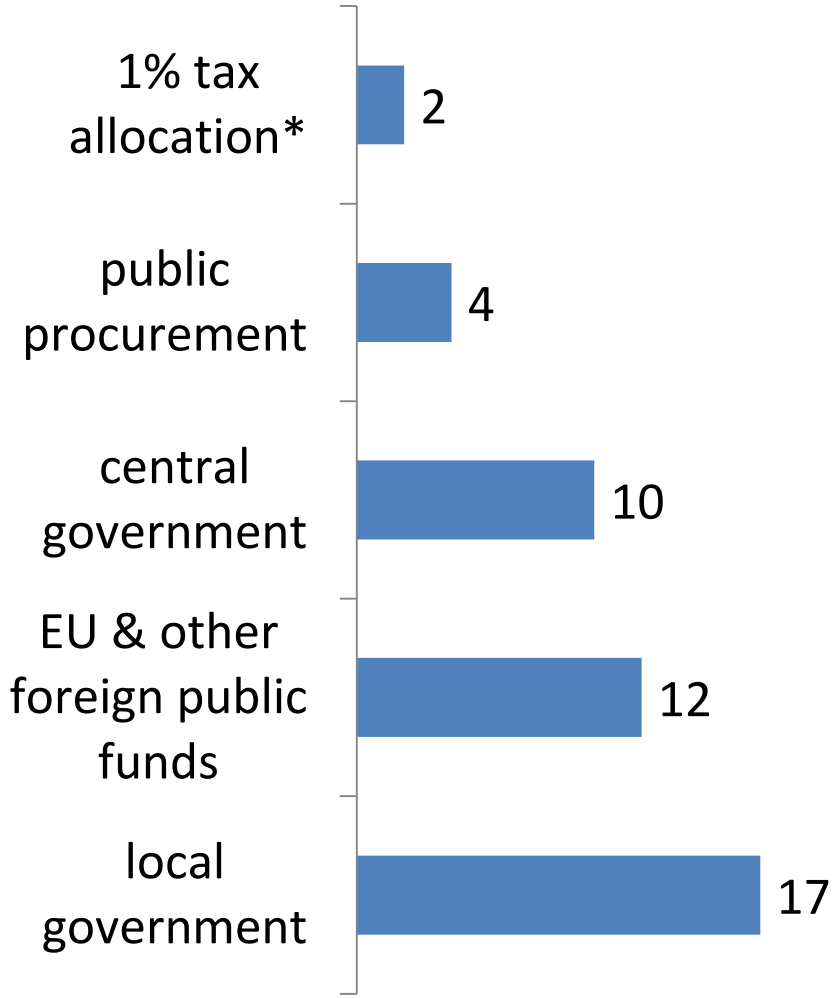
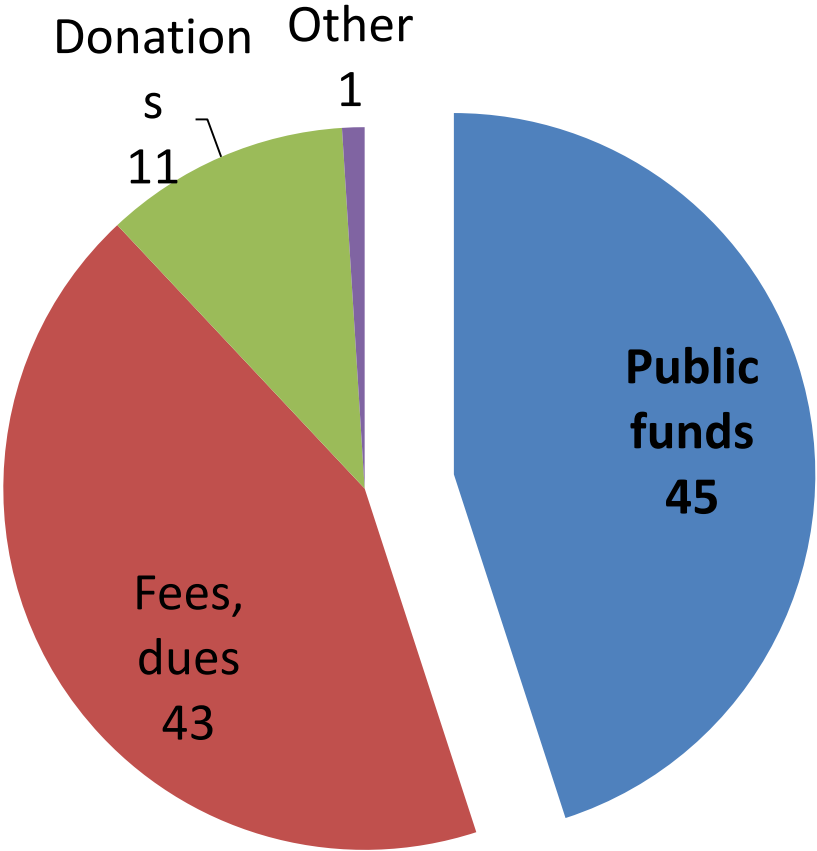


\* The 1997 NPS workforce structure presented in the graph is different from the structure shown in slide 10. Here the work contract based employment structure is shown while on the slide 10, also civil-law contract employment was included.

# Substantial growth of public funds in the budget of the NPS, especially in the core human services

- The share of public funds in the NPS revenues **rose from 26% in 1997 to 45% in 2012.**
- **the share of public funds in the revenue structure in core human services oriented NPOs increased more than twice:**
  - in *education, research*: 21% => 54%,
  - in *social assistance*: 29% => 62%,
  - in *health care*: 24% => 53%.

# Structure of Nonprofit sector revenues



# Major role of the NPS as a provider in the new fields of social services

- NPS is a major provider in new fields of social services, e.g. work integration and social integration, but also hospices, services for homeless etc.
- Contributing factors:
  - innovative, flexible, advocative nature of NGOs,
  - state policies on cohesion and workfare ,
  - availability of the EU funds for these policies.

## Structure of service provision in work integration and social integration, 2012

Facilities run by ...	Social integration centres	Vocational activity establishments	Occupational therapy workshops
public sector	26%	36%	19%
<b>non-profit sector</b>	<b>74%</b>	<b>63%</b>	<b>77%</b>
for-profit sector	0%	1%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Hindered development of the NPS „heavy” services

- Slow growth of the NPS share in „heavy” human services:
  - primary schools: 0.6% in 1997 => 3% in 2012
  - hospitals: 0% in 1997 => 1% in 2013
- Main inhibitors acting against the NPS growth:
  - lack of capital assets (incl. lands, building) needed to establish own facility,
  - „demand side” is still used to services of public sector, therefore not ready to pay for the service even though the price covers only direct costs

## Structure of service provision in primary education and hospital services\*, 2012-2013

Facilities run by ...	Primary schools (2012)		Entities providing hospital services* (2013)	
	facilities	pupils	facilities	beds
public sector	90%	96%	50%	89%
non-profit sector	7%	3%	4%	1%
for-profit sector	3%	1%	46%	10%
<b>TOTAL</b>	100%	100%	100%	100%

Entity providing **hospital services** - entities having at least one bed for hospital services, i.e. performed at least 24 hours comprehensive health care services involving the diagnosis, treatment, care and rehabilitation, which cannot be implemented in the context of other fixed and round the clock ambulatory health services or health services

Fast growth of the NPS provision in fields of massive, unsatisfied needs when public funds are available, but soon the growth got limited by fierce competition with for-profits

Structure of service provision in **nursery schooling**, 2012

Facilities run by ...	facilities	children
public sector	70%	80%
<b>non-profit sector</b>	<b>8%</b>	<b>5%</b>
for-profit sector	22%	15%
<b>Total</b>	100%	100%

# Major factors influencing state - NPS financial relations

- **Suppression of service role in core social services** during communism
- **Deprivation of capital assets** during communism
- **Deterioration of communist rooted mass, social organisations** (the end of state sponsorship) **stronger than rise of new NGOs** (volunteerism, fees, philanthropy based instead of )
- + **Large variety and scale of new unmet social needs** (new types of services eg. Social- work integration, hospices, care for addicted, third age universities etc. plus needs not sufficiently supplied by the public sector (e.g. kindergardens)
- +/- **Deetatization of public social services** in favor of for-profits (health care - tenders) or non-profits (work and social integration – third party payments and grants) or mix model (education - vouchers),
- + **Decentralisation of public social services** => local gov. become major partner for NGOs



# Major factors influencing state - NPS relations in the human services provision (2/2)

- + **1% and other mechanisms for support of Public Benefit Organisations and for other organisations working in social services**
  
- + **Integration with the EU (2004):**
  - + **availability of public funds** for active social policies,
  - + **Westeuropean pattern influence plus inclusion of the EU general policies** on social cohesion, work & social integration, poverty eradication, civic participation, environment protection, women's rights, greying, social economy etc.

# THANK YOU FOR YOUR ATTENTION

In case of questions ...  
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