

National report POLAND

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1) History and Presence of Self-Employment

During World War II, Poland suffered dramatic losses. War damage decreased country's resources by 38% in comparison with 1939. Incorporation of Western and Northern lands into Poland in 1945 increased industrial potential but its use demanded not only reconstruction but also relocation of about 5 million people to these regions.

The economy of the People's Republic of Poland was closely related to political system functioning in the country and its development was based on the implemented fundamental social reforms, for example the nationalization of key industries and the introduction of state monopoly on foreign trade in 1944. State Agricultural farms (PGR) were established. At that time Polish industry was based on common ownership of means of production which enabled central state management. Many-year plans were introduced (among others the Three-Year Plan of the Economy Reconstruction 1947-1949), the Six-Year Plan of Economy Development and Construction of the Rudiments of Socialism 1950-1955 and five-years plans from 1956-1960 on the continuation of the industrialisation politics, 1961–1965 – further development of national economy, 1966–1970 on the continuation of the state's industrial politics. Source: http://pl.wikipedia.org/wiki/Gospodarka_Polski

The People's Republic of Poland eliminated every sign of private enterprise. Due to the government's manipulation, private traders faced social dislike; they were called exploiters interested only in profit, the class enemy. They were oppressed by the Tax Service Office, some were imprisoned for "speculation". Source: <http://kubapg2.w.interia.pl/materialy/prl.htm>

The economy of Poland changed after the political system transformation that started in 1989. Polish economy is a mixed iconology. The public sector currently produces approximately 25% GDP. Since the beginning of system transformation in Poland the sector of small and medium enterprises remains an important driving force of our economy, determining the level and structure of employment as well as the level of wealth of Polish society. In 2008 the contribution of the sector in creating GDP equalled 47% and more than half of the workplaces created in enterprises in 2003-2008 was the result of SME development. Source: <http://www.egospodarka.pl/58234,Sektor-MSP-w-Polsce-w-latach-2008-2009,3,39,1.html>

2) Ways of Starting Self-Employment in Poland

When starting a self-employed activity, you have two ways to choose from: you can either start your own company or a franchise. No matter which way you choose, you must register the company and thus it is worth to decide what legal type of business entity it should be. Other requirements must be met when starting a sole proprietorship or a civil law partnership, other when creating a commercial law company (for example a company limited by shares). A sole proprietorship is definitely the easiest way to start your own business. It will serve its purpose if you are going to offer services or run a small shop. One can start a commercial law company, for example a company limited shares.

When starting your own business, you can ask for advice and look for information on many web portals devoted to the issue. One can also follow the advice of district and voivodeship employment offices as well as business incubators www.inkubatory.pl (also Academic Business Incubators).

Source: material was based on an article „Zakładamy własną firmę - procedury krok po kroku”, published on 31.07.2009 at Franchising.pl

There is a whole system of supporting and subsidizing enterprises:

Grants from the Employment Office

Subsidies to start your one business can be received from the Labour Fund as a part of subsidies given by a District Employment Office.

On 10th November the Central Statistical Office made an announcement on the average wage in the third quarter of 2010. It amounted to: 3,203.08 PLN.

It means that at the moment the maximum grant from the Employment Office that can be received for setting up your own company is 19,218.48 PLN (6 times the average wage).

EU subsidies

EU subsidy is one of the possibilities to gain financial resources to start your own business activity. It is a source of the cheapest money for the company – it is not returned and does not pose danger of losing control over the company as in the case of venture capital.

Enterprises have at their disposal money from such Operational Programmes as: Innovative Economy, Infrastructure and Environment, Human Capital, Rural Development Programme and Regional Operational Programmes for 16 voivodeships.

In 2007-2013 following EU programmes can be used directly or indirectly:

- Operational Programme: Innovative Economy – measure 3.1
Initiating innovative activities
- Operational Programme: Innovative Economy – measure 8.1
Support for business activity in the field of electronic commerce
- Operational Programme: Human Capital – measure 6.2
Support and promotion of entrepreneurship and self-employment up to 40 thousand zloty
- Regional Operational Programmes
Measures for existing entrepreneurs and companies. Subsidies are granted as refunds of the incurred qualified costs.
- Rural Development Programme
Measure 311 Diversification into non-agricultural activities (for people insured in KRUS) and measure 312 Support for the creation and development of micro-enterprises (for those NOT insured in KRUS)

Financial support may be different: it includes consultancy on establishing a new company as well as direct financial support for a newly established entrepreneur.

EU funds cannot be used for the so-called operational costs, such as purchasing resources. A specific undertaking can be financed, e.g. equipment purchase, computer equipment, machines, IT systems etc.

Funds from an international Erasmus programme

The programme is one of the so called B2B (business-to-business) undertakings. The principle is simple: beginner entrepreneurs go to another EU country and stay there a few months, working together with an experienced entrepreneur in a chosen small or medium enterprise.

The initiative of the European Commission is part of a strategy aiming at supporting entrepreneurship and aiding enterprise owners in better use of a common market. The

objective of the programme is to stimulate development of entrepreneurship and propagate international cooperation. What's more, it should facilitate transfer of know-how and developing SME managing skills. Participation in the programme is beneficial not only for the future entrepreneur but also for the company that decides to host such a person. The beginner learns from the experienced entrepreneur how to best start and run business, but also learns the more practical aspects of enterprise functioning. He or she can also understand the legal conditions of running a business in another EU country. He or she also establishes invaluable international contacts, which can in the future lead to business cooperation. Also important are such advantages as improving foreign language skills or learning how to work in an international environment. The experienced entrepreneur, on the other hand, can cooperate with a well-motivated, engaged employee bringing in fresh ideas, attitudes and visions. He or she also gains knowledge concerning a foreign market, as well as new contacts and prospective business partners, which improves his or her chances to expand onto new markets. The experienced entrepreneur also has an opportunity to introduce innovations in his or her company.

Two groups of beneficiaries can thus participate in the programme: beginner entrepreneurs (planning to open their own enterprise or having started such activities within the last few years) and experienced entrepreneurs (owners or managers of micro-, small or medium enterprise with its registered office in one of EU member states). Internships may involve any sector of economy. There is also no age limit for the applying beginner entrepreneurs but they need to have education and professional experience as well as a realistic business concept. Future entrepreneurs not only have to present their competences, language skills or professional career in their CV, but they also prepare a business plan of the future or already functioning enterprise as well as a programme of their stay abroad.

Credit

Some banks offer enterprises a credit in the form of a credit limit, given at the time the enterprise bank account is opened.

Some banks also offer a mortgage credit to enterprises. Funds received as a credit can be used to buy or construct a real property, to renovate, modernise or refurbish a flat or a house, to buy land for construction, to repay another mortgage credit or commercial loans. A credit can also be used to finance anything, without the necessity to document the way the money was spent.

Loans

People planning to open their own business may be interested in loans offered by Regional Loan Funds.

It is worth noticing that conditions for granting loans and the interest rates in such Funds are quite favourable. The loans are supported with state budget funds or EU programmes so the interest rates are quite low (3% to 8% depending on the region).

The maximum loan amount in case of existing companies is PLN 120 thousand. For people wishing to open their own business it is usually around PLN 60 thousand. Loan period also depends on the region, it can be anything from 24 to 60 months.

In every case a person or a company that would like to obtain a loan must make their own contribution, in most cases amounting to 20% of the sum for which they apply.

Fundusz Mikro

Fundusz Mikro is a non-profit organisation the main aim of which is to support micro-entrepreneurship development in Poland.

Micro-entrepreneurs cannot access credit offer of commercial banks for formal reasons: they cannot prove their credit rating, have no assets that could serve for securing the credit. This is not an obstacle for micro-entrepreneurs contacting Fundusz Mikro. The cooperation is based on partnership and mutual trust.

Fundusz Mikro offers loans not only to entrepreneurs that already run a business but also to people planning to open their own business. Such people can get a "start-up" loan, all they need to do is to present an idea as well as a plan for its implementation, but a formal business-plan is not needed. Of course one can only get a loan after registering the company and opening a company bank account.

A maximum amount the future entrepreneur can apply for is PLN 7 thousand. A Civil Code warranty is needed; in case of an entrepreneur one warranty is enough, otherwise more warranties are needed. Loan period is not longer than 12 months. Repayment of a loan as well as a fee for using the funds is made in monthly installments.

Fundusz Mikroul. Gdańska 35, 85-005 Bydgoszcz tel.: 345-72-81
e-mail: fm@funduszmikro.plwww.funduszmikro.com.pl

Business Angels

A business angel is usually an entrepreneur successfully running his or her business and looking for interesting investment opportunities. BA is interested in small enterprises, having a good business idea and, most of all, an engaged managerial team, but lacking adequate funds for development. Such companies are of little interest to venture capital funds because of the small scale of their activities. Also banks find them unattractive due to large risk of giving them a credit.

BA allocates up to a few million zloty to a new business, adding his or her business know-how, in exchange getting a large company share package and expecting to earn profit.

Contacting the BA directly may be difficult. For most entrepreneurs the only way to contact a private investor is by intermediaries, such as existing business angels' networks in Poland:

Lewiatan Business Angels – www.lba.pl

Śląska Sieć Aniołów Biznesu Silban – www.silban.pl

Sieć Aniołów Biznesu Amber – www.amberinvest.org

Lubelska Sieć Aniołów Biznesu – www.lsab.lublin.pl

The European Trade Association for Business Angels – www.eban.org

Source: pytania Marty Faza Przygotowania, Gdzie mogę uzyskać dotacje i wsparcie na prowadzenie firmy

3) Statistical Information

Since the beginning of system transformation in Poland the SME sector has been an important driving force for our economy, granting adequate employment level and structure as well as wealth level of Polish society. In 2008, the sector contribution in gross domestic product was 47%, with more than half of all jobs created in enterprises in 2003-2008

Polish economy is a mixed economy. At the moment public sector produces around 25% GDP (the following are state-owned: PKP, KGHM, some PKN Orlen shares, PGNiG and many smaller enterprises) which is comparable to such countries as France or Norway.

Source: http://pl.wikipedia.org/wiki/Gospodarka_Polski

It can be observed that SMEs in Poland belong mostly to such business areas as wholesale and retail trade, services as well as industrial manufacturing. The number of active companies belonging to the SME sector reached 1.8 million, out of which 96% are micro businesses, employing up to 9 employees. SMEs clearly dominate in the overall structure of enterprise sector in Poland. Large companies, employing more than 250 people today are just 0.17% of all active enterprises. In 2003-2008 SMEs generated nearly six out of every ten jobs created in the enterprise sector. At the end of 2008 only 3 out of ten enterprise employees worked in large companies. In 2009 a large increase in number of closed-down enterprises took place (by 45.2%), which is partly a result of deteriorating general conditions for running a business (economic crisis). However, 2009 data show that the number of newly-established enterprises was higher than that of closed-down ones.

Source: www.parp.gov.pl; <http://www.egospodarka.pl/58234,Sektor-MSP-w-Polsce-w-latach-2008-2009,3,39,1.html>

At the end of 2009 in REGON system there were 3,742.7 thousand national economy entities (the number does not include people running their own farms), 14 thousand less than at the end of 2008. Among the registered entities 120.5 thousand belonged to the public sector (3.2% less than in 2008), and 3,622.2 thousand to the private sector (decrease in the number of entities by 0.3%). An increase in a number of commercial companies and foundations was observed, while a number of civil law partnerships, self-employed individuals and state enterprises fell. Micro-enterprises employing up to 9 people form a great majority of active enterprises, that is such that actually perform business activities. In 2008 their number was 1,787 thousand, constituting 96% of all

active enterprises. Small enterprises (10 to 49 employees) make up 3% of all companies (54.9 thousand entities), while less than one percent (16.3 thousand) are medium enterprises (50 to 249 employees). A tiny minority of all companies (0.2%) are big enterprises (employing at least 250 people). In 2008 there were 3.2 thousand of them. In 2009 a number of newly registered entities was 349.6 thousand, that is the biggest since 2000. In comparison to 2008 the number of newly registered entities increased by 10%, and the most dynamic growth was observed among limited companies (increase by 15%), while the number of civil law companies fell by 17%.

Source: Ministry of Economy - report: „PRZEDSIĘBIORCZOŚĆ W POLSCE”, Warsaw, July 2010

Source: <http://www.mg.gov.pl/>

4) Kinds of Encouragement

From among the instruments specific for SMEs, especially important are thought to be policies aiming at improving their chances of competing on the free market. This relates especially to the following activities:

- providing consultation services,
- improving access to economic information,
- further developing the system of loan guarantees,
- developing the system of funding by venture capital institutions.

Ways of supporting SME development

Tax and tax-related incentives and credits for investors in a given area can generally be divided into two groups.

In the first one there are such incentives and credits as result from regulations common for all business entities in the territory of Poland. Entrepreneurs and investors can take advantage of them regardless for their place of business. These are incentives and credits encountered for in tax regulations, social security, occupational and social rehabilitation of disabled regulations, employment promotion, unemployment counteracting and labour market activation regulations, environmental protection regulations etc.

The other group includes incentives and credits offered by local government units to entrepreneurs active in their region. They result from local legislation adopted by local government units which aim at encouraging investors, both from the region and from outside.

Exemptions for newly-created business entities

- Exemption from a fixed registration fee for the unemployed.

Source: : www.garr.pl/cms.php?getfile=226

Other financial incentives:

- Preferential credits – government administration may consider supporting small enterprises, offering financial institutions means for granting them credits at conditions better than those on the general credit market – lower interest rates or lower security than that required otherwise.
- Tax credit – means granting a credit for repayment of liable taxes, i.e. its postponement to a later date. This type of aid aims at increasing company's financial liquidity at the beginning of its activities, when many one-time expenditures are required (adopting and renting premises, administrative fees etc.), when an entrepreneur cannot obtain any other credit and has to refund the expenditures using his own limited resources. Similar is the role of a national insurance contributions credit. National insurance contributions in Poland are a major burden for newly created enterprises.
- Credit guarantees – beginner entrepreneurs often have problems obtaining a credit, because their assets are insufficient as security for the credit, nor can they provide solid credit history. State administration or regional development agency cooperating with it or other institutions may then issue credit guarantees (suretyships), especially if it is taken in order to finance investments (increasing company assets) with the aim of increasing the number of new jobs.
- Faster depreciation – possibility to use bigger depreciation charge is one of frequently used means of securing entrepreneurs against the risk of machines and equipment becoming obsolete, prompting them to replace (modernise) non-current assets more frequently. Thanks to that the fiscal burden in the beginning of business activity is smaller.

2. Non-financial:

- Training – public and local administration may commission different institutions to train prospective entrepreneurs or experts in specific fields; often obtaining credit guarantees requires that such training is completed.
- Consultancy – often consultancy in the field of running a business is object of economic activity of small companies. At the same time in many countries small entrepreneurs wishing to improve their qualifications or prospective entrepreneurs



are offered consultancy services by commercial chambers, entrepreneurs associations or even trade unions.

Source: : http://pl.wikipedia.org/wiki/Sektor_MSP

5) Barriers of Access to Self-Employment

Companies have been facing the same barriers hampering their day-to-day business and slowing down their development for years. These are mostly legal and administrative barriers, as well as more difficult access to capital and well qualified staff. Such obstacles are the more important, the smaller the enterprise.

Another SME problem, in the context of company ability to develop, can also be lack of innovation and limited use of latest technologies and non-technological innovations. Thus the smaller an enterprise, the less willing it is to implement innovations and conduct research and development activity, which in turn limits its competitiveness in the long term. However, the awareness of small and medium enterprises concerning innovations is growing. One of the reasons is focus on this aspect of business activity in support programmes addressed at entrepreneurs.

In the context of SME development, it is necessary to introduce systemic changes that will improve the functioning of the sector in Poland in the long term. It is especially so since the conditions for conducting business activity in Poland are still restrictive for company development, in particular for SMEs. In the Doing Business 2010 report of the World Bank Poland was classified only 72nd in an assessment of world economy ranking in respect of favourable and unfavourable business conditions. Similar picture is presented by other sources.

It should be noticed that in Polish economy micro- and small enterprises act as a buffer. These companies, due to their low employment rates and ability to cut costs, are most flexible in face of changing economic conditions. Moreover, their relatively high resilience to crisis rests partly in their weakness that is small dependence on export and foreign markets' condition.

Source: www.parp.gov.pl

The greatest problems for Polish economy are difficulties in running a business due to excessive bureaucracy and unclear law, as well as high administrative costs incurred by citizens, underdeveloped infrastructure (including road network and Internet accessibility) and difficult conditions on the job market, resulting e.g. in low wages (average gross wage in March 2009 was PLN 3,185.61).

There is a large disproportion in terms of economic development between different regions of Poland. The wealthiest voivodship in the country is mazowieckie (with the capital city of Warsaw), with GDP per one inhabitant around 87.1% of EU average. This level is comparable with the most wealthy land of East Germany (e.g. Saxony, 86.1%) or with Wales in Britain (86.9%). Close to the Polish GDP average are dolnośląskie and wielkopolskie voivodships (59.2 and 56.9% of EU average, respectively), whose per capita income can be compared with that of the poorest regions of Greece and Portugal. Such voivodships as: pomorskie, łódzkie, zachodniopomorskie, małopolskie and lubuskie have GDP of around 50% of EU average. The poorest regions of Poland are podkarpackie and lubelskie voivodships (37% of average GDP), where the GDP is comparable to that of Bulgaria and Romania (37.7 and 41.6% of EU average).

Source: http://pl.wikipedia.org/wiki/Gospodarka_Polski

1. Foreign nationals from EU member states and EFTA member states - parties of the European Economic Area agreement, may start and perform business activities at the same terms as Polish entrepreneurs.

2. Foreigners, citizens of countries other than those listed, that:

1) have in the Republic of Poland:

a) residence permit,

b) permit for stay of a long-term resident of European Community,

c) permit to stay for a definite time, given on an occasion as stipulated in Art. 53 par. 1 sect. 7, 13 i 14 of the Act of 13 June 2003 on Foreign Nationals,

d) tolerated residence permit,

e) refugee status,

2) are under temporary protection in the Republic in Poland - may start and perform business activities in the territory of the Republic of Poland at the same terms as Polish nationals.

3. Foreign nationals other than those listed in sections 1 and 2 may start and perform business activities only as Ltd partnership, private unlimited company with share capital, limited company and joint stock company, as well as join such companies and take up or purchase their stocks and shares, unless otherwise specified in international agreements.

As follows from the above, foreign nationals that do not meet certain conditions may perform business activities only in the form of certain commercial law companies.

Source: <http://www.legeo.pl/porady/pytanie/7013/zakladanie-firmy-przez-cudzoziemca>

6) Example of Good Practice

§ Maciej Popowicz – Nasza Klasa website founder

One of the good examples of self-employed activity is company named www.nasza-klasa.pl – a social network. The company was established by a young Pole, still a student then, who has recently sold it for a considerable sum of money.

Source: <http://www.terazwroclaw.pl/artykul.php?id=3661>

§ Jakub Bochenek – TUBAN company

Jakub studied oil drilling but what he really wanted to do was "joy operation". It took him three years to develop recipe for ... soap bubbles liquid. He was the only one in Poland to produce and sell his magic bubbles liquid. Recently he has opened a shop in Krakow but he also offers his services via the Internet <http://www.tuban.pl/start.html>; <http://www.banki-mydlane.pl/linki.html>

Source: <http://www.gazetakrakowska.pl/magazyn/320413,mydlany-biznesmen-zaczarowal-krakow,id,t.html>

§ Ania and Radek – founders of the first integrating pub in Łódź. <http://www.dwiedlonie.pl>

For a long time we thought of opening and running our own business. At first I opted for a sewing facility, since I am a seamstress and I always worked for other people. At last an idea of an integrating pub emerged. It is not a pub for people with impaired hearing, but an INTEGRATING one. We are very communicative and we have always wished for the deaf and the hearing to come closer. This was what we have been looking for for so long.

Source: <http://www.dwiedlonie.pl/index.php/main/odd/13>

7) Summary

Establishing an own business in Poland is getting easier. Of course the most important thing is a good idea for a business, for something one wants to do professionally. One has to decide if s/he wants to cooperate/manage staff, or is self-employment enough. People in Poland frequently choose self-employment without becoming legal entity, which enables them to find employment in another company (providing services of many kinds). But many people, using the available ways of funding (e.g. from EU funds), establish their own business making their dreams of professional career come true. Thus they can work in their profession or do what they find interesting, they also avoid unemployment. A major obstacle remains bureaucracy: the process of establishing a business can take up to 2 weeks, despite promises being made of facilitating the procedures. Entrepreneurs also have to remember that a company has to bear heavy burden: social fund and health contributions and fiscal obligations.

Despite all that Poles are thought to be a very enterprising nation, open to challenges and able to find market niches, both in Poland and in Europe, which they are trying to fill.