

# HUMAN CAPITAL OF POLISH NON-GOVERNMENTAL ORGANISATIONS: FROM MACROECONOMIC CONTEXT TO MICROECONOMIC IMPLICATIONS

**Tomasz Dyczkowski\***

*Wrocław University of Economics, Poland*

---

**Abstract.** *The paper<sup>1</sup> aims at emphasizing the importance of a proper recognition and disclosure of human capital in non-governmental organizations (NGOs) on the example of Poland. Although NGOs do significantly contribute to social well-being, the economic focus paid to commercial businesses and public institutions causes that a scope of civil initiatives is not recognised to a sufficient extent. It is, therefore, a role of the Third Sector to promote its activities and to inform extensively on the effects generated. The issue which requires particular attention in this respect is the human capital which propels all benevolent activities.*

*The author analyses, firstly, the historic, economic, and legal circumstances that shaped the modern Third Sector in Poland. Subsequently, an analysis of human resources available to Polish NGOs in comparison to the situation of their German and British counterparts is conducted. The results of a study on the attractiveness of the non-governmental sector as an employer are discussed next. The paper is concluded with a presentation of methods which enable to quantify and value human capital in a non-commercial environment, including the ratios used to monitor the development of that capital.*

*The results presented in the paper clearly demonstrate that it was possible due to involvement of socially sensitive people to rebuild social activities in Poland after the long period of the state's exclusivity in defining and addressing social issues. Those people made the initial human resources of Polish NGOs as their members, governors or volunteers. Nonetheless, the development of a comprehensive legal framework stimulating co-operation between the state and NGOs, and an extensive use of European funds helped to extend the labour force of the sector by 120 000 employees. A priority for now proves to be sustaining that growth by attracting young people. The results of the author's study on the perception of the Third Sector by students show that most of them still know NGOs from mass media only, and one third of them would not consider working for an NGO in future. On the other hand, opinions of those who already work in a non-commercial environment prove to be positive, what entitles to formulate the conclusion that a better knowledge of the ways NGOs work is vital to build their human capital. If social managers develop proper systems of measuring and reporting human capital, such as the one presented in the paper, they will gain a tool to demonstrate that human capital of their organisations is used to make social initiatives as effective and efficient as possible.*

**Key words:** *non-governmental organisation (NGO), the Third Sector, human resources, human capital*

---

---

<sup>1</sup> This study is supported by public funds for science in 2010–2013 within the research project „Economics of Contemporary Philanthropy” (Grant No. 0248/B/H03/2010/39).

\* *Corresponding author:*

Department of Controlling, Faculty of Management, Information Technology and Finance, Wrocław University of Economics, Komandorska Str. 118-120, 53-345 Wrocław, Poland;  
e-mail: Tomasz.Dyczkowski@ue.wroc.pl

## Introduction

The end of the 20th century, which was characterized by a rising consciousness of the social situation in all corners of the world as well as by the feeling that both states and market powers did not properly address the existing problems and emerging challenges, witnessed an increase in the number and scope of non-governmental initiatives. At that time, the leaders of the three strongest economies in the European Union – T. Blair, G. Schröder, and L. Jospin – declared in unison that the motto for the civil society of the 21st century should be saying ‘yes’ to the market economy but ‘no’ the market society (see Salamon et al. 2003, p. 2).

In order to realize how non-governmental organizations (NGOs) contribute to the social well-being, the outcomes of the Comparative Non-profit Sector Project co-ordinated by the John Hopkins University should be recalled. Observing the scopes, profiles, and functions of NGOs in 35 countries, the research team concluded that the discussed group generated 5.1% of the gross global product, and in the European Union alone it had at its disposal human resources equal to 11 million full-time equivalent workplaces – which was more than the whole population of Belgium (see Salamon *et al.*, 2003, p. 2).

Nevertheless, NGOs still have to build their identity, because the prevalent dualistic economic model – distinguishing between the public sector and private businesses – caused that neither nation- nor Europe-wide statistics inform properly about numbers, sizes, areas of operation, and – beyond that – of human resources engaged in civil initiatives.

Moreover, non-governmental organizations are perceived in a wrong context (Sprinkel Grace, 2005, p. 23). On the one hand, these are charities (from Latin *caritas* – ‘mercy’) associated with a picture of people in need being rescued by organizations which, in turn, need public support. In fact, these organizations contribute to social well-being, and donors help not out of pity but because they are convinced that their social investments will pay off in the future. On the other hand, even though NGOs belong to the non-profit making category, they do generate social value added, which can be detected both in rendering social services and in building human capital of a civil society (see Dyczkowski, 2012b, p. 27).

Non-governmental initiatives should not be identified only with organizations which struggle against all odds to relieve poverty or social exclusion. There exist NGOs which attract publicity, engage celebrities in their operations and, at least seemingly, achieve spectacular effects. There is also the largest group of social initiatives, the existence and impact of which is known mainly to the small circle of beneficiaries (see Dyczkowski, 2012b, p. 27–28).

Thus, it becomes evident that there is no universal ‘non-governmental organization’ model, but there are certain features that help to characterize those entities. Firstly, they

are created mostly on private initiative. Secondly, their founders do not seek individual benefits. Thirdly, in all operations of such organizations, a significant degree of free-will engagement and a value-added generated for the whole society are visible. All these characteristics are very human-related and human-oriented (Dyczkowski 2012b, p. 28).

Respecting the aforementioned statements, this study aims at identifying the economic factors that either stimulate or stifle the development of human capital of Polish non-governmental organisations, as well as at indicating potential benefits of a proper recognition of this capital by particular organisations.

The discussion on human capital, presented in the paper, will, beside a reference to the theoretical background, bring forward empirical findings from two sources. The first one is the research project “Financial Monitoring in Charities: European and Polish Solution”, carried out by the author in 2004–2010. The project aimed at formulating the methodology of assessing the economic situation in a non-profit environment. It was developed with a support of 58 Polish and 67 German and British NGOs which were recognized as public benefit organizations according to local regulations. The data pool referred to in this paper included information on the profiles of organizations (social areas where they operated, their beneficiaries and forms of offering support to people in need), available resources (the number of people engaged, annual budgets, sources of financing and information technologies applied in an organization), and the managerial practices used in the non-governmental sector (strategic objectives, planning methods, management accounting methods, and reporting practices). The examined group of NGOs included both local organizations and commonly recognized ones.

The second source comprises analyses carried out within the project “Economics of Contemporary Philanthropy” which is currently conducted by the author. The project aims at examining the effects generated by Polish non-governmental organizations offering various types of social services and at analysing the perception of the Polish Third Sector by the general public, and in particular by people of the young generation.

### **Macroeconomic background to the contemporary modern third sector in Poland**

Organized social activity in Poland was not born together with the political transformation of 1989. Its long history is closely bound to Roman Catholic Church institutions, including benevolent movements which had their roots in medieval Europe. There is no doubt, however, that the 1990s can be labelled as times of social renaissance in Poland, when after the 45-year period of state monopoly in addressing all kinds of social issues, independent civil initiatives were reborn (see Leś 1999, Vol. I, p. 4).

In post-war Poland, social policy was treated as another mechanism for ‘mind control’. State institutions not only fulfilled social needs, but actually they defined them.

Independence from the state was reduced to a minimum. Consequently, non-governmental organizations, i.e. those that were not fully controlled by the state's bodies, could not exist. Strengthening the opposition to the political order in the 1970s stimulated setting up informal civil movements, often in a self-support form. The process was eventually crowned with establishing an independent association of trade unions – NSZZ “Solidarność” in 1980. The advancing impoverishment of society in the 1980s caused that charitable help provided by religious or civil organizations – often supported by international charities – had to be tolerated. The process of reconstructing social initiatives in their most primal form, together with growing civil consciousness, resulted in non-governmental organizations flourishing after 1989 (Leś, 1999, vol. III, p. 7, 20–21).

Non-governmental organizations advocated for democratization in public life and for introducing economic and social reforms (Leś, 1999, *ibid.*). However, in contrast to the subsidiary state model fostered in western societies with the intention to transfer more and more public tasks to civil organizations, the Polish social life was built upon the conviction that public financing implies the existence of strong state-owned institutions (Leś, 1999, Vol. I, p. 4). This attitude stemmed from two reasons (Wygański et al., 2002, p. 8). Firstly, independent non-governmental organizations had not functioned for over 45 years. Secondly, over the same period, the sovereign local administration, which propels co-operation with civil organizations in many countries, was replaced by mechanisms of a centrally-planned economy.

Prejudices existed also at the non-governmental side. Public administration was treated as an adversary who multiplied bureaucratic hindrances for independent organizations in order to keep its monopolistic position on the “market” for social services. The fact that non-governmental organizations neither presented a sufficient level of professionalism nor had necessary resources at their disposal was disregarded. Another obstacle for a dynamic growth of non-governmental organizations had its roots in the Polish mentality: acting for the “common” benefit had been so much abused for over 45 years of socialism. In effect, Polish NGOs entered the 21st century not as a united social and economic power, but as a group of various initiatives filling niches left by public institutions (see Leś, 1999, Vol. III, p. 21).

As to the legal framework which should have stimulated the development of the dawning civil movements, it has to be emphasised that, although the term ‘non-governmental organisation’ does not appear in the Constitution of the Republic of Poland, this Act became fundamental for the operation of such organisations. The Constitution guaranteed freedom to set up and run associations, social movements, and other voluntary organisations or foundations (the Constitution, 1997, § 12). ‘Non-governmental organisations’ were later referred to in other major regulations, including the Act on Social Welfare or the Act on Public Finance. There is no doubt, however, that the place

and roles of the non-governmental sector in Poland were defined by the Act on Public Benefit Organisations and Voluntarism.

The above-mentioned regulated the activities carried out by non-governmental organisations contributing to public benefit. It formulated the criteria for social initiatives to be granted the status of a public benefit organisation (PBO), set conditions for the operations of PBOs, regulated the co-operation between public institutions and PBOs in fulfilling public tasks, and clarified the issue of the supervision of the public benefit activities. The Act set conditions for organising voluntary service and for benefiting from such service in the activities of the public benefit (Act on Public Benefit..., 2003, § 1). The regulation introduced the key definitions related to operations of the non-governmental sector (Act on Public Benefit..., 2003, §§ 2–3), including:

- ‘public benefit activity’ – understood as an activity in areas belonging to public tasks, which contributes to public wellbeing and which is carried out by a non-governmental organisation;
- ‘non-governmental organisations’ – comprising entities with or without legal personality, which do not belong to the public sector and are not profit-oriented;
- ‘a volunteer’ – who is a person performing certain services for the benefit of organisations mentioned in the Act and who is not remunerated for these services.

The Act included a fundamental declaration that public benefit organisations and public institutions should co-operate to fulfil public tasks. Such collaboration included contracting the realisation of public tasks to NGOs and providing financing for this purpose, co-ordinating programmes fulfilling public tasks carried out by public institutions and NGOs, and consulting regulations affecting NGOs with representatives of this sector (Act on Public Benefit..., 2003, § 5).

This declaration created a framework to integrate over 120.000 Polish non-governmental organisations into realisation of public tasks. The number included 55.000 associations, 8.000 foundations, 15.500 church legal bodies, but also 15.000 voluntary fire brigades, 18.500 trade unions, 5.500 industrial and labour associations, and 4.000 organisations of some other – more specific – status (Gumkowska, Herbst, 2006, p. 11). From the whole population of NGOs, only the first four groups were entitled to be granted the status of public benefit organisations, provided that they meet the criteria presented in Table 1.

The status of a public benefit organisation gives certain opportunities to an organisation. Concerning fundraising activities, the crucial privilege includes the possibility to obtain 1% of the personal income tax. On the other hand, exemptions from the corporate income tax, tax on real estate and land, tax on civil-legal acts as well as from administration and court fees allow PBOs to reserve much more funds to statutory activities. Public benefit organisation take also advantage of voluntary service, which significantly reduces

TABLE 1. **Public benefit status in Poland**

| Criterion                          | Conditions   |
|------------------------------------|--|
| Contribution to public benefit     | <ul style="list-style-type: none"> <li>- statutory activities oriented at the whole society</li> <li>- possibility to offer assistance to certain groups, provided that they are selected due to difficult living conditions or material standards</li> <li>- associations are allowed to support their members</li> </ul> |
| Restriction on commercial activity | <ul style="list-style-type: none"> <li>- business activity is allowed only to a size adequate to fulfil primary statutory goals</li> <li>- income on business activity must be reserved entirely to achieve statutory objectives</li> </ul>  |
| Public supervision                 | <ul style="list-style-type: none"> <li>- an organisation must be supervised by a collective control body which is independent of the management of the organisation</li> </ul>   |
| Prohibition on profit distribution | <ul style="list-style-type: none"> <li>- members and employees of an organisation must not be offered products or services on different conditions than those concerning external beneficiaries; they must not be granted loans or benefit from assets of an organisation</li> </ul>                                       |

Source: own elaboration based on the Act on Public Benefit..., 2003, § 20.

their labour costs. They are also entitled to lease state-owned properties at special terms. The state supports also donors who may reduce their tax basis by the value of their donations to PBOs or organisations fulfilling similar activities – up to 6% of income in case of individuals and up to 10% in case of legal persons (Act on Personal Income Tax, 1991, § 26; Act on Corporate Income Tax, 1992, § 18). Such engagement may be stimulated by giving PBOs an opportunity to broadcast their announcements and promotion materials in the public media out of charge (Act on Public Benefit..., 2003, §§ 24–26).

Considering all the historical, economic, and legal factors influencing the shape of the modern Polish non-governmental sector, it can be firmly claimed that there has emerged a place in the Polish economy for institutionalised forms of civil initiatives. The power of such initiatives will depend, however, mostly on the human capital those organisations are able to build. This very issue will be in the focus of the following parts of the paper.

### **The size of human resources of Polish non-governmental organisations and its impact on human capital**

The human capital is usually defined as an effect of developing skills and competences of employees (primarily, through education and work experience) as well as obtaining the desired attitudes which positively influence the future efficiency of employees' work. From the organisational perspective, the human capital represents the total value of additional results which an organisation achieves due to the development of its employees (see Dobija, 2000, pp. 45–50; Tyrańska, 2007, pp. 178–179).

In case of non-governmental organisations, the identification and reporting of human capital require additional clarifications. First of all, the size of human resources should

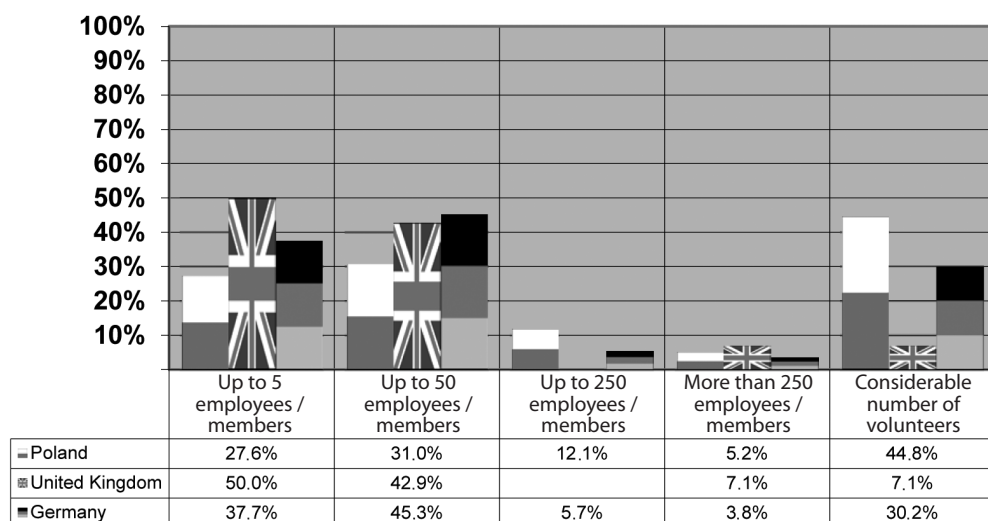


FIG. 1. **The distribution of non-governmental organizations by their size**

Source: own elaboration based on Dyczkowski, 2008, p. 80.

be estimated. This is a challenging task as human resources of NGOs, beside regular employees, include also members of an organisation and its volunteers whose involvement is rarely registered (see Dyczkowski, 2012a, p. 107).

In the research on public benefit organizations in Poland, Germany, and the United Kingdom (see Dyczkowski, 2008, p. 79–81), the following four classes of organizations were considered: small organizations with no more than 5 employees or members involved in statutory activities, medium-sized (up to 50 employees or active members), large (with up to 250 people involved in their activities), and the largest ones. Beside these four clusters, a separate group of voluntary organizations was distinguished, which was characterized by a ‘considerable’ involvement of volunteers in the activities of an organization.

The results of the research showed that most of NGOs belonged to the broad category of middle-sized organizations, including 31.0% of Polish NGOs (see Fig. 1). Even if this situation may mean that an organization has six active members or nearly 50 employees, middle-sized NGOs are definitely capable of providing services at a larger scale. Nevertheless, particular organizations will be characterized by either features of small entities (including flexibility of employees and a crucial role of volunteers) or those of larger ones, where the dependence on individuals and a high fluctuation of the staff are replaced by the necessity to monitor and co-ordinate the work of employees and to use organizational knowledge properly (see Dyczkowski, 2008, p. 79–80).

A comprehensive research of the most active propagator of social activities in Poland – Klon/Jawor Association informed that in 2010 an average Polish association (as



foundations have no members according to Polish law) had less than 35 members; this corresponds well to the authors' study. However, out of 3.5 million registered members of various Polish associations, many remained not involved in the operations of organizations. In entities with less than 20 members, usually 44% of them do not join any organizational meetings and do not pay membership fees, so their contribution into the social mission of an organization is almost non-existent. In the biggest associations with over 250 registered members, the share of inactive people reaches 55%. These facts prove that, although there appeared a fashion to join civil initiatives, there is still a long way to go for Polish non-governmental organizations to transform this activism into a substantial surge in their human resources (see Herbst, Przewłocka, 2011, p. 47–48).

A considerable share of public benefit organizations (27.6% in case of Poland) had relatively small human resources. The impact of such organizations on the social situation must not be underestimated, though. They are established in reaction to problems of local communities or specific beneficiary groups, who are often not included in supporting programs developed by public institutions. Large and the largest organizations formed the smallest cluster in the non-governmental sector, but their impact on the social wellbeing was the biggest. This group included 17.3% of the examined organizations of Poland (see Dyczkowski, 2008, p. 80).

The last factor influencing the human resources of non-governmental organizations is the scope of voluntary engagement. Invaluable support of people who did not expect remuneration for their services characterized 44.8% of organizations from the Polish sample. Volunteers were particularly precious to organizations with limited budgets, which were unable to attract well-paid professionals. It turned out that among Polish organizations with annual budgets below 10,000 euro as much as 53.3% depended on free services. For the NGOs that had up to 100,000 euro to spend per annum, the share of volunteers dropped to 39.1%. Eventually, only one organization per five with a budget reaching 1 million euro reported a considerable share of volunteers in its human resources (see Dyczkowski, 2008, p. 80–81).

The quoted research of the Klon/Jawor Association informed in this respect that an average Polish non-governmental organization benefited from engagement of 10 volunteers of whom 5 supported an organization frequently and over a longer period of time. A support of volunteers (of at least one person) was available to exactly 50% of Polish NGOs. Therefore, it is quite possible that, as the author has found, in 38.9% of public benefit organizations this support can be treated as 'considerable'. It should be added, however, that 97% of Polish NGOs could also benefit from the support of internal volunteers recruited from authorities and regular members of an organization. Considering the time scope of this help, the quoted research informed that in half of the organizations their members and authorities worked for 42 hours per month in overall, but in every



sixth organization it was already 170 hours monthly, what corresponds to one full-time employee (Herbst, Przewłocka, 2011, p. 52–53).

The higher importance of volunteers in Polish non-governmental organizations in comparison with their West European counterparts (see Fig. 1) proves the thesis of A.T. Pappas who has noted that well-developed countries with more stable economies and labour markets, suffer from a deficit of young people willing to work as volunteers (Pappas, 1996, p. 86). The demographic slump is considered to be a direct and indirect reason for this situation. On the one hand, it affects the number of potential volunteers: the population of youths is shrinking. On the other hand, graduates may find well-paid – but also demanding – work much easier. Voluntary activities become, therefore, reserved for younger and younger people who want to improve their starting position into the future career. In effect, non-governmental organizations that do not want to make their human resources unstable have to search for elder supporters who are already professionally fulfilled.

It should be pointed out that the author's research identified organizations where the share of volunteers was assessed as considerable to the overall size of human resources. This does not lead to the conclusion, however, that the scope of voluntary activities in Poland is higher than in West European countries. The research of the Klon/Jawor Association showed that only 16% of Poles declared voluntary engagement in various types of organizations: including those offering humanitarian aid, but also, for example, sport clubs (excluding professional ones) or youth and student associations. In half of the cases, the total voluntary input per year did not exceed 15 hours. Only one volunteer per twenty declared their involvement exceeding 150 hours per annum. In comparison with countries like the Netherlands, Denmark, Sweden or Norway where, depending on research methodology, 28% to 50% of young people are engaged in voluntary activities, there is still a lot of promotion work to be done by Polish NGOs (Przewłocka, 2011, p. 11–13).

It is also worthwhile taking a look at the research on paid human resources. Despite the fact that the most important work force for Polish NGOs are their members and organization's authorities, there were 24% of entities which employed some people on a permanent basis, and another 20% which hired external personnel for certain projects or tasks. In the first group, every second organisation (i.e. 12% of the whole NGO population) employed up to 4 people on a permanent basis, and every tenth (2.4% of all Polish NGOs) employed more than 25 people. Translating these figures into full-time equivalents (FTEs), it turned out that human resources of the Polish Third Sector were equal to 104 thousand FTEs in 2010, what meant a substantial rise versus 2008 (72 thousand FTEs) and 2006 (64 thousand FTEs). The widespread use of the European Funds caused that employment prospects among Polish NGOs should be assessed as positive (Herbst, Przewłocka, 2011, p. 55–60).

## **Development of human capital in Polish non-governmental organisations: the empirical study**

One of the crucial factors that enable to diagnose human capital of non-governmental organizations is whether they inspire and attract young people. In this respect, the author organized a poll among students of the last semesters in bachelor and master studies at the Wrocław University of Economics. The selection of such a target group resulted from the profile of Polish volunteers identified by the Klon/Jawor Association (Przewłocka, 2011, p. 15). The forgoing study showed that voluntary engagement was most popular among students (29% of them were involved in NGOs, with 18% among employed people and below 13% for all other social groups). At the same time, the most active age group was that below 25 years (22% involved, with a 10–19% share of other age clusters), and those with higher education (28% involved, with 13–14% of other groups).

The initial questions addressed by 461 students participating in the poll regarded familiarity with non-governmental organisations. In each question, the students could select predefined answers applicable to their situation, or define any different response supported by a necessary explanation.

The majority of students (62.0%) declared that they heard about NGOs in the mass media. It should be noted that the best access to public television or radio, from all non-governmental organizations operating in Poland, is guaranteed to those with the public benefit status. They are particularly active in the period from January to April each year when they encourage taxpayers to donate 1% of personal income tax to their statutory activities. As the research was carried out both in spring and in autumn, the results should not have been affected by more intensive promotions of NGOs.

A much smaller group of the interviewed recognised organizations active in their region (20.6%). Another 23.4% of students claimed that they knew well at least one NGO and the scope of its statutory activities. On the other hand, as much as 13.2% of students of economic and social sciences could not recall a single example of a non-governmental organization, what was a striking fact. It could also prove that non-governmental activities are not presented enough in academic curricula in which a focus is placed on commercial business.

Familiarity with non-governmental organizations is the first step to become involved in building their future human capital. The further interest may be developed through personal contacts with such organizations, what was also reflected in the questionnaire. First of all, 63.8% of the interviewed declared that they had no direct contact with non-governmental organizations. The largest group of students that mentioned a contact with NGOs (25.2%) came in touch with these organizations mostly during public collections. Finally, over one person per ten (11.3%) belonged to human resources of civil organizations, either as a volunteer (8.7%) or an employee. These people should have the best

view over operations of such organizations and, therefore, in the further analysis their opinions would be confronted with statements of the interviewed students who could not even give an example of a single NGO operating in Poland (see Dyczkowski, 2012b, p. 31–32).

Studying the picture of the attractiveness of NGOs as employers (see more in Dyczkowski, 2012b, pp. 32–33) to students of social and economic majors (see Table 2<sup>2</sup>), it turns out that a satisfaction from contributing to social well-being is a weak stimulus for selecting a job offer. It was referred to by 3.7% of the surveyed students only. Nevertheless, a work of this nature does give satisfaction, as the percentage of positive answers was higher among workers or volunteers of NGOs (it reached 12.2%).

A far better motivation to become involved in social work is the possibility to get professional experience. Such a reason was mentioned by every fifth person, but the share was higher both for those students who were not yet employed at posts matching their educational profile and for those who at the time of the research were focusing on education. The previous experience with an NGO had been positive in many cases, as 46.9% of people familiar with that working environment declared willingness to continue their involvement.

TABLE 2. **Attractiveness of Polish non-governmental organizations as employers**

| Answer   | I may work for an NGO, as it gives personal satisfaction | I may work for an NGO to obtain experience | I could work for an NGO if pays are satisfactory | NGOs are equally good employers as other entities | I do not want to work for an NGO |
|--|--|--|--|---|----------------------------------|
| Professional experience level                                  |  |  |  |   |                                  |
| Employed at a position corresponding with an education profile | 8 (3.7%)   | 46 (21.5%)                                 | 38 (17.8%)                                       | 64 (29.9%)  | 70 (32.7%)                       |
| Employed at a position not related with an education profile   | 3 (4.2%)   | 24 (33.3%)                                 | 16 (22.2%)                                       | 15 (20.8%)  | 18 (25.0%)                       |
| Short work experience  | 2 (8.0%)   | 5 (20.0%)                                  | 7 (28.0%)  | 10 (40.0%)  | 7 (28.0%)                        |
| Focus on education   | 4 (2.7%)   | 55 (36.7%)                                 | 29 (19.3%)                                       | 40 (26.7%)  | 41 (27.3%)                       |
| Familiarity with NGOs  |  |  |  |   |                                  |
| Not familiar with any NGO                                      | 0 (0.0%)   | 8 (13.1%)                                  | 12 (19.7%)                                       | 9 (14.8%)   | 31 (50.8%)                       |
| An employee or a volunteer in an NGO                           | 6 (12.2%)  | 23 (46.9%)                                 | 9 (18.4%)  | 14 (28.6%)  | 6 (12.2%)                        |
| Total  | 17 (3.7%)  | 130 (28.2%)                                | 90 (19.5%)                                       | 129 (28.0%)                                       | 136 (29.5%)                      |

Source: own elaboration based on Dyczkowski, 2012b, p. 32.

<sup>2</sup> The results represent the number of answers and the percentage within particular categories of the surveyed students. More than one answer could be selected.

A satisfactory pay might attract another 19.5% of students. Interestingly, in this case, familiarity with NGOs was a discouraging rather than an encouraging factor. This is a clear signal of low remuneration standards in the Third Sector. The research identified also a considerable group of students (28.0%) indifferent as to the character of an organization they would work for. The highest share of such answers was noted among students with a short work experience.

It should be stressed also that nearly 30% of all questioned students would not decide to work for an NGO. The share of such answers was similar (25.0–32.7%) in various groups differing by professional experience levels. There was, nevertheless, a striking difference between the attractiveness of NGOs to students familiar with such organizations and those who did not know much about them. Over a half of the latter group would not decide to work for an NGO. The above signal proves that NGOs are still not perceived as potential employers by students. If nothing changes, the future human capital of the Third Sector will still be built on the skills of either very inexperienced or very mature workers.

The willingness to work for a non-governmental organization is related with the general perception of the non-governmental sector in Poland and its influence on the social situation. Therefore, the author examined students' opinions in this respect as well.

The most popular opinion was that NGOs support people in need better than public institutions do. Such an opinion was expressed by 44.3% of students participating in the questionnaire and reached the level of 57.1% for those who worked for or supported NGOs as their volunteers. Even in the group of students who had no virtual relation to NGOs, 37.7% of people believed that private social initiatives were more effective than public ones. Another positive statement on NGOs included the belief that they effectively solved important local problems. This statement was supported by 34.9% of the interviewed. Even among 'uninformed' there was a significant group (13.1%) of people who believed in the sense of civil initiatives conducted at the local level.

On the other hand, there appeared negative opinions on civil initiatives, including such that they had a minor influence on addressing social problems or that in some cases funds for social activities were misappropriated and served to the benefit of individuals. Such statements were formulated by 17.4% and 20.4% of interviewed people, respectively. The share of answers among well- and uninformed students was very similar. This means that there is still a significant group of people who have not yet received satisfactory proofs of the effectiveness of Polish non-governmental organizations and their contribution to social wellbeing.

## Human capital in the non-governmental sector: possibilities to measure and report

The following part of the paper will bring forward the author's approach to identifying and monitoring the human capital that can be used by non-governmental organisations. The methodology focuses on the possibilities to value the involvement of employees, organisation members, and volunteers. It intends to help NGOs report the full scope of social activities they are conducting to their supporters and to the general public.

First of all, it should be noted that any evaluation of human capital goes far beyond the interest of obligatory reporting both in businesses and in non-commercial organisations (Table 3). This is the reason why there are no standards which formulate a comprehensive and uniform methodology of valuing this capital. Nonetheless, this issue is considered in the studies that offer methods to grasp such attributes of employees as knowledge, competence, skills and attitudes in quantitative or even in monetary terms (Tyrańska, p. 188–192; Łukasiewicz, 2008, p. 68–70).

TABLE 3. Human-related information and its reflection in obligatory reporting of non-governmental organisations in Poland

| Information type   | Reflection in reporting systems  |
|--|--|
| <ul style="list-style-type: none"> <li>- organisation members</li> <li>- paid staff, including office staff and managers</li> <li>- personal cost, including that of administration work</li> <li>- number of volunteers</li> </ul>  | <b>Covered:</b> annual accounts of foundations and public benefit organisations; reports submitted to the Central Statistical Office |
| <ul style="list-style-type: none"> <li>- statutory tasks performed by organisation members and volunteers, including (and their time input)</li> <li>- staff qualifications and competencies, and those of managers</li> <li>- training for staff, including that for managers and volunteers</li> </ul> | <b>Partially covered:</b> might be referred to in reporting on tasks contracted with public institutions                             |
| <ul style="list-style-type: none"> <li>- staff rotation, sustainability of volunteer support</li> <li>- satisfaction of staff and volunteers</li> <li>- market equivalent of community work (of members and volunteers)</li> </ul>   | <b>Not covered:</b> some analyses are made by umbrella organisations of the NGO sector   |

Source: own elaboration based on Dyczkowski, 2012c, p. 63.

Considering a fundamental input to human capital of NGOs, namely the voluntary involvement, it should be pointed out that there exist methods to measure and value it. Non-governmental organisations which contract certain tasks with public institutions or which finance activities with grants are obliged to document their own contribution to projects' budgets. Such contribution very often consists in human involvement. Valuation of the labour performed by employees, members of an organisation or its volunteers must be reliable, as both applications and reports are validated by contracting institutions or by independent auditors (Dyczkowski, 2012a, p. 113).

The value of social work may be estimated using the market equivalent method which represents the cost of employing a person with qualifications required to perform a task (Grippio, Siegel, 2003, p. 23). There are, however, certain obstacles in applying this method. First of all, many non-governmental organisations do not keep any time records of activities performed by their members or volunteers (Transparency and Accountability... 2004, p. 43). Duties of particular supporters are even less frequently documented. The situation stems from the fact that such a documentation, apart from projects supported by European funds, is not required. It will be possible, though, to encourage unpaid supporters to prepare such a documentation as it may serve the purpose of preparing certificates or references for them, which would enrich their curriculum vitae.

Secondly, the voluntary involvement is appreciated by NGOs mostly because of the enthusiasm those people bring about, and because it lowers the costs of statutory activities. The skills required to perform certain tasks are not prioritised. According to Kwiecińska, only one Polish NGO per three values volunteers for their competences (Kwiecińska, 2008, p. 145). It is, therefore, difficult to find a right market fee for tasks performed by volunteers. A possible solution is to define what kind of employees an NGO would have to recruit (with what competences and experience and in what time scope) if it had no support of 'free workers', and how much that could cost (see Richmond et al., 2003, p. 313).

The valuation of social work or competences brought by employees, members, and volunteers of an NGO may also rely on pricing services offered to beneficiaries of an organisation. This results from the fact that non-governmental organisations fulfil their statutory objectives mostly by rendering the services that are labour-intensive rather than capital-intensive (Dyczkowski, 2012a, p. 114).

The valuation of services may pose a challenge if there is no market for their certain types or if commercial offers differ substantially in terms of quality from what NGOs provide. It is also difficult to decide what is the value of social services to their beneficiaries. In face of financial constraints or the lack of other offers, any help is perceived as priceless. A solution to the problem of valuation may consist in considering how much sponsors or donors would be willing to pay so that certain social effects are achieved (Richmond et al., 2003, p. 311).

It should be noted that as long as the quantification or valuation of inputs and effects related to non-governmental activities is not regulated by law, or at least referred to in recommended practices, any calculation should be substantiated by a narrative description.

The discussed issue of measuring human capital in non-governmental organisations leads to the issue of creating appropriate management tools (see more in Dyczkowski, 2012a, p. 115–116) which would enable monitoring the development of this capital and presenting conclusions of such an analysis to stakeholders in a convincing manner.

Non-governmental organisations may minimise their information deficit by developing a ratio system such as an example presented in Table 4.

The first ratio informs about the stability of human resources of an NGO and, consequently, informs about the possibilities to conduct operations of a similar scope in a long run. The formula of the ratio should comprise not only regular employees but also members and volunteers who perform various duties related to statutory, administrative, and fundraising activities.

TABLE 4. Human-related ratios used by non-governmental organisations

|                            |                           | Ratio/Formula |  |
|----------------------------|---------------------------|---------------|--|
| 1.                         | Staff turnover            | =             | $\frac{\text{New staff members* + resignations*}}{\text{Staff members*}}$              |
| 2.                         | Human-related investments | =             | $\frac{\text{Time of seminars and training for staff}}{\text{Staff members*}}$         |
| 3.                         | Voluntarism               | =             | $\frac{\text{Number of volunteers*}}{\text{Staff members*}}$                           |
| 4.                         | Cost reduction rate       | =             | $\frac{\text{Equivalent cost of 'free services'}}{\text{Total cost}}$                  |
| 5.                         | Innovativity              | =             | $\frac{\text{Implemented innovations}}{\text{Staff members*}}$                         |
| 6.                         | Quality of services       | =             | $\frac{\text{Positive feedback statements – negative remarks}}{\text{Staff members*}}$ |
| * In full-time equivalent. |                           |               |  |

Source: own elaboration based on Dyczkowski, 2012, p. 114.

When the level of the first ratio is considered in relation to metric 2 (referring to seminars and development of staff competencies), an NGO may obtain a comprehensive view of its human capital. The most welcome situation is when the low level of the first metric is accompanied by a high level of the other one. This means that an organisation has a stable personnel and that it invests in their development.

Ratio 3 defines the scope of voluntary involvement in statutory activities of an NGO. High levels of the ratio indicate that an organisation is able to inspire many people to support its social projects. On the other hand, this suggests that if the contribution of non-paid supporters diminishes (for example, when an organisation loses its charismatic leader who triggered such an involvement), an NGO will bear considerably higher personal costs or will have to reduce the scope of its activities. We should remember that



the lack of financial compensation does not deprive the social work of its value. Therefore, a non-governmental organisation should feel obliged (The Hallmarks of..., p. 8) to demonstrate to the public the scope of benefits (and savings) due to the involvement of people who want to invest their time and use their skills free of charge (see Ratio 4). The method of market equivalent may be helpful in this respect.

The last two ratios presented in Table 3 assess the human capital of an organisation through effects generated by staff members. Ratio 5 refers to the issue of innovativity, which is one of the distinguishing features (Salamon et al., 2000, p. 5–9) of an offer provided by non-governmental organisations in comparison with public social welfare institutions. This ratio calculates the number of implemented improvements to operations of an NGO per one person. It is a subjective measure, the application of which requires a precise definition of what is understood under organisational improvement. This category may include, for example, the initiatives that help to increase the scope of services offered to the target group, to reduce overheads, or to improve the effects of fundraising campaigns.

Ratio 6 emphasises, in turn, that, together with an increased human capital of an organisation, its ‘quality culture’ should be born. This culture results in offering services of a quality higher than might be expected by beneficiaries, or higher than those possible to offer under commercial terms (Salamon et al. 2000, p. 5–9). The simplest indicator of quality is the reaction of various stakeholder groups to an offer of an organisation.

To conclude, it should be noted that the interpretation of the above metrics should always be referred to the circumstances under which a particular NGO is operating. Moreover, the credibility of the system and its signals always depends on the quality of input data.

## **Conclusions**

As mentioned in the Introduction, the objective of the study was to present the macroeconomic factors affecting the human capital of Polish NGOs and to identify the possibilities of measuring and reporting it at the organisational level.

Looking at the historical and economic background of the Polish Third Sector, comparing human resources of Polish, German, and British NGOs, as well as estimating the attractiveness of the non-profit sector as an employer to people of young generation or presenting possibilities to estimate the human capital of NGOs, the following conclusions can be drawn.

Despite only a 10-year-long history – counting the time since the Act on Public Benefit Organizations and Voluntarism came into force – of the modern non-governmental sector in Poland, it has already managed to grow to over 120.000 organizations. The human resources of this sector are considerable, too. About 31.0% of Polish public benefit

organizations integrate 6 to 50 members or employees in their activities, and 44.8% consider voluntary engagement in their organizations as crucial to their human resources. The increasing employment in Polish NGOs should be also treated as a positive signal, as human resources of this sector rose from 64.000 FTE in 2006 to 104.000 FTE in 2010.

However, there are several factors that have to be faced in order to build the human capital of the non-governmental sector. Based on the the study on perception of NGOs by students who are the most socially involved group, 13.2% of them could not recall a single example of such an organization. The vast majority (63.8%) did not have any personal contacts with NGOs. No wonder that nearly 30% of the surveyed population did not consider working for non-governmental organizations possible.

Confronting the opinions of the former volunteers and employees of NGOs with those of people completely unfamiliar with those organizations revealed that a better knowledge on NGOs increases the positive attitude to those organizations and the willingness to work there. In this respect, a focus on increasing the human capital of an organization is fundamental for the existence of non-commercial initiatives. These organizations, due to their limited budgets, are not able to compete for qualified personnel with businesses and do not guarantee as stable working conditions as in public institutions. Therefore, they have to develop deliberate policies of human resources to involve young people in voluntary activities by offering them a considerable freedom of action and developing their personal and professional competences, as well as mentoring them by experienced workers who are more socially than financially oriented.

Finally, as to the possibilities to measure and value the human capital of an organisation, it should be emphasised that the most important thing is that social managers notice the relation between investments in human capital of an NGO and its performance and take care of an adequate reporting of its human-related achievements. All these factors trigger the commitment of stakeholders and lay the foundation for the operations of an NGO.

## REFERENCES

- Bednarski, P. (2010). Statistical research on human capital. *Wiadomości Statystyczne*, Vol. 10, p. 12–19 [in Polish].
- Dobija, M. (2000). Human resources costing and accounting as a determinant of minimum wage theory. *Zeszyty Naukowe Akademii Ekonomicznej w Krakowie*, Vol. 553, p. 39–61.
- Dyczkowski, T. (2008). Financial monitoring in charities: European and Polish solution. Doctoral thesis. University of Economics, Wrocław. [in Polish]
- Dyczkowski, T. (2012a). Human capital in Polish non-governmental organisations – its importance and measurement. *Nauki Społeczne*, Vol. 6, issue 2, p. 105–118 [in Polish].
- Dyczkowski, T. (2012b). Human capital of non-governmental organisations in Poland. *Proceedings Of the Cross-cultural Conference 2012*, Shaker Verlag, Aachen, p. 27–35.

Dyczkowski, T. (2012c). Information management in non-governmental organisations. how non-profits may address information needs of their internal and external stakeholders. *Knowledge for Market Use 2012. Significance of Knowledge at the Current Phase of Economic Cycle* (ed. Pavla Slavičková), Societas Scientiarum Olomucensis II, Olomouc, p. 61–68.

Frumkin, P., Kim, M.T. (2001). Strategic positioning and financing of nonprofit organizations: Is efficiency rewarded in the contributions marketplace? *Public Administration Review*, Vol. 61, issue 3, p. 266–275.

Grippio, F., Siegel, J. (2003). Practical guidance for accountants who audit nonprofit organizations. *The National Public Accountant*, February–March.

Gumkowska, M., Herbst, J. (2006). Basic facts on non-governmental organizations. Research Report 2006, Klon/Jawor Association, Warszawa [in Polish].

Herbst, J., Przewłocka, J. (2011). Basic facts on non-governmental organizations. Research Report 2010, Klon/Jawor Association, Warszawa [in Polish].

Kwiecińska, M. (2008). Organisational culture in non-profit organisations – research findings. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, Vol. 24, p. 140–148 [in Polish].

Leś, E. (1999). Charitable activities in Europe and America. Tradition and contemporary times. *Information Centre for Non-governmental Organizations BORDO*, Warszawa [in Polish].

Łukasiewicz, G. (2008). The role of personnel information systems in human capital reporting. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie*, Vol. 784, p. 59–72 [in Polish].

Pappas, A.T. (1996). *Reengineering Your Nonprofit Organization. A Guide to Strategic Transformation* – John Wiley & Sons, New York.

Przewłocka, J. (2011). Social engagement of Poles in 2010: Voluntarism, philanthropy, 1%. Research Report. Klon/Jawor Association, Warszawa [in Polish].

Richmond, B.J. et al. (2003). Social accounting for nonprofits: Two models. *Nonprofit Management and Leadership*, Vol. 13, issue 4, p. 308–324.

Salamon, L.M. et al. (2000). The nonprofit sector – for what and for whom? *Working Papers of the John Hopkins Comparative Nonprofit Sector Project*, vol. 37.

Salamon, L.M. et al. (2003). *Global Civil Society. An Overview*. The John Hopkins University, Baltimore.

Sprinkel Grace, K. (2005). *Beyond Fundraising. New Strategies for Nonprofit Innovation and Investment*. John Wiley & Sons, Hoboken.

The Act on Public Benefit Organizations and Voluntarism of April 24, 2003.

The Act on Corporate Income Tax of February 15, 1992, with further amendments.

The Act on Personal Income Tax of July 26, 1991, with further amendments.

The Hallmarks of an Effective Charity, Charity Commission, 2008.

Transparency and Accountability, Charity Commission, 2004.

Tyrańska, M. (2007). Human capital as a determinant of entrepreneurial development in an organisation. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie*, Vol. 753, p. 177–195 [in Polish].