Centre international de recherches et d'information sur l'économie publique, sociale et coopérative

THE ENTERPRISES AND ORGANIZATIONS OF THE THIRD SYSTEM:A STRATEGIC CHALLENGE FOR EMPLOYMENT

Action pilote « Troisième système et emploi »
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International Center of Research and Information
on the Public and Cooperative Economy

CIRIEC

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Contents

INTRODUCTION

1. Object of the Mission

Whatever its name, the Third System is often spoken of in terms of a way worth exploring and supporting to promote employment. While this is not the primary objective of the great majority of enterprises and organizations of the Third System, they do, nonetheless contribute to employment. In fact, we can demonstrate several logics of evolution and of emergence of employment within this sector: a redistribution of employment in management structures in the face of the demands of competition, the transformation of assisted integration employment into long-term employment (through improvement of solvency and professionalism), the creation of real jobs through regrouping working hours, the emergence of new jobs stemming from innovative projects (workers co-operatives, new forms of co-enterprise) or the identification of new areas of demand.

Assessing the contributions of the Third System to the employment market seemed of great importance. A multitude of studies have, of course, been carried out over the last few years with respect to the Third System; however, adopting a variety of paradigms and approaches and focusing on different fields, these studies remain relatively unknown and are little known and fragmented. In addition, new types of enterprises and organizations and new forms of work have appeared these last few years within the sector. Finally, a number of complementary organizations support the sector's organizations and numerous economic policies influence their impact in terms of employment.

In this context the current research has focused on two objectives. The first objective was an assessment of the situation of the Third System in the European Union. This assessment was divided into four parts: 1) an inventory of existing significative studies of the Third System, particularly with regard to its impact on employment; 2) an inventory of the types of organizations and enterprises in the Third System; 3) an inventory of the types of organizations and resource centres supporting the organizations of the Third System, particularly their contributions to employment; 4) an inventory of types of economic policy support measures. For each of the fifteen countries, a synthetic report brings out the principal elements drawn from the four inventories and proposes some conclusions.

The second objective is twofold. An analysis of the aforementioned inventories identifies the dynamics at work in the Third System and the specific contributions of support organizations and economic policies. In parallel, a historical and dynamic approach based on crossing the different European research traditions, produces an integrated European definition of the Third System.

Finally, the whole set of results makes it possible to formulate some operational recommendations on the subject of public policies likely to support positive contributions to the Third System in terms of employment.

2. The Research Teams

The project ran between December 1997 and November 1999. It united over thirty partners coming out of several European scientific networks: CIRIEC, the ICA and EMES Research Committees. The scientific co-ordinators overseeing the project are Professor Bernard Thiry (CIRIEC and University of Liège) and Professor Jacques Defourny (University of Liège), the general administration and co-ordination have been undertaken by CIRIEC.

In order to lead this ambitious project to fruition, we sought complementarity in the constitution of two autonomous work groups. The first work group, charged with gathering and implementing the various elements necessary to evaluate the current situation of the Third System and with analyzing the dynamics of employment within the Third System, is made up of twenty-nine partners[1]:

- Adalbert Evers (University of Giessen), Ingo Bode and Achim Gram (University of Duisburg), and Sigrid Gronback (Institute for Social Research), Frankfurt), Germany;
- Bernard Thiry, David Vivet and Christine Dussart, CIRIEC and University of Liège (Belgium);
- Enzo Pezzini, CECOP;
- Gurli Jakobsen, Copenhagen Business School (Denmark);
- Rafael Chaves and José Luis Monzon Campos, University of Valencia and CIRIEC Spain;
- Danièle Demoustier, Marie-Laure Ramisse and Denis Anselme, University of Grenoble and CIRIEC France;
- Pekka Pattiniemi and Sauli Puhakka, University of Helsinki (Finland);
- Olympia Klimi-Kaminari and C.L. Papageorgiou, Institute of Co-operation (Greece);
- Patricia O'Hara, University of Cork (Ireland);
- Massimo Pinchera, Dante Cosi, Martina Iannizzotto, Amalia Lulli, Stefano Sacconi and Stefano Zolea, CIRIEC Italy;
- Pieter Ruys, University of Tilburg (Netherlands);
- Miguel Carneiro, INSCOOP (Portugal);
- Roger Spear, University of Milton Keynes (United Kingdom);
- Jan Olsson, KOOPi and CIRIEC Sweden.

This first work group (Work Group No. 1) was piloted by a co-ordination team composed of six individuals: Danièle Demoustier (University of Grenoble and CIRIEC France), José Luis Monzon Campos and Rafael Chaves (University of Valencia, CIRIEC Spain), Enzo Pezzini (CECOP, Logistics co-ordinator for the EMES network), Roger Spear (Open University Milton Keynes, United Kingdom, President of the ICA Research Committee) and Bernard Thiry (Director of CIRIEC).

The second work group, responsible for drawing comparisons between the theoretical principles, practical experiences in the field and public policies, was composed of seven specialists in the sector: Carlo Borzaga (University of Trento, Italy), Jacques Defourny

[1] The Austrian partner (Austrian Section of CIRIEC) has only realized part of the mission.

(University of Liège, Belgium), Adalbert Evers (University of Giessen, Germany), Jean-Louis Laville (CRIDA, France), Jane Lewis (University of Nottingham, United Kingdom), Marthe Nyssens (Leuven Catholic University, Belgium) and Victor Pestoff (University of South Stockholm and Baltics, Sweden).

Over the course of the two years of research, the two work groups operated autonomously, but in close collaboration with one another sharing results and co-ordinating any parallel efforts. This co-ordination was effected primarily by Bernard Thiry and Jean Louis Laville with the help of Jacques Defourny, Christine Dussart and Adalbert Evers. The latter was a member of both work groups. All the members of the project met in Paris on April 8, 1999. Group 1 met twice, in May 1998 and April 1999, and group 2 three times, in October 1998 and in April and October 1999.

3. The Work Calendar

The work was spread over twenty-four months between December 1997 and November 1999. It can be summarized in five general phases which overlap to a certain degree.

December, 1997 - February, 1998

Establishment of partnerships and creation of work groups.

February - June, 1998

Standardization of files, explanatory appendices and general indicators for the situation assessment of the current status of the Third System (four inventories and one final report per country).

May, 1998 - September, 1999

Production of Third System situation assessments by work group 1. Exchanges and synthesis effected by work group 2 (comparisons between the theoretical frameworks and practical experiences in the field).

January - September, 1999

Analysis of the results of the inventories performed by work group 1 (including the process of refereeing and complementary efforts). Emphasis on the dynamics of employment and on levers and brakes applied to developing employment in the Third System.
Continuation of the efforts of work group 2.

September - November, 1999

Conclusions by both work groups. Comparison and combination of conclusions. Elaboration of the final report and definition of recommendations in the domain of public policy.

As specified in the initially defined work programme, the co-ordination team of work group 1 (R. Chaves, D. Demoustier, J.-L. Monzon, R. Spear, B. Thiry) first organized the necessary tools for the four inventories, i.e., grids and explanations. Next, this same guiding team oversaw the performance of the inventories in all of the partner countries. This took somewhat longer than was originally expected. Several meetings were necessary in order to be sure that this vast operation was being carried out correctly and also to analyse the data collected. This analysis concentrated particularly on isolating employment dynamics and comparing them to the hypotheses made at the onset of this project. We felt it opportune, for example, to request that each partner put together a synthesis on the Third System within the country in question.

4. Contents of the Final Report

Under the supervision of the five co-ordinators, the members of work group 1 performed the four inventories of the situation assessment of the Third System mentioned above, i.e., significative existing studies, types of organizations and enterprises belonging to the Third System, existing support structures and public policies affecting the Third System. As the table below indicates, we now have a total of 628 files of which 289 relate to Inventory 1, 118 to Inventory 2, 127 to Inventory 3 and 94 to Inventory 4.

Situation Assessment of the Third System

Country	Inventory 1	Inventory 2	Inventory 3	Inventory 4
Germany	14 files	14 files	7 files	5 files
Austria	5 files			
Belgium	17 files	9 files	8 files	15 files
Denmark	23 files			
Spain	21 files	6 files	4 files	5 files
Finland	11 files	7 files	8 files	
France	29 files	12 files	21 files	12 files
Greece	9 files	16 files	4 files	11 files
Ireland	9 files	8 files	10 files	9 files
Italy	57 files	23 files	19 files	7 files
Luxembourg			2 files	
The Netherlands	16 files	1 file	5 files	8 files
Portugal	9 files	5 files	2 files	5 files
United Kingdom	17 files	14 files	17files	5 files
Sweden	27 files	2 files	1 file	1 file
EU	25 files	1 file	19 files	11 files

All of the information contained in these files was evaluated once by the national partner in order to provide his/her synthesis report. Afterwards, certain files were used a second time as raw material in some analytical chapters of this report.

The whole set of these files in electronic form constitutes Appendix 2 of this final report. Each country figures as the subject of a dossier containing the four inventories. Each diskette offers an explanatory dossier using the suggested categories for each file as well as, some explanatory appendices.

The national reports, organized around a common structure, produced by each partner based on the inventories, show the principal information and conclusions to be drawn regarding each national situation. Although these reports are not equal in scope or in quality, they represent an incomparable wealth of information on the state of development of the Third System in the fifteen countries of the European Union. A report on the phases of historical recognition of Social Economy by European institutions is added to complete these fifteen national portraits of the Third System. All of these reports have been assembled in a separate document figuring in Appendix 1 of this report.

As far as work group 2 is concerned, an appendix to this report (no.3) is also available. It contains six articles as national backgrounds on the basis of which a European approach to the Third System has been elaborated by work group 2.

Finally, Chapters 1-4 and 5-6 of the present report reflect the work of groups 1 and 2 respectively. More precisely, with regard to work group 1, the chapters entitled "Scope of the Study, Quantitative Importance and National Acceptations", "Analysis of Employment", "Support Organizations" and "Public Policies" were prepared by the members of the pilot team for this group. These co-ordinators worked together and share the responsibility for these four chapters but for reasons of organization and, taking into account the specializations of each one, each co-ordinator focused on one chapter and Enzo Pezzini took charge of the common, specifically European aspects of all four.

On the other hand, Chapters 5 and 6, entitled "Third System: A European Definition" and "Recommendations of Public Policy", were written in collaboration by all the members of work group 2.

Apart from the use of all the sources of information cited in the different bibliographies, we wish to mention more specifically the works produced by the Capitalization Committee of the Pilot Action that have been a source of additional inspiration in producing Chapters 2 and 3. We should especially like to thank Professor Mike Campbell and Professor Peter Lloyd who made it possible for us to access that information. We are also extremely grateful to Mr A. Baglio for his availability and precious consultations throughout the two years of this project and for his specific comments on the draft version of this final report.

Finally, let us take off our hats to C. Dussart, C. De Cicco, E. Evrard and M. Garcia (International CIRIEC) who were able to realize within a very short time an extraordinary job so that the various parts constituting the report of this mission are presented in a correct way.

CHAPTER 1

FIELD OF STUDY, QUANTITATIVE IMPORTANCE AND NATIONAL ACCEPTATIONS

David VIVET
Bernard THIRY

1. Field of the study

CIRIEC's field of research was deliberately defined as being as wide and flexible as possible in order to allow for national specificity and to ultimately arrive at a global representation of employment in the Third System. The term "Third System" refers to cooperatives and mutual companies as well as voluntary organizations, associations and foundations which remunerate work. Local and new organizations are included together with older and more institutionalized structures. On the other hand, bodies which are strictly dependent on the public authorities and non-associative enterprises with an exclusively profit-making objective are not. That said, some organizations are nevertheless on the borderline of the commonly accepted criteria for defining the "Social Economy" in a tradition of principally French origin. These generally accepted criteria for defining the Social Economy are (a) the object of providing a service to members (common or mutual interest) or the community (general interest), (b) the primacy of people over capital, (c) democratic functioning and (d) a management system which is independent of the public authorities. The borderline organizations in question are, for example, certain bodies in the health care sector and social or education services which, while having a status of association or foundation, may in fact be quasipublic institutions. These organizations were not systematically excluded from the analysis. It was decided that the question of whether they belonged or not to the Third System should depend on the national context, their internal functioning and relations between the organization and users, rather than on the scale of public financing.

The boundaries of the "Third System" are generally speaking vague and open to debate. This provides an initial justification for the use of the term "system" as opposed to "sector". The principal difficulties can be effectively summarized by means of the rectangular representation set out below, inspired by the work of H. Desroche[2], which identifies four boundaries to the Social Economy.

[2] Desroche H., 1983.

Public sector
A

•

Third System

Trade union sector D • **Co-operatives** • B *Private*
Mutual companies *profit-making*
Associations *sector*

•
C
Community and informal sector

The question of quasipublic organizations corresponds to point A of this rectangle. Many national partners made the point that Third System organizations have much in common with public sector organizations. Good examples of this are the large German welfare organizations (the *Wohlfahrtsverbände*), which in Germany provide more than three-quarters of jobs in the nonprofit sector, and the Belgian mutual companies whose principal activity is the collection of fees and the reimbursement for services covered by the compulsory social security system. Also, for the partners in Belgium and Ireland, the nonprofit schools and hospitals (principally under the umbrella of the Catholic Church) in these countries are seen as borderline cases whose inclusion in the Third System is the subject of debate.

Point B raises the question, for example, as to whether co-operatives and mutual insurance companies, with a commercial philosophy and the prevailing object of financial reward for members, rightly belong to the Third System. The German partner's report in particular raises this question. The phenomena of "demutualization" in Great Britain or the recent "decooperativization" of the CERA bank (Raiffeisen tradition) in Belgium highlight the pertinence of this debate. In the banking and insurance sectors in particular, the keen and increasingly international competition has largely forced Third System companies to adopt an economic approach which is quite close to that of companies in the traditional private sector. Nevertheless, the inclusion of companies of this kind in our field of analysis can be justified in a number of respects. On the one hand, historically they have often been the backbone of the sector throughout the major part of the 20th century and the sector is indebted to them for a number of beneficial policy advances. On the other hand, even when they lose their distinctive economic approach, the major co-operatives and mutual companies have generally maintained strong links with the Third System by giving it significant financial, technical and political support, on occasion of determining importance for new initiatives. "Participative companies" also lie in this borderline area, as H. Desroche[3] has already stressed. Our Spanish partner has chosen to include "labour companies" (*sociedades laborales*, formerly *sociedades anonimas laborales*) in the Third System due to their distinctively strong economic democracy. On the other hand, the practices of the employee buy-out and employee stock

[3] Ibidem.

ownership plans (ESOP)[4] in Great Britain are more removed from the Third System. Nevertheless, some ESOPs have been included on the basis of their method of functioning.

Point C relates to the local situation and the boundary between the formal and the informal economy. Our field of research covers organizations and companies and thus implies formal bodies. Yet on this point too, difficulties can arise, as again stressed by our German partner, this time with reference to "self-help" groups, just some of which, i.e. the formalized groups, are included in our field of investigation. This boundary also raises the question of the charitable nature of many initiatives in the Third System. In this connection, we would remind you that this summary document is concerned with paid employment only.

Finally, point D relates to companies owned by trade union organizations and joint management companies. In the first case, the fact that a company may be owned by a trade union was not adopted as a criteria for inclusion or exclusion. Clearly certain associations, mutual companies or co-operatives are owned by unions and were included by virtue of their status and method of operation. We are thinking for example of the Unity Trust Bank in Great Britain and the P&V Group companies in Belgium. As far as joint management companies are concerned, the situation is more diverse. In France, the works councils which manage (directly or through associations) leisure services that are principally for the benefit of employees, are sometimes included in the Social Economy. The provident and professional insurance funds in Germany and France are also on the fringe of the Social Economy.

There are dynamics at work inside existing companies by virtue of which they may be moving away from or towards the sphere of the Third System. These movements may be the result of an internal development, in particular, as stated above, by means of "(de)mutualization" or "(de)cooperativization". Alternatively, they may be the result of external development, namely the sale or purchase of economic units. These "entry" or "exit" movements are closely linked to the economic, political and social environment at a given time which obliges or allows the organizations in question to adopt a specific form or behaviour. Many co-operatives or mutual companies have, for example, set up subsidiaries with the status of companies with share capital. Sometimes, as in the case of mutual insurance companies in Austria, it is only the holding company which retains mutual status. The dynamics do not only concern point B in the rectangle. At the present time, for example, the public authorities in several European countries are more ready than before to delegate a whole series of missions to the associations which were previously undertaken by the public sector. The privatization of certain municipal social services in Sweden has resulted in a "cooperativization" of activities, and in some countries the co-operatives and mutual companies have purchased public companies. Other trends at work are the increasingly market-oriented domestic economy as well as the "professionalization" of services, these pushing activities from one side to the other of boundary C.

The field covered by CIRIEC differs from most of the surveys carried out on Europe's nonprofit or voluntary sector, most of them opting for a more limited field. In particular,

[4] See for example Perotin V., 1993.

although there is a considerable intersecting with the field covered by the Johns Hopkins[5] project, CIRIEC survey nevertheless differs quite significantly from it for at least three reasons. On the one hand, CIRIEC limits its analysis to entities which remunerate employment, unlike the Johns Hopkins project. Also, certain types of organizations included under the Johns Hopkins project are not covered by CIRIEC survey due to their clearly quasipublic nature (see above). Finally, the CIRIEC analysis includes all the Social Economy organizations which obtain a significant part if not all of their resources from the market and which, subject to certain limits, distribute their surplus, unlike the field of investigation of the Johns Hopkins project. This is in fact the co-operative sector as a whole and the large mutual insurance and health companies. The partners in the Johns Hopkins project systematically excluded these organizations from their field of investigation, with the exception of certain "new" co-operatives in certain countries, such as Sweden or Italy, and small provident associations. We did not adopt a criterion of nonprofit making to delimit the scope of our investigation but preferred the criterion of non-maximization of return on capital. Consequently the field has been opened to types of market enterprises that are different from the « classic » capitalist companies. Beyond the boundary problems already mentioned, including these types of market enterprise is not neutral in terms of public policy since it underlies specific policies for these types of enterprise as some of them struggle against general degeneration tendencies.

It is also important to stress the limits to any legal characterization of the organizations. On the one hand, in some countries certain types of organization included in the field of investigation do not have a specific status. In particular, this is sometimes the case for co-operatives which use the general statute of market enterprise, but write their own statutes according to the rules commonly accepted under the aegis of ICA (International Co-operative Alliance) .On the other hand, the legislation in force has a very real impact on the legal form adopted by the actors in the field, thereby influencing the development of one or other "branch" of the Third System while the actual activities carried out sometimes remain fundamentally the same from one country to another. Finally, among organizations with the same legal form, some may be part of the Third System whereas others may be excluded, for example because they have only adopted this form for reasons of financial convenience. In this respect, we have in mind in particular the "real" Belgian co-operatives as approved by the National Co-operation Council, as opposed to the others. We could also cite the classification of associations proposed by F. Bloch-Lainé who identifies associations providing services, associations of influence and contact associations. J. Defourny points out that on this basis only the associations providing services, that is those producing goods and services, are clearly part of the Social Economy, even if this type of distinction is in a sense artificial[6]. These various points combine to show the importance of carrying out an analysis per sector.

[5]Note in this connection the criteria applied by the John Hopkins project which defines the nonprofit sector as all those entities which are (a) organised (institutionalised to some extent), (b) private (institutionally separate from government), (c) nonprofit-distributing, (d) self-governing and (e) voluntary (involving some meaningful degree of voluntary participation). See Salamon L. M. and Anheier H. K., 1997.

[6] See Defourny J., 1992.

The option of studying a broad and flexible field rather than defining the sector studied on the basis of rigid criteria is thus revealed as judicious and in any event complementary to the other approaches. It also permits a panoramic view of the volume of employment in the various components of the Third System and the present internal and external dynamics, while without limiting oneself to any one organizational form, whether co-operative or associative. This reveals dynamics in terms of organizational forms, certain entities developing or regressing in one or other form. Thus the co-operative form for "social enterprises"[7] is favoured in Italy and to a lesser extent in Sweden, whereas in other countries (Belgium, France, etc.), the emphasis is on the associative form or transverse statutes. This broader approach also makes it possible to highlight similarities which transcend differences in the organizational forms adopted. In this respect one cannot help but be struck by the proximity of Belgian mutual companies and German welfare associations. Subsidiarity and pillarization have generated quite close modes of organization. Finally, this broad approach serves to describe the many relations existing between the various components, in particular between "established" organizations and the "new" initiatives (notably those which emerge at local level). It places the latter in a more general context and permits for example an initial distinction between a limited but "moving" Third System with major variations in employment, and a more stable Third System which is a major provider of jobs.

Nevertheless, within the European Union there are important differences in the uses of the terms Social Economy, third sector, third system, nonprofit sector, voluntary sector, etc. Sometimes there are even disparities in definition between regions within a single country. This is the case in Belgium. These different terms refer to distinct fields and thus, suggest distinct employment dynamics. For example, co-operatives included in the Social Economy are excluded from the nonprofit sector. In addition to differences in conception, definition and outline of the Third System within the fifteen countries of the European Union, one might be led to wonder about the very existence of a third sector as distinct from the public sector and the private commercial business sector. In other words, the question is whether there is awareness and recognition of a sector presenting an alternative to those two. This fundamental question is the object of Section three of this chapter.

2. Quantitative Evaluation of Employment in the Third System

This section will relate the statistical results of the investigations of each national partner; we refer to the different national reports for all details concerning the origins of data, methods of evaluation, etc. Our country partners have generally collected, compared and harmonized existing data. There were numerous difficulties due to the fact that previous studies at national level generally concerned only a part of the research field selected for the present project and most often on the basis of different methodologies and reference years. Our partners tried to update as best as possible the available data so that our quantitative evaluation is based on data that covers the years1995 to 1998 by country and by sector.

[7] By "social enterprises" we mean enterprises providing services to the community or promoting the socio-professional integration of underprivileged people.

We would stress that in some countries such as Denmark and The Netherlands an original compilation of statistical data has been conducted by the national statistical offices on the request of our partners. For these two countries as well as for Portugal, we are thus able to present data absent from other studies such as the Johns Hopkins project.

Where it was possible these data have been systematically compared and confronted to those supplied by the Johns Hopkins Project, the International Co-operative Alliance (ICA) and Eurostat.[8] It became apparent that the data furnished by the CIRIEC's partners are generally comparable to those of the two first references, while the third was somewhat older and more partial. The ICA's data have been more frequently updated and completed because they are based almost exclusively on figures provided by national co-operative organizations. The data from the Johns Hopkins Project have been taken as they were by several partners, others adjusted them for inclusion in the present project. Let us recall that we propose data for the 15 member-States, which is not the case of the Johns Hopkins project.

Although the data have been treated with rigor, they must be treated with a certain caution. In the first place, we must underline the fact that the statistics concerning employment by the Third System itself are rare in the vast majority of countries of the European Union. Thus, the statistics exposed here are frequently the fruit of approximations. Even in cases where a database was available, it nevertheless remained difficult to completely isolate the organizations of the Third System, particularly where aggregated data are available. This is usually due to the fact that databases make it possible to distinguish between organizations according to their legal definitions, but the belonging of an entity to the Third System is not fundamentally determined by its legal standing - even if there is a strong relationship - which results in some inclusions and other omissions of employment that are not wholly justified[9]. In addition, the problems of boundaries elaborated in the first section obviously reappeared in the compilation of statistics, each national partner having benefited from a certain latitude in interpretation in the definition of its field of study. Finally, it is important to remember that employment within the organizations of the Third System is characteristically atypical, which makes estimating full-time equivalent employment challenging.

This second Section offers three types of tables. The first represents full-time equivalent employment(FTE) in the Third System drawn from the most recent data. It indicates employment in the Third System by country and by type of organization (co-operatives, mutual companies and associations). The second table shows the same data organized by type of organization. Fifteen synoptic tables follow, detailing the data integrated into the two first tables, for each country, in order to demonstrate certain overall national tendencies. The data in these fifteen tables are raw data drawn from national reports which explains why they are expressed either in full-time equivalencies or in number of jobs. The full-time equivalent employment figures expressed in the first two tables are based on these tables.

Table 1 shows a total of 8 879 546 FTE jobs in the European Union in the Third System. It is, therefore, an economic sector of the first order, wherein FTE jobs are comparable to the

[8] See Salamon L.M. and Anheier H.K. 1998; ICA, 1998; Eurostat, 1997.

[9] We think of entities having adopted the form of traditional capitalist company or making part of the public sector and which operate similarly to the entities of the Third System.

total number of jobs in a country like Spain. It represents 6,6% of civilian employment and 7,9% of salaried civilian employment in the European total. Three distinct groups of countries appear in Table 1. A first group comprising Ireland, the Netherlands and Denmark and which would also include Belgium if the sectors of hospitals and education were not excluded from the study by the country partner, shows a percentage for total employment in double figures. At the other extreme, Portugal, Greece and Luxembourg show a percentage of less than 5%. The other countries form the intermediary group with a percentage close to the European average.

Table 2 represents the relative importance of each branch of the Third System. Clearly, associations provide the great majority of these jobs, 71% of jobs in the Third System (6 319 135 FTE jobs). Co-operatives account for 25,7% (2 286 039 jobs), and mutual companies for 3,1% (274 372 jobs), a percentage which does not, however, reflect the volume of their activity which is considerable in certain countries.On the other hand, in several countries it has been impossible to distinguish between co-operatives and mutual societies in particular in the insurance sector. In this case, the total figures have been included under co-operatives, which as consequence are a bit overestimated while the figures for mutuals is proportionally reduced.

The fifteen synoptic tables will give the reader a clearer picture of the employment breakdown in each country. Bear in mind that the figures in these tables are raw, drawn directly from the national reports (whether expressed in FTE or otherwise). Only afterward were the data adjusted to obtain the FTE figures in the first two tables.

Table 1. Third System and employment in the European Union (1995-1997)

Countries and types of organizations	Equivalent full-time jobs (FTE)	FTE as % of civil employment	FTE as % of salaried civil employment
Austria			
• Co-operatives	52 373	1,55%	1,81%
• Mutual companies	7 325	0,21%	0,25%
• Associations	173 964	5,14%	6,01%
Total	*233 662*	*6,91%*	*8,08%*
Belgium			
• Co-operatives	33 037	0, 94%	1,15%
• Mutual companies	11 230	0,32%	0,39%
• Associations	161 860	4,61%	5,62%
Total	*206 127*	*5,85%*	*7,13%*
Denmark			
• Co-operatives	78 160	3,39%	3,74%
• Mutual companies	p. m.	-	-
• Associations & foundations	211 322	9,17%	10,11%
Total	*289 482*	*12,56%*	*13,85%*
Finland			
• Co-operatives	75 896	3,79%	4,48%
• Mutual companies	p. m.	-	-
• Associations	62 684	3,13%	3,70%
Total	*138 580*	*6,92%*	*8,18%*
France			
• Co-operatives	293 627	1,43%	1,65%
• Mutual companies	91 200	0,45%	0,51%
• Associations	830 000	4,05%	4,66%
Total	*1 214 827*	*5,93%*	*6,81%*
Germany			
• Co-operatives	448 074	1,39%	1,55%
• Mutual companies	130 860	0,41%	0,45%
• Associations	1 281 927	3,97%	4,45%
Total	*1 860 861*	*5,77%*	*6,46%*
Greece			
• Co-operatives	11 861	0,31%	0,57%
• Mutual companies	884	0,02%	0,04%
• Associations	56 025	1,48%	2,70%
Total	*68 770*	*1,81%*	*3,31%*
Ireland			
• Co-operatives	32 018	2,65%	3,35%
• Mutual companies	1 000	0,08%	0,10%
• Associations	118 664	9,84%	12,43%
Total	*151 682*	*12,57%*	*15,89%*
Italy			
• Co-operatives	479 738	2,46%	3,44%
• Mutual companies	p. m.	-	-
• Associations	667 230	3,42%	4,79%
Total	*1 146 968*	*5,88%*	*8,23%*

Table 1 (continued)

Countries and types of organizations	Equivalent full-time jobs (FTE)	FTE as % of civil employment	FTE as % of salaried civil employment
Luxembourg			
• Co-operatives	1 979	1,22%	1,35%
• Mutual companies	28	0,01%	0,02%
• Associations	4 733	2,92%	3,23%
Total	*6 740*	*4,16%*	*4,60%*
The Netherlands			
• Co-operatives	109 000	2,08%	2,36%
• Mutual companies	p.m.	-	-
• Associations	660 000	12,61%	14,28%
Total	*769 000*	*14,69%*	*16,64%*
Portugal			
• Co-operatives	48 750	1,11%	1,54%
• Mutual companies	1 042	0,02%	0,03%
• Associations	60 892	1,38%	1,93%
Total	*110 684*	*2,51%*	*3,50%*
Spain			
• Co-operatives	403 233	3,42%	4,58%
• Mutual companies	1 425	0,01%	0,02%
• Associations	473 750	4,02%	5,38%
Total	*878 408*	*7,45%*	*9,97%*
Sweden			
• Co-operatives	90 718	2,58%	2,92%
• Mutual companies	6 991	0,20%	0,23%
• Associations	83 084	2,36%	2,68%
Total	*180 793*	*5,15%*	*5,83%*
United Kingdom			
• Co-operatives	127 575	0,58%	0,66%
• Mutual companies	22 387	0,10%	0,12%
• Associations	1 473 000	6,65%	7,65%
Total	*1 622 962*	*7,32%*	*8,42%*
EUROPEAN UNION TOTAL (15)	**8 879 546**	**6,57%**	**7,92%**

- p. m. : *pro mem*.

Table 2. Employment within co-operatives, mutual companies and associations in the European Union (1995-1997)

Country	Co-operatives FTE	Mutual companies FTE	Associations FTE	TOTAL FTE
Austria	52 373	7 32	173 9	233 66
Belgium	33 037	11 23	161 8	206 12
Denmark	78 160	p. m.	211 3	289 48
Finland	75 896	p. m.	62 6	138 58
France	293 627	91 20	830 0	1 21
Germany	448 074	130 86	1 2	1 86
Greece	11 861	884	56 0	68 77
Ireland	32 018	1 00	118 6	151 68
Italy	479 738	p. m.	667 2	1 14
Luxembourg	1 979	28	4 7	6 74
The Netherlands	109 000	p.m.	660 0	769 00
Portugal	48 750	1 04	60 8	110 68
Spain	403 233	1 42	473 7	878 40
Sweden	90 718	6 99	83 0	180 79
United Kingdom	127 575	22 38	1 4	1 62
TOTAL	**2 286 039**	**274 37**	**6 3**	**8 87**

COUNTRY SYNOPTIC TABLES

Austria

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Co-operatives of general interest (1995: 7 815 jobs) - Other Co-operatives (1995: 48 205 jobs)	- Mutual companies (1990: 8 000 jobs)	- Nonprofit sector (1996/1997: 190 000 jobs) *(Johns Hopkins :* *1995 : 143 637 jobs*)*
56 020 jobs	8 000 jobs	190 000 jobs

* Equivalent Full time Jobs

Belgium

Co-operatives and other similar accepted forms	**Mutual Companies and other similar accepted forms**	**Associations and other similar accepted forms**
- Co-operative Banks (1997: 11 050 jobs) - Insurance Co-operatives (1997: 5500 jobs) - Agricultural Co-operatives (1990: 7 250 jobs) - Pharmacy Co-operatives (1997: 3 350 jobs) - Others (1990: 8 500 jobs)	- Mutual companies (1998: 11 230 jobs *)	- Associations (1995: 161 860 jobs *, 2/3 in health and social action sectors)
35 650 jobs	11 230 jobs *	161 860 jobs *

* Equivalent Full time Jobs

Remark 1: Education and hospitals sectors are excluded from statistics on associations.

Remark 2: Integration through economic activity sector = 25 000 jobs (included in statistics on co-operatives and associations).

Denmark

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agriculture and fishery (1997: 489 jobs) -Manufacturing (1997: 27 232 jobs) - Retail (1997: 30 795 jobs) - Energy, water, gas (1997: 4 763 jobs) - Bank/insurance (1997: 6 071 jobs) -Social Housing (1997: 3 978 jobs) - Business Services (1997: 2 065 jobs) - Social Sectors (1997: 750 jobs)	p.m.	*Associations* (1997: 80 463 jobs *) among which - Agriculture and fishery (1997: 967 jobs) - Manufacturing (1997: 723 jobs) - Retail (1997: 7 842 jobs) - Energy, water, gas (1997: 385 jobs) - Bank/insurance (1997: 727 jobs) - Social Housing (1997: 6 653 jobs) - Business Services (1997: 10 485 jobs - Social Sectors (1997: 49 617 jobs) *Foundations* (1997 : 130 859 jobs *) among which -Agriculture and fishery (1997 : 1 050 jobs) - Manufacturing (1997 : 561 jobs) - Retail (1997 : 2 224 jobs) - Energy, water, gas (1997 : 422 jobs) - Bank/insurance (1997 : 1374 jobs - Social Housing (1997 : 2 507 jobs) - Business Services (1997 : 3 142 jobs) - Social Sectors (1997 : 116 655 jobs)
78.160 jobs *		211 322 jobs *

* Equivalent Full time Jobs

Finland

Co-operatives other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Co-operatives (1997: 80 000 jobs)	- Insurance - Other mutual companies	- Associations (1995 : 62 684 jobs *)
80 000 jobs	p. m.	62 684 jobs *

* Equivalent Full time Jobs

France

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Co-operative Banks (1997: 137 000 jobs) - Agricultural Co-operatives (1996: 121 333 jobs) - Production Co-operatives (1998: 29 249 jobs) - Consumer Co-operatives (1996: 16 500 jobs) - Others (1996: 13 627 jobs)	- Health Mutuals (1995 and 1997: 72 500 jobs *) Insurance Mutuals (1998: 18 700 jobs *)	- Social Action Associations (1999: 563 000 jobs) - Leisure and Culture Associations (1999 : 129 000 jobs) - Health Associations (1999 : 126 000 jobs) - Research and Education Associations (1999 : 104 000 jobs) - Others (1999 : 373 000 jobs) *(Johns Hopkins 1995: 959 821 jobs*)*
317 709 jobs	91 200 jobs *	1 270 000 jobs (830 000 jobs *)

* Equivalent Full time Jobs.

Germany

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Co-operative Banks (1996: 200 000 jobs) - Agricultural Co-operatives (1996: 140 000 jobs) - Retail and Industry Co-operatives (1996: 105 000 jobs) - Consumer Co-operatives (1996: 25 000 jobs) - Housing Co-operatives (1996: 25 000 jobs)	- Health and Social Care Insurance (1999: 150 000 jobs)	- Welfare Associations (1996 : 1 120 000 jobs) -Other associations (Selfhelp, Employment, ...) (1995 : 350 000 jobs) *(Johns Hopkins : 1995 : 1 330 350 jobs*)*
495 000 jobs	150 000 jobs	1 470 000 jobs

* Equivalent Full time Jobs

Greece

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agricultural Co-operatives (1996: 10 500 jobs (1)) - Consumer Co-operatives (1996: 1 500 jobs (1)) - Credit Co-operatives - Housing Co-operatives - Pharmacy Co-operatives - Insurance Co-operatives (1996: 54 jobs (1)) - Others	- Health Mutuals (1999 : 900 jobs)	- Associations (1998 : 57 000 jobs (2))
12 054 jobs	900 jobs	57 000 jobs

(1) ICA (1998).
(2) Approximate estimation on the basis of existing informations and experts' opinions

Ireland

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agricultural and Horticultural Co-operatives (1996 : 33 500 jobs) - Others (1996 : 1000 jobs *)	*- Credit Unions* *(1997 : 1000 jobs *)* *- Mutuals*	- Nonprofit Sector (1995: 118 664 jobs *, 54 % in education sector)
34 500 jobs	1 000 jobs *	118 664 jobs *

* Equivalent Full time Jobs

Italy

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agricultural Co-operatives (1996 : 66 000 jobs) -Worker and Handicraft Co-operatives (1996 : 276 000 jobs) - Social Co-operatives (1998 : 52 000) - Consumer Co-operatives (1996 : 49 500 jobs) - Co-operative Banks (1996 : 21 000 jobs) - Others (1996 : 28 500)	p. m.	- Associations (1998: 180 000 jobs) - Voluntary Organizations (1998: 9 000 jobs) - Trusts and other nonprofit organizations (1998: 420 000 jobs)
493 000 jobs	p. m.	690 000 jobs

Luxembourg

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agricultural Co-operatives (1990: 1 300 jobs (1)) - Co-operative Banks (« Caisse centrale » and « caisses Raiffeisen ») (1997: 317 jobs) - Retail Co-operatives (1990: 200 (1)) - Consumer Co-operatives (1996: 135 jobs (2)) - Building, Handicraft, Manufacturing Co-operatives (1990: 115 jobs (1))	- « Caisse médico-chirurgicale du Grand-Duché de Luxembourg » (1998: 30 jobs)	- Regulated Sector (1998 : 5 000 jobs - Others
2 067 jobs	30 jobs	5 000 jobs

(1) Eurostat (1997)
(2) ICA (1998)

The Netherlands

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Agricultural Co-operatives (1996 : 54 456 jobs (1)) - Co-operative Banks (1996 : 40 275 jobs (1)) - Retail Co-operatives (1996 : 4 350 jobs (1)) - Insurance Co-operatives (1996 : 1730 jobs (1)) - Others (1996 : 8 189 jobs)	NB: Figures on mutuals are integrated to those on co-operatives	- Nonprofit Sector (1995 : 660 000 jobs*)
109 000 jobs *		660 000 jobs *

* Equivalent Full time Jobs.
(1) ICA (1998).

Portugal

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
	Welfare Private Institutions (1998 : 50 000 jobs) - among which mutual companies (1996 : 1 078 jobs)	among which Misericórdias (1993 : 13 812 jobs)
- Agricultural Co-operatives (1998 : 19 300 jobs) - Education and Social Action Co-operatives (1998 : 9 500 jobs) - Retail Co-operatives (1998 : 4 350 jobs) - Agricultural Credit Co-operatives (1998: 3 750 jobs) - Service Co-operatives (1998: 3 450 jobs) - Industrial Co-operatives (1998: 3 150 jobs) - Consumer Co-operatives (1998: 3 000 jobs) - Others (1998: 3 500 jobs)		- Firemen Associations (1996: 10 000 jobs + 29 000 voluntary workers) - Sociocultural Associations (1995: 4 100 jobs + 36 654 voluntary) - Local Developpment Associations
50 000 jobs	1 078 jobs	63 022 jobs

Spain

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Labour Co-operatives (1998: 244 711 jobs) - Labour Societies (1998 : 62 567 jobs) - Other co-operatives and insurance mutual companies (1995: 115 000 jobs)	- provident mutuals (1995 : 1 500 jobs / 1 425 ETP) NB: Figures on Insurance mutual companies are integrated in figures on insuranceco-operatives in first column.	- Nonprofit Sector (1995: 473 750 jobs *, (provident mutuals excluded)
422 278 jobs	1 425 jobs *	473 750 jobs *

* Equivalent Full time Jobs

Sweden

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Co-operatives (1997: 101 000 jobs)	- Mutual insurance society (1997: 8 000 jobs)	- Associations (1997: 75 000 jobs) - Foundations (1997: 21 000 jobs
101 000 jobs	8 000 jobs	96 000 jobs

United Kingdom

Co-operatives and other assimilated forms	Mutual Companies and other assimilated forms	Associations and other assimilated forms
- Retail Co-operatives (1997 : 104 000 jobs) - Co-operative Banks (1998 : 3 928 jobs) - Insurance Co-operatives (1998 : 11 800 jobs - Agricultural Co-operatives (1992 : 12 243 jobs) - Workers Co-operatives (1993 : 11 193 jobs) - Housing Co-operatives (1990 : 40 663 jobs (1))	- Mutuals (1990 : 27 550 jobs)	- Research and Education Voluntary Organizations (1995 : 587 000 jobs *) - Culture Voluntary Organizations (1995 : 347 000 jobs *) - Social Services Voluntary Organizations (1995 : 185 000 jobs *) - Development and Housing Voluntary Organizations (1995 : 108 000 jobs *) - Other Voluntary Organizations (1995 : 247 000 jobs *)
150 000 jobs (2)	27 550 jobs	1 473 000 jobs *

(1) Eutostat (1997)
(2) Very approximate estimation on basis of decline in several sectors
* Equivalent Full time Jobs

3. Degrees of Recognition of the Third System

The following criteria were elaborated in order to determine the nature of the recognition of the Third System for each country:

- *Internal connectedness between components of the Third System*: this internal connectedness may be established to a variety of degrees, such as partnerships, aids (technical, financial, etc.), appex organizations and sector and inter-sector based networks, and so forth. The level of cohesion and the sense of integration of actors into the field as well as the capacity of the sector to make itself heard can be determined by the degree to which the Third System is internally connected. In order to determine this degree of connectedness, we studied the intra-branch structures which unite similar organizations within a sector or between sectors, and inter-branch partnerships and structures which unite organizations of all sorts into a single transversal group.

- *Recognition of the Third System on the part of legislative and institutional public authorities*: this may depend on fiscal and statutory situations, development and financing policies, the public bodies for representation and consultation, even a ministerial agency devoted to the sector. We must draw a line here between public policies explicitly aimed at the Third System and policies that are not specifically designed for it but which are beneficial to it one way or another, sometimes in a large way. This distinction is fundamental for, while the former policies recognize the sector, the latter, if they demonstrate an interest on the part of public authorities in the initiatives of the Third System, they do not touch the sector more than incidentally, not in any specific way which might suggest a philosophy of intervention of another nature. In order to determine the degree to which public authorities recognize the Third System, we studied political advancements which favour the social Third System, those relative to the co-operative movement and finally, where available, political advancements which are transversal to the Third System. Special attention has been paid to recent (1999) National Action Plans for employment which in some countries present very positive advances for the Social Economy.

- *Visibility of the Third System in the Media and the scientific community*: recognition of the Third System by the general public depends largely on visibility in the media and in the scientific community. Research and statistical knowledge, media recognition and the different activities and demonstrations relative to the Third System must be considered here. The ultimate degree of scientific and media recognition is, here too, constituted by transversal elements.

These criteria facilitated the establishment of the table below. We have attributed points on the basis of the relative degree of accomplishment of each criterion. For example, the three points attributed to French policies in no way signifies that there remains no room for improvement. What's more, while this table illustrates the realities of national situations to a certain extent, it does not make it possible to distinguish differences which exist among the countries of the European Union in terms of meanings of the Third System.

Countries	**Internal Connectedness**	**Recognition by Public Authorities**	**Visibility in Media and Scientific Community**
Austria	+	+	+
Belgium	+ +	+ +	+ + +
Denmark	+	+	+
Finland	+ +	+ +	+
France	+ + +	+ + +	+ + +
Germany	0	+	+
Greece	+	+	+
Ireland	+	+ +	+
Italy	+ +	++	+ +
Luxembourg	0	+	0
Netherlands	0	+	+
Portugal	+	+ +	+
Spain	+ +	+ + +	+ + +
Sweden	+ +	+ +	+ +
United Kingdom	+ +	+	+

Concepts of a Third Sector, as distinct from the public sector and the lucrative business sector, have been developed by all of the European countries. However, these concepts hide realities which differ from country to country. The notion of Social Economy is widespread in France, Spain and Belgium, it is also emerging in several other countries. The notion of a nonprofit sector is increasingly successful, particularly in the aftermath of the Johns Hopkins Project. In a number of countries the third sector or voluntary sector, grouping together organizations of the associative type with emphasis on voluntary work, are spoken of. While these varied terms are relatively stable, none of them excludes the possibility of applications of slightly varying meaning from one country to another. Even within some countries a single new concept can compete with or overtake older, well-established ones, which can express a change in orientation of public policy relative to the sector. Finally, the different notions in current use by the European Commission are certainly not of a sort to appease these differences, but it should be pointed out that the multitude of concepts developed on the European level is in part the fruit of national disparities.

In this context of diversity and of lack of harmonization of terms and objectives, it is difficult to rank countries according to degree of recognition of the Third System. At best, we are able to distinguish large groups, but they are not watertight given the variety among national situations. We have applied the following classification to the European Union member-states:

- countries where Social Economy is established: France, Spain, Belgium;
- countries where Social Economy is emerging: Denmark, Finland, Greece, Ireland, Italy, Portugal, Sweden, United Kingdom;

- countries where the notion of a Third System is defined in comparison to concepts of a third sector, a nonprofit sector, a volunteer sector: Austria, Germany, Luxembourg, the Netherlands.

In a certain number of countries, the concept of Social Economy is more restrictive than the one we used in this project. It seems, however, that it was important to consider as we have, the Third System in an extended vision in order to be able to study the countries where the conception of the Third System is broad and those where it is more limited at the same time. Each partner was thus able to consider the one that corresponded the most nearly with the situation in his/her own country.

Countries where Social Economy is already established

The two European countries where the Third System enjoys the highest degree of development are France and Spain. Belgium is also a country where the Third System is largely recognized (particularly in the Walloon Region), although to a lesser extent. We should underline that in these three countries the Third System is traditionally called "Social Economy" and includes associations, co-operatives and mutual companies. The criteria commonly used to define Social Economy were examined in the beginning of this chapter.

Alternative conceptions of this are developing in scientific circles as well as in political ones, emphasising one or another aspect of Social Economy, and restricting the scope of consideration. It is thus, for example, that although the French and Spanish definitions are relatively similar, the Belgian regional public authorities define the area of Social Economy rather differently. While the Walloon Region seems oriented toward an essentially market conception (see the creation of the CWESMa) after having adopted a definition similar to that mentioned above for a decade, the Flemish Region associates Social Economy with the economic insertion sector, while the Brussels Region views it, above all, from a non-market point of view. In spite of these several conceptual problems, it is the classical definition cited above that consolidates adhesion of the majority of the players in the field and of their bodies of representation. We shall now expose the state of recognition of Social Economy in France, Spain and Belgium.

The country with the highest degree of connectedness between the different components of Social Economy is France where, thanks to the National Liaison Committee for the Activities of Mutual Companies, Co-operatives and Associations (*Comité national de liaison des activités mutualistes, coopératives et associatives*; CNLAMCA, created in 1970) and the Interministerial Delegation for Social Innovation and Social Economy (*Délégation interministérielle à l'innovation sociale et à l'économie sociale*; DIES, a public organism founded in 1981). In Spain, although Social Economy is highly structured, we must note the dichotomy existing between the entrepreneurial branch united under the Confederation of Spanish Entrepreneurship for Social, CEPES, constituting the principal representative organism of Social Economy) and the associative branch, represented by a variety of less organized bodies. To this day, the backbone of the Spanish Social Economy remains its co-operatives and labour societies. In Belgium, the support organizations are essentially intersector-based and are linked with the great political trends, while the associative branch is less structured. It is in the Walloon Region that Social Economy has enjoyed public support

tending to reunite the whole sector. Yet, the Walloon Council for Social Economy *(Conseil wallon de l'économie sociale*; CWES, created in 1989) had limited scope and was replaced in the summer of 1999 by the Walloon Council for Social Market Economy (CWESMa), which more clearly describes the Walloon Region's policy in favour of a dichotomy in Social Economy between market and non-market aspects. We note, finally, respectable efforts at structuring a Social Economy in the Flemish Region and in the Brussels-Capital Region.

As far as public policy is concerned all three countries have shown a range of institutional advances taking more or less into account the specificities and needs of the Social Economy. In France and in Spain the sector has its own public institutions. In France, in addition to the DIES, there are consultation bodies specific to the Social Economy and its components[10]. In Spain, there are numerous public support structures specific to the Social Economy on the level of the central state as well as on that of autonomous regions. As for Belgium, if the existence of the CWES and the CWESMa indicate a certain amount of political will, they have heretofore had little impact in terms of institutional representative structures for the sector. On the federal level, though the Social Economy has not yet had a great impact, the current government, which took office in July 1999, counts one minister whose agenda specifically includes the Social Economy, so there's hope. All three countries have developed a significant number of public policy measures devoted specifically or tangentially to the Social Economy. Chapter 4 will elaborate further on employment subsidies, development, financing and technical support instruments, and on fiscal and judicial statutes set up by these countries. In total, while public support remains to be perfected and completed, the French, Spanish and Belgian social economies have already achieved significant coverage, which has permitted them to develop in a relatively coherent and continuous manner.

Finally, as regards scientific and media recognition of the Third System, all three countries have specialized university centres as well as multiple scientific periodicals and presses dealing specifically or incidentally with the Social Economy. Diverse activities and events are also organized by the support organizations: training, study and information days, awards ceremonies, Social Economy fairs or shows ..., all of which represent the visibility enjoyed by the Social Economy.

Countries where the Social Economy is emerging

Beyond France, Spain and Belgium, to a lesser degree, the Third System remains in the majority of European countries, a developing structure waiting on official recognition from the state. National situations vary greatly and depend on multiple historical, sociological and economic factors. The Third System can be qualified as emerging in the following countries: Denmark, Finland, Greece, Ireland, Italy, Luxembourg, Portugal, the United Kingdom and Sweden. In these countries, the conception of the Third System has remained relatively unclear, and has generally evolved over the last few years. While their meaning has not been

[10] These are the Consultation Committee for Social Economy (Comité consultatif de l'économie sociale), the High Councill for Co-operatives (Conseil supérieur de la coopération), the National Council for Associative Life (Conseilo national de la vie associative) and the High Council for Mutual Companies (Conseil supérieur de la mutualité).

generally agreed upon, certain terms are increasing in use, such as Social Economy, nonprofit sector, third sector, voluntary sector, etc. These terms designate a diversity of situations and do not necessarily signify the same things from country to country. In several countries, the scientific and political bodies are debating these issues and in certain cases the problems of definition have instigated initiatives aimed at better understanding the sector (see below).

In this group of countries, the different forms of organizations of the Social Economy are federalized in a relatively structured way. Generally speaking, entities having adopted the co-operative or mutual form enjoy the most concrete relays (up to the level of Europe), in the heart of sector or inter-sector based groupings (like, for example, the four largest representative associations in Italy. These ties are sometimes profoundly linked to the rural and agricultural world and/or to major social and political movements. As for the associative or nonprofit branch, it is traditionally more divided; however, in certain countries it does benefit from considerable connections as is the case, for example, in Finland, Portugal and the United Kingdom. But one distinctive characteristic of these countries by comparison to the first group of countries is the almost total lack of structure in transversal connections between the three branches of the Social Economy. And even if we detect some efforts in this direction, they remain globally insignificant. This absence of transversal representation stems from a variety of sources. For example, this is especially the case in the southern countries where there is a tendency to dissociate the entrepreneurial aspect of the Third System from its nonprofit aspect[11]. This type of dichotomy renders the union of different types of entities unlikely. Another explanation comes from the coexistence of older and more conventional structures along with emerging, more dynamic forms of organization which results in a certain amount of confusion and makes integration challenging.

Public policies are also rarely transversal in the Third System. Yet, in most countries, we detect public support principles aimed at each specific branch of the Third System which, added together, amount to considerable coverage. As far as the co-operative sector is concerned we note particularly the presence of instruments of development, such as the Co-operative Development Agencies (CDAs) in the United Kingdom, Sweden and Finland, and the Co-operative Development Unit in Ireland. There are also a certain number of co-operative institutes active in research and/or promotion of the sector in Italy, in Greece, Finland, Portugal and Sweden. Statutory and fiscal measures favourable to co-operatives exist or are being developed such as the statute of social co-operatives in Italy and a Portuguese law which came into effect in early 1999 which provides for positive fiscal discrimination in favour of co-operatives. The not-for-profit sector also enjoys public connections which are not necessarily specific to it but which benefit it to a great extent. This type of connection appears for example, in the domain of social services. In the majority of countries not-for-profit organizations operate relatively frequently under contracts established with the public authorities or on experimental projects which might associate several authorities. The associative sector also benefits from policies of subsidising employment, particularly in Portugal (Social Labour Market) and in Ireland (Community Employment Programme). Finally it must be noted that economic policy recommendations issued by the European Union occasionally have a marked impact on the policies pursued on the national level. Whether it be in terms of the uses of European structural funds, guidelines

[11] This dissociation also occurs in Spain, but to a lesser extent.

for national employment policies or more short-term operations promoting the sector, the European Union makes it possible to accelerate, even prime the process of recognition of the Third System. Take the example of Sweden, where the development of public policies in favour of the sector was profoundly influenced by the European Union as much on the level of employment policy as in the uses of structural funds. In Ireland, too, the Social Economy made headway in political spheres as a result of European recommendations in the field of employment.

We must make a particular mention of the National Plans for Employment1999, where there is confirmation of the Social Economy as an agent force for economic development and employment in Sweden (emphasis is laid on the Social Economy and the creation of co-operatives) and in Ireland (development of a specific program of support for the Social Economy)[12]. We also find a growing recognition of the role of the Social Economy: in Italy (employment assistance and tax exemptions, Social Economy support,...) and in Portugal (co-operative development programme and regional action plans) and in Finland (support for the creation of new co-operatives). Greece, Denmark, Luxembourg, United Kingdom and the three countries in the third category (Germany, Austria, The Netherlands) appear much more restrained in their acceptance of the potential represented by the diverse features of Social Economy.

Recognition of the Third System by the media and the scientific community is changing. Initiatives have been launched in several countries in order to outline the sector, to determine its specificities and its requirements and to foresee its eventual benefit to society. These are the goals, for example of PANCO (Greece), of a work group focusing on the Social Economy set up in Ireland, of the Institute for the Social Economy in Sweden, and of the census work carried out regularly in Denmark by the Centre for Volunteer Social Work. The co-operative institutes mentioned above also participate in the better representation of the sector, while the nonprofit organizations enjoy a certain degree of scientific or media attention.

Countries where the Social Economy is fragmented

The last group concerns countries where the Third System is fragmented in the sense that the notion of Third System cannot be transposed into them. These are Germany, Austria and the Netherlands. In these countries the notion of a Third System or a third sector is generally assimilated with the not-for-profit sector. In fact, it is this sector which has received the greatest attention from the media and from the scientific community in the last few years, particularly in the aftermath of the Johns Hopkins Project. The co-operative and mutual branch, on the other hand, is not considered to be alternative. In fact, the legal and fiscal status as well as the economic behaviour of co-operatives is hardly distinguishable from that of classical capital companies. So, although a form of co-operatives exists in these countries, it does not constitute a distinctly different type of entrepreneurship, or at least is not perceived as such. Sometimes the co-operatives find themselves associated with serious

[12] The same applies to Belgium where emphasis is laid on nonmarket Social Economy and Social Economy of integration and Spain (aid to employment, creation of co-operatives and « labour societies » *sociedades laborales* and the exploitation of local jobs' sources). It is surprising to note that the French plan appears in retreat concerning the Social Economy.

problems of inefficiency in the public mind. This can even lead to bankruptcy (think of the failure of the Konsum empire in Austria). In total, the Third System is socio-culturally "amputated" from its entrepreneurial branch which directly eliminates lateral relations with other branches.

In a still more general way, these countries are characterized by a difficulty in developing a Third Sector beyond (para)public and private spheres for a variety of reasons. In Germany, for example, the majority of organizations active in the sector of health and social services are highly dependent on public authorities, and initiatives are often suppressed in a context which theretofore has lent greater importance to bureaucratic form.

In the matter of public policy, we see two principal types of tendencies. On the one hand, the co-operative and mutual sectors have not been specifically promoted by the public authorities. In Austria, their efforts have even been hindered by fiscal and legislative developments which for example led mutual companies to adopt capitalistic organizational forms under a simple mutual cover. This is a vicious circle. Lack of public recognition reinforces a generalization of the economic behaviour of co-operatives and mutual companies, who in turn do not incite public authorities to specifically support organizations which are very close to those of classical private enterprises.

The other major tendency involves the nonprofit sector. In each of the three countries, part of the associative sector is well installed and benefits from subsidies on a large scale. In Germany the six large welfare associations (*Wolfahrtsverbände*, active in the health and social services sectors), linked to the main socio-political movements, represent 3% of German employment and draw 80% of their resources from contracts with public authorities and reimbursements from social insurance. In the Netherlands, the corporate system organizes the management of social services, health care, education, etc., through three great ideological communities or "pillars" (Protestants, Socialists and Catholics). In this way the Netherlands has a great number of private organization in public service which receive considerable public funding and which represent more than 12% of Dutch employment. In Austria, the situation is somewhat different. In addition to long-established associations supplying social services and specifically linked to political parties or to the Church, a large number of associations have been created under the auspices of the "experimental employment market policy". In particular, the *Aktion 8000* program, the principal weapon in fighting long-term unemployment, has attributed front line roles to associations in order to reduce bureaucracy and to concentrate their efforts on certain target sectors of the population. We shall close this first chapter with this fine example of how delegation of a public service to the Third System, i.e., substituting associations for public organisms, can facilitate a more effective provision of services.

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CHAPTER II

ANALYSIS OF EMPLOYMENT

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1. Introduction: The Relationships Between Social Economy and Employment

Social Economy originated in Europe in its current forms in the first half of the nineteenth century. It was created in part in order to guard the right to work against growing uncertainty engendered by the strengthening of the wage-earning classes who were deemed, at the time, "unworthy" (according to the production workers' associations model). Another reason for its creation was to make it possible for the working classes to practice consumer spending (through workers' consumer associations, at first). In the second half of the nineteenth century, the Social Economy emerged in rural areas in order to support family-run enterprises. It appeared in conjunction with agricultural policies and unions. This Social Economy, through its different forms of mutualisation, was long divided between defending the interests of producers or the interests of consumers, keeping in mind that its implantation was both territorial and professional. Thus, the famous Rochedale pioneer weavers' co-operative, created in 1844 in Manchester, sought to conquer the manufacturing industry and agricultural production by uniting consumers, had, for many years, divided its profits between consumers and salaried workers.

But, the division of work finally carried the day, forcing a distinction between co-operation among users (savings & loans, consumer spending, insurance, tourism...), and co-operation among producers (individual entrepreneurs and associated workers), privileging the industrial modes of vertical integration. Today, however, new forms of multi-societal and lateral co-operatives are emerging, associating within a single entity, various members who might be consumers, salaried workers, "beneficiaries", volunteer workers, and/or institutional partners.

Therefore, employment in the Social Economy may be considered at one and the same time a finality (maintaining individual activity in co-operatives of entrepreneurs, associated workers in production co-operatives) and a means of insuring quality service to consumers/associates.

Defence of the promotion of employment by the Social Economy has, then, historically taken diverse forms:

- Defence and reorganisation of independent work by individual entrepreneurs' co-operatives, first in agriculture then in artistic and commercial circles, then more and more in road transport companies and among professionals;
- Shift and articulation of the volunteer sector and salaried workers over to consumer service or savings organisations;
- associated work in order to collectively maintain control over work conditions and production in work co-operatives and societies.

In all the European countries since the seventies a new function has involved member organisations of the Social Economy in setting up an integration service. This function has been consolidated with the emergence of new activities which have brought about new jobs.

But the participation of Social Economy organisations in the global employment market is very uneven from country to country on account of the relative importance of different institutions. According to currently available information, they provide 1-2.5% of civilian jobs in Greece and Portugal, around 4-8% in Italy, Sweden, Germany, Belgium, France, Austria, Finland, Spain and the UK and 12.5-14.3% in Denmark, Ireland and the Netherlands[13].

The relative share of each component is variable, tradition giving more or less importance to, for example, Catholic education. National legislation may or may not facilitate the creation and economic activity of co-operatives and associations, and the role of mutual health societies depends on the national system of social protection. Thus, mutual societies (for health and, to a lesser extent, insurance) represent at most 5-7% of employment in the Social Economy (in France, Spain and Germany). Co-operatives are numerous in Italy, Spain, Portugal, Finland and Sweden, either by tradition or having appeared more recently, with 45-55% of the whole; they occupy 20-30% of Social Economy jobs in Ireland, Germany, Denmark, Luxembourg and Austria, and between 10 and 20% in the UK, the Netherlands, Belgium, Greece and France.

In the first group of countries, the vitality of employment comes from the development of worker co-operatives (and worker societies in Spain) and social co-operatives (whose star example is in Italy). In the other countries, employment develops principally through associations, self-promotion groups or volunteer organisations, which control between 70 and 80% of jobs in the Social Economy.

Despite these differences in statutess, employment tendencies, when considered by activities, are shifting in convergent directions in all of the European countries. This shift reflects an evolution of employment in general (shift from agricultural and industrial toward services, and from services which can be standardised toward relational services). This evolution contains, however, certain specificities attributable to the characteristics of these organisations (geographical and/or professional proximity, co-production of services by users and salaried workers, their nonprofit orientation, constitution of horizontal and vertical partnerships). In fact, the nonprofit orientation protects these organisations against the "tyranny of shareholders" and allows them to remain centred on the production of services; their indivisible reserves shelter them from forced moves and from takeover bids; the difficulty they have in raising external capital forces them to maximise their "human" capital. In this sense they do better in the face of employment losses in the most competitive sectors (or they collectively disappear). What's more, when the emphasis is put on training people, it pushes them to struggle against exclusion by lessening the selection of workers. Finally, their proximity to users opens up opportunities for the conception of new activities and new

[13] If we took nonprofit hospitals and Catholic education into account, Belgium would have to be moved into the last group with the Netherlands and Ireland.

jobs. These qualities, as we shall see, can only be taken advantage of if certain conditions are met.

2. Development of Employment in the European Social Economy[14]

This study of the development of employment is organized on the basis of a cross approach between the sector of activity and the structure. Certain activities are managed with the same type of structure everywhere (supply purchasing and distribution by agricultural co-operatives, access to credit through co-operative or mutual banks, etc.); others might be managed by associations or by co-operatives (social services, integration, etc.) or by co-operatives or mutual societies (protection of health or goods); others, finally, are managed by associations or co-operatives or by mutual societies (such as services at home). We are generally witnessing a twofold development. Co-operatives and mutual societies are turning into associations by identifying their members by territory rather than by profession, while associations are becoming co-operatives due to the recognition of autonomous economic activity, which is often limited in associations.

2.1. Independent workers

Social Economy participates in maintaining the activity of independent workers (farmers, businessmen, artisans, professionals, etc.) and in the development of employment in common services.

The tradition of uniting in order to maintain and develop an individual or family activity is strongest in *agriculture*. Differing according to country, the market share of agricultural co-operatives is over 70% in all or at least some activities (Ireland, the Netherlands, Finland, Sweden, Denmark, Greece), or between 30 and 50% (Italy, Portugal, France, Spain, etc.). Almost everywhere[15] they followed the same progression: considerable development to structure the markets and lead Europe to alimentary self-sufficiency, then to surpluses and improved revenue for farmers. Although they have succeeded in slowing it, they have not stopped rural exodus.

Today's liberalization of exchanges translates into concentrations and "subsidiarizations" on the one hand, and more brutal privatisation on the other. This indicates a diminution of the number of co-operatives and the restructuring of employment. It is currently developing in agro-alimentary transformation subsidiaries, in commercialization and in services (insemination, use of agricultural equipment, etc.).

Employment in farming is diversifying. Between the two extremes of individual farmers and salaried employees of co-operatives, there lie a number of intermediary conditions. Next to veritable heads of individual agricultural empires, emerge a sort of group agriculture on the one hand and rural farmers on the other. Next to the great specialized co-operatives, small

[14] Synthetic tables at the end of this Section resume some data on employment evolution in the main activity sectors.

[15] 95% of co-operative employment in Greece is in the agricultural sector, which has been misused by certain public policies.

co-operatives rise up (in the UK, for example) with quality products (Sweden, France), organic (Denmark) or on rural tourism (Spain) which impose a great collaboration between farmers and technicians. What's more, in order to counter the desertion of certain areas, rural development co-operatives or associations seek to diversify their activities. This requires the creation of partnerships among farmers, rural artisans, municipalities, etc., and to recognize the importance of the diversification. Older forms of co-operatives are not always adequate (such as the CUMA, Co-operatives for the Use of Agricultural Material in France, which are unable to associate municipalities). More open co-operatives are also necessary in order for employers and co-operatives operating in a given activity to unite in order to stabilise seasonal work.

Co-operatives for *artisans and shopkeepers* are also seeking to reinforce their members' vitality and independence in the face of concentrated industry and distribution. Thus, in Germany, the number of such (retail commercial, artisans' and professionals') co-operatives has grown from 1 128 in 1970 with 107 488 jobs to 1 536 providing 108 589 jobs in 1995. In Eastern Germany the majority of socialistic consumer co-operatives have been sold to retailers (*Edeka, Rewe*) or to large distribution chains. In Greece there are 31 rural craftsman's co-operatives and 83 in urban areas. In France, nearly 600 craftsman's groups (including 440 co-operatives) united in 1994 more than 110 000 members and 54 commercial co-operatives united 9 600 members (some 123 229 shops) in 1996, employing a total of 103 000 people (plus 3%/year in shops and 1.3% in plants).

Today other independent professions threatened by competition or salarisation see in co-operatives a way of preserving their activity and their autonomy. Another source is the evolution of the salaried work force toward externalization and promotion of commercial relationships rather than work contracts; here again, the creation of co-operatives seems to be a means of mutualizing individual risks by pooling part of resources and services.

In *road and water transport* (Germany, Spain, France), where atomisation into a multitude of individual enterprises restricts organisation and regulation within the sector, co-operatives consisting of individual entrepreneurs or workers make it possible to join the necessary autonomy to flexibility and to the collective services which bring down costs and reinforce solidarity. Thus, in Spain, 394 transport co-operatives have united 4 688 associates who employ 7 777 salaried personnel. In France, UNICOOPTRANS unites 33 co-operatives (810 businesses) which provide 4 000 salaried jobs. In the same way, taxi drivers often organise into co-operatives (Belgium, France), sometimes combining the revenues of the independent or freelance worker and the social protections of the salaried employee. In Sweden, 445 co-operatives of SMEs and freelance workers (up 100% in 5 years) have seen the number of jobs within their sectors double to a total of 1 000 in 1995.

Other professions have recently organized to develop common supplies (in Greece, 30 co-operatives unite 3 950 *pharmacists*). More generally, we are seeing a rapid increase in *health* co-operatives, created on the initiative of health professionals, of users, or a mixture of the two. In Italy, 60 co-operatives for medical generalists have been created since 1994, either in service co-operatives or in social co-operatives; 50% of them are members of the *Consorzio Sanita*. In Spain, SCIAS (Integrated Health Co-operative), unites a producers' co-operative

with a consumers' co-operative, with the support of the *Espriù* Foundation. Recently in Sweden, health co-operatives (mental illness, dental care) have also appeared.

2.2 The sector of services

The Social Economy has long been participating in the development of *employment in user services*: lending co-operatives or mutual societies, consumer, lodging, health and insurance co-operatives, relational service associations and co-operatives (sanitary and social action, sport, tourism, culture, environment, international solidarity, etc.)

In *lending*, co-operative banks and mutual societies have provided access for rural and working class groups to banking services and to credit, often with the support of the government which arranged for improved loans to be distributed to them. Today, their size and their development vary from country to country. They hold over 30% of the market in Austria, Finland and France, 20-25% of the market in Germany and the Netherlands, but only 2-8% in the UK, Ireland, Belgium and Spain. Today, the continual globalisation of financial markets leads to certain concentrations. Paradoxically, the health of co-operative banks is taking two, contradictory directions: a weakening through demutualization (Sweden, UK), and a reinforcement through external development (Belgium, France) thanks to accumulated reserves which have not been risked in speculation. Thus, it is not a question of creating a net number of jobs, but a question of transfer. This may be why employment in this sector is growing. In France from 136 000 in 1996 to 137 000 in 1997, in Germany from 173 000 to 200 000, in Belgium from 8 215 to 11 052 between 1990 and 1997, in Denmark jobs went from 7 515 to 8 172 between 1994 and 1997, in the Netherlands, the Rabobank is the third largest bank employing 50 000 salaried individuals.

The role of banks and local agencies seems to be growing (Raiffeisen, Credit Mutual, Caixa) while new mutual-backed companies and new forms of mutualisation of treasuries among SMEs and associations are appearing. Thus, Greece is experiencing a real surge in lending co-operatives and companies backed by mutuals to promote access to banking for the greater general public as well as local development (credit to SMEs). Credit unions are developing in Ireland (435 of which 90% are linked to a specific territory) and somewhat more slowly in the UK (398 gathered together in 2 federations) in order to promote access to savings and loan. In a certain number of countries, co-operative banks have initiated ethical investments (Co-op Bank in the UK, Crédit Coopératif in France, etc.). Other forms of "solidarity financing" have emerged to finance small projects or activities considered "of social utility". They are specific banks or funds such as Triodos (in the Netherlands, Belgium and the UK), the *Oköbank* in Germany, the *Banque Ethique* in Italy, the *Nef* and the *Caisse Solidaire Nord-Pas de Calais* in France, *Merkur Bank* and *Faelleskassen* in Denmark). There are also forms of assistance to those with projects (Association for the Development of Economic Initiative) in order to gain access to bank loans. Co-operative and mutual banks often intervene at both ends of these new ways of accessing financing, from above (providing capital) and below (making loans available). They also participate in the financing of other forms of Social Economy; co-operatives and associations by offering assistance and certain products specifically adapted to the clients' needs. Evaluating indirect employment supported by their activity (estimated at 500 000 jobs in France) is, understandably, excessively difficult.

In *retail*, where co-operatives have favoured access to consumer spending thanks to lower prices attained through the creation of buyers' groups, most European countries have experienced a breakdown of large co-operatives unable to survive in competition with the big supermarket chains. In Austria, co-operatives lost 66% of their jobs between 1988 and 1995. In Sweden, co-operatives still hold 20% of the market, but the KF group went from 40 000 jobs in 1992 to only 18 000 in 1997. In Denmark, consumer co-operatives remain strong in food supply where they employ 57% of the work force. Tradition is driving co-operatives to manage the distribution of electricity and water on a municipal basis. In spite of the pressures to concede them to capitalistic enterprises, co-operatives still control 27% of the turnover and one third of all jobs (4 763). In the UK, where market shares fell from 7% to 4% between 1980 and 1990, the CWS co-operative has resisted the demutualisation trend (with a strong presence in banking and insurance). They are working to maintain nearby businesses; in fact, the consumer co-operative movement is developing the new concept of "community shopping:" in order to prevent the closure of small business by diversifying (funerals, travel, etc.) and supporting projects for the opening of nearby businesses (based on the example of Scotland). In the same way, "Oxford, Swindon and Gloucester Coop." with their 72 shops, have increased their sales by 27% and their surplus by 60% in five years. In France there are only 5 remaining regional co-operatives and 81 specialised co-operatives such as the CAMIF, a sales by correspondence co-operative which expanded their clientele by creating Social Economy unions, notably with mutuals, and are now opening their own stores. Co-operatives in Spain are the only ones to have seen their employment numbers increase greatly (from 7 281 to 13 268 between 1990 and 1995, 82%) thanks primarily to the prosperity of the *Eroski* and *Consum* co-operatives which belong to the *Mondragon Corporación Co-operativa* (MCC) and have bought up store chains. Their work force has gone from 3 542 employees to 9 763, over 175%. Association of salaried personnel with consumers, as well as partnerships established with Spanish and foreign fellows (*Coopérative Leclerc* in France) have certainly been factors in this success.

In the area of *protection of people and their property*, the situation is even more varied. Actually, health mutual societies only really exist in a limited number of countries (Germany, Belgium, France) where they manage compulsory and/or complementary regimes of Social Security. They have all gone through fusion procedures which do not necessarily lead to losses of jobs in spite of budgetary restrictions, taking into account the rise in the proportion of household budgets spent on health care. Computerisation of health care systems will, nevertheless make it necessary to redistribute some part of the personnel, the less qualified individuals, into reception and counselling jobs. Mutual societies participate in the development of new personal services through social and sanitary deeds (including pharmacies directly managed by the mutual unions, in France, or by independent users' associations, in Belgium) and through the development of home care services. In Portugal, the 120 health mutuals are experiencing increased recognition in their complementary health care role. However, their work force experiences inexplicable fluctuations annually revolving around about 1 000 jobs. Elsewhere, only a few small provident associations remain. Sometimes new mutuals are created on a private basis (Italy) or to offer improved service (the new Friendly Societies in the UK) or new needs (motorcyclists, funerals for foreigners, in France).

Where *insuring property* is concerned, we find either mutual societies or co-operatives, depending on the country. Some countries have experienced a phase of demutualization (UK), but when the mutual society in question is large (Spain, France) it continues to develop its activity through diversification. In Denmark, insurance mutuals are marginal (1% of turnover), the number of mutual companies is diminishing (from 100 in 1985 to 86 in 1995), but the number of jobs has continued to rise, reaching 3 200 in 1997. Mergers are becoming more and more frequent among health mutuals on the one hand and among co-operative and mutual banks on the other. Like banks, insurance mutuals strategically externalise their social commitment and their support of innovative projects. This is not giving up, but rather a way of investing in peripheral structures, particularly in foundations such as the *Cesar* Foundation (issuing from Unipol) in Italy, the MACIF foundation, very active on the French Social Economy, P&V in Belgium. Within this last group, the administrative board decided to externalize "social deeds" (medico-pedagogical institutes, thermal centres and a housing institute which employed 1 000 people). Thus the P&V Foundation and the P&V Fund support projects of a co-operative nature which fight exclusion.

The *sanitary and social sector* is the sector where the Social Economy is best represented, be it by associations, by mutuals or by co-operatives, whether it be in housing services (built in some countries in the sixties), or in services of welcome and accompaniment, whether they be conceived of religious organisations or in conjunction with the state, or as a substitute for intervention on the part of public authorities. Some countries have a very well organized and recognized associative system (Germany, France, Portugal), others are experiencing a more recent growth due to the privatisation of social services, but everywhere Social Economy organisations are showing a strong potential for innovation to take new needs into account.

In Germany, six large social wellfare associations unite 80 000 associations employing more than one million permanent salaried personnel (of which one third is employed part-time, which establishes the average at 1 207 hours/year), 1,5 million temporary workers (for 4,5 hours/week, about 230 000 full-time equivalents), 99 000 young people in military service and 49 000 people under assisted contract. From 1970 to 1996, the number of institutions grew by 74%, the number of beds/spaces by 50%, and the number of permanent salaried employees by 194%, which translates into an improvement in service. Growth slowed from 1990 to 1996 as it was only 13,10 and 20% respectively, with a strong surge (34%) in part-time. These associations gave rise to the creation of 75 000 new jobs between 1993 and 1996, by setting up assistance programmes for dependent elderly people. Assuring their continued well-being through national and regional public financing, they claim the membership of one third of the 70 000 self-promoting local groups exploring possibilities of taking on new functions (parental day-care, homes for women, etc.)

France has experienced the same kinds of changes. It is estimated that the number of associations working in the sector is 20 000 (4 000 of which are affiliated with the large UNIOPSS Federation). They employ some 620 000 people (equalling 420 000 Full-time equivalents) in the housing sector and in the care of the handicapped (more than 90% of the total activity in this sector), children and adolescents (79%), adults and families in serious social difficulty (93% of the Centres for the Housing and Social Reintegration), infants (35%), the elderly (29%), drug addicts, etc. During the decade between 1986 and 1996, the nonprofit sanitary and social sector experienced a growth in employment of 36% in full-time

equivalents (including jobs assisted by *Contrats-Emploi-Solidarité* (CES)) and by 29% if we exclude CES. In sanitary establishments, the representation of associations went from 13% to 12,5% and employment grew by 16% due to the improved rate of management staff. In the social and medico-social area, employment grew by 36%, in treatment of the elderly by 56% (but the market share of associations in this field fell from 37% to 29% due to stronger growth in the public and commercial sectors). In social centres and homes for young workers (90% of which are managed by associations), employment rose by 126% with a loss of stability for the employed individuals due to the use of CES which constitute an instability factor (54% in social centres). Growth was also particularly high in the care of infants (over 306%), in part because it started out extremely low, and in part because it was strongly supported by the Family Insurance Fund, but the majority of jobs there are half-time.

In Portugal, the IPSS, principally associations (73%), manage 93% of the sector. A financial agreement links public authorities and the unions, including one very important one, the Misericordias Union. The number of units went from 1 464 in 1987 to 1 919 in 1996 (+99,4%) and the number of jobs from 14 363 to 44 213 (+207,8%). Today the number of jobs is estimated at 50 000. Their breakdown is as follows: 57% intended for children and youths, 32% for the elderly, 7% for families and communities and 4% for the handicapped. This public has been the object of the creation of co-operatives of social solidarity since 1975. They are recognised by a 1998 law. Thus, 46 co-operatives out of the 53 existing ones, are united in the CERCI (Co-operatives for the Education and Rehabilitation of Handicapped Children) federation, uniting 3 000 families, 20 000 members and 2 000 salaried employees for 5 000 users each year.

In Spain, 2 028 associations work in the health field (with 1.1 million members, 67 442 salaried workers - equivalent to 58 000 full-time jobs - and 18 662 full-time equivalent volunteers). 7 212 associations operate in social services (with 2,2 million members, 180 028 salaried employees - equivalent to 151 224 full-time jobs - 73 016 full-time equivalent volunteers). In this sector it is necessary to make the distinction between specialised associations (of which 4 are large OSBLs: Caritas - 4 071 salaries -, the Red Cross - 2 625 -, savings banks' social services divisions - 4 000 salaries - and ONCE - 32 000 of whom more than 21 000 are blind lottery ticket sellers) and generalized associations, which are smaller and whose 56 340 jobs are oriented toward the handicapped (32%), the elderly (21%), children (20%) and in a more minor fashion, toward emigrants, refugees, AIDS sufferers and prisoners. New social co-operatives have emerged, for example, at the initiative of parents who were dissatisfied with services provided by the private or public sectors, or by professionals in home maintenance (such as *Convasad*, associated with FVECTA).

In Italy, church sponsored charitable and social assistance institutions were transformed into public establishments at the end of the nineteenth century (IPABS). Their number fell from 9 407 in 1965 to 5 500 in 1996. Half of the 1 000 that disappeared between 1977 and 1996 were re-privatised. Of the others, 1 000 offer housing services, and 1 000 manage child-care services. Voluntary associations (of which 47,4% of the jobs and 48% of all volunteers work in this sector) and social co-operatives controlling social services with the aid of municipalities (2 300 Type A co-operatives in 1996, having grown in average size, evaluated at 29 salaries) have developed alongside these big structures. These co-operatives are more

vigorous in the north of Italy than in the south, which is why the consorzi develop policies of diffusion and of support.

In Sweden, numerous users' or professional co-operatives have emerged in sanitary and social services since the early nineties due to the privatisation of public services and the needs of certain rural areas. The number of co-operatives in this sector grew from 327 to 1 104 between 1993 and 1998, and employment more than doubled from 3 100 to 7 200. They are essentially composed of child-care services (1 000 co-operatives), health services (80) and services for the elderly and the handicapped (20). Associations in this sector swelled employment from 10 000 to 10 500 between 1994 and 1997, while employment stagnated at 5 000 in foundations. In Denmark, foundations employ 27 000 salaried personnel in the sector and associations 5 800, with 2,8% growth between 1994 and 1997. In Austria, the social services sector provides 64% of available jobs in associations. In the Netherlands, 1 610 associations, 45 co-operatives and 7 230 foundations are active in the sector. In the UK, jobs in the voluntary sector went from 189 000 in 1990 to 245 000 in 1995, representing 5% growth each year. In Belgium, the sanitary and social associative sector employs 110 160 people (+4,8% per year) and 1,4 million volunteers.

The employment potential is considered high in this sector given the socio-demographic trends (ageing population, women working, etc.). 166 000 in Germany, from 100 to 130 000 in France, 71 000 in the UK, but it doesn't emerge spontaneously on account of the structural and solvability requirements.

Management policies for these establishments must increasingly include *home care* which makes it possible to respond to the needs of persons and families and to diminish collective costs. Alongside older associations, a multitude of new, smaller associations are appearing which furthers the dissolution of the sector. In certain countries (like Belgium), the non profit sector (public and private) holds the monopoly over it, while others (like France) have opened competition to capitalistic enterprises. Efforts to structure the supply and expression of the demand are accomplished through service platforms uniting several providers (associative, mutualist, etc.); but the forms of solvency are not stable. The check-job-service (*chèque-emploi-service*) experiment, based on fiscal exemptions, has above all led to black market work and is being re-examined in Belgium and France. Title-job-service (*titre-emploi-service*) through partial financial assistance provided by third-party institutions (enterprises, municipalities, retirement funds, etc.) is tending to replace it. In France, the example of the "*chèque domicile*" is particularly interesting, for it is managed by a collective of Social Economy enterprises in conjunction with salaried workers' unions and business committees.

Social Economy intervenes in *education* on several levels, in early learning establishments under public contract (with strong representation of Catholic education in certain countries such as Ireland, France, etc.), in professional education and, more and more, in the retraining of the unemployed. In Ireland, employment in private nonprofit schools represents more than half the associative jobs and 6% of non agricultural employment. In Spain, 36 720 organisations employ 130 000 salaried personnel. Recently, 70 users' educational co-operatives were created as well as 80 professional co-operatives. In Italy, education unites 28,5% of the volunteer sector, 119 166 jobs. In France, 7 000 associations in education and

research (and about 13 000 Management Offices for Catholic Education) employ 104 000 salaried people (and 128 000 in Catholic education). In Sweden, jobs in the field of professional training for adults have gone from 1 650 to 18 850 of which three quarters are in associations; in addition, the number of co-operatives went from 71 to 108 between 1993 and 1998 in primary education (jobs increased from 210 to 650). In Portugal, educational co-operatives have multiplied in recent years (jobs increasing from 6 407 to 8 557 between 1994 and 1996) at the different levels of education. Some of these co-operatives, called social solidarity co-operatives, work at reintegrating unemployed people into the work force.

The function of *integration* is, in fact, an important characteristic of innovation in the Social Economy over the last thirty years. It first appeared in the form of social and parents' associations desirous of putting groups of (physically and mentally) handicapped people to work. The most common means used is the protected atelier, but they have different forms. For example, in Ireland, 26 organisations control enterprises organising 19 different activities; in 1994 the largest organisation (Rehab Group) diversified its activities into foods, textiles, electronics and recycling, and today employs 18 000 people in Ireland and the UK. This model inspired the creation of other enterprises to reintegrate long-term unemployed individuals into the work force. In the UK a certain number of co-operatives promote possibilities for handicapped persons to work. In France, associations for the physically handicapped and families of the mentally handicapped have obtained recognition of two types of structures: *"Centres d'Aide par le Travail"* and *"Ateliers Protégés"*.

Taking account of interruptions in the chain of integration (family-school-enterprise), difficulties encountered in learning, and the tendency towards over-qualification in the employment market, initiatives have indeed been taken in a number of countries to overcome these obstacles by creating real integration services. They have taken on a variety of shapes depending on the characteristics of the employment market (particularly the youth unemployment rate and long-term unemployment) and employment policies in force. On the initiative of certain institutions (including some of the socially oriented associations mentioned above), initiatives based on the creation of new social groups have emerged.

This integration function has taken on a variety of forms and is situated in a variety of organisations, some of which emphasise adaptation through instruction/training, others the struggle against "unemployability" through a training - production scheme, and others seek long-term integration of individuals, (often minorities) into permanent jobs in new productive structures. This way, on-the-job-training enterprises and associations in Belgium, conversion and work societies in Germany, and training associations in France, etc. are primarily oriented toward improving employability and qualification through instruction/training.

In the face of the inadequacy of this approach, integration enterprises offer a transition phase between training and production. In Belgium (on-the-job-training enterprises and integration enterprises), in France (in various forms, from Centres d'Adaptation à la Vie Active to integration enterprises), and in growing numbers in southern countries (in Portugal with the Social Solidarity co-operatives, in Spain with Social Initiative co-operatives). The 1 500 Italian social co-operatives (type B, which employ 23 000 salaried individuals of which 19 300 are integration jobs) present a slightly different picture as they agree to keep a segment of their beneficiaries on long-term in "normal", non-subsidized positions. In Austria, the

"Aktion 8000" program principally relies on nonprofit organizations to reintegrate (minimum 12 months) long-term unemployed by creating new welfare networks, cultural activities, by improving housing and living conditions or through protection of the environment. In Sweden, there are not more than 10 integration enterprises based on this model.

Other structures have been built on the availability of personnel, for purposes of serving private citizens, communities or enterprises. In Finland, service and employment co-operatives place qualified immigrants from the East, whose diplomas are not officially recognized. In France, intermediary associations and temporary integration enterprises place workers with no qualifications.

In a certain number of countries, in place of the idea of integration as a transition phase, it is more a question of creating permanent jobs. In the UK, in the 1980s, worker co-operatives created by unemployed experienced one of the highest growth rates in Europe. Community service co-operatives (day-care services, home health care, recycling) also pursue the goal of creating jobs, as do community businesses which started up in Scotland, then spread throughout the entire country (today, there are 400 of them and they employ 3 500 people).

In Sweden, a growing awareness of the problems in rural areas and youth unemployment in the 1980s, and finally of the crise in certain urban areas led to the creation of rural co-operatives, then of community centres which were meant to improve local services while providing jobs for youths or for specific groups. More and more projects are encouraging the unemployed to create their own job, preferably in the form of co-operatives with the help of regional agencies for the development of co-operatives. This explains in great part the recent surge in worker co-operatives. This idea has been taken up in France and in Belgium, for example, where integration results are limited and the risks of supplying a precarious secondary job market have been highly criticized. In Belgium and in France, integration enterprises seek to increase the number of long-term jobs. *Régies de quartier* (municipal or associative), like the 24 BBB in the Netherlands, offer both integration jobs and long-term jobs to their local inhabitants.

As for *housing and related services*, we encounter three types of situations. Countries where housing co-operatives were very active but are currently victims of restrictive legislation. This has been the case in the UK since 1992, although they seek to help disadvantaged groups and offer services related to environment; in Germany, since 1990, while some 2 000 housing co-operatives, a multitude of small co-operatives and a few very large ones exist to help with direct acquisition, acquisition through resale or with rentals, employing 25 000 people. In the West they still manage some 800 000 flats in spite of having sold about 500 000 of them since 1950. In the East, they manage around 1,1 million flats. Some of them try to keep elderly people in their homes and to offer social and cultural activities to the neighbourhood, as well as economic integration possibilities for young people.

Other countries are experiencing rapid growth. In Ireland the number of housing co-operatives is quickly rising (350 are currently registered and 100 are affiliated with the Irish Council for Social Housing), half of which are intended for the elderly or those without resources. In Denmark, the number of jobs has gone from 10 729 in 1994 to 11 247 in 1997 (+5%) thanks to the lobbying of a large national association and favourable legislation. In

the Netherlands, the 784 housing co-operatives own 75% of rental housing and are developing new social or commercial services.

Other countries have experienced a resurgence of associative and co-operative housing organizations. In France, unfavourable legislation relating to renters' co-operatives and the preponderance of public and private social housing offices have limited co-operation in a limited area (157 co-operatives essentially having access to property and providing 700 jobs) and the role of associations to a protest function (renters' or homeless people's associations). Today, renters' associations are regrouping particularly in order to constitute Social Economy unions for the promotion of "very social" housing (estate agents with a social calling, social hotels), as well as the experiment by *Régies de quartier* in the improvement of living conditions, are pushing offices for social housing to introduce services nearby by providing work for the young people in a given neighbourhood.

Thus, the questions of access to housing and of improvement of the urban environment have been posed and partially taken in hand by entities belonging to the Social Economy. In Sweden, too, housing co-operatives made it possible to found Medikoop, which provides common medical services and co-ordinates preventive medical services and home care for specific categories of the population.

Recreational and Cultural Associations include cultural, sporting and leisure activities (particularly for the young). In culture, associations play a predominant role (the profit sector focusing mainly on the performance arts), while sport is increasingly competitive due to individual sport practices in commercial structures. The importance of the cultural field varies from country to country (strong in the UK, it's weak in Ireland, for example) while sports are more universally practised.

In the Netherlands, there are 4 110 associations, 2 625 foundations and 55 co-operatives in the whole of this sector. To these we add 30 000 sports clubs, united in 91 national associations according to activity. Most of these clubs are operated by volunteers; the exceptions are 20% of the clubs where professional trainers help the volunteers out. Public authorities support "professionalization", particularly through the creation of 5 000 club management jobs. In Finland, associations, other than sanitary and social ones, number 138 500 with 49 000 salaried employees. Sport associations (of which 6 500 are included in the giant Finnish sports union SLU) announced in 1997 that they could engage 10 000 unemployed people if unemployment benefits were transformed into aid for the sports associations. At the end of 1998, they had engaged 7 000 people for an average of six months. One hundred national associations and hundreds of independent clubs offer activities for young people. In France, the entire sector has grown significantly (+60% between 1991 and 1999, 6%/year) with 129 000 jobs recorded in SIRENE in 1999, the SNOGAEC, employers' union, recorded 140 000 salaried employees which is equal to 70 000 full-time equivalent positions. Sport is a very organized sector (organized around the CNOSF, of 22 CROS and 73 national federations) but generates few jobs. The (partially compensated) volunteer sector is important, as is the administration's, the local communities's and the federations' participation. One study of local clubs gave an average figure of 1,5 full-time equivalent jobs per club. A framework agreement with the CNOSF foresaw the creation of 5 000 youth jobs; it eventually led to the creation of 6 604 jobs for youths when 27

federations signed it. Currently, these new jobs are aimed at the development of new activities and the inclusion of new audiences. Public authorities are also trying to "professionalize" intermediary jobs thanks to the Profession Sport associations. A new law should allow small clubs to take advantage of the financial boons received from highly publicized sporting events. Culture is a very irregular sector where the intermittent nature of the performing arts leads to limited-time contracts while insuring more favourable unemployment compensation, and the high number of assisted contracts (CES) is not a structural employment factor. In the UK, the sector also grew by 6%/year between 1990 and 1995 to reach 347 000 salaried (large museums such as the British Museum or Tate Gallery are managed by charities); in Sweden by 5% with 22 000 jobs in 1997 (3 000 jobs were created between 1994 and 1997).

While these two sectors are generally considered a goldmine for employment, it is nevertheless difficult to structure. Volunteer workers (whether or not they are professional volunteers, with or without compensation) remain a very important part of it. Ties with municipalities are very strong, particularly with respect to the provision of equipment. But it seems to be difficult to transform volunteer hours into stable jobs and to "professionalize" them. The structuring or recognition of the work of associations and of local clubs is limited by either the quantity (culture) or the division (sport) of public budgets.

The *environment* has a different kind of development. While it is currently impossible to estimate employment within it with any accuracy, due to its newness and its dispersion, it is moving toward a structure thanks to increasing awareness and regulation. The Social Economy can be found in it in three forms:

- in associations which were precursors and which fulfil both educational and research functions at the same time, with qualified young people but real turnover.
- in integration fields, either associative or community, which can provide a first work experience albeit without developing skills;
- in integration structures (with various statutes, but increasingly commercial because of rising necessary capital investment) looking for improved "professionalization" in order to better the quality of their activities.

In fact, the entrance of profit sector operators, benefiting from financial arrangements related to regulation are heating up the competition in a domain opened up by associations. Specifically in recycling. The diffusion of "good habits" (especially German ones) makes it possible for countries with no experience to advance more rapidly in this sector (such as the creation of integration enterprises in Portugal).

2.3 Worker co-operatives

Worker co-operatives take any of four forms.

They are little developed in certain countries due to the culture and legislation. In Germany there are 1 702 co-operatives, affiliated with 3 organizations with 21 700 salaried employees. Transformation of collective enterprises from the East into SCOPs is taking place but the self-promoting groups are having difficulty structuring themselves and transforming

themselves into SCOPs. In Austria there are but 2 co-operatives with 243 jobs, but "autonomous enterprises" take over failing traditional enterprises.

Other countries had no tradition of worker co-operation, but it is emerging. In Finland, for example, 366 worker co-operatives employ more than 4 500 people; half of these can be considered integration co-operatives and Sweden where the number has doubled in 5 years to reach 445 in 1998 with 1 000 jobs.

The Southern countries with a strong co-operative tradition, are experiencing rapid expansion, attributed to voluntarist related public policies; in Italy, 123 017 salaried employees are recorded in production and service co-operatives affiliated with the two largest co-operative federations (Lega and Confcooperative). In Spain 8 546 worker co-operatives employ 164 352 associated workers (32 000 of whom work for the Mondragon Co-operative Complex) and 7 079 *Sociedades Anonimas Laborales* with 62 567 associate. Employment in associated work co-operatives has continued to grow by more than 10% while national employment fell (between 1991 and 1995) and while a certain number of SAL industries created through the take-over of bankrupt businesses between 1981 and 1985 were disappearing. Lowering the minimal size of SALs facilitated a strong comeback in creation in 1998. In Portugal, industrial worker and service co-operatives (besides education and culture, which have experienced 32% growth) have practically stood still (+1,8% between 1994 and 1996).

Countries having a certain tradition (UK and France) have experienced fluctuating contrasts. In the UK, we are seeing a drop in the number of co-operatives starting in 1988. In 1993 there are the same number of co-operatives as in 1986; i.e., 1 169 co-operatives employing 11 193 people. In France, the growth in the number of co-operatives (from 1 367 in 1994 to 1 488 in 1998) has been accompanied by stagnation in the number of jobs (from 29 186 to 29 249), through a lowering of the average number of employees (19,6 in 1998). Between 1990 and 1997 the service co-operatives' (providing services both to industry and to private citizens) share went from 33% to 40%, that of BTP (building) from 34% to 33%, metals from 13% to 11%, graphics industries from 10% to 7% and of other industries from 10% to 9%. A renewal is in employment and activities co-operatives (in order to mutualize the risks of the collective entrepreneurship) and collective utility co-operatives (in order to transform certain welfare, training and integration associations). The same process of the collective self-employment is visible in Sweden and Finland.

We observe a general tendency toward smaller co-operatives (a lowering of the minimal number of salaried for creation to 3), especially in the services, but also in construction, printing, etc. This shift makes them more similar to associations (same activity, slightly greater size) and poses the question of relations with trade unions which are relatively absent from such small structures. Relations between the CECOP and the Conférence Européenne des Syndicats (European Conference of Trade Unions) are thus important to improve the quality of employment in these small enterprises.

Information about employment evolution in some sectors and countries[16]

Workers Co-operatives		
Country	Number of salaried employees	Employment Evolution
Germany	21 700	
Austria	243	
Spain *Workers coop.* *Labour societies*	 164 352 62 567	 + 10% from 1990 to 1995 + 17% from 1995 to 1998
Finland	4 500	x 3 in one year from 1995 to 1996
France	29 249	stable between 1994 and 1998
Portugal	8 557	+ 33% from 1994 to 1996
United Kingdom	11 193	
Sweden	1 000	x 2 in 5 years from 1992 to 1997

[16] First column gives the more recent figures about number of salaried employees and second column gives an estimation of employment evolution.

Agricultural Co-operatives		
Country	Number of salaried employees	Employment Evolution
Germany	140 000	-1% from 1996 to 1999
Belgium	7 249	stable
Denmark	28 175	-1% de 1994 à 1997
Spain	24 114	
Finland	30 000	
France	121 000	+ 6% from 1994 to 1996 (in transformation subsidiaries)
Ireland	33 500	
Italy		- 4% from 1996 to 1999
Greece	10 500	
The Netherlands	54 450	
Portugal	17 416	- 2.4 % from 1994 to 1996
United Kingdom	12 243	+ 5.5 % from 1996 to 1999
Sweden	33 000	-17.5 from 1992 to 1997

Co-operative Banks		
Country	Number of salaried employees	Employment Evolution
Germany	200 000	
Austria	48 630	- 1% from 1988 to 1995
Belgium	11 052	+ 25% from 1990 to 1997
Spain	9 849	
Finland	10 000	
France	137 000	+ 0.7% from 1994 to 1996
Italy	21 000	
Luxembourg	317	
Sweden	100	

Retail Co-operatives		
Country	Number of salaried employees	Employment Evolution
Germany	25 000	
Austria	7 815	- 66% from 1988 to 1995
Belgium	3 323	- 0.5% from 1990 to 1997
Spain	7 971	
Finland	23 700	
France	16 500	- 10% from 1994 to 1996
Italy	49 500	
Luxembourg	450	
United Kingdom	69 454	
Sweden	32 000	-11% from 1992 to 1997

Health Mutuals		
Country	Number of salaried employees	Employment Evolution
Germany	150 000	
Belgium	11 230	-2% from 1989 to 1998
France	56 900	+3% from 1994 to1995 (most in federations)
The Netherlands	1 078	-6.4% de 1991 à 1996
United Kingdom	27 500	
Sweden	8 000	

Social and Health Sector Associations		
Country	Number of salaried employees	Employment Evolution
Germany	1 120 000	+ 3% per year
Austria	121 600	
Belgium	110 160	+ 4% per year
Denmark	59 198	+ 0.7% per year
Spain	247 468	
Finland	21 000	
France	690 726	+ 5.5% per year
Italy	198 610	
Portugal	44213	+ 6.5% per year
United Kingdom	245 000	+ 5% per year
Sweden	22 000	+ 8% per year

Education and Research Sector Associations		
Country	Number of salaried employees	Employment Evolution
Germany	168 000	+ 4,5% between 1990 to 1995
Austria		
Belgium		
Denmark	63 494	+ 4,5% per year (+15% between 1994 and 1997)
Finland		
France	104 623	
Ireland	64 078	
United Kingdom	587 000	+ 10% per year (+ 78% from 1990 to 1995)
Sweden		

Sports, Culture and Leisure Associations		
Country	Number of salaried employees	Employment Evolution
Germany	77 350	+3% per year
Austria		
Belgium	14 700	+ 1,8% per year
Denmark	41 801	+ 2,5% per an (+ 7,8% between 1994 and 1997)
France	129 100	+ 5,5% per year
Portugal	40 754	
United Kingdom	347 000	+ 6% per year
Sweden	22 000	+ 4,5% per year

3. Analysis of Employment

3.1 Transformation of Existing Employment

Traditionally, the groupings of users have managed to stabilize employment in services and constitute new professions (especially in social work) considering employment as a resource, a guarantee of quality and of the durability of services given; federalization, like pressure on public authorities, has made the structuring and recognition of "general interests" services possible, while solvency, to whatever degree the state contributes to it, allows access to increasingly marketable services.

However, pressure from the opening of the market or budgetary reductions in a number of sectors of activity, like the deregulation of the job markets, push toward a lowering of costs (especially the cost of work) and toward the reduction of the work force in the most exposed sectors (in mutuals and co-operatives, but also in associative tourism, etc.). This leads to a strong use of volunteer workers, to multiplying the functions of attracting and of linking with the users/clients and trying to increase the flexibility of work. This flexibility can be internal or external, internal by schedule modulations and the development of part-time work, external through affiliation in certain activities.

The diversification of activities, (where public policies allow it) such as the adoption of group strategies (horizontal like those of the *consorzi*, or vertical like Mondragon's) and inter-co-operative alliances (insurance and health mutuals, co-operatives and associations) are ways not only to maintain employment, but also to continue its development. The three "pillars" of this development seem to be research and development, control of savings and training. These three functions are not very well supported in the Social Economy. Socio-economic innovation in services pales in the shadow of technological innovation in industry. The banking structures are more and more common now with decompartmentalization, deregulation and inappropriate profitability ratios. As a result, co-operative and mutual banks are externalizing their support in new activities and to new projects. Finally, education, instruction and training are segmented (between technical, management and collective

training and sent either to the public system or to the rules of the market. In this way, only the integration sector has played a real intermediary role for those who are most in difficulty, while numerous training organizations, whether associative or co-operative, are not in direct contact with the needs of the Social Economy's organizations. Professional schools in the heart of the movements, like co-operative education, have gone for the market.

Still, numerous organizations encounter needs for qualification (reconversion, charters of quality) of renewal of the labour force (accepting young people, alternating contracts). The existence or absence of public programs or of ways of mutualizing financing of training is an important factor in responding to these needs, but it is not sufficient to link the supply and the demand for training in the Social Economy for lack of reflection on the nature and the specificity of the needs of training. In France, the USGERES, who unite employers' trade unions and Social Economy federations, is trying to stimulate mutual reflection on the question.

In addition to internal compartmentalization of the Social Economy, another obstacle to maintaining employment arises from the style of structuring the oldest organizations. While they were structured, during years of growth, on the model of industrial growth that based productivity's profits from economies of scale and standardization, the growth of employment is occurring today in smaller units and increasingly in services which require less capital and more human commitment, in experimentation or in niches of production as well as through building transverse structures. This aspect is today activated by the pressure on independent (freelance) work (we have noticed it in transport, crafts, commerce and increasingly in the liberal professions) and through the development of the economic activity of associations, volunteer organizations: creation of training, integration SCOPs and employment co-operative (nurseries for new activities).

Another characteristic of the development of employment is the growing number of women working in relational services. In Portugal, employment in health mutuals is now 65% women (50% in 1991) and in sanitary and social associations 81% women. In France, it is estimated that more than 70% of the workers in associations (according to UNEDIC) are women. The number of women in SCOPs went from 13% to 16% between 1991 and 1996 due to the rise of services.

3.2 The Emergence of New Jobs

The expression of needs (new needs, new audiences), and the mobilization of people (individuals and businesses) in a territory explain the vitality of associations and co-operatives that we have described. Legislation (of which the size and the start up capital as well as the forms of membership), like regulatory constraints (on certain activities) offer relatively favourable conditions for organizations of the Social Economy. The existence of secondary organizations (agencies for regional development, municipalities, other players in the Social Economy, alternative movements, relay associations, formal or informal networks) also has a determining influence. Upstream of the structuring of activity, assistance must attach itself to the expression of needs which, in relational services, have difficulty freeing themselves from the domestic sphere (in the case of the handling of handicapped and young children in the Southern countries, domestic services in the Northern countries).

Certain activities are experiencing, however, a growth in work which is superior to the national average, but their development can be hindered by institutional constraints. It is also possible that this might translate into an increase in the instability and an involuntary drop in work time. New jobs generally rely on a blend of volunteers of assisted contracts and the support of municipalities but in a number of countries, particularly in Sweden and in Portugal, which are especially dynamic) these jobs most often appear to be unstable and difficult to "professionalize". Their small size and isolations, the competition and instrumentalization by local collectives adds to the instability of public programs and to short-term financing. The precariousness of people compounds that of activities and structures (Finland, Sweden), their lack of qualification (Portugal) and the high mortality rate in cases of reversal in the economic climate or of cessation of support funding.

3.3 A Possible Process for Consolidation

The modes of consolidation refer to traditional modes (legislation, employer function, "professionalization", etc.) and new modes corresponding to developments in progress (financing, structuring of enterprises, work statutes, etc.) at one and the same time. We can distinguish those modes of consolidation:

- Through legislation and regulation - recognizing the specificities of these private nonprofit enterprises (for example, concerning the status of worker co-operatives, favourable in Italy, Spain and Portugal, unfavourable in Germany; and on the other hand, access to public markets); but facilitating organizations of smaller size must be accompanied by a recognition of the modes of uniting on a secondary level in order to avoid dispersion, atomisation which would interfere with consolidation.
- Through affirmation and recognition of the function of employer over "real jobs" by the construction of a culture of enterprise, representation of personnel, signature of collective agreements and relations with trade unions.
- Through "professionalization" and not exclusively through the training of people on assisted contracts who contribute to the turnover of personnel but render the structures more fragile (the role of Fonjep jobs and of training insurance funds, the question of jobs for young people in France).
- Through structuring, mutualizing both horizontally (platforms, consorzi) and vertically (federations). According to activities, the development strategy could prioritize the swarm logic ("strawberry fields", Italian co-operatives), which necessitates flexible groupings, and the ascending or descending (Agency for service co-operatives in franchise in France) group logic.
- Through long-term solvency subsidising and not only user solvency (which leads to competition among organizations) and activities (which would be limited to occasional agreements and impose a heavy administrative work), the long-term commitment of public communities (through pluri-annual agreements, for example) on the one hand, a plethora of finance programs rather than tax exemptions on the other.
- Through new forms of work statutes: shared jobs, progressive jobs, self-employment collectives, and more partnership oriented enterprises like the Mondragon consumer co-operatives in Spain, the Italian social co-operatives, the *Régies de quartier* in France) which consolidate users and salaried workers, the internal and the external participants.

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CHAPTER 3

SUPPORT ORGANIZATIONS

Roger SPEAR

1. Introduction - Background

The aims of this report are: firstly to review the evidence collected by project partners on their national experiences of support organizations for Third System organizations, including successful and innovative experiences. Secondly to summarize the different essential functions that support organizations carry out. Thirdly to identify strengths and weaknesses and construct an analytical framework for developing models and policies to support good practices. And finally to address major issues of support and make recommendations about support needs in the future and how these might be met.

2. The Role of support organizations in employment

A major theme of this project has been that there are various employment dynamics within the third system; and support structures play key roles in assisting organizations and sectors at different stages in a lifecycle – thus they help the emergence of new jobs/enterprises as well as restructuring established organizations; and they improve contexts and shift the boundaries of work through the transformation of jobs/work (temporary to permanent jobs), and the consolidation of existing work into real jobs (shifting formal/informal boundaries, decasualization, etc). This contribution can be seen in the following areas:

2.1 New jobs/enterprises and growth of existing Third System organizations

The role of development agencies in creating employment by working with the unemployed and disadvantaged is well established, for example in the UK a clear correlation has been found between the existence of a CDA (Co-operative Development Agency) and the formation of new co-operatives in that locality; similarly in Sweden the LKUs have been associated with developing 1 300 jobs in 1992 at a cost of SEK 11 000 per job – very good value compared to SEK 74 450 for the cost of a new traditional job. In recent years the 24 LKUs in Sweden have been creating about 300 new co-operatives per annum. Evidence from UK TECs (Training and Enterprise Councils) which provide regional business training and advice shows that people receiving advice prior to starting an enterprise have an 80% success rate after 3 years, rather than the overall rate of 47%, thus providing strong evidence of the value of support structures for new enterprises.

Third System support organizations have been major figures in the drive to improve the quality of *insertion* activities and jobs, particularly through mixed structures for employment and training such as WISE Group in UK (5 000 participants by 1995); in Germany, BAG with its 7 regional agencies supports and helps promote employment for

30 000 people in the subsidized labour market; similarly the 1 500 social co-operatives of Italy strongly supported by their consorzi, provide 19 300 insertion jobs.

Support organizations of the Third System are particularly strong in their support for disadvantaged groups (women, youth, etc); e.g. Goldrausch, a network to help create and maintain women's jobs has supported over 250 projects and enterprises in the Berlin area; e.g. ZWAR ("between work and retirement") in Germany has created 400 self-help groups for older people. Support functions are not only direct through advice, development, etc but include the professionalization of new jobs, as in the case of UNIOPSS, France in the social work area.

New jobs/enterprises by nurturing entrepreneurship through nurseries/incubators e.g. managed work spaces have for many years been a strength of third system support structures e.g. Bootstrap, one of the longest established in the UK (the concept of incubators is now being taken up very vigorously in the business sector).

2.2. Saving jobs

The rescues of failing businesses save jobs and almost all of the 7 079 SALs (62 567 workers) are jobs saved from failing businesses, established with the help of support organizations such as FESALC in Catalonia; similarly a large proportion of Swedish and Finnish worker co-operatives were formed (in the '80s) by trade unions and other support structures rescuing failed businesses; and a large proportion of Italian worker co-operatives were formed out of rescue situation, with assistance of Marcora legislation since 1985, and the support of financial bodies such as CFI which supported the saving/creation of 35 412 jobs in the years 1987-1997. Trade union partnerships with other Third System support has been vital and the last coal mine in Wales was saved (along with several thousand jobs) through the work of the trade union supported Wales Co-operative Development and Training Agency.

Conversions of small firms with retiring owners save jobs. This has been an important theme of employee ownership and co-operative structures across Europe for example CGSCOP in France and EOS in the UK. It has been estimated that about 30 000 family businesses in Europe close down with considerable job losses, because they fail to find a way of managing the problem of retiring owners. (ICOM, 1998).

2.3. Transformation/conversion of state welfare provision to Third Sector provision.

Welfare restructuring and transformation has led to one of the largest areas of growth in the third system, particularly in the voluntary sector, with 194% growth in jobs in Germany (1970-1996), 36% growth of jobs in France (1986-1996), etc; in several countries the sector is distinguished by a few very large support organizations such as UNIOPSS in France, BAG in Germany, and the IPSS Union in Portugal; these bodies provide a wide range of services supporting this growth as well as playing major political representative and negotiating roles.

In relation to the above 3 categories of employment generation, an important regional study of 20 support organizations in Europe (including CDAs in UK and Sweden, Netz in

Germany, UNINORTO in Portugal, SCOP in France, FCTAC in Catalonia) examined 3 hypotheses, and found that the vacuum hypothesis (employment creation to remedy gaps/declines) was the most important, though there was also support for the influence hypothesis (people want more influence in/over organizations) and the local-identity hypothesis (in a context of globalization people want to build on and reproduce local networks and local activities) (Westerdahl and Westlund, 1998).

2.4. Restructuring established organizations and sectors

Globalization has brought greatly increased competition to established sectors of the Social Economy, and this has led to restructuring, consolidation, and in some cases diversification. Distribution (consumer co-operatives) has seen a decline in most European countries except Spain (and a few societies in other countries); in many cases a gradual decline over many years has led to concentration in the form of large national societies and a weakening of national support structures (such as federations), thereby a further weakening of the capacity for a revival.

In other cases such as financial services the picture is more mixed with some growth (as indicated in Chapter 2), but recent deregulation is leading to rapid concentration even while there is some measure of government support and protection. With regard to support structures the situation is becoming more polarized with large national banks having little need for federations, but small credit unions strongly dependent on them (such as in Ireland). The capacity of international financial support organizations to facilitate cross-border concentration seems limited. Nonetheless ”diversification” in the form of new support structures for social investment and ethical banking has been a very positive feature of developments in this sector for the whole of the third system (see later section on social investment support structures).

In agriculture the picture is a pattern of decline of employment, but concentration, and diversification (and some degree of vertical integration into value added products). For example in the dairy sector in Europe mergers amongst co-operatives have led to several national markets being dominated by one co-operative, with the beginnings of internationalization, both to achieve economies of scale, and to develop higher value added products (Nilsson, forthcoming).

Support structures continue to play important roles for the smaller societies, and a degree of innovation has been demonstrated in assisting diversification into value added products and supporting smaller players in the market for example through CUMAs in France (with similar organizations in Germany – MBRs with 187 000 members enjoying 55% reduction in capital investment requirements). The National Federation of CUMAs (co-operatives using agricultural machinery) claims membership in its 13 500 CUMAs of 41% of the active agricultural population (as well as generating 3 800 paid jobs within CUMAs). FNCUMA has moved beyond its primary objective of reducing the costs of mechanization, to providing additional services, developing a more responsible orientation to the environment, providing youth jobs, working with local authorities on countryside management, etc.

2.5 Managing decline/degeneration/demutualization

The above example of CUMAs and their federation can be seen as an example of the way in which a support structure can help to manage decline (in this case in rural agricultural employment). In more extreme situations such as in Scotland the Highland and Islands Development Board created a major innovation – community businesses – to help stem rural depopulation, by providing community services and employment; after 20 years as a rural strategy, it was transplanted with considerable success to inner city areas, firstly in Glasgow, then in other parts of the UK (400 community businesses with 3 500 jobs in 1995) and Europe.

Similarly the Greek Confederation of Agricultural Co-operatives has supported the creation of 57 agro-tourist co-operatives (mainly for women) to create rural employment through diversification into tourism.

In those countries without strong legal protection of Social Economy organizations such as the UK, demutualization has been a very real threat in recent years and the majority of the building society sector has become PLC (public limited company) status. The role of support structures and networks has been particularly important in defending the remaining 50 societies; the Building Societies Associations and the Co-op Party (political party), the Social Economy Forum, and the UK Co-operative Council (as well as some consumer societies) have played important roles in the re-appraisal of the value of mutual societies, some legislative changes giving greater protection, and saving of several societies due to rule changes (e.g. new members being required to make donations of ”windfalls” to charity).

2.6 Shifting boundaries between unemployment/welfare and temporary work via various instruments and development agencies.

Support structures play a role in helping to negotiate agreements with public bodies for specific measures, and in establishing these kinds of initiatives. Shifting informal/formal boundaries via temporary and community based projects has in some cases led to the creation of permanent jobs as in the case of social enterprises.

The shifting of boundaries between training and employment, has led to the major innovation of insertion through work (work and employment enterprises) developed through Social Economy support organizations (see CIRIEC study ”Insertion et nouvelle économie sociale” for comprehensive overview of developments in 8 European countries). Chapter 4 details some instruments used to capitalise unemployment and welfare benefits for employment purposes.

LETs schemes established all over Europe (several hundred in the UK alone) may be seen as ways of formalising the informal (black) economy, increasing economic activity, and providing the basis for entry back into the formal economy.

2.7 Building relations and contexts

Building relations and contexts improve labour markets, self-help and entrepreneurship, for example through the generation and use of *social capital***.** As Putnam has argued the various institutions in the Social Economy contribute substantially to social capital – both enhancing civil society, and providing keys to economic growth – through the high trust networks of reciprocal relations. Social capital is one of the major positive externalities developed by Social Economy organizations. For example there are the 200 Finnish Associations of Unemployed, the community business structures, the Régies de Quartier, for all of which their federal body plays a major support role.

Support structures help Third System organizations provide *more effective responses to crises* – for both old and new sectors of the Social Economy; in the old sectors pressures of globalization on the one hand and degeneration/demutualization on the other pose major problems to large national organizations, and federal bodies. These pressures challenge the traditional value of closeness to community/users for many social enterprises; thereby posing the dilemma of concentration within federations whilst maintaining local/territorial linkages. While in new sectors Social Economy organizations are an effective response to common crises faced by individuals and communities in society: the welfare crisis, employment crisis, and exclusion; but there are also crises relating to the specific local needs: of for example deprived inner city communities, disadvantaged and isolated multi-ethnic communities; crises in the regulation of financial services with the withdrawal of the banking services (leading to a big growth in credit unions in some countries such as the UK); of homelessness and low cost housing. Many of the activities that Social Economy support organizations are involved with can be linked specifically to some of these crises.
Thus in new sectors many challenges faced by support structures responding to state and market crises, may not primarily be about creating jobs, but about ”voicing” needs, negotiating resources, and building relations – *but* in the process a secondary aim is providing services and generating jobs.

Therefore a most important part of the role of support organizations is fostering *entrepreneurship* (directly or indirectly). Support needs to be well adapted to the quite different entrepreneurial models operating in the Social Economy, which are frequently collectivist as well as being very complex with multi-partnered arrangements often involving complex governance issues, and multi-sourced finance which may be associated with multiple objectives. Support is important in negotiating with such partners and negotiating through sometimes opaque and bureaucratic state machinery (for contracts and support).

3. Typologies of Third System Support Structures in Europe

In this Section we review the nature and extent of third system support structures in Europe.

The first thing that stands out about support organizations is their great variety in terms of their structures, areas of activity, governance, sources of finance, and functions. They vary from private holding structures like Arco in Belgium, to development agencies and research institutes which may be publicly owned. There are also federations owned and controlled by

their *member organizations*, and there are *networks* which also provide support at the primary level. So there is a great variety of types of *horizontal* and *vertical* support structure. The *area of activities* is also very varied; they can be local or community based, regional, national or sectoral. The *governance* varies from member based to appointed, and public authority controlled, and there is a mixture of these forms. Similarly the *sources of finance* vary from publicly funded to member contributions, and income from services - but very often there are multiple sources of finance. The type of organizations also varies accordingly to whether they are a *specialist* organization serving a particular type of Third Sector organization, like co-operatives or associations, or whether they focus on a particular user group, for example mental or physica disability. While some support organizations offer a more *generalist* service to a range of different types of organizations, both within the Social Economy and outside, so there is a great variety in that respect, too. In terms of the services provided, some services are directed to individual users or groups of individuals, particularly where training is concerned, but most services provided are for the primary organizations.

The second major point is about differing national *contexts*, shaped by the distinctive histories of the third system in the different European countries. This is a key factor for revealing central challenges and issues support organizations need to address e.g. some mutuals are clearly in the market, while others are symbiotically linked to the state; similarly for voluntary organizations providing welfare services. While it is more conventional to differentiate the sector by considering old and new organizations and the challenges they face, the types of context (below) clearly influences the different roles that support organizations play.

Public	Quasi-public/ corporatist	Quasi-market	Market

Thus in the UK the market oriented welfare sector leads to support organizations focusing more on conventional business practices, and attempting to legitimate Social Economy values and approaches in competition with the private sector. In quasi-market situations there is more possibility of succeeding with such arguments but much depends on local negotiations and corporatists contexts (e.g. ”pillar” systems in Netherlands, Germany where strong federal support structures have until recently played major roles managing cartel-like welfare services through their member voluntary organizations and so allow a much greater partnership between the state and Social Economy players).

The corporatist context is clearly a distinctive European tradition that has worked extremely effectively over the years. This form of corporatism (public/not for profit partnership linked to the various government levels) has been changing lately with increasing moves to liberalize the funding relationship and open up the protected markets of the umbrella pillar associations, as can be seen in the welfare sectors of Netherlands and Germany (e.g. Diakonie, Caritas).

In relation to Chapter 1 of this report, data on proportion of employment in the Third System showed that Ireland and the Netherlands were the two countries with the highest percentage employment (approx. 16% in each case). Neither of these countries figures strongly as countries where the third system is greatly recognized, but they exhibit sub-sectoral strength

in different ways. Both are small countries, with strong corporatist approaches facilitating good relations with the state and the legitimacy of each sub-sector; the picture in the Netherlands is dominated by the voluntary sector, and the "pillar" system of welfare and health clearly provides effective support (although the system itself is changing towards the market). In Ireland as in other European countries corporatism is rooted in strong church/state traditional relations; this accounts for the strength of the voluntary sector, and their influence over the development of the schools (part of the voluntary sector) and also helps explain Ireland's high employment in the Third System.

Chapter 1 also indicated the countries where the Social Economy is most recognized: Spain, France, and Belgium. Here there is a much more comprehensive level of support together with good state support at various levels. The nature of support is strongly linked to specific country governmental characteristics – thus Spain and Belgium have very strong regional support structures e.g. FVECTA, FSALC in Spain, compared to France which is more centralized (but with the new sectors such as insertion there is a considerable amount of horizontal linkage at regional/local levels). In addition there is clear support for the Social Economy, which helps to provide greater coordination between sub-sectors and overall representation of their interests (voluntary, co-operative and mutual), e.g. ESFIN in France, SOWECSOM for the Walloon Region of Belgium, VOSEC for the Flemish Region, etc.

The other significant difference in support is that in the established sectors in market contexts (agriculture, distribution, etc) support structures are more vertical for example via the federations, but in some cases these federations are weak in relation to primary organizations e.g. in Holland, Denmark, Sweden where individual agricultural co-operative businesses or consumer societies are large and powerful; similarly in the banking sector where we are seeing increasing concentration as a result of globalization. On the other hand in the new sectors such as insertion, support is much more fragmented, and frequently operates via multiple partnerships and horizontally. Support is clearly crucial for these new sector organizations either from pre-existing federal structures such as *Deutscher Paritatischer Wohlfahrtsverband* in Germany, or increasingly from local partnerships and networks such as REAS and REDESS in Spain which are both intersectoral Social Economy networks.

Often similar support structures in one country will be through different forms of organization in another (e.g. source of finance, range of services, etc). There are also some interesting comprehensive models where Social Economy development appears particularly well developed and densely networked. For example, in Mondragon (Spain) there are schools, a bank, university, innovation centre, entrepreneurship centre, etc. There is no general model – but there may be contingency models more or less relevant to type of context, task, and other factors; and within contingency models there are examples of excellence and innovation which can be promoted and adopted more widely.

3.1 Typology of support activities

In broad terms the types of activities range from *technical support for factors of production* and management, to *economic and social support for sustainability* both with regard to the distinctive social dimension of operation of Third Sector organizations (e.g. participation/governance) and in relation to their role in the community etc. There are also

various kinds of *political support*. In general the type of support is quite strongly related to context or stage of development (see later section). Support organizations sometimes specialize in one function, but in general tend to carry out more than one type of service.

The types of service carried out are:

Technical support for factors of production

- Training is a major area of activity, not just in business but also including a variety of social and organizational types of training e.g. for board members, for democratic values and practices for workers, and for basic employment skills.

- Finance: there is quite a lot of activity in terms of the administration of loan funds, the use of guarantees to aid new and existing enterprises. There is also a significant role played by a number support organizations acting as a decentralized arm of the state – for distributing grants, providing subsidies, to individuals and organizations that meet certain specified criteria.

- Marketing/Buying: support organizations may facilitate joint buying/marketing activities, carry them out themselves, or help initiate new organizations to provide such services;

Economic and social support for sustainability

- Development (economic/social): this includes development of the enterprises, development of partnerships; development of social dimension for example improving governance, and member participation by helping to establish standards, exchanging good practice experience, etc. Often projects in the third sector involve multiple partnership arrangements and the support organizations play an important role in negotiating partnership structures. Another important role is facilitating self-help, new innovative organizations and social movements responding to crises (state or market).

- Developing community linkages: support organizations play an important role in nurturing relationships and partnerships, developing social capital networks (e.g. for volunteer and user and staffing networks which thereby provide entry of volunteers and other participants into different projects) and in this way they both make use of and replicate social capital. And as Puttnam (1995) has shown social capital is not only important for civil society, but it is a crucial entrepreneurial factor in dynamic economies.

- Administrative and Managerial Support: these activities may be carried out for local or sectoral groups of primary organizations; in some cases as a way of achieving economies of scale, in others to provide access to higher level management expertise, or more sophisticated operational (computer-based) systems providing operational activities as well as management information.

- Consultancy and Research are other important services carried out, sometimes independently by the support organization, but often either through partnerships with sympathetic consultancy organizations, or via networking projects.

- Networking and Information Exchange: support organizations often facilitate the networking of primary organizations (sometimes on a transnational basis) to improve capacity and quality, develop expertise, and exchange information about challenging issues and good practices. Also networking may be cross-sector, within region/locality, nationally, and internationally**.**

Political support

- Promotion, i.e. promotion of the concept of Social Economy organizations, their characteristics and usefulness.
- Political Activities: this is a large area of activity particularly at the federal (national, regional, or sectoral) level in terms of: establishing the basis for dialogue with governments at different levels, managing relations with the state, lobbying and the representation of member organization interests, developing legitimacy and promoting legislation, fiscal measures and negotiation for the general inclusion of the Social Economy within a range of government policies. Social Economy support organizations also provide "voice" in the political process and in the way in which their organizations operate by empowering their constituencies.

- Regulation**:** support organizations also play an important role in terms of Regulation, this is usually enacted through annual returns, and registrations. legislative and fiscal compliance are standard areas of regulation, but quality may be a result of more active regulatory bodies. And sometimes they perform a self regulatory function in relation to the population of Social Economy organizations through federative bodies. In this way they help to improve the quality of the services provided, they help to minimize the risk of failure; this function can be seen for example in the German co-operative and nonprofit sectors. This self regulating function is often not fully recognized but it is quite an important one, and one which may be done more effectively than the state, with some advantage in terms of resource savings, and more informed less bureaucratic forms of regulation. (For example with regard to credit unions see Fischer, 1999).

3.2. Typology of support structures

Clearly the above functions are performed at different *levels* within countries (at local, regional, sectoral, national, and there are many international networks and many examples of international federative organizations). They are also closely linked to different *loci* i.e. in some cases they are owned and controlled by member organizations within the Social Economy, in other cases they are owned and controlled by public bodies i.e. the "state", while for new sectors and relatively underdeveloped sectors, networks of activities may sometimes be the main locus of support. There is some cross-sector support, most notably in the case of trade unions.

Table 1 Levels and loci of support structures' activity

Locus/Level	Local	Regional	National	International
Networks	Formal/informal linkages and public partnerships	New sector interlinking	REDEES	REVES CIRIEC
State	Local authority support	Regional government departments	Original promotion of SALs in Spain	EC (DG 5, 12, 23)
Social Economy Movement	Consorzi Centres for Voluntary Services UK local CDAs Finnish CSOs Swedish LKUs	Consorzi FESALC; FCTAC; FVECTA Mondragon	French and Italian Federations Lega, CGM, Confederazione. Welfare associational "pillars" UNIOPSS FNRdeQ Federations of most Social Economy organizations	ACME, COGECA, CCACE, CEDAG, AIM, EFC, CECOP, SOFICATRA ARIES,
Trade Unions	T&G (London)	Wales CDTC	(Union support for pro-SAL policies)	ETUC

(NB There may be a case for including sectoral and specialist support structures as a vertical column, but these are currently included within this framework. Also many of these structures may be mixed to a certain degree through for example state/Social Economy partnership; an interesting regional example of a tripartite partnership is the Foundation for the Promotion of the Social Economy in Asturia, Spain which is constituted by the regional government, the trade unions and the federations of co-operatives.)

Vertical federative structures are typical of support structures owned and controlled by established Social Economy organizations, but many new sector support organizations are based on horizontal network linkages; this is because such support organizations operate by building relations between key stakeholders in the local/regional economy; they play a significant role in stimulating dense network of trusting relations i.e. social capital. In many respects this could be considered as a key feature of policy measures relevant to the sector.

State structures at local, regional and national levels, influence the development of the Social Economy through its major functions: regulation, contracting and provision, and development. In traditional sectors operating in the market (e.g. agriculture, finance) the state usually plays regulatory and developmental roles similar to its role towards the private commercial sector. While in welfare sectors, besides its regulating and developmental roles, it plays key roles through contracting or through direct funding of Social Economy organizations to provide services, alongside its own role as service provider (which is a

declining role in many countries). In some contexts state and the Social Economy play complementary roles; but in other more market type contexts, there are often no clear policies. An important intermediate and fairly common position is where the state partially or heavily funds a support structure controlled by Social Economy organizations.

In welfare and new sectors (e.g. employment) the state has a development role with respect to many communities and segments of the population, and it commonly uses the Social Economy as a vehicle for securing its own objectives and minimizing negative externalities. Thus through regulation, development, provision, contracting/funding, the state has considerable influence over the size and nature of the Social Economy, yet policies are not always informed by a clear understanding of what will benefit the Social Economy.

This raises the issue of independence from the state, since support organizations often play an important negotiating role regarding the social agenda of the state, for example in the delivery of training in relation to the state policy, by turning the policies into practical programmes, practical projects, they play a mediating role in this area. The risk in such a relationship is that support organizations are not strong enough and they really don't negotiate a good bargain with the state in exchange for helping to deliver the state agenda (and thereby undermine the independence and sustainability of new social enterprises).

The Nature of Third System Support Organizations

Besides the type of context they operate within, support organizations clearly have to reflect two other factors: the nature of the Third System organization and the stage of lifecycle of the Third System organization. With regard to *the nature of the Third System organization*, co-operatives, mutuals, foundations, and voluntary organizations are significantly different from each other. Even amongst themselves e.g. agricultural co-ops require quite different kinds of support than worker and insertion co-ops; and co-operatives tend to grow and federate, rather than grow and merge. There is also a co-operative principle to co-operate with other co-operative organizations; the same applies to mutuals, while in general NfPs have different growth trends but also frequently have support activities at local and regional levels.

Another important factor in explaining the need for such diverse patterns of support is related to the *phase of development (lifecycle)* of the primary organization (ref. lifecycle models of Meister). The early phases are particularly relevant to the new sectors, while the final phase pertains more to traditional Social Economy sectors. There is the *pre-formation phase* – when negotiation over input factors has to be combined with the nurturing of non-market resources in particular social capital in community or social networks. The *formation phase* is when most learning takes place, followed by the *post-formation phase* towards *sustainability* – support organizations often play major roles supporting these entrepreneurial phases, and *maturation* when older established organizations typically face strategic challenges associated with managing change, diversification, etc. Support organizations often play important roles in managing sectoral *decline*, and countering threats of demutualization.

To summarize let us say that support structures for Social Economy organizations are very diverse with respect to the way in which they are structured and governed. They perform

many functions, from technical support for factors of production and management, to economic and social support for sustainability, as well as political support, particularly with regard to managing relations with the state. These functions are distributed at different levels (local, regional, etc) and are performed not just by Social Economy controlled structures, but by other actors including the state. When considering the nature of support required it is important to differentiate between the needs of old and new sectors (lifecycles), and the different contexts in which Social Economy organizations operate (quasi-public, quasi-market, market), since the issues faced will vary according to lifecycle and context in different countries. Therefore there are no universal models of good practice, but there are (contingency) models relevant to the issues faced in each situation, and this section has attempted to draw out some of the issues in relation to such situations.

4. Analysis

4.1 Key findings from the research

Where there are member linkage this is cited as a strength but in other cases where there is not a strong member linkage, that's clearly a weakness. Finance frequently is noted as a general weakness i.e. access to and availability of finance. Partnerships appear to be a strength in that many support organizations have the capability to create and negotiate partnerships successfully (and interco-operation is an area of partnership which is particularly important). Often the lack of political voice is mentioned as a weakness i.e. there is not sufficient influence or impact on the highest levels of government by support organizations; and on quite a few occasions the lack of a national policy framework for the Social Economy is mentioned as a weakness.

Local support structures often suffer from fragmentation in the sector and lack of federal linkages which might help they avoid the risks of local clientelism and competition. Some of the new sector federal structures are not well established and rely on project funding (including EC funding) to maintain a significant presence and representative function, due to the fragility of their membership, e.g. in the environmental and socio-cultural sectors.

On the other hand some support structures have demonstrated considerable success in enhancing employment capabilities through for example UNIOPSS' role in assisting the recognition of skills for jobs in the social sector. But it has been very difficult to establish the emergence of transversal (horizontal) coordination and interco-operation in all sectors e.g. in France CNLAMCA has found it difficult to establish a strong coordinative role in relation to strong sectoral organizations.

As Social Economy organizations become more established support organizations have strengths in assisting them through establishing economies of scale (buying/marketing groups, etc), and accessing key information and expertise.

4.2 Key features in good support organizations

It would not be likely that all support organizations would possess all the features considered ”good”, and in some ways, given the diversity of support structures within Europe, any specification is bound to be flawed, nonetheless a review of important capabilities helps demonstrate the often high level of expertise demanded, and it provides the basis for informing good practice. The following might be considered particularly important for many support structures:

- Brokering information and contacts, negotiating with partners, managing transaction costs for multi-partnered, multi-funded projects.
- Managing boundaries and transitions between projects, towards sustainability
- Promoting cross-sector collaboration and inter-co-operation
- Levering resources (economic, political, social capital)
- Developing networks: for participation/ownership, stakeholder/community linkages, territoriality and social capital
- Capability (quality) and capacity building for sustainability
- Developing and sustaining innovativeness

These features will be elaborated in more detail when considering effective and innovative models in the next two Sections.

4.3 Effective models

It is convenient to classify types of support structures using a fairly simple system (see typology table in Section 3), based partly on level of support (local/regional/), and on the specificity of third system structures (federation, networks and specialist bodies). This represents a vast majority of experiences found empirically.

Local development agencies

At the primary level where organizations are working with groups and projects, it is sometimes difficult to specify the category definitively; for example a community business is a community owned holding structure for projects and businesses, and it usually has a development function attached, often in the form of a development trust; thus it combines elements of a Third System organization, as well as elements of a support structure – in fact this combination is a strength, but it means there may be some overlap with other Sections of this report and this Section.

Local agencies help establish social capital, and provide a focus for entrepreneurship. The UK Co-operative Development Agency has been very successful at working with groups of unemployed and creating new co-operative businesses. Similar forms have since been established in Sweden and Finland, and there are many other good examples such as the *Agence Conseil en Economie Sociale* in Belgium, and the Irish Social Economy Unit which operates in a similar way for the Social Economy in ”Tallaght”, South Dublin. Similar kinds of development agencies exist in the voluntary sector (such as local centres for voluntary organizations in the UK), and their capacity to articulate and meet social needs plays an important role in developing a stronger basis for disadvantaged communities capacity to

engage in economic activity. In many cases small scale social projects are followed by projects providing social services, and employment activities as the capacity for economic activity develops (as in the holding structures for community businesses). Such structures are particularly suited to socially and economically excluded communities, and although a major part of their multiple sourced funding may be public funds (including public contracts), it is important that through their structures they are seen as community (or third system) organizations. They often play important intermediary roles channelling and clarifying the complex regulatory policy frameworks that exist to support employment/training for individuals and socio-economic development of communities (one-stop shops are one of the most developed example of this general capability).

These structures are usually the most important ones for assisting the unemployed and disadvantaged communities and yet their situation is the most precarious due to their being financed largely via project finance from public programmes (see points on sustainability). Thus it is crucial to find ways of strengthening their capabilities to overcome uncertainties – through partnership and networks.

One option is to provide that level of support from within local government structures (as is done in some countries), but this has the disadvantage of being more likely to emphasize state priorities in projects and reduce the sense of ownership which is important for self-help to develop. An alternative (for example in the UK settlements, etc) is to develop an asset base through fund-raising foundations, usually in the form of property (offices, workshops for projects). This can provide some stability and improve risk management, through rental income, and provide a locational basis for exchanges between projects/organizations. Recent research has shown that asset rich settlements were much more successful in income generation than asset poor settlements (CAF 1998). Secondly partnerships and volunteers are another way of bringing in additional resources (finance, expertise, social capital) and so reducing precariousness.

Another approach gaining increasing attention is to focus on entrepreneurship, for example the well established French *Boutiques de Gestion* focuse on new types of entrepreneurs, and manages to help create 6 000 jobs per year, in a range of sectors including the Social Economy.

However for many new sector organizations and their support structures, the need for coordination is particularly pronounced (to avoid fragmentation and isolation), thus some cross-sector coordinating mechanisms at this or the regional level are important. Networks for similar groups for strengthening their capabilities are common, but it would also be useful to improve cross-sector networking since much may be learned from overcoming sometimes artificial barriers between different parts of the voluntary sector, and between voluntary and co-operative sectors.

The Italian Consorzi model operates at several different levels (local, regional, sectoral) and is particularly well known for its support for established co-operatives, where it performs many business functions for groups of enterprises (as well as being a focal point for the exchange of services/advice between co-operatives), securing economies of scale and centralizing access to expertise, training and other services. In general there are two main

types: enterprise consortia which perform manufacturing and commercial functions on behalf of members e.g. processing agricultural products; and service co-operatives which centralize functions for members e.g. buying, storage, access to technical expertise.

Regional development agencies

With increasing regionalization within Europe, the regional level has become more important. At this level one expects greater range and depth of provision of services to members, as well as development activities and managing political relations with regional government. Thus FVECTA, the agency that is established to support 460 worker co-operatives in the Valencian Province of Spain, is democratically governed by its affiliated co-operatives; it provides a wide range services including: the development of new and established enterprises, a ”one-stop shop” for promotional assistance, information exchange, a substantial training service partly run by a specially set up foundation, and partly contracted out to a professional training worker co-operative; it has also played a lead role in a number of innovative European projects.

Perhaps the most outstanding example of third system regional development is the Mondragon co-operatives in the Basque country of Northern Spain. It is an example not just of a comprehensive vision and strategy, but also one of continuing support and innovation for established social enterprises. The starting point was a training school from which the first recruits started a co-operative, *Ulgor* in 1956; this grew and the model proliferated. The bank (*Caja Laboral Popular*) has subsequently played a major role in the entrepreneurial process of creating new co-operatives and sustaining the growth of existing ones; this has been not only through its channelling of community finance for new co-operative business, but also in the way its ”enterprise division” has extremely successfully institutionalized the entrepreneurial process. Later the educational capacity was enhanced through the setting up of higher education co-operative establishments, R&D facilities (Ikerlan), a Management Training institution, and a health and social insurance organization. Leadership of the 134 co-operatives employing over 34 000 workers (1997), is now firmly established in a democratic federal body, MCC, the Mondragon Co-operative Corporation. The ”*grupos*” (local federations of co-operatives) provide the basis for various economic and managerial functions, but their most interesting feature is the role they have played in facilitating economic change with low social cost, by internal transfer of workers between co-operatives – from those declining economically to those growing. This has formed a vital part of the co-operatives survival strategy in recessions. While the varied range of support structures and their integrated model provide an inspiration for many.

National bodies and federations

At this level national bodies may perform functions of dialogue with the state, managing relations, and/or political representation and lobbying. While in many countries there may be strong federal bodies for co-operatives or voluntary organizations, it is more difficult develop strong coordinative bodies across all sectors of the Social Economy.

Good examples of a national coordinative bodies representing the Social Economy include CEPES in Spain; in France CNLAMCA provides an integrating and coordinating policy role

for the sector, while in Greece PANCO (union with the aim of supporting Social Economy organizations) performs a representative function mainly for co-operatives and mutuals. In general such national level organization tend to be lacking or weak. Ireland's Area Development Management Ltd provides a good example of a para-statal playing an intermediary role effectively for global grants distibution plus technical support, specifically targeting long term unemployed.

In welfare and insertion sectors there is increasing dynamism at the local level with good levels of civic participation, but frequently such initiatives are weak and fragmented – one effective strategy is incorporation within established national support structures - for example in Germany where the large welfare federal association *Deutscher Paritatischer Wohlfahrtsverband* has accepted local self-help groups as members, and has become the fastest growing welfare association. In many ways this parallels the kinds of locally based partnerships in employment initiatives which have been so successful in many countries; but it demonstrates how membership of established federal structures is seen as key to the long term sustainability of both the new small initiatives and the established structures.
CGM is a major national *consorzi* for social co-operatives in Italy; it also has territorial or regional *consorzi* and its own internal financial support structure – CGM Finance. It has demonstrated an outstanding example of leadership in building capabilities for growth of the social co-operatives; it has been extremely successful in helping develop viable member co-operatives – there have been practically no failures in its many years of existence!

The *Comité National de Liaison des Régies de Quartier* (France) has been an effective body politically in representing its members, providing services to members, and for development - extending the *Régie de Quartier* model across France. In addition it has established recognition of a quality mark based on a charter it developed. Quality is an issue for funders and consumer/users, both in terms of minimum standard levels. In other contexts promoting quality may be an effective way of challenging established power structure within Social Economy organizations that may not be serving users best interests.

International bodies

Established sectors tend to be well represented at this level for example ACME has played a key role in helping insurance co-ops and mutuals to transform themselves in response to globalization and deregulation; but the new sector operates more in a network fashion rather than being well represented vertically. And in general established bodies are slow to embrace the new sector, but possibly because worker co-operatives are both old and new sector, CECOP has embraced other areas of the new sector, most notably social co-operatives. It is also highly active in a wide range of projects internationally.

Specialist bodies in finance

There has been a major growth of financial bodies for the Social Economy, they are many, varied and still increasing; they often play a different role to conventional financial institutions by incorporating development functions. The International Association for Investors in the Social Economy (INAISE) recently conducted a survey of almost 50 such institutions in Europe; they comprise organizations that operate both within the Social

Economy as alternatives to commercial institutions, and those which cross the boundary and lever in resources for the Social Economy. Briefly to summarize the situation, we can identify 5 types:

Type 1: Kitties, Investment Clubs, Local Funds either member-based or local venture capital companies. Characteristics are locally based; self-financing; small scale; involvement of volunteers; e.g. Cigale in France, Aston Reinvestment Trust in the UK (modelled on US community banks), Mag2 Finance (part of a new Italian ethical bank), Herrikoa in the French Basque country; and specialist bodies like Goldrausch in Germany for women entrepreneurs help address substantial problems in new ways.

The growth of LETS (local exchange trading systems) which are barter systems similar to type 1, has helped combat financial exclusion and played an important pre-figurative role in economic development by stimulating the informal economy (LETS have been formed in most EU countries: e.g. 450 in the UK, 60 in Netherlands, 50 in France, 20 in Belgium).

Type 2: Agencies with strong links to public authorities: FGIF (Guarantee Fund for Women's Initiatives, part of IDES) in France, RIM (a micro-enterprise support scheme in Portugal). SOWECSOM the Walloon regional investment company fits in this category and has additional developmental functions. There is increasing interest in mutual guarantee systems, such as NAMGS in the UK, and recent legislation in Greece will create a similar structure (these cover SMEs as well as social enterprises).

Type 3: Ethical Banks: Ekobanken, Triodos Bank, Credal, Hefboom.

Type 4: Financial Instruments of enterprise networks: Socoden linked to the French SCOPs using 0.1% of turnover, Co-op 57 in Spain, COSIS (a fund for social enterprise in Italy), and CFI (a co-operative/trade union fund for saving bankrupt companies).
(NB: the above categories relate to an INAISE classification).

Type 5: The lottery model of finance deserves special mention as it exists in many countries and could be a model for all countries examples include RAY and Oy Veikkaus Ab in Finland which have state monopolistic powers, but in return provide a major part of their surplus to the Social Economy; ONCE (society for the blind) in Spain .

Table 2 Investment per job created

	Potential no. of projects financed per year	Average Investment per Project (ECU)	Number of jobs created per project (average)	Investment per job created (ECU)
Socoden (2) rescues	16	24 000	18,8	1 200
Cigale	1	2 000	2,5	1 300
Socoden (1) start-ups	23	6 000	4,3	1 400
PYBT	4 000	3 000	1,9	1 500
First Step	135	3 750	2,5	1 500
SCEIF	5	19 850	11,8	1 700
Goldrausch	35	3 000	1,5	2 000
Hefboom (2) soc. enterprises	-	40 000	17,5	2 300
Herrikoa	12	36 000	14,3	2 500
Ecos capital riesgo	3	112 000	4,5	2 500
FFA	175	3 000	1,1	2 700
ADIE	700	3 500	1,2	3 000
ICOF		22 500	6 to 7	3 750
IDES (FGIF)	65	13 800	1,8	3 800
MAG 2 Finance	20	15 000	3,9	3 850
Tallow (1)	(2)	145 000	35	4 150
Genèse	50	4 300	0,9	4 500
Crédal (1) self-start	8	5 000	1	5 000
Eko-osuuspankki (2) peer group	-	6 100	1	6 100
Stichting Werkgelegenheid	5	14 300	2	7 150
Clones CU	(2)	62 500	8	7 800
Hefboom (1) gen.	5	33 000	4,1	8 000
Blessington CU	(1)	125 000	10	12 500
CFI	10	475 000	38	12 500
Bank für KMU	700	100 000	1	18 500
RIM	200	38 000	3,3	18 700
Coop 57	3	28 000	5	18 700
Crédal (2) gen.	20	61 250	2,9	21 000
COSIS	30	163 500	7,8	21 000
NEF	120	30 000	1,3	23 700
SIR	500	104 500	4,7	53 800
Sowecsom	too recent	130 000	0,6	NS

Table 2 (continued)				
	Potential no. of projects financed per year	**Average investment per project (ECU)**	**Number of jobs created per project (average)**	**Investment per job created (ECU)**
AFW	3	750 000	2	NS
AKF	1	450 000	0	-
Eko-osuuspankki (1) bank project	not operational	-	-	-
ART	too recent	-	-	-
CAF	too recent	-	-	-
Merkur	80	-	-	-
ITUT	-	-	-	-
Tallow (2) gen.	65	4 000	-	-
GLS Gemeinschafts bank	-	-	-	-
LIF	10	120 000	-	-
Triodos-Art	5	37 000	-	-

Key:(-) data not available or not applicable. (NS) not significant; (1) or (2) where a fund is mentioned twice with regard to its different types of operation.
Source: INAISE.

The average annual expenditure per person for unemployment in the Union in 1995 amounts to approximately ECU 9 000. In four countries - Denmark, The Netherlands, Austria and Sweden - this expenditure is almost double, while in three countries - Spain, Portugal and Greece - it is approximately half this amount.This performance may be compared with seed capital investment in 8 European countries with a weighted average investment per job created by this type of instrument of ECU 14 666. Alternatively comparison with government support for large scale industrial investment (Ford/VW into Portugal in 1991 at a cost of ECU 220 980 per job; or LG Electronics into UK in 1996 at a cost of 40 890 per job).

The above cases, were selected on the basis of innovation, diversity and some degree of geographical representation. These financial bodies for the Social Economy represent a new wave that has developed rapidly in recent years, alongside increasing interest in ethical investment. They are ”bank-like” operating lending instruments rather than ”grant-distributing”, many are young, small, but growing. Most of these organizations however go beyond the typical banking model and provide some form of additional support which helps explain their low failure/default rates; typically such services include improving individuals skills or improving the enterprises capabilities (through legal advice, advice on business planning, market research, etc.) Just under half have employment as a main objective, though it is a subordinate objective for others; and just under half aim to reach disadvantaged groups (women, young people, disabled people).

The table is not a complete description of the sector, rather it represents the newer more innovative developments; also it does not include type 5 (lottery model). There are also well established Social Economy financial institutions (in the banking and credit sectors) which play a role in employment generation; and there are other examples specifically oriented towards employment in the Social Economy e.g. although CFI and COSIS are included there are others from the very well developed Italian sector (especially the mutual funds such as Fondosviluppo, Coopfond – 5 553 jobs in 6 years, Generalfond, Promocoop; and Banca Popolare Etica, etc); or other established cases such as Unity Trust in the UK, CLP in the Basque country of Spain, etc. Some of the more established initiatives demonstrate some traditional routes to sustainability (e.g. Fondosviluppo's mutual fund is based on 3% of member co-op profits plus the assets for co-ops that close), while the new wave offers some new dynamic and innovative models; both established and new have become important parts of support in the Social Economy.

Specialist bodies in training/development/research

Training may be differentiated according to whether it is conducted by bodies external or internal to the Social Economy; it may have the Social Economy as a major theme or as a minor or complementary theme; and its content may be mainly to develop technical/professional skills for individuals, oriented to organizational processes, or aspects of the Social Economy; thus for example employment related skills training as well as social training are required for new job entrants; training for growth and development (economic and social, etc), as well as training for the board and members. There are a number of issues and problems (see CNLAMCA study 1999); to a certain extent there are informational problems about disseminating and communicating what training is already available, thus cross-sector bodies as well as new communications technologies (web, etc) have a role to play here. Many public instruments supporting training are individualized, thus may not facilitate orientation to more social/collectivist aspects of training required by Social Economy organizations.

Training is conducted by most categories of support organization, and organizations internal to the Social Economy tend to provide short term courses which are more likely to be addressed to the specific needs of Social Economy organizations, while external bodies provide longer term courses often with formal qualifications attached. In some ways greater linkages and integration between such approaches would be preferable. Partnership at a stage as early as possible is important in helping overcome some of these problems and tensions. For the established sectors training institutions have to assist in developing high level distinctive competences (such as via universities), while for the new sector, the key task is to professionalize the sector through recognized and valued qualifications.

There is a need to address the tension between the demands for organization specific and sector specific courses (e.g. co-ops vs voluntary sector) and the potential for commonalities and generalized courses across all Social Economy sectors. This may be even more pronounced in established sectors such as agriculture and banking where training relations are established, rather in the newer sectors (welfare, local development, etc) where the potential for building cross-sector partnerships is greatest. Some institutions such as

FEBECOOP which has been promoting intersectoral training across the Social Economy in Belgium, are attempting to address some of these issues, and modular approaches would seem most promising; but clearly this is easier in countries where the Social Economy is more recognized nationally (see Chapter 1 of this report).

Some training is linked quite closely to *development* activities, so that skills development is complemented either by activities facilitating job search and placement, or there is a development phase for starting a social enterprise; in some cases the latter may be closely integrated with technical and professional skills development for example in entrepreneurship training (see Saiolan below) or in for example the work of CDAs where groups of unemployed acquire skills in the process of developing co-operative business plans.

Regarding external training, let us stress that it is very significant that the Mondragon co-operatives began with a training school. There are a number of university institutes, such as Mondragon's Polytechnic, the Co-operative Centre at University College, Cork, Ireland, and the Institute for Co-operative Studies at the University of Helsinki, which often play multiple roles (research, development and training), including in rapidly developing new sectors and in the increasingly important knowledge based economies; such alliances between universities and the Social Economy are particularly important in helping to address strategic issues (for example through networks of university staff contributing to conferences and workshops) and in developing competences and professionalizing the sector (e.g. the University of Bologna Masters in nonprofit organizations, the Universities of Grenoble and Le Mans courses in the Social Economy); in these ways they also establish legitimacy particularly of new sector initiatives.

Support structures are concerned not only with direct provision of training but also administering, targeting and funding it. For example there are several training funds in for example France, such as UNIFORMATION manages an annual budget of FRF 600m. concerned with funding transverse provision across the Social Economy sectors; it has also linked up with trade unions to identify and prepare for employment changes in rapidly changing sectors. Such bodies allow a more coordinated approach to provision in the sector.

Research on the Social Economy is conducted by a range of Social Economy organizations as part of their functions, as well as by outside organizations and institutions where the most substantial contribution comes from the University sector, where increasingly there is strong linkages with development and training activities. Research findings are of course essential to developing a better understanding about the field, but they also help contribute to policy and legislation (e.g. as well as the universities mentioned above, important research includes: social co-ops studies by Issan at the University of Trento, Italy; the University of Sodertorn's findings on child care co-ops in Sweden; CRU at the Open University findings on success rates of worker co-ops, as well as analyzing the function of CDAs; University of Valencia made a major socio-economic study (Libero Blanco) informing policy in the Valencian Region. The University of Liège through CIRIEC, and the Social Economy Centre have made numerous contributions to regional, national, and international policy, and so on. Many of these organizations (and their researchers) are also involved with regular publications which disseminate findings and inform policy makers and practitioners e.g. via

the "Annals of Public and Cooperative Economics", *"RECMA",* "Journal of Co-operative Studies" (UK), *"CIRIEC-España",* "Swedish Journal on Social Economy", "Journal of Enterprise and Participation", etc.

In a study by CIRIEC, completed in 1993, over 200 organizations in Europe were identified with research activities (including individual researchers in Universities). Researchers specifically within the Social Economy support structures have undoubtedly increased, and the data has almost certainly changed, with considerable growth in certain countries like Italy, but it gives an indication of the research activities and the potential for partnership with the dominant sector – universities.

Table 3 Research Organizations on Social Economy in Europe

Country	Co-op sector	Mutual sector	Vol. Sector	Social Economy	University and others
Germany	2		4		11
Belgium	4	4	12	4	14
Denmark	2		1		8
Spain	4		1	1	14
France	5	4	9	6	28
Greece					7
Ireland	3		1		1
Italy	4	2	1	1	6
Netherlands	1	2	1	1	4
Portugal	1		1		2
UK	3	2	8		10
Sweden	1				6
European level	8	1	8	2	2

Independent research organizations and ”think tanks” also play important roles for example Demos in the UK which has helped stimulate a re-evaluation of mutuality in the public and Third sectors in the UK, CRIDA in France which has played a key role in placing *”services de proximité*” on the socio-economic agenda of different policy makers in France and elsewhere in Europe.

International networks are playing increasingly important roles e.g. the international studies of the Johns Hopkins Project strongly informed by the US perspective on nonprofits, and the more European centred EMES network which has helped establish social enterprise as an important category of socio-economic activity (disseminating findings via CECOP), and many CIRIEC research projects and subsequent dissemination and development activities for example on labour market integration initiatives, specifically revealing the considerable potential of training and work enterprises; and ICA research networks which in recent years have focussed on women and entrepreneurship (Paris 1998), labour market issues in East and West Europe (Budapest 1997), and adding value through co-operative values (Quebec 1999).

Networks and alliances

Networks in the new sector have proved vital for innovation and capacity building, for example REVES for public(cities)/Social Economy partnerships, INAISE for finance - both play major roles for exchanging information, and expertise for developing good practice, disseminating innovations, etc, through their roles as networking organizations.

EC funding plays an important role in sustaining the international dimension of these networks (e.g. the Confederation of European Firms, Initiatives, and Co-operatives for psychically disabled (CEFEC) social firms network for voluntary sector organizations creating real jobs for people with disabilities).

As noted earlier there is scope for more cross sector networking at local/regional levels within international networks so that for example local development agencies in the co-operative sector can appreciate different operating models of the voluntary sector, and vice-versa (including university networks linking with development groups); the French legal form *Union d'économie sociale* seems to facilitate this.

Alliances with established structures (independent or state) often work well, (and links between new sector support structures at the local level and established ones can be particularly effective e.g. the *Deutscher Paritatischer Wohlfahrtsverband* as noted earlier), and for example as noted earlier, in Spain an alliance between trade unions, co-operatives and the Asturian regional government has resulted in the formation of a Foundation for the promotion of the Social Economy, which helps new social enterprises get started as well as those already in the market, and delivers training for established organizations, as well as conducting regional studies.

4.4 Innovative models

There are many different types of innovation (supply, market, process, product, etc); some have been mentioned in the previous section, but it is difficult to select the ones to mention here, since there are so many potential cases. However the following give a flavour of current trends in innovation.

The social co-ops of Italy and Spain have been innovative in developing new forms of organization (part voluntary organization part enterprise, drawing in volunteers, families in a multi-stakeholder structure that seems particularly well suited to welfare provision and assisting groups with disadvantage/disability, etc). And their support structures (*consorzi)* have also been highly effective in constructing a pattern of support (more centralized) that has produced an extremely robust or sustainable system, with practically no economic failures.

In France the National Federation of CUMAs (co-operatives using agricultural machinery) has seen extensive growth with 13 500 CUMAs involving over 40% of the active agricultural population; they have played an innovative role in regional rural development taking into account environment and countryside management as well as employment issues. Similar initiatives now exist in other European countries e.g. MBRs in Germany.

New ways of encouraging and facilitating entrepreneurship are an essential part of Social Economy employment strategies (and local development agencies are leaders in this area), but models from the private sector are not always adapted to the specificities of the Social Economy. In Mondragon the *Saiolan school for entrepreneurship* has reconstructed the entrepreneurial process in a way that allows a more professional and educated approach.

Unemployed Associations (Finland), at another point on the economic continuum, the 300 Associations for the Unemployed in Finland support the unemployed in their job search and further education, (e.g. computing skills), together with social support plus low price meals; they have helped spawn *labour co-operatives* to hire out members' labour to companies (180 labour co-ops providing several thousand jobs in 1998), and there is a federation to support the latter. This provides an interesting example of links between associative and co-operative models – each doing what they do best – one bringing in volunteers and linking with the community, the other more entrepreneurial. Similarly the Finnish Study Centres for Information and Training build on the traditional Scandinavian approaches to address unemployment issues.

Wise Group – *intermediate labour market (ILM) organizations* combine training with commercial trading and a social purpose (services to communities); in a way they have re-engineered the conventional split between separate training schemes and separate community service organizations and local government maintenance and improvement activities, combining them into one organization that contracts with local government and makes use of training programme finance, to provide real jobs. The support structures have set up different ILM organizations, and they have also helped to replicate the model in different cities.

Interesting cross-sector collaboration can be seen in the Trade union and worker co-op creation of *Chèque Domicile* (in France) which administers the scheme to allow payment for domestic services needed by workers.

Improving learning amongst social enterprises and support organizations is essential if good practice is to be disseminated and adapted to local contexts. In Germany*, GIB* (society for innovation and employment); it was set up by the Länder (North Rhein Westfalia – and there are similar arrangements in other Länder); it helps to organize dialogue and learning processes for organizations in work integration and employment areas. Consultative support is developed via conferences, practical evaluations, raising issues, seminars.

INAISE has played an important role in *networking* the rapidly developing *social finance* movement. While international networks of training and development agencies are numerous, due to much greater diversity and fragmentation, there seems greater potential to improve learning, raise quality and make more available the models and products/services developed, sometimes on a commercial basis.

Regarding use of *information and communication technologies (ICT*), ARIES and CoopNet have proved effective ways of disseminating ideas and information, discussing good practice and analysing different models. There may be limits to the size of some of these virtual

networks, but more will undoubtedly develop, and greater use of the WWW is clearly an important parallel development. While Social Economy organizations cannot overcome the problems of communities accessing ICT, they have a very strong interest in developing its use for developing social capital as well as skills and information.

5. Strategies for Improving Support Structures

With welfare state restructuring, and major employment changes as a result of globalization and deregulation, it is clear the Third System has an important role to play in managing some state and market failures. Its role has increased and expectations have risen about what it can achieve. Although some expectations may be unreasonable, there is clear scope for improving Social Economy organizations, and support structures play a central role in that process, together with the policy framework. They play multiple support roles for primary Social Economy organizations – and are key to entrepreneurship and improved capabilities, yet understanding how to develop and regulate support organizations is not a well developed science. This section examines ways of addressing this question, and improving support structures and thus the Social Economy.

A contingency approach – the first part of this paper argued for no single approach, no single model. Rather it is more important to link support to context, accepting a complex picture with different levels and *loci* of support, different roles played by market, state, and community. This requires taking a contingency approach – accepting that different models are appropriate to different circumstances; and linking type of support to lifecycle of primary organization (old/established vs new vs start-up); this requires drawing out principles (developed in Section 3 and below) that help define what Social Economy strategy is relevant to what problem context. Furthermore when considering the operation of the whole system it is important to consider congruence (fit) between primary and support organizations, and the fit between different support organizations.

Given the points made above, there is not a simple answer, but a range of areas which should improve the development of support structures, and the links between them. These areas for improvement address issues at different levels and areas within support for the Social Economy, build on their strengths, current innovations, and help to address their weaknesses; they are: developing strategic capacity, capacity building for quality/sustainability, improving networks, focusing on entrepreneurship, developing specialist capabilities, and improving the coordination and operation of the whole system of support.

5.1 Developing strategic capacity to manage change

From the point of view of National and EC authorities, one of the central issues in improving support structures is improving their strategic capacity to manage changing demand, changing priorities, in the context of diverse national and regional conditions; thus for some countries/regions the issue is less mass *unemployment* and more *exclusion* (and problems arising from *precariousness* of employment) e.g. in countries like United Kingdom, Denmark and The Netherlands with declining unemployment rates many support organizations have to manage *declining demand* for their services as well as *shifts in priorities*; and with monetary

union regional difference is becoming an increasingly important issue; on the other hand in welfare services there generally seems to be increasing demand, and the issue is *entrepreneurial* – how to respond to increasing demand (provided public or private finance is available to purchase it). Clearly national and regional governments will have their own views on their strategic priorities, but finding ways of involving the Third System in helping to set priorities for their regions will help improve their strategic capabilities – particularly where varying demand in different sectors and changing priorities are apparent. *This argues for improving coordinative structures at regional and national levels (particularly for new sector organizations).* However some national contexts may be unsympathetic to high levels of coordination, on the grounds that it may hamper, competition, innovativeness and the development of new social partners/organizations.

A central task in relation to the state is to find ways of managing the temporary and variable nature of demand for Social Economy organizations i.e. managing the uncertainty, the variable public programmes, the project nature of many funding instruments, etc. and in particular, managing lumpy income changes (lumpy funding decisions) which threaten the sustainability of Social Economy organizations.

5.2 Capacity building for quality and sustainability

Quality - this is possibly one of the most important areas to address; support organizations are crucial to achieving this particularly in the new sector (see box for agenda on improving practices); thus enhancing their capacity at the local level and improving coordinating linkages at the regional level are priorities. Drawing on effective models (e.g. the Italian *consorzi* model, Mondragon, etc) will aid this process. Quality methodologies are increasingly used in the service sector and are clearly important in strengthening the older and established sectors – support organizations can adapt, promote, and administer such systems, as well as play a role in their adaptation for small new sector organizations.

Table 4 Key points for improving quality in Support Organization practices

Use of contrasting models to challenge and provoke (e.g. co-op vs associational vs business model)
Leadership and followership in the Social Economy - how to develop vision and strategy Use of inspirational models (e.g. Mondragon, social co-ops)
Adopting evaluative frameworks to raise standards e.g. social audit and quality methodologies
Managing the intermediary role: SO as "mid-wife", critical friend, challenger, standard setter, supplier of services, strategist/visionary, politician, etc.
Developing the role in response to primary organization need – exploring different views: subsidiarity vs complementarity vs. dependency
Designing responsiveness into relationship with primary organization (defining constituency, building affiliations, developing voice and accountability)
Addressing weaknesses: e.g. inclusiveness vs. exclusiveness of clientele (boundaries vs openness)
Enhancing capabilities, extending capacity (reach vs. penetration (breadth/depth)) Managing values – solidarity vs. quality and access
Building on enthusiasms and linking with social movements
Promoting dialogue and learning

Levering in resources – Social Economy organizations have distinct advantages and considerable experience of levering in resources for the support and development of the sector. This refers to the use of *assets/donations/volunteers/experts* (and the use of partnerships especially state/NGO). This is vital in improving sustainability – e.g. in UK settlements and development trusts, in ethical investment institutions, etc; and it is an area which could be further developed through support organizations to good advantage.

5.3 Strengthening networks and methodologies

Innovation and mainstreaming good practices – the new sector is an extremely vital organ for new ideas, the issue is more how to determine the key elements of an innovation, and how to develop, adapt and replicate it. This implies a greater emphasis on secondary phases of innovation take-up and dissemination. On the other hand the traditional established sector is frequently in need of greater innovation, and there may be scope for greater cross-fertilization of ideas and secondment/exchanges of people. Given that the Third System has considerable expertise in relation to working with disadvantaged groups, dissemination of good practices extends beyond the Social Economy to promoting initiatives in the private

sector; for example social firms initiatives to "coach" established organizations in good practices regarding the retention of people with temporary mental illness.

Networking for learning and adaptation – networks are a prominent feature and a strength within the new sector, however it is not always clear that learning processes are well designed (for example to challenge and provoke reappraisal); similarly frequently networks are temporarily funded and may not lead to stronger permanent relationships. There is a place for both, for example in the transfer/adaptation of models; but there is a need for strategic development of networks (established and temporary), this might include consideration of:

* Learning networks for diverse populations of social enterprises
* Develop linkages between established bodies and new bodies (2 way learning transfer for innovation/sustainability)
* Extending use of New IC Technology.

5.4 Rethinking entrepreneurship/development processes

Improving social entrepreneurship – given the evidence of weak entrepreneurship in the Social Economy (e.g. UK voluntary sector relative lack of growth in elderly residential care compared to the private sector) and concerns about improving market entry for small Social Economy organizations, it is clear that support organizations frequently play important complementary roles in this process (CDAs, Mondragon Bank, etc). Extending and developing these models and building on innovations (e.g. the Saiolan school for entrepreneurship) are priorities. This includes developing growth/replication models that are typical of the Social Economy developing more vigorously (e.g. strawberry fields model). Similarly recognizing the complementary entrepreneurial roles played by financial (and training) institutions (see below) is important in policy and practice. In a different respect it is important to improve ways (e.g. reducing transaction costs) for smaller new sector organizations to engage with the state e.g. for support, contracts etc, through support organizations.

Investing in social capital (not just jobs) but to help establish infrastructural support/networks. Social Economy organizations are uniquely well suited to build bridges between the informal sector and the formal sectors of the economy; recognition of the importance of developing social capital as a pre-formative stage (via associative activity) and the importance of bridging/linking activities will ultimately address problems of exclusion and unemployment.

5.5 Developing specialist capabilities

Finance – new financial institutions in the Social Economy are a clear success (see Section 4.3 and Table 2), thus building on good models and extending good practice is a priority, particularly as some of these institutions help improve entrepreneurship, and strengthen or help grow existing social enterprises e.g. via the Italian mutual funds. Micro-finance initiatives (and LETS may be included here), are becoming increasingly important in avoiding damaging consequences of exclusion and improving the ground for employment initiatives.

The importance of research and development – research institutions and universities can play important roles in helping to identify trends, good practices, explore strategic issues and ways of addressing them, etc. They can help document the distinct advantages and weaknesses of the Social Economy and help develop approaches to improve them. They can also play an important role in innovation for example in measuring added value through the development and use of *social audit/accounting* methods that involve the evaluation of social costs and benefits to the community of Social Economy organizations. They also play important roles in professionalizing Social Economy sectors. There are good examples of this (e.g. Helsinki University Institute for Co-op Studies, CIRIEC International, Issan in Italy, etc.), and such models can usefully be extended.

Professional development within sector – support organizations play central roles in establishing the recognition, development and accreditation of skills in the new sectors; it is a priority for these to be linked to national qualification structures so that skills are recognized and transferable. Care needs to be taken to ensure that an increasing professionalization of the sector does not create a bias for exclusion. The professionalization of the sector also needs to be extended to staff within support organizations to strengthen their capacity for leadership and management – in this respect European masters qualifications may be highly relevant.

5.6 Developing the support system

By for example improving the "fit" in the relation between support organizations at different levels and in adjacent sectors. For example the large welfare associations in Germany (e.g. Caritas) and the Netherlands have very powerful positions regarding welfare provision, controlling new entrants via the need for them to affiliate (in order to get finance and support). But local level organizations respond flexibly to demand and new needs in a complementary fashion.

An examination of the whole support system in a country leads to a consideration not just of the component support organizations, but to a recognition of the need to strengthen linkages (vertical/horizontal) for coordination, learning etc amongst support organizations (and between established and new sectors; old and new/innovative). Since the role of support organizations needs to be related to weaknesses/deficiencies in primary organizations.

It seems particularly important to promote transversal networking of local support organizations across areas within Social Economy (including public/independent partnerships). And helping to develop more integrative frameworks by linking voluntary sector organizations with co-operatives and other social enterprises so that associative networks may be linked with enterprise and employment.

Given the fragmented nature of many new sector initiatives, it is also important to consider ways of developing linkages within a sector for e.g. drawing on the model of Spanish co-operatives with their strong integrated movement. Alternatively examining the possibility of developing linkages between older established sectors and new sector; between local networks and regional/national federal structures.

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Chapter 4

PUBLIC POLICIES

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1. Introduction

All public policy is based on theory and values and is conditioned by a socio-economic structure and the defined institutions. The first, the referential theoretical framework and the values, define the public aims to be reached by the policies as well as the instruments likely to be used a priori. The second, the structure and the institutions, define, on the other hand, the socio-economic problems to be solved, the actors of the politico-economic process and their relationship to power, the cultural and ideological framework, the priority to be given to the objectives and the instruments which are really useable.

In relation to the Third System and employment, different public policies have been applied in Europe. These policies are unevenly deployed in the nations of the Union and are different in their content. This uneven deployment and this diversity of policies are mainly explained by the economic, historical, social, cultural, political and institutional context which is particular to each national and regional situation in which they were conceived. More concretely, among the principal elements which explain the extent and the importance of the policies really deployed as well as the intensity and the manner of inserting the Social Economy in these policies, in general, and in the employment policies, in particular, appear the social and political recognition of this institutional reality (the Social Economy), the visibility and the image that the sector projects towards the society and the policy makers in relation to the role that they play in the multi-dimensional development (economic, social, cultural) of the nation, the economic weight and the tradition of this reality, and finally, its capacity to be a worthy representative in the different processes of elaborating and applying public policies.

In fact, in the countries where the Social Economy sector is widely recognized socially (even being explicitly mentioned in the national Constitutions), is traditionally strong, is economically dynamic and is capable of dialoguing with the authorities, there have been numerous public policy plans in this domain for a long time. On the other hand, in the countries where the institutional sector has only been politically "discovered" in the last decade (even though some of the components have been "recognized" for a long time, such as co-operatives), the specific measures aimed at the sector and/or the use in this sector are still rare and often pushed by supranational systems, that is to say, those of the European Union.

The aim of Chapter 4 is three-fold. It proposes, to begin with, a theoretical frame for analysing different public policies concerning the Third System and employment. This is the

objective of Section 2 titled "Typologies of public policies concerning the Third System and employment". Secondly, it intends to analyse the differences in the contents of the policies as well as the inequality of their deployment in Europe. Finally, it intends to evaluate the policies with the objective of identifying the measures that are obstacles or, on the other hand, levers for the appearance and development of employment in the Social Economy. These two last questions are considered in Section 3 entitled "Analysis of public policies set up" followed by a final section concerning "European policies in relation to the Social Economy and employment".

2. Typologies of public policies concerning the Third System and employment

The public policies that have a positive impact on employment in the Social Economy sector can be analysed from two perspectives:

- On one side, they can be studied from the angle of public policies in relation to the Social Economy, that is, the policies which aim at the entities and the sector structures. These policies have unequal *indirect* effects on employment.
- On the other side, they can be studied from the side of the policies which are supposed to have a *direct* effect on employment in the sector; these are included in the "employment policies".

2.1 Public policies concerning the Social Economy

The ability to create and develop employment in the Social Economy depends directly on the deployment level and the development of the sector in the economy. The public authorities can condition and orient this deployment and its development with their public policies. Having been said, the existence and the characteristics of these depend, among other factors, on the visibility and the social and political recognition of the sector and its role in society, and especially, on the functionality of the sector in relation to the general and specific objectives of different public policies.

Concerning this last point, several studies (scientific works, official reports – including those of the Community Institutions – and reports from specialized research centres) have highlighted the ability of the Social Economy sector to correct significant social and economic inequalities and to contribute to the simultaneous pursuit of several objectives of general interest. Among these objectives are, in the first place, endogenous economic development, especially at the local level, and territorial autonomy, these two objectives being highly developed in the growing context of globalization and territorial vulnerability. In the second place, the Social Economy has proved to have a great capacity to correct the gaps in the area of social welfare services, such as services for disadvantaged persons and socio-cultural services, often called neighbourhood services. The neoclassic economic theory justified these advantages of the Social Economy in relation to the public economy and the for-profit economy with arguments based on confidence in an asymmetric information context between agents and on the satisfaction of heterogeneous demand. But its importance comes not only from its ability to articulate the offers which must adjust to new demands which are not met, but also its ability to transform the values and the culture by re-directing the style of development (in the sense of consumption, production and organization plans).

Thirdly, the Social Economy has been shown to have great capability to increase social cohesion at the territorial level, to activate social participation and democratic culture and to correct imbalances in different interest groups' ability to negotiate and to bring pressure in procedures of elaborating and applying public policies, especially those which are led at the regional and local levels. Fourthly, the Social Economy, due to its way of working, may contribute to making the distribution and redistribution of income and riches fairer than traditional capitalist enterprise. Finally, but not the least important, the Social Economy sector has proved to be a positive medium in correcting different imbalances in the labour market. In fact, it has contributed to creating new jobs, to preserving work in activity sectors and in enterprises in difficulty and/or threatened with closure, to increase work stability, to create jobs from the informal economy towards the official economy, to save crafts (for ex: handicrafts) to investigate new professions and to develop procedures for integrating especially disadvantaged groups and socially excluded people into the labour world.

The development of public policies by the policy makers and social actors has depended on the degree of knowledge and recognition of the multidimensional macroeconomic benefits of the daily activity carried out by the Social Economy. Consequently, the mistrust and negative prejudices concerning this sector by politicians have been the greatest obstacles for the development of policies in this domain.
When there is positive recognition of the sector and policies have been developed in its favour, these are founded on two main ideas.[17] The first idea comes from *ordering policies ("ordnungspolitik")*. This idea is built on a defined delimitation of the Social Economy sector and is based on a strong recognition of the virtues as a positive action vector for social well-being and as a carrier of socially acceptable culture and values. When an idea of this kind prevails among the politicians, the public policies which are applied are of long term: it is the ordering policies which aim to install the structural, institutional, cultural and material framework for the development of the sector. The measures of organization policies are heterogeneous. They aim to:

- Provide a juridical-fiscal framework that is optimal and advantageous to microeconomic organizations, which can ease their birth, their deployment and their development in the economy. This framework can take shape in several ways: through recognition of these organizations in the national Constitutions, by statutory regulations adapted to the needs of this reality (with juridical innovations needed at each moment), fiscal regulation which is specific and advantageous to the sector, and finally by regulation concerning relations between public administration and the Social Economic sector (for example: a system of co-participation in the procedure of elaborating and applying public policy; positive discrimination for public contracts in function of criteria or "social clauses", etc.);
- Support the knowledge and the social visibility of this sector and its role in society through different institutional mechanisms (for example: insertion in the educational system at different levels, broadcasting in the medias, priority objectives in scientific subjects);
- Structure the measures of material economic-financial promotion (financial dispositions, real services to entities of the Social Economy, creation of departments for the promotion of the Social Economy in the heart of public administrations).

[17] Chaves R., Monzon J.-L. and Tomas Carpi (1999), chap. 5.

The contents of these measures of ordering policies reveal that they are stable and structural measures of the socio-economic system and not subject to political and economic cycles. If this stable and durable framework encourages the ability to deploy and develop the sector in the economy, it can thus indirectly carry with it positive effects on the creation, consolidation and development of employment in the Social Economy.

The second idea comes from *policies of procedures ("prozesspolitik").* In this second idea, the Social Economic properties are considered in a stricter sense, in recognition of only a limited number of virtues or contributions to the general interest, especially in the pursuit of certain specific objectives of public policy. This is the case for example of the recognition of work co-operatives as a correcting mechanism of imbalances on the job market, and thus, as an instrument in employment policies, but ignores the other characteristics. The procedural policies remain limited and conditioned by the framework imposed by the ordering policies. A very restrictive framework would give little leeway for establishing measures of procedural policies.

When this idea prevails among the policy makers, which often happens when the policies are created by a sole department/ministry, these measures tend to be generally transitional, by being operational only while the priority is given to a specific problem, for example, unemployment. In that case, the support measures of the Social Economic sector tend to be economic-financial material promotion measures similar to those indicated in the above idea and, to a lesser extent, media coverage in function only of the problems to be solved.

2.2 Employment and Social Economy policies

Employment is the main priority objective of public policies. It is the object of employment policies destined to compensate for shortcomings in the market and certain situations of social inequality tied to their actions. According to the orientation and the conception of these policies, the Social Economy may be considered as being important, marginal or even ignored. In this last case, its recognized potential to correct different imbalances of the job market is not used enough.

In Europe, the orientations and contents of employment policies have changed significantly over the last decades and in the different member countries. In fact, during the glorious thirty, the Keynesian idea dominated. This idea gave priority to the objective of full employment that would be achieved by macro-economic management of the economy by the state. Beside this central policy, more specific measures on the labour market co-existed in the aim to encourage work integration of persons who are less attractive for the enterprises and to redirect people who are victims of personnel reduction procedures.

Since the crisis in the seventies, a change has taken place in the orientation and conception of employment policies. The "new employment policy" tends to explicitly give up macro-economically managing demand as if it were a mechanism of economic reactivation and creation of employment. The main line of this "new employment policy" is double: on one side, it aims to transform the structural conditions of the labour market through policies of work regulation, which should allow a better appropriateness of the work supply to the

demands of enterprises; on the other side, it consists of supply policies aimed at the private productive system which defines the level of employment in the country. These policies of supply claim: 1) to increase competitiveness of the existing entrepreneurial fabric as a means of preserving and creating jobs, 2) to diversify the productive structure by exploring new market niches, and 3) to enlarge the entrepreneurial fabric.

The "new employment policy" has another main line, which complements the first, formed by different measures which have a stronger and more direct effect on the labour market. The four principle objectives are the following:

1) To stimulate the direct hiring of people by the productive fabric with financial aids for hiring.
2) To improve the level of training and qualification for workers to better meet the specific demands of the employers.
3) To improve the level of information about the supply and demand for work which exists in the economy.
4) To redistribute work.

In this context, one could make special mention of certain "active policies of employment" destined for persons having special difficulties to integrate the job market due to their low employability. These policies centre on the logic of integration and training.

2.3 Public policies, the Social Economy and employment: a theoretical framework

The study of public policies concerning the Social Economy and employment must be placed at the intersection of the two frames mentioned above, public policies concerning the Social Economy, which have a fundamental influence on the sector structures, and the "new employment policy", especially in its second line, which has more visible and direct influence on employment. The theoretical framework that is proposed makes an assessment of the applied public policies in Europe based on two perspectives.

In the analysis, two central groups of public policies are distinguished. It concerns firstly the policies carried out in order to promote the creation and development of the organizations of the Social Economy as such. These measures should have an indirect, but decisive, influence on employment in the Third System.

At the heart of this group of measures, one can distinguish two sub-groups. The first are the policies of supply aimed at the structures/entities of the Social Economy, and which in their turn can be classified in three categories: the juridical-financial measures, the measures of financial aid to entities and the measures of technical support which deal with the real services supplied to the entities. The second sub-group includes the policies of demand which have an influence on the economic activities deployed by the organizations of the Social Economy; the increase of the first should have an indirect effect on employment in the Social Economy.

The second group of measures, based on the second main line of the "new employment policy" includes the policies centred on the promotion of employment in the Social Economy's organizations, mainly by facilitating the direct creation of employment in the

sector and facilitating the training and qualification of especially disadvantaged persons on the job market.

Table 1. Public Policies, Employment and Social Economy

POLICIES aimed at the organizations of the Social Economy - *Policies of supply (on the organizations' structure)* • Institutional measures • Financial measures • Technical support measures (real services) - *Policies of demand (on the organizations activity)*
POLICIES aimed at employment in the organizations of the Social Economy - Measures of aid for the direct creation of employment in the Social Economy - Measures of aid for training in the Social Economy - Other measures

From this plan, it is possible to make out two different concepts of relations between public policies, Social Economy and employment. In the first concept, the main target is the quantitative creation of jobs in the sector. In this concept, employment policy is similar to social policy, it aims to compensate for the effects of exclusion and social inequality.

In the second concept, on the other hand, the central target of the employment policy is two-fold: on one side, to create jobs, on the other, to develop it (by consolidation and qualification). The second target demands the application of large-scale policies over a longer period aimed at the structures and economic activities, because the continuity, the development and the gains in productivity in the entities of the Social Economy are the necessary conditions for the development of employment in its heart. Consequently, the nature of the public policies in this second concept goes beyond purely palliative action which is representative of the previous concept ; it aims at the sector's productive activity, its structures and activities. It is close to the economic policies, especially the sector-based and horizontal policies.

Methodical precision must be added. The general measures of public policies to which every kind of enterprise has access have not been analysed. The different public policies deployed by the different governments (agricultural, regional, industrial, social and technological development policies, etc.) even though they are supposed to first follow certain public priority objectives, indirectly influence the job market by having an influence on the enterprises or microeconomic organizations (including those of the Social Economy). But it

is not always possible to evaluate their relative impact on the different sectors. It is very difficult to identify the benefits obtained by the Social Economy sector because, in general, the results and the available information do not make distinction between different kinds of organizations. This is why, even though these measures are certainly worth being analysed, they are not considered in this study.

A more complete analysis of these general measures should be developed in the future. It could reveal the existence of significant "sector-based matthieu effects", that is to say, the enterprises which do not belong to the Social Economy could benefit more than proportionately from these measures for several reasons, among others, their greater capacity of access. Given the importance of public resources allocated to general policies rather than to specific policies concerning the Social Economy, one notices a back-to-front redistributing effect in the allocation of the resources and public means between the two private sectors. The development of specific policies concerning the Social Economy should, consequently, lean not only on the argument of fair reciprocity of the society towards the Social Economy because of its multidimensional macro social benefits, but also on the argument for necessary compenzations between sectors to equalize the conditions in relation to the traditional private enterprise sector.

3. Analysis of public policies set up

The following analysis was realized in consideration that it is not always easy to classify public policy measures in the previously presented categories. In some cases, in fact, a measure may belong in two proposed categories simultaneously.

3.1. Public policies aimed at the Social Economy's organizations

3.1.1. Policies of supply or aimed at the structure of the Social Economy organizations.

A Measures of the institutional kind

The institutional framework that regulates the Social Economy and its different components has a decisive impact on their components, their relative internal development (between components of the Third System) and external development (concerning two other large institutional sectors, that is to say, public and private for-profit sectors), and indirectly on employment in the sector.

Three dimensions of the institutional framework can be identified:

a public recognition of the sector and its components as social representatives and social agents;
b the juridical aspects, especially the statutes ;
c the fiscal framework affecting the sector.

The first dimension, the *public recognition of the sector and its components,* has been dealt with in the first chapter of this report. The main conclusion was that there exist significant

differences in the question of public recognition between the components and between European countries.

A more complete analysis can be realized in function of three groups of variables:

a the existence of measures specific to the sector, such as juridical and statutory recognition, favourable taxation, public organisms dedicated to the sector as well as other measures aimed at the structures[18];
b the explicit recognition of the sector and its components as an active agent in the texts of general programs of public policy;
c the institutionalization of the sector and its components as social representatives in the elaboration and the negotiation of general measures of public policy.

In this respect, the study reveals that the most common situation in Europe is the existence of a mixed and fragmented recognition of the components of the Social Economy. When it concerns specific measures aimed at the sector, they are differentiated, affecting, in general, on one side the co-operatives, and on the other side, the social Third System or nonprofit sector.

As for measures of public policy which are not specific to the sector, in particular, the recognition of the sector as social representative in political debates and in the application of these measures, the Third System is reached by a "vertical approach": each ministerial department only addresses the organizations of the sector active in the field of the public policy in question, such as the employment policy, the social policy towards fragile target publics, etc. In Germany, for example, by applying the subsidiarity principle, the social policy concerning disadvantaged social groups that are in difficulty has been institutionalized around a stable relationship between the competent ministerial departments and the large organizations of the social Third System. In Italy, in the last years, the employment policy, which largely rests on the mechanics of social dialogue, has distinctly involved the two main components of the Third System : the co-operatives on one side, and the nonprofit organizations gathered around the Third System Forum, on the other side. The Solidarity Pact of 1998 and the National Action Plan for Employment of 1999 are some recent examples in this country, which are revealing of the approach.

The absence of a cross-disciplinary vision of the sector by the public authorities is thus quite generalized in Europe. Only France, notably with the DIES, interdepartmental delegation for social innovation and Social Economy, and, to a lesser extent, Spain, shows a greater cross-disciplinary recognition of the Social Economy by public authorities. In addition, the structuring of the sector is a preliminary condition for it to be recognized as a representative, a condition which is not always fulfilled, which decreases the opportunities to consolidate and develop the sector.

In several countries, the European Union plays a very decisive role in the recognition and development of the Third System. The inclusion of the term "Social Economy" in different European documents, such as those concerning employment policies and the use of structural funds in favour of the Third System are some advantageous elements. The influence of the

[18] This last group will be the object of the following points in this section.

European Union is particularly noticeable in the countries where the Third System only benefits from a visibility that is still limited. In Greece, for example, the National Union of Organizations of the Social Economy (PANCO) was created with the support of the European Commission, which also finances a project aiming to do an inventory of the Greek Social Economy organizations. In Ireland and in the United Kingdom, the term Social Economy has appeared for several years in public policies essentially because of the attention given it at the European level. In Sweden, it was after the setting up of the European structural funds that the idea of Social Economy really showed up.

Juridical Aspects. The statutes.

In a changing world, legislation must adapt to new demands of the epoch. The Social Economy, which is also changing, may see its development limited, slowed down or upset if the legislation does not accompany it positively. Conversely, if it is adequate, it can have an noticeable impact on the behaviour of the field workers and may constitute a very effective means to favour the Third System.

Thus, the impenetrable or restrictive character of the juridical rules linked to the creation of co-operatives may explain the low number of co-operatives in some countries, such as Germany. In other countries, such as Austria, the existence of control organizations (like revision organizations) to which co-operatives must belong may mean supplementary costs. In Italy, the associative status means significant limits to developing economic activities on a big scale, which is not the case in other countries, for example, France. On the other hand lack of protective legislation can lead to severe sectoral decline as a result of demutualization, as in the UK where outsiders have joined mutual building societies and succeeding in demutualizing them solely for personal profit.

The first consequence of this framework is the difference observed in the internal development in the sector of different juridical kinds of components of the Social Economy, and in its external development in relation to public and profit-making forms, the choices between different juridical forms being made in function of the possibilities, advantages, demands and inconveniences of each of the forms. A simple change in the legal requirements for using the statutes of the Third System has great immediate effects.

Thus, in Spain, for example, the succession of legislations more or less benevolent concerning labour societies (*sociedades laborales*) has caused important variations in the total number of societies created. While few *sociedades laborales* have been created during the period from 1990-1996, because of too high requirements for minimum social capital by the law, as of 1997 their number began to increase again when the law became more flexible and more advantageous on this point again. The modification in the minimum number of members required to create a co-operative, especially production co-operatives, is another factor that explains their rapid development or stagnation in certain countries. Some analogical reasons explain the preference for the co-operative status in Italy and the massive resort to the ASBL (nonprofit making association) status in Belgium.

This logic also appears in the regulations of the European Union. The recent modifications in the requirements in terms of the number of members and the turnover for the OCM – common market organizations – susceptible to work in the framework of the community's agricultural policy, particularly in the fruit and vegetable sector, have reduced the incentives for farmers to associate in agricultural co-operatives compared with other forms of enterprises.

The juridical aspects also have important impacts on the possibilities of developing Social Economy structures. These possibilities can be studied in four domains: the activities, financing, growth and employment.

The legislation can put up important barriers to the access and free development of certain activities by entities of the Third System. Thus, in certain member countries, consumers' co-operatives in the pharmaceutical domain are forbidden. In France, certain public agreements require a compartimentalization of activities to the detriment of traditional acts of the Social Economy, such as the mutualization of the results, which is especially the case of integration between activities called commercial and those called non-commercial. This compartimentalization is judged also at European Union level where directives may upset the activities of the health mutuals by obliging them to dissociate the functions of prevention from sanitary and social works. On the other hand, in Spain, not taking the co-operatives into account in the regulations of certain activities has had the essential consequence of their being kept out of the concerned activities. Thus, legal reforms in the electricity sector have led to the juridical disappearance of certain very old enterprises of the Social Economy: the electricity supply co-operatives.

Finance is of primordial importance for the development of the Social Economy. It will be the subject of the following Section B. As a means of introduction, one can signal that, in several countries, there exist serious juridical hindrances in obtaining financial resources in addition to members' contributions and self-financing. New financial instruments have been explored. But these instruments are not neutral. Thus, in certain countries, such as France since 1992, the legislation has allowed the opening of the co-operatives' social capital to private investors. This has encouraged their privatization or absorption by capitalist groups and thus their loss for the Third System.

The traditional and natural logic of growth of Social Economy organizations centres on setting up federal structures and co-operative groupings. Certain decisions of the European Court of Justice could upset this manner of development. In fact, these federal structures are interpreted as cases of illegal agreement contrary to free competition. This interpretation is at the very least surprising compared to the permissiveness granted to the patrimonial and financial concentration of profit-making holdings.

In some cases, the juridical requirements for statutes in Social Economy organizations may act against the creation or consolidation of jobs. This is the case of the limits for contracting stable employees who are not members of workers' co-operatives in Spain. The ratio of stable employees/member workers is quite limited, if one compares it with other countries such as France, which has negative effects on the stability of employment in co-operatives

with a strong and rapid growth, such as social co-operatives, since access to membership is generally slower.

Adapting the juridical regulations to new demands of the field workers encourages their recognition, deployment and development. In this way the process of juridical innovation in the form of new statutes, which have appeared in the social services sector in certain European countries such as Sweden, Finland, or Italy (the 1991 law concerning social co-operatives), has encouraged their recognition and their expansion during the last years. On the contrary, in other countries such as Spain, social enterprises and those for integration have difficulties in being recognized and institutionalized. In these last examples, the role of lobbying federal structures as well as support for other actors (unions, political parties, researchers and the media) may encourage their public recognition.

But these juridical innovations may be difficult if they appear to be without support or real demand on the part of field workers. In some cases, new juridical forms do not get the expected response. This is the case of the status of the societies with a social objective *(société à finalité sociale)* in Belgium, recently introduced and which permits commercial societies to have a social objective before that of profit. This status has only a relative success; the situation can be explained notably by a certain lack of attractiveness and by the fear of non-profit making organization directors of losing some of their advantages (subsidies, fiscal schemes,...).

At the European level a few years ago, the Commission proposed the status of European Co-operative, European Mutual Society, and European Association. This measure of juridical order, which has not yet seen the light, could encourage the deployment of Third System transnational activities as well as support the sector's development in countries with weak public and juridical recognition.

Fiscal Measures

A favourable fiscal system can facilitate the consolidation and development of the Third System. In different European countries some positive fiscal measures have been adopted. These measures have a different character according to the juridical forms of the Third System organizations and lean on several supporting arguments. These arguments put the accent on the mode of internal functioning and on the role developed by the Social Economy organizations. These two aspects distinguish these organizations from the profit-making sector.

In most cases, the juridical forms belonging to the social Third System or to the nonprofit making sector have more favourable fiscal treatment than co-operatives or mutuals. The argument that justifies the fiscal advantages rests especially on their nonprofit making status and on the allotment of their resources and profits to public or social interest activities. This argument has spread to several national fiscal legislations. In some countries, such as France, the fiscal regime has recently met some resistance on the part of opponents who see an element of unfair competition. This has led to better definition of the argument in terms of the "4P rule" (publicity, public, price and product) and especially to make operational the

concept of *organization for social usefulness,* as defined by the target public, through its mode of internal functioning and through its statutory social objective.

In recent years some countries, such as Germany, Italy and Spain, have approved fiscal measures in favour of the social Third System. These measures have contributed to precising the specific characteristics of this part of the sector in relation to the commercial profit-making sector. Two exemplary cases are the Decree 460/1997 concerning the *ONLUS - nonprofit organizations with a social purpose* – in Italy and in Germany, the « Public Welfare Act » *(Sozialgesetzbuch)* which regulates nonprofit entities. A positive aspect of these two incentive measures is the open manner adopted in defining the benefiting entities; these can have different juridical statutes such as association, co-operative, foundation, or even others. The Spanish Law 30/1994 concerning the fiscal regime of nonprofit entities is, on the other hand, more restrictive. It excludes co-operatives, among others the social co-operatives or co-operatives of integration, from the benefiting category. The Autonomous Community of Valencia, which is competent in the matter of legislation for co-operatives, approved the status of nonprofit co-operative in 1995, but this decision has not had the approval of the central government.

The co-operatives and mutual benefit organizations have seen a decrease in the relatively favourable character of their fiscal regime over the past years. In Germany, for example, the favourable arrangements have recently been repealed. In France, the relative advantages tend to be reduced: this is the case of the exoneration of the professional tax for the co-operatives, which had spread widely to other enterprises; the health mutuals' regime risks to be changed unfavourably. The favourable fiscal measures in these countries are justified notably, by the fact that the use of the co-operative statute is more demanding than the statutes of profit-making enterprises.

In the countries where co-operatives are recognized in the framework of great political programs, or even recognized and supported in the National Constitution, such as in Portugal, Spain and Italy, their fiscal regime has been maintained and even improved. This is the case in Portugal where the Law 85/1998 concerning the tax system for co-operatives that grants advantages at the tax level for societies and for the property tax has been approved. This is also the case in Spain with the Law 20/1990 concerning the tax system for co-operatives, which established three special tax systems for these entities, the general system for protected co-operatives justified by the kind of organization and their social objectives, the system for specially protected co-operatives justified by the target publics (farmers, workers, and unemployed people, etc.) and the system of credit co-operatives. However, these advantages must be qualified because they tend to be reduced in relation to profit-making enterprises especially in certain regions such as the Basque country.

The procedure in force in the different countries where an organization of the Social Economy obtains the status of fiscally protected entity is a fundamental aspect that conditions the fiscal advantages of the sector. In this way, in some countries, such as Germany, the statute of social Third System entities comes under the discretionary power of public administrations. In other countries, this statute is more precisely regulated, which gives greater juridical security to sector entities.

The evolutions these last years in fiscal regulations have had a significant impact on the internal composition of the Social Economy. Thus, in Spain, since the approval of the Law 30/1994 concerning the tax system for nonprofit entities, the social programs of saving banks have been progressively dissociated from the savings banks activity and granted independent juridical identity under the form of a foundation, which is a statute that benefits from the new tax system.

In general, the aims of the fiscal kind of measures are not principally to encourage employment in the sector. Nevertheless some exceptions exist in countries such as Portugal and Spain. In fact, the recent fiscal legislation for co-operatives in Portugal as well as the Spanish fiscal statute of 'specially protected co-operatives' granted to associated workers' co-operatives have been established with employment as the main objective.

Finally, one can wonder if a favourable fiscal regime is really effective as a support measure for the sector. In principle, the effectiveness depends on forms of taxation and the components of the Third System that benefit from them. Thus, one can point out that favourable treatment in tax matters for societies is more profitable for entities that develop their activity on the market and make profits. On the other side, a favourable treatment in tax matters on transactions, value added tax or local taxes, is relatively more profitable for small entities and those belonging to the non-market sector.

B Financial kinds of measures

The consolidation, the professionalization and the development of jobs in the Social Economy entities are three processes directly linked to economic consolidation and development of these entities' structures. On this subject, investment financing (commercial and productive sorts, etc.) is a key element.

The Social Economy has traditionally experienced serious financial difficulties, even under-capitalization, which have limited its possibilities to develop and even handicapped its normal functioning. These difficulties are generally explained, on one side, by their specific statutory rules concerning internal functioning, notably the manner of power division in decision-making and the way of distributing profits, and, on the other side, by the difficulties they have to access traditional capital markets (for example, traditional bank credit). This factor, which strangles the sector's development, can be softened, or even neutralized, if some public policy measures aimed, firstly, to give equal access to traditional external credit as to that of profit-making enterprises, and secondly, to financially support their structures. These two objectives could be reached by means of two kinds of instruments: legislative measures and public financial organizations. One must note that these measures concern the structures and are thus not conditioned for the development of certain specific activities of profit-making entities.

Some countries have adopted legislative measures to re-enforce the co-operatives' own funds. Since the 90's, in countries such as Italy, France and Spain, these measures generally aim, firstly, to open social capital to private external investors, with such forms as "collaborating, associated or subvention members" (Italian and French laws from 1992, and Spanish regional and central laws). Their effects are up for discussion. In France, they have

been prejudicial: most co-operatives which opened their social capital to external investors, notably producer co-operatives, have lost their co-operative status. In Italy and Spain, these types of measures have not yet received a big response. These legislative measures have also aimed at permitting the co-operatives to emit assumed titles without the right of vote for the general public. Italy has set an original measure of financial support to co-operatives « the mutuals funds for the promotion and development of co-operatives. Indeed law 51/1992 establishes the obligation for co-operatives to transfer 3% of their profits to funds belonging to the Centrales of the Italian co-operative movement of which they are members and in case of non membership, to a fund depending on the National Ministry of Labour. These funds materialize the 6th principle of interco-operative solidarity while supporting various types of initiatives for the development of the movement (creation of new co-operatives, support to development projects, training,...). Nowadays, the four main co-operative Centrales have their own funds. 5 358 new jobs have been created during the last six years of activity of the biggest funds (*Coopfond* of Centrale *Legacoop* and *Fondosviluppo* of *Confcooperative*). Out of the 5 358 jobs created by the former, 3 121 are in promotion initiatives and 2.237 in development.

The possibility to create and use financial support structures of the co-operative sort in the sector is another measure. In Spain, the law permits the creation of "credit sections" in the co-operatives. These sections have the goal of re-enforcing the financial situation of the co-operative. Many agricultural co-operatives have benefited, especially for development. A recent regulation of the National Bank upset the activity of these sections, even eliminated them, by demanding that the potential receivers of credit be widened to subjects other than the co-operative.

An original formula was put in place in Spain in order to encourage the preservation of employment through support in creating workers' co-operatives and *sociedades laborales*: workers having the right to unemployment allowance can choose *"capitalization in one unique payment of all the allowances"* if they decide to constitute an enterprise under one of the two juridical forms of the Social Economy mentioned. The Minister of Employment, through the mediation of the National Institute of Employment, pays the social security contributions of the benefiting workers during the theoretical period of receiving unemployment allowances. This measure does not exclude other support measures to which the workers and their enterprises may eventually have the right. One must point out that from 1985, the year in which this measure was put in place, until 1992, the year of the reform, the self-employed workers could also take advantage of this. The impact of this measure has been very positive. During the five years from 1994 to 1998, 42 725 workers took advantage from this measure among whom 22 260 constituted workers' co-operatives and 20 465 *sociedades laborales.* In 1998, 38% of the workers who were members of the new worker co-operatives and 47% of the workers of the new *sociedades laborales* had used this public policy measure.

In several countries, incentives for *donations from private people and companies for the profit of social Third System entities* have set up. The fiscal incentive consists mainly of an exoneration from income taxes for private people and an exoneration from company taxes for enterprises. In the Netherlands, for example, the donations from companies can be deducted up to 6% of the taxable company income. In Denmark, private donations can benefit from

exoneration that can reach 15% of the personal work income, with a ceiling of 15,000 crowns.

The access that Social Economy entities have to *funds that are generated by lotteries and games,* generally regulated and controlled by the state as public monopolies, is a public policy measure used in some countries to encourage part of the sector. Thus, in Finland, the monopoly of games with machines is given to RAY, an association which distributes the profits to social Third System associations. In 1997, RAY supported the creation of 1035 associations and distributed 1,454 million Finnish marks to sanitary and social associations. Another organization , the *OY Veikkaus AB*, which was initially an "umbrella" sportive association, became a public society with the monopoly of the lottery and games. Its profits must be given to art, sports, science and youth. In Spain, part of the public lottery monopoly is given to the *ONCE* – National Organization of Blind People in Spain – one of the biggest Third System entities in this country. The profits obtained must be destined to social integration and work for handicapped people, especially the blind. Over the last two decades, the *ONCE* has created two groups with this finance: Foundation *ONCE* and *CEOSA*. In 1997, all the entities linked to *ONCE* employed 56 796 workers, of which 41 006 were handicapped (mostly blind people). And in the UK, a certain proportion of lottery money is distributed to charities on the basis of competitive application.

As for public organizations of specific financial support to the sector, some experiments have been set up in Europe. Some of them such as the IDES, Institute for Social Economy Development, in France, fed by public funds, have para-public characteristics which are similar to private support structures, a field which is the object of the previous chapter of this report. Four organizations deserve special attention:

The *CFI- Compagnia Finanziaria Industriale* - is an Italian financial society created in 1987 by the Law 49/1985 ('Marcora Law') whose capital is held by three central Italian co-operatives (Legacoop, Confco-operative and AGCI). Its objective is to support the reactivation of traditional enterprises in crisis by transforming them into co-operatives with the aim of preserving employment. This society supports newly created co-operatives by participating in up to 49% of their social capital under the form of risk capital and grants low interest loans. In 1996 its activity was temporarily blocked by the European Commission but was restored after the introduction of some modifications in its working rules. The evaluation of the measure has been positive: between 1987 and 1997, the number of enterprises and workers who benefited did not cease to increase, from 112 re-activated enterprises and 514 'saved' jobs in 1988 to 253 companies and 5 569 jobs in 1997.

The *Prodescoop,* which is a Portuguese organization of financial support to co-operatives, was created in January 1999 by the Minister of Work and Well-being. Its main function is to support the creation and the consolidation of employment in the co-operatives by encouraging the creation of new co-operatives and the development of old ones. It promotes stable employment by granting subsidies to co-operatives which increase the number of member workers (non-salaried employees).

The *Sowecsom* is a public limited company, which is a subsidiary of the Walloon regional investment company (Belgium) that promotes the market Social Economy by participating in

the financing of investment projects, in creating and developing activities, in particular projects contributing to employment or training through work. It grants three kinds of support: loans, guarantees for loans from traditional banks and/or help in setting up a project. It must be noted that the guarantee funds have not yet been used because the traditional banks generally demand guarantees which are too great in relation to the sum to be borrowed, which is an evident example of the obvious obstacles for access to traditional credit by Social Economy entities.

The regional government of Valencia (Spain) participated directly in some development projects of the co-operative sector in the beginning of the 90's. The most remarkable project was financial support for industrialization of regional agricultural products of the regional agricultural co-operative movement. It participated financially in 40% of the social capital of the industrialization society Agricon SA, and gradually pulled out by facilitating access to the capital of other co-operatives, of the 1st and 2nd degree, throughout the project consolidation. This experiment was a big success: industrial production has experienced strong growth since the beginning.

Not less important than the existence of financial support are, on one side, the real economic sums which these measures influence, and, on the other side, the capacity and diligence of the public authorities in making the payments. In general, the available public funds are very limited. Consequently, the sums are generally criticized by the sector. Because of these financial limits, sometimes only a part of the solicited support is really granted. As for the diligence in payments, it must be highlighted that the public authorities are often late payers. These long payment delays may cause serious problems for the treasury, or even the survival of many Third System organizations.

C Technical Support Measures (Real Services)

Some countries have set up technical support measures in the form of public structures to support the Third System. These public structures, which mobilize material and human resources, offer different kinds of (non-financial) real services to the sector, aimed at improving some weak points: information, training, research, advice, networking, etc.[19]

The public support structures tend to appear in countries and regions where public authorities have a voluntarist attitude in encouraging the emergence, consolidation and development of the sector entities and where this latter shows weak cohesion and a lack of obvious dynamism.

On the contrary, when the sector is more developed, structured and active, the public authorities tend to lean on the latter for elaborating and putting in place support measures, especially technical kinds. In these last cases, the support structures tend to be joint and to be totally or partially financed by public funds, even though they are managed by the sector entities or even the Social Economy movement. The main argument in favour of a public

[19] The general analysis of the nature, the role, the potential and limits of the support structures for the sector, whether they are of public, private or mixed nature were the object of Chapter 3 of this report. In this section, we will consider only the public structures.

sector-Social Economy partnership in the field of technical support measures is that the involvement of the sector allows better identification of weak points and the real demands and thus better precision for adequate technical support measures. Moreover, this allows a more rational utilization of the mobilized public resources and a better appropriation of the structures by the sector. Besides, the action of these structures often develops at the local or regional level, a level at which the public authorities are more sensitive and better informed about the real problems of the Social Economy in their territory.

The public support structures are some tools for developing the Social Economy which have three main forms: a) passive structures when they limit themselves to supporting Social Economy initiatives, b) 'catalyst' structures when they directly encourage the hatching of development projects in the heart of the sector, and c) proactive structures when they directly develop public projects aimed at sector development. These tools of material support are managed in a centralized way (Prodescoop in Portugal, for example) or decentralized (Co-operative Development Agencies in Finland and in Sweden).

Other than the technical services of advice, information, training, research, etc. deployed by these structures, there are interfaces and even representative functions between the public sector and the Third System. The institutionalization of this function has permitted, in some cases such as the DIES, Joint Ministerial Delegation for Social Innovation and Social Economy, in France and Inscoop in Portugal, to assure continuous activity of consultation, legislative assistance, management of public policies and information for policy makers.

Other than this, and not less important, their actions of broadcasting the reality of the Social Economy and supporting research and publications relating to the sector have permitted the rise in the level of knowledge and receptivity of the general public and mainly by the field workers.

3.1.2. Policies of demand or aimed at the activities of the Social Economy organizations

On the other side of the approach based on the supply side point of view, public policy measures of which aimed directly at supporting the Social Economy entities' structure, the approach based on the demand point of view consists in encouraging indirectly the sector by supporting what it does, that is to say, its activity. An evolution from the first approach towards the second has been experienced in several cases.

The preferred target activities of the measures on the activities, or demand policies, are the services of social well-being, which also correspond to the idea close to proximity services and most of the "new pools of jobs" made popular thanks to the Delors Report. These services have two essential characteristics which make them especially attractive in the eyes of public authorities: a) they use more man power than other activities and are less demanding in capital investment, and b) they generally demand a direct relation between the service provider and the end user. These characteristics give these activities a strong territorial or proximal characteristic on one side and thus a weak propensity to cause spillover effects which could destabilise international exchange, and on the other side, a high propensity to create jobs at the local level. On the theoretical side, they represent a

fundamental element of current economic policies for selective reactivation of local and regional demand.

In some countries, the Welfare State has traditionally taken the responsibility of offering most of the social or general interest services to its citizens, directly or through the public sector or by leaning on the social Third System. The re-examination of Welfare State and the public authorities' interest in taking charge of new social demands, on one side, and the properties of the Third System (social cohesion elements, social innovation elements, rapid detection and satisfaction of needs, more efficient allowance of resources than the private profit-making sector in the asymmetric information contexts, etc.) on the other side, have encouraged a revalorization of the Third System from the public authorities' point of view.

In a great number of national contexts, one observes the existence of contracts passed between the authorities and organizations of the Third System (according to the countries, often associations – France, Belgium -, and co-operatives - Italy, Spain, Sweden -) in social sectors and public interest areas. If some States have practiced this 'delegation' for a long time, others come to it progressively, recognizing the interest of the Third System to complete, even replace the public sector. In Luxemburg, for example, there is significant progress in that area: while the conventions were until now granted case by case and with very strong involvement of the authorities in management, a law has just been passed which foresees the disengagement and the quartering of the state in a control role – negotiations are currently under way in order to put in place this new legislation. In Sweden, the municipalities have favoured the privatization and the development of some community services like parent childcare through co-operatives *(co-operativization),* among others mixed co-operatives of parents and professionals.

The interest of the authorities in engaging the Third System in these services has been embodied in some countries by legislation and long experience which has tended to positively 'discriminate' the sector's supply in relation to that of commercial profit-making enterprises. In France, for example, the *'quart coopératif'* is a clause which grants to co-operatives a quarter of the shares of the public markets. This rule has historically permitted the modernization of activities, for example construction, where co-operatives have been the key factor that allowed the transition from handicraft to industry and to decrease construction costs. This rule, however, is not always used because it is not a commercial argument.

Other rules are expanding to the European public administrations contracts such as the « integration clauses » and the « social clauses ». The latter broader than the former privilege the « mieux disant social » offers and not only the « integration » aspect. Some countries resist in extending this kind of rule (social clause) to all public contracts. Recently, the new regulation for Spanish public administration markets has met serious barriers to introduce this kind of clause, while different social representatives had supported it before. However, still in Spain, another mechanism of positive discrimination has been established, even though it is very specific: a national fund, granted small percentage of income taxes, is exclusively destined to social services activities supplied by Third Social System entities (with the exception of co-operatives), in particular the most developed organizations.

But these public measures of positive discrimination are gradually called into question through practice and new legislations. The tendency is to put into competition, multiple forms of enterprises (profit-making and Social Economy) in different fields of public markets mainly through two mechanisms: on one hand, by opening the invitations to tender to different suppliers, on the other hand, by practising direct solvency of the end user, the latter being able to choose freely the kind of bid. The UK has perhaps gone furthest in this direction, developing markets for welfare.

The process in granting resources to these activities must be highlighted. The discretionary character of the amounts of public spending in these activities introduces an element of instability in the sector, and thus instability for the Third System entities that work in it. The granting of a minimum percentage of total expenditures for social services has been, for example, a measure taken by some autonomous Spanish regions, as well as granting at state level a small percentage of personnel income taxes. Another method put in place in some countries has been the earmarking of profits obtained by game monopolies and the lottery (see our development on this subject).

The way of regulating and the setting up of partnerships between Third System entities and public authorities with the aim of offering services has an important impact on the chances of consolidating and developing this sector and employment in it.

In this way, agreements made between public authorities and the Third System are often submitted to some insecurity on the question of deadlines, especially when they are concluded for short periods – that is the case in Germany and in Spain in certain areas. Under these conditions, it is difficult to efficiently manage the activities over the long term and the chances of consolidating the structure, thus to stabilise employment, are reduced.

The payment deadlines of public authorities are a second destabilising factor. Often, public administrations are late in paying the sector's entities, which has harmful consequences for their financial balance, which are generally structurally weak. This situation can be illustrated by the current social non-legitimization of Greek agricultural co-operatives which were formally drawn up by the state as direct intervention agencies in the agricultural markets: the long payment deadlines ended up provoking a crisis for these entities.

Thirdly, the ways of supplying services are not neutral. Two procedures can be identified:

a the passing of contracts by the public authorities with the sector entities to supply services to the population, and
b the mechanics of paying demands by service-checks or similar systems.

In the first method, the public sector decides on the kind of organization to use in managing a service. If it establishes requirements concerning the type of structure, the professionalism and the capacity to develop complex projects are determined. This encourages the structuring and consolidating of the sector, which causes improvement in the quality of the services and employment. This phenomenon has been developed in Spain, for example, by granting contracts from national funds mentioned above: it has eased the consolidation and development of important NGO's. On the contrary, without this kind of requirement, the sector remains fragmented and poorly developed and the quality of service and employment

suffer. With the second procedure, it is the end-user of the service who decides which kind of entity will offer the service. The effects of this procedure on the sector here also depends on the mode of public regulation towards entities able to offer the service. If the requirements encourage the structuring and development of the sector and its employment (this is the case of the French *titre emploi-service*), on the other hand, the lack of requirements not only puts the sector in competition with other kinds of offers (especially with free-lance work) but also makes the development of employment in the activity more difficult (this is the case of the French service-checks).

3.2 Public policies aimed at employment in Social Economy organizations

Several member states of the European Union have set up public policy measures aimed directly at employment in the heart of the Social Economy or general measures that are beneficial to the Social Economy on a very large scale.

These policies usually follow two kinds of principles:

a to create new jobs in social and general interest activities (see above), especially to answer unsatisfied social needs, and

b to address, in priority, disadvantaged public targets on the traditional labour market such as long-term unemployed people, persons more than 45 years old, unqualified youth looking for their first job, women and handicapped people.

Three principle kinds of measures can be identified: a) employment assistance in the sector, b) measures aimed at training, and c) other measures.

3.2.1 Measures of aid in the creation of employment in the Social Economy

Different member states have developed employment assistance programs in the Social Economy sector. Three kinds of programs can be identified: those which aim for direct employment in the sector by inciting the hiring of unemployed people through reduction of work costs, helps given to unemployed people to incite them to create their own job by creating an enterprise, and assistance aimed at stabilizing jobs.

1) The first kind of measure is found in different European countries. The direct creation of jobs in the sector is encouraged by aids which have adopted the form of either temporary subsidies, either partial or total, for salaries, or reductions in contributions for social security of benefiting workers. These measures have often been aimed at people who are weak or disadvantaged on the job market (long-term unemployed people, unqualified people, etc.) and at activity sectors such as social action, environment and local development. The jobs created this way are of extremely variable length.

Thus, in Ireland, one year after launching the ‘community program for employment’ (which dates from 1994) the Irish public employment service, nearly 3 000 new projects have been created aimed at 40 000 people, 81% of whom are in the heart of the nonprofit sector, especially in voluntary and community organizations. The people are helped in three ways: they receive 75% of the average weekly unemployment allowance plus supplementary compenzations, within the limits of compatibility with all other help to which they have the

right. They have the right to training and personal development in the enterprise directed by a master agent. In France the formula of CES helped contracts represent more than 200 000 jobs in associations. In Belgium, associations benefit from more than 40 000 jobs in the framework of programs to absorb unemployment.

In Austria, between 1984 and 1994, about 45 000 people have taken advantage of the program 'Aktion 8000'. This program fits in the framework of the 'experimental policy in the labour market' and aims at the direct creation of jobs in the nonprofit sector. In Germany, the ABM measure – *Arbeitsbeschaffungsmassnahmen* - is aimed at direct creation of temporary jobs (generally for one year) in public and nonprofit sectors, aiming at satisfying needs not met by the private sector and aimed at disadvantaged public targets. Employers benefit from subsidies for salaries. And in the UK where there is generally little specific support for Social Economy employment creation, the « New Deal programme » (influenced by the US workfare scheme) includes a specific option of work with voluntary organizations.

2) Employment assistance by incitation for the creation of Social Economy organizations are used in some member states, such as Greece, Portugal and Spain. These measures coincide with those described in the preceding section concerning support measures for the structure.

These aids often appear in the context of policies actively promoting employment, especially for disadvantaged groups on the labour market. A special measure of this kind exists in Spain: a temporary grant (six months) in the form of a 'minimum subsistence salary' is given to unemployed people who create new enterprises (necessarily in the form of a co-operative or *sociedad laboral)* and who become members workers.

3) Job stability in Social Economy entities is another objective of some measures of public policy in countries like Ireland, Spain and Portugal. In the two latter member countries the incentive measure is realized in the form of assistance for the integration of member workers (non-salaried) in the co-operatives and in the *sociedades laborales* in Spain through the change in the workers' status – from employee to member worker – or by the direct integration in the enterprise of unemployed people, disadvantaged people in priority.

These measures merit some comments. Firstly, remember that it is not always specific measures in the Social Economy sector, but often general measures which the sector takes advantage of. Secondly, important undesirable secondary effects appear in the framework of these policies: thus, 'Godsend effects' or 'absolute loss' and 'substitution effects' or 'transfer' are produced that limit the efficiency of these measures in terms of net creation of jobs. On the other hand, without supplementary regulations, there are serious risks of marginalizing the theoretically benefiting workers onto 'shelves' or a 'second job market'. An effective regulation of these measures could possibly limit or even neutralize these bad effects: the German ABM, for example, demands that the creation of jobs be 'additional' to existing jobs, thus avoiding substitution effects with the public sector's jobs; in the same way, the Austrian program Aktion 8000 has introduced certain conditions concerning the kind of jobs helped with an aim to limiting negative effects.

The impact on the activities, on the kind of job and on the opportunities to develop is not neutral either. Thus, while different action plans which often concern activities (services) of

social and general interest, their realizations have differences. On one side, some countries have set up programs which aim at satisfying social needs and put employment before service quality. The providers of the services are unemployed persons, inexperienced in the concerned activity and who work a few dozen hours per month at the most. In this framework the Third System organizations can turn to the services of unemployed persons. This idea may then signify the deterioration of the service as well as difficulties in developing and professionalizing the activity. This is the case of some programs in Belgium. On the contrary, other programs do not only aim at employment but also at the development of the activity and the attempt to improve the quality of the service provided. In this different context, work can become more professional and thus develop.

Finally, one can wonder if the development policies are not preferable for the guarantee of stable jobs in the Third System, to the extent that they look at the problem more globally.

3.2.2 Measures of Training Assistance

Training, which is the most important measure in the active policy of employment in Europe, also concerns the Third System, even though, except for a few exceptions, these kinds of measures are generally not specific to the sector.

The labour qualification programs are more and more tied to job creation programs, becoming a mandatory condition for participation in the latter.

The Third System reveals heavy activity in this domain: the enterprises of integration through work and economic activity are aimed at groups of disadvantaged unemployed persons and adopt, in most cases, juridical forms of the Social Economy.

But some specific measures of training assistance in the sector have been adopted. This is the case in Belgium, for example, where a program of grants and registration of work-training enterprises and associations has been set up. This program is aimed at re-qualifying certain categories of workers (young job seekers, socially assisted persons, people without income) by turning to training in the heart of an enterprise following special educational method (real productive work, theoretical training, psychosocial follow-up). The training period may not be longer than 18 months.

In France, the national fund for the associative life *(le fonds national pour la vie associative* - FNDVA) can finance training of voluntary workers of associations. In addition , the fund for youth and popular education (*le fonds pour la jeunesse et l'éducation populaire* - FONJEP) has especially been created to support the qualification of the sector leaders.

In France again, some ministries support training programs of related federations, for example the ministry of employment supports the CGSCOP and the ministry of agriculture gives aid to the Social Economy federations linked to agricultural co-operation and rural development.

3.2.3 Other measures

While this is of less concern for the Third System at present, two other kinds of employment policy measures have been adopted in some countries: on one side, those that aim to improve the matching of the work demand and supply through services of work orientation, placement and advice, and on the other side, those that incite work sharing by means of the Social Economy.

The first kind of measure was developed in most of the member states in the 90's with the reform of public employment services. The tendency has been the liberalization of employment offices. Private agencies, whether profit-making or not, have been authorized. Parallel to this, adoption of statutes of Social Economy by temporary work agencies have been authorized in some countries.

The second kind of measure, less usual in Europe for the time being, has recently appeared especially in the Third System with some measures, such as the recent national legislation in Spain which regulates the part time status of member workers in co-operatives.

4. European policies in relation to Social Economy and employment (E. PEZZINI)

4.1 Policies of recognition[20]

Since the end of the 70's a progressive recognition of Social Economy enterprises has taken place at the European institution level thanks to the support of the European Parliament and the Economic and Social Committee. The European Commission constituted the Social Economy Unity in January 1990.

Six European conferences on the Social Economy, proposals for European status, several opinions and resolutions of the European Parliament and the Economic and Social Committee and the official institution of the Consultative Committee for Co-operatives, Mutual Societies, Associations and Foundations are the remarkable results in recent years.

Significant "advances" have not been obtained because the Council has never adopted (absence of unanimous decision) any program for this sector. Lacking a legal base, a specific policy for these enterprises is far from being won. A re-enforced political cohesion between the Social Economy families, but also inside the different families as well as 'lobbying' at the level of the Member States would thus be amply necessary.

4.2 European employment and Social Economy policy

Reaching a higher level of employment remains the main objective of Europe. Following the adoption of the Amsterdam Treaty, which contained a new title of employment, it was

[20] A document entitled "La reconnaisance de l'Economie sociale par les institutions européennes, étape par étape" is included at the end of Appendix 1 after the 15 national reports on the Third System situation assessment.

decided in the framework of the Luxembourg Summit for Employment in November 1997 that the employment strategy would be conceived in a way to stand on four main pillars: employability, entrepreneurship, adaptability, and equal opportunity. Each year a series of Guidelines for Employment in Member States are adopted concerning each of the four pillars. These identify a certain number of specific targets that the Member States must reach in the framework of their employment policies.

The Guidelines for Employment of the Member States are proposed by the Commission and are transposed in terms of concrete administrative measures for each Member State through their National Action Plan for Employment (NAPs).

The Special Council on Employment, held in Luxembourg the 20 and 21 of November 1997, expressed itself in point 65 of the conclusions on the role which the Social Economy should play: "Member States will search for measures to fully exploit the possibilities offered by the creation of jobs at the local level by the Social Economy and in numerous activities linked to the needs not yet satisfied by the market, and examine all the obstacles to the measures in order to reduce them."

Also thanks to this affirmation, communitarian policies have given a remarkable push to the Social Economy which can now play a significant role.[21] In the Guidelines for Employment 1999, the role of the Social Economy in the development of new enterprises is given special reference. This indication is confirmed in the guideline proposals for the year 2000. This reference to the Social Economy in the 1999 Guidelines put the accent especially on the local plan in which the Social Economy is contained. In the Guideline Proposals 2000, there is a good distinction between the local level and Social Economy in the aim of highlighting that this latter, even if its major potentials are expressed at the local level, aspire to be the object of integrated actions also at the national and supranational levels.[22]

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[21] Cfr. Orientations for the structural funds and the cohesion fund. After the meaning of the concept "Social Economy" had been defined : ***Social economy: new employment-creating services.*** Not all those engaged in economic activities can be categorised clearly as being part of either the public or private sectors. There are a wide variety of organisations, such as co-operatives, mutual societies, associations and foundations, as well as enterprises and individuals, which provide for their members or are formed to serve groups in society with common needs. Some operate in competitive markets (credit unions, mutual insurance associations, etc) while others provide services that are closer to the public sector; e.g., health and welfare services, neighbourhood services, sports activities and recreation.
Although the entities that form the social economy are created to meet specific social needs, they also make an important economic contribution, notably in the field of employment. At the present time, it is estimated that some 5 % of total employment in the European Union is represented by the social economy and there is a clear potential for further growth.
The orientations confirm the importance of this sector for youth employment development and fight against social exclusion.
The initiatives taken by the Member States in favour of youth employment, the fight against social exclusion and the development of local services have allowed organisations and enterprises in the social economy sector to become new and significant partners of regional and local authorities. The overall aim of assistance from the Structural Funds should be to confirm and strengthen this partnership.

[22] *Proposal for Guidelines for member states' employment policies 2000, Developing entrepreneurship, " If the European Union wants to deal successfully with the employmentchallenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the Member states will:promote measures to expoit fully the possibilities offered by job creation at local level and in social economy, especially*

In the framework of structural funds the Social Economy has obtained a lot of attention. In this case, the analysis is part of the European deficit at the service sector level and, especially in some countries, some socially useful and collective interest services. In order to encourage this sector, the structural funds were given the mission of contributing to the creation of services for local entrepreneurs by developing training policies and technical assistance.[23]

This is a crucial point. Development and consolidation of Social Economy enterprises cannot be assured in the framework of integrated policies which combine the promotion of enterprises and the services destined for these same enterprises as well as opening new and specific financial tools in favour of Social Economy enterprises.[24]

4.3 Stakes, difficulties, threats,...

A – Absence of European statutes for co-operatives, mutuals and associations

The statutes for the European Co-operative Society (ECS), the European Mutual (EM) and the European Association (EA) are presently on the Council's table. Their future is closely linked to the results of current discussions concerning the European Limited Company.

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in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.

[23] Orientations for the structural and cohesion funds that regulate the modes of intervention in favour of the Social Economy.

On the basis of the experience with national support schemes and community pilot projects as well as the action plans of some territorial employment pacts, the priorities for assistance to this sector should be:

- *Active support for the creation and development of service providers: This involves, firstly, the identification of promising new sectors of activity and, second, the provision of appropriate support services to potential and existing service providers, such as information and counselling, as well as financial and technical assistance.*
- *Organisation and durability: Once established, service providers, especially those involving newly active persons, will generally require continuing assistance for some time, notably in the areas of management support and training. However, the ultimate objective should in general be the operation of the service on a sustainable basis. Therefore, public support should be degressive over time, taking account of the particular needs of the service in question.*

[24] *Effectiveness enhanced by a strategic approach and partnership*

An integrated approach to development and conversion must be reflected in programming methods in order to make the system of implementation more effective.

On the one hand, the identification of integrated strategies for development and conversion which make the greatest possible use of synergies between the priorities and measures to realise a coherent vision will be an initial condition to be met in the plans to be drawn up by the Member States. These integrated multi-annual strategies must concentrate on three main priorities: increasing the competitiveness of regional economies, in order to create sustainable jobs; increasing employment and social cohesion, chiefly through the upgrading of human resources, and urban and rural development in the context of a balanced European territory.

Furthermore, the creation of a decentralised, effective and broad partnership is a key factor in the success of structural programmes. Partnership, involving upgrading of the partners' skills where appropriate, maximises synergies, increases the commitment of all involved at regional and local level and calls on a wide range of financial and intellectual contributions, principally through the system of global grants.

On 11 March 1992 the Commission adopted proposals for rules concerning the statutes of the ECS, of the EM and the EA as well as the guidelines and completed them respectively for that which concerns the role of the workers. Following the advice of the CES and the PE, the Commission adopted the modified proposals the 6 July 1993 (J.O.C 236 the 31.08.93). The objective of these rules is to ease the development of transnational activities of this kind of entity by giving them adequate juridical tools while keeping in mind their specificity. The guidelines, for their part, aim to organize employee participation in the decision making process in enterprises.

The rules for the ECS, the EM and the EA are in an advanced negotiating phase within the heart of the "Society's Rights" working group of the Council; work progress has been regularly communicated to the Interior Market Council. The statutes of the ECS, the EA and the EM have been successively examined in this order and have each been the object of 2 or 3 technical readings. The work in the heart of the Council has taken into consideration many of the wishes of the PE and some of the Member States, notably for that which concerns the extension of the possibility of creation to all kinds of juridical entities as well as individual persons, easing of accounting obligations, simplification of the rules concerning the minimum content of the statutes.

For three years, these statutes have been blocked because of the guideline concerning worker participation. Consequently the families of the Social Economy recommend disassociating the statutes ECS, EM and EA from the statute of the European Limited Company. The problem of participation is different for the Social Economy enterprises (enterprises of persons). On the other side, given the time passed since the initial proposal and the legislative changes for co-operatives, associations and mutual benefit associations incurred in many countries, an updating of the proposals for the statutes is necessary.

B – The demutualization – making financial co-operatives commonplace

In the United Kingdom, the demutualization – that is to say, the transformation of *building societies* financial mutual societies specialized in mortgages and regulated by the rule of one man / one voice, into commercial societies through the rule of the proportionality of capital – began at the end of the 1980's and hit three big unities in 1997. In Sweden, in 1991, the banking co-operative network "Foreningsbank" was saved from bankruptcy by its privatization. In Belgium, the merger between the CERA, originally Raiffeisen, and the Kredietbank made the CERA lose its co-operative character. In France, some people dream of putting their hands on the private funds of the *Crédit Mutuel* and the *Crédit Agricole*. They condemn the "mutualization" of the French economy and take the pretext, to do this, on one side, of the taking control of the commercial banks by co-operative banks, and on the other side, the eventual transformation of savings banks into co-operative banks. On the contrary, others announce the demutualization through the degeneration (making them commonplace), considering that co-operative banks deal with the devil by making this kind of external growth.

Contrary to what the detractors of the co-operatives would like one to believe, the stakes are not of the fiscal or statutory kind because in Europe co-operative banks and commercial banks exist in the same prudential and fiscal environment. At stake, for the enterprise, are the

division of profits (or surplus) and, for companies and clients, the lasting development, with consequences on strategic choices, ways of organizing and working as well as client relationships.

C – Communitarian Law and Nonprofit Organizations

The *Sodemare* decision handed down by the European Community's Court of Justice on the 17 June 1997 introduced into communitarian law a difference in the treatment between private organizations according to whether they have a nonprofit objective or not. This decision rejected the appeal entered by the society Sodemare for its two Italian subsidiaries, organizations with a profit-making objective which provide sanitary and social services, who asked to take advantage of the state health service contract giving the right to reimbursement of its services, which were accorded to nonprofit organizations in the concerned regions.

The Sodemare decision constitutes a step forward for nonprofit organizations in the fact that it creates a differentiation on the same market segment.

D – Communitarian Law on Competition

The Social Economy demands to not be discriminated against in relation to other kinds of enterprises.

The communitarian law on competition worries the co-operative sector, especially the co-operatives of contractors, which it sometimes compares to agreements that distort free competition. The same principles of co-operative law, which promote agreement between the members in an objective of economic auto-promotion, are suspected of being in fundamental opposition with free competition that relies on individual action and is thus forbidden any concerted practice.

This will be the situation as long as the fundamental values on which the co-operatives are founded remain ignored by the Treaty. One must also signal that national legislations forbid the co-operative status in certain sectors. In Germany, it is forbidden to create a pharmaceutical co-operative society; in Spain, in the framework of sector privatization for distribution of petrol products, the co-operative form has been forbidden. The principle of non-discrimination has not been correctly applied.

E – The lack of a legal base for action by the Commission in favour of the Social Economy

The essential stakes for all future policies in favour of the Social Economy is the recognition of a legal base for its communitarian actions in the sector.

The Commission had prepared a multi-year program for 1994-1997 in favour of co-operatives, mutual societies, associations and foundations, whose objective was to integrate the reality of the Social Economy and its specificities in all communitarian policies. The Council never approved this proposal. The decisions in this matter need unanimity and the Commission thus removed the proposal in 1997.

The Commission is preparing a new multi-year 1999-2004 program whose perspectives are rather dim because it concerns a new policy which some detractors indicate catalyst could very well fit into the “Small and Medium Sized Enterprises”. Thus, it would not be easy to get the idea of a program in favour of the Social Economy passed, especially with the new organization of the Commission.

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CHAPTER 5

THIRD SYSTEM: A EUROPEAN DEFINITION

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The specific features of the European approach to the Third System can be summarized on the basis of three parameters: the type of organizations involved, the intermediary nature of the Third System within "welfare pluralism" or a mixed economy, and the system's socio-political dimension, which is as important as its economic dimension. Because of these different components, statistical interpretations of the Third System's importance to the economy of each country need to be complemented by a historical-dynamic approach, which is essential for understanding the system's potential in European societies.[25]

1. Specific features of the European approach

1.1. Organizations providing Goods and Services not based on the profit maximization principle

The distinctive feature of the European approach is the attention given to the historical-dynamic perspective. The American approach is embodied in the Johns Hopkins Project (Salamon, Anheier, 1995), which is the dominant international model for "Third Sector" issues. It focuses on defining the main national components of a sector comprising a community of "nonprofit organizations". In contrast, the European approach, while not discarding the synthetic dimension, takes a more analytical perspective, focusing more on generating nonprofit association typologies that highlight different modes of action and the changes in them over time. Thus, recent studies conducted in a number of countries, all point to an increase in the associations' production of goods and services, including their work in representing others' interest, advocacy and raising public awareness of specific issues. This finding is particularly important since the underlying research perspective covers Third Sector employment (Evers, Bode, Gronbach, Graf, 1999). Without creating any barriers between associations, since an organization's position in relation to production can change, the analytical distinction between service-delivering associations and advocacy groups is a more reliable indicator of whether the "associative revolution" (Salamon, Anheier, 1996)

[25] Except where indicated, the quantitative data come from the national surveys conducted by Working Group No. 1, to which the reader may refer for clarification.

"points at an increasing asymmetry between the amount of state-based services and those provided by society or wether it must be understood as a result of the strengh or weakness of the dynamic forms of social advocacy which take shape in civil society" (Evers, 1998).

Above and beyond this original research hypothesis, the European definition is broader because the exclusion by Johns Hopkins of co-operatives and mutual aid societies on the grounds that they can distribute some of their profits to members, cannot be justified in a European context. First, some co-operatives, like the housing co-operatives in Sweden, have never distributed their profits. Second, the distribution of profits is always limited, because co-operatives and mutual aid societies are a product of the same philosophy as associations, i.e. they are created not for maximising return on investment but for meeting a general or mutual interest (Gui,1992), contributing to the common good, or meeting social demands expressed by certain segments of the population (Laville, Sainsaulieu, 1997). Thus the Third Sector concept is a broader one in Europe, and the organizations involved are seen as part of the "Social Economy" rather than the nonprofit sector (Defourny, Develtere, 1999). The struggles waged in the nineteenth century led to compromises legalising organizations in which a category of agents other than investors is classified as a beneficiary. The legal status of the organizations (co-operative, mutual company, association) covers a group of Social Economy organizations in which the determining factor is not the not-for-profit requirement but the fact, that limits are imposed on the material interest of investors. Therefore, the line of demarcation is not to be drawn between for-profit and not-for-profit organizations, but between capitalist organizations and Social Economy organizations, the latter focussing on generating collective wealth rather than a return on individual investment. In other words, the Third System includes all organizations with a legal status that place limits on private, individual acquisition of profits.

Table 1: The organizations involved

European definition of the Third System	**American definition of the Third Sector**
Inclusion of an analytical approach developing association typologies and changes; emphasis on the development of the economic dimension of associations	Emphasis on a synthetic approach centred on statistical interpretation of the importance of a sector comprising the entire community of nonprofit organizations
Criterion of limits on private acquisition of profits: inclusion of co-operatives and mutual aid societies	Criterion of non-redistribution of profit: exclusion of co-operatives and mutual aid societies

Thus, the Johns Hopkins definition has an American bias (Borzaga, 1998) because it is based on the criterion of non-redistribution, underlying the American configuration of the sector, along with a significant role for foundations. This criterion does not take into account the specific legal requirements of European countries for which the distinguishing criterion is the existence of limits on redistribution. It is this criterion that separates Third System organizations from other productive organizations. Dissimilar though they may be, the European experiences nevertheless have one thing in common: they represent a tradition that

is different from the American tradition, an attempt to establish "reform economies" including not only forms of charity and voluntary service but also collective action based on mutual aid and the participation of socially committed citizens.

1.2. Welfare pluralism and a mixed economy

Historically, the Third Sector in Europe is associated with the expansion of public intervention because this sector is the source of a number of action models that have generated public services: for example, mutual aid societies have helped create social security systems. In addition, since the Third System has focused, to different degrees and under conditions that vary from country to country, on the production of goods and services, it has established a relationship with the market. The outcome is a concept that emphasises the intermediary dimension of phenomena referred to collectively as the Third Sector. Another distinguishing feature of European research is the emphasis placed on the fundamentally open, mixed, pluralistic and intermediary nature of the Third Sector and a concomitant rejection of the notion of sectors so as to avoid creating the impression that there is a clear line of demarcation between, on the one hand, the marketplace, the political arena and the community and, on the other, the Third Sector (Evers, 1997: 54-55). This pluralist vision leads to a Third Sector embedded in the framework of a three-polar system rather than ubdeerstanding the Third System as juxtaposed to states and markets.
The approaches sketched above, provide a particular conceptual basis for the Third System terminology adopted by the European Commission. The conceptual framework for these approaches may be represented graphically by a triangle linking the extensive range of factors that compose and influence the Third System (Evers, 1997: 52). The resulting analytical framework is used as a reference by various authors (Eme, 1991; Evers, 1990; Laville, 1992, 1994; Kramer et al., 1993; Pestoff, 1992, 1996, 1998) and was referred to in studies produced by the Local Economic and Employment Development Programme (LEED) of the Organization for Economic Co-operation and Development (OECD, 1996). The framework reflects two sets of closely related issues: the first (Table 2) presents the components of social security and welfare, and the second (Table 3) presents the components of a mixed economy.

Table 2: The welfare triangle

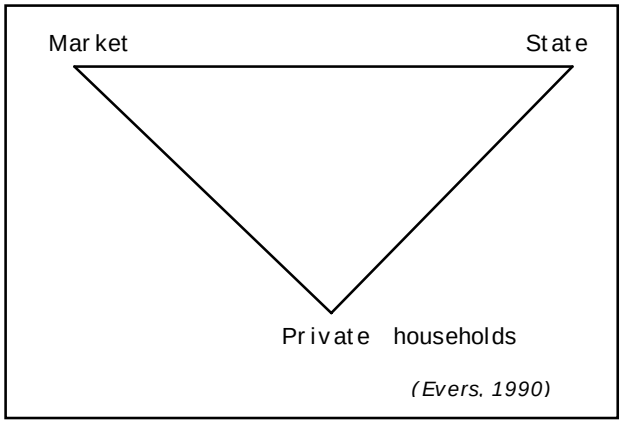
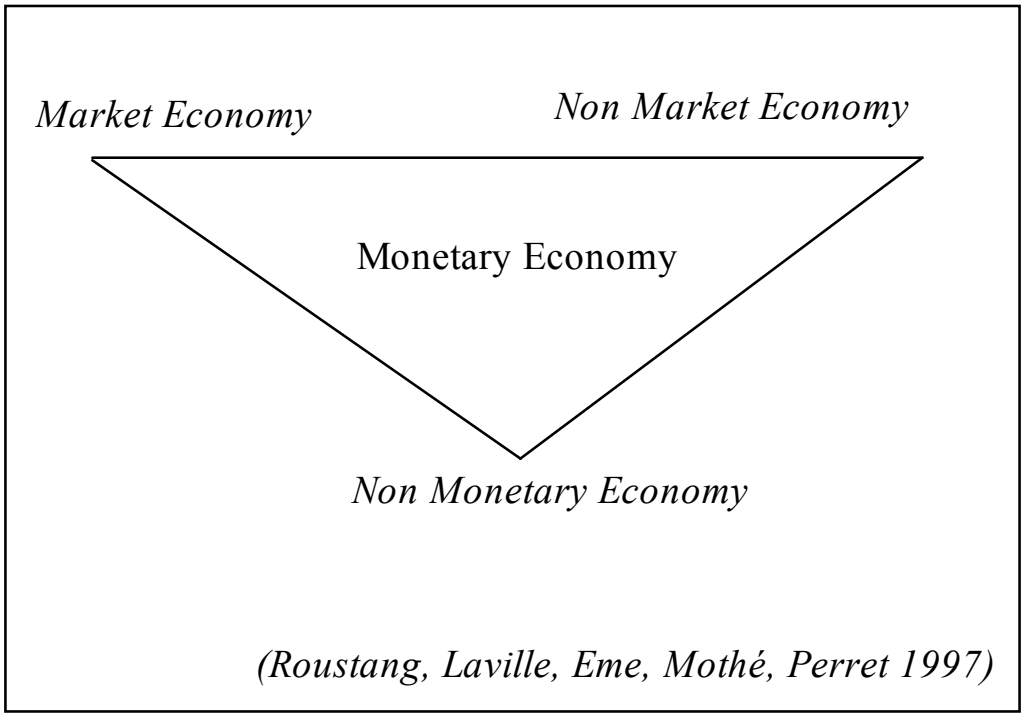
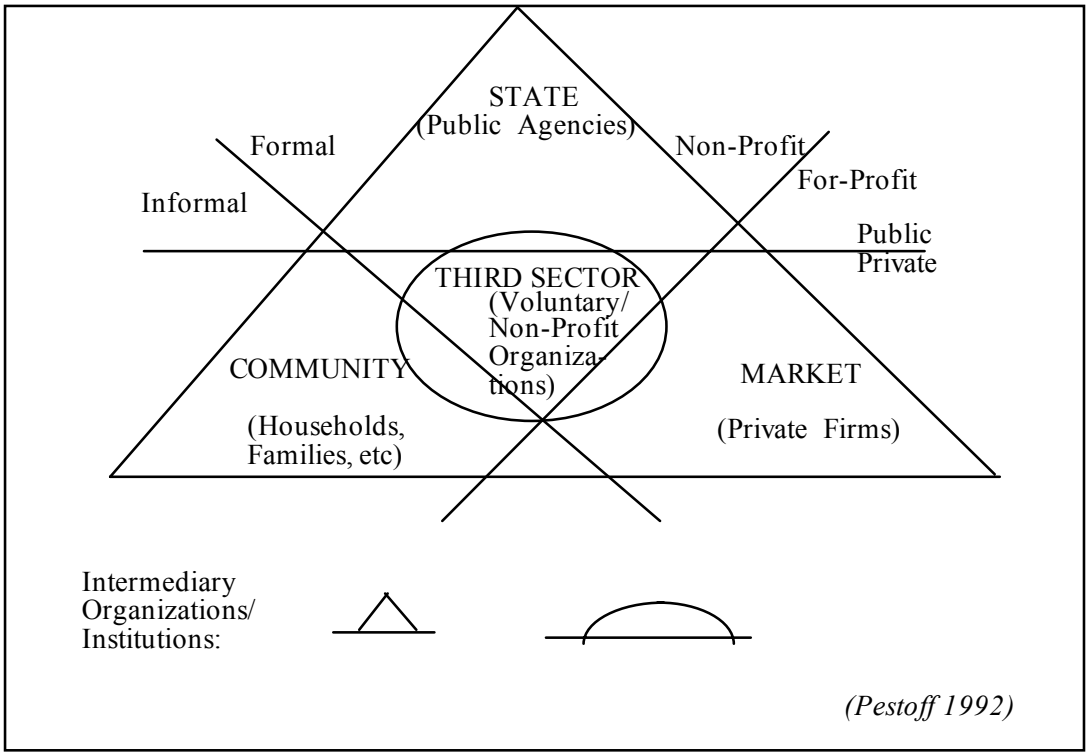


Table 3: Overall structure of the mixed economy



The above overviews have been developed and fine-tuned by two complementary approaches (Evers and Pestoff; Eme and Laville). The triangle proposed by Evers is intended to account for the diverse make-up of the resources that contribute to social welfare. It highlights an important element that is often overlooked by the various exponents of the American school, namely the role of informal and semiformal communities, and in particular that of the family at the core, as a constituent part of "a mixed economy of social welfare". Pestoff uses it to define and delimit the sphere of action of social enterprises and civil democracy in welfare societies, particularly with respect to "post-communist" and Scandinavian countries.

Table 4: The welfare mix



The "welfare triangle" in its version by Eme and Laville is based on the substantive approach of Polanyi's economic theory, which distinguishes three economic principles.

— The market principle allows for a convergence between the supply and demand for goods and services exchanged through price setting. The relation between the supplier and the customer is a contractual one. The market principle does not imply its immersion in social relations, "which are now considered by Western cultures as being distinct from economic institutions" (Maucourant, Servet, Tiran, 1988). It is not necessarily embedded in the social system, contrary to the other economic elements as described below.

— Redistribution is the principle on the basis of which the results of production are handed over to a central authority responsible for managing it. This involves implementing a procedure to define payment rules and targets. A relationship is established over time between the central authority that imposes an obligation and the agents that are subject to it. "Cash benefits" can be distinguished from "benefits in-kind" as two different forms of redistribution. Sometimes this redistribution can be private, e.g. when the institution which is responsible is private, i.e. a moral person whose directors have the power to take a percentage of the profits for corporate sponsorship or donations, for example, by means of private foundations. But the redistribution is above all a public matter: around the welfare state a modern form of redistribution has grown up, sustained by compulsory rules and used for paying benefits according to social rights.

— Reciprocity is the circulation of goods and services between groups and individuals that can only take shape when all participating parties are willing to establish a social relationship. Reciprocity is an original principle of economic action based on donating as a basic social fact; it draws on a mutual donation system that, paradoxically, takes the form of an obligation through which the groups or persons who receive the donations exercise their right to reciprocate. There is an incentive for recipients to give but they are not compelled to do so by outside forces; the decision is theirs. As a result, donating is not synonymous with altruism and free products or services; it is a complex mix of selflessness and self-interest. The reciprocity cycle is opposed to market exchange because it is inseparable from human relations that give expression to the desire for recognition and power, and it is different from redistribution-based exchange because it is not imposed by a central authority. A special form of reciprocity, referred to as "domestic administration" by Polanyi, operates within the family, which is the basic cell of the system.

On the basis of these three starting principles, a variety of combinations have developed over the years. They can also be used to define three types of economy in today's world.

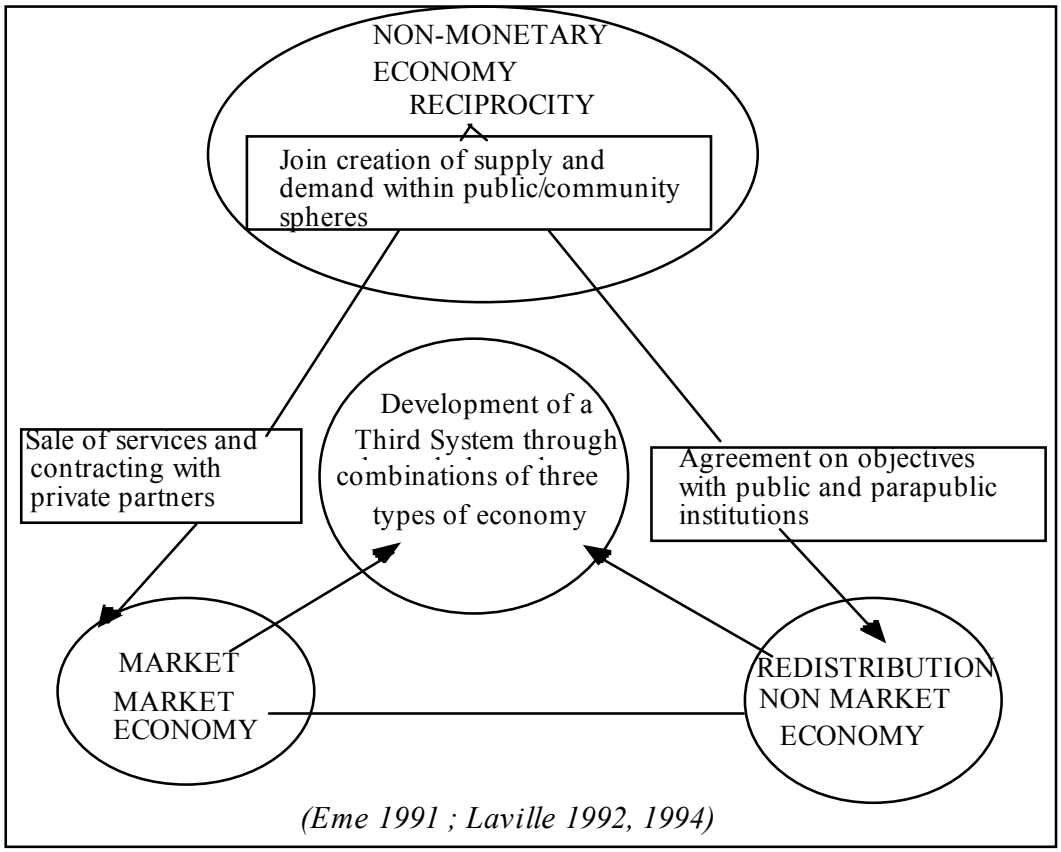
— The market economy is one in which the distribution of goods and services is primarily the responsibility of the market. However, the market economy is certainly not the product of the market principle alone. Market economies are not only organized around the market; they include many non-market contributions, such as assistance and grants for businesses. Due to that, the distinctive feature of the market economy is the priority given to the market and the subordination of the non-market and non-monetary contributions to it.

— The non-market economy is the one in which the distribution of goods and services is primarily based on a redistribution controlled by the welfare state. Redistribution operates largely through the public administration and through rules established by a public authority subject to democratic control (Strobel,1995). Redistribution in a broad sense covers all forms of levy and resource allocation, whether the purpose is social transfers, financing the production of specific goods, or playing the role of a macroeconomic stabilising force.

— The non-monetary economy is the one in which the distribution of goods and services is based primarily on reciprocity and domestic administration. Obviously, a number of reciprocity-based relationships take a monetary form, (e.g. donations), but it is definitely within the non-monetary economy that the main reciprocity-based contributions are generated, be it by self-production or by the private household economy.

Each division of the economy is therefore organized around the predominance of one principle (Eme, 1993), and the main examples of the modern-day economy reflect a hierarchy of these divisions, with the market economy considered as primary, the non-market economy as supplementary, and the non-monetary economy as residual.

Within such a framework of understanding, the specificity of the Third System can therefore be interpreted as being a hybrid of the three central divisions of the economy, existing in a state of tension with their hierarchical structure.



Despite their slight differences, the approaches we have referred to so far all emphasise a kind of "welfare mix/welfare pluralism" and a "mixed" or "plural" economy, even though the impact and tate of development of the components which make up for the framework can change the character of the Third System which is part of it.

1.3. Linkages between the socio-political and economic spheres

Another contribution of the European research is that it attempts to explain the socio-political dimension of the Third System, whereas the American approaches have defined the system solely on the basis of an economic analysis.

Initially, explanations of the existence of a Third Sector reflected a neo-classical approach. Internationally renowned theorists like Hansmann (1987) and Weisbrod (1988) contend that the Third Sector emerged primarily from the market's failure to reduce informational asymetries and the State's failure to respond to minority demands (Lewis, 1997; Nyssens, 1998). They see the State, the market and the Third Sector as separate entities and tend "to place them in separate compartments" (Lewis, 1997: 166). Their thesis is also based on the naturalization of a hierarchical structure in which the market and the State are viewed as pillars of society and the Third Sector as an auxiliary force.

However, history has proven the above thesis as being misleading. The emergence of a self-regulating market sparked reaction from social groups, including the creation of associations and then the development of the welfare state. Salamon (1987, 1990) referred to this historical process in criticising the "failure" thesis and pointed out that associations were "the first line of defence" (Lewis, 1997: 166) developed by society; he argued that thereafter their shortcomings (insufficiency, narrow focus, paternalism, amateurism) forced them to forge co-operative links with the State. But this functionalist explanation does not cover all aspects of the subject, as Salamon and Anheier (1996, 1997) themselves recognized. Following up on the Johns Hopkins Project's early research, they adopt a "social origins approach" in order to gain a better understanding of national situations through an analysis of their historical origins and development. They also reinforce the hypothesis that the traditional concept of the sector is outmoded. The re-emergence of the issue and the reference to civil society are pointing at a fundamental, intuitive grasp of the subject.

Several theories have attempted to establish correlations between national macrovariables: population diversity in the case of the heterogeneity theory (Weisbrod, 1977), religious competition in the case of the theory of supply (James, 1987: 397-415), trust in private enterprise in the case of the trust theory (Hansmann, 1980: 839-901, 1987: 27-42), per capita income in the case of the welfare state theory (Titmuss, 1974), and social security expenditures in the case of the theory of solidarity (Salamon, 1995). In light of data collected in a variety of countries, these theories seem to provide a less convincing explanation than the social origins theory linking the Third System's roots to national contexts (Salamon, Anheier, 1996) and being based on the premise that the system's components are "not only goods and services producers but also major political and social co-ordination factors" (Seibel, 1990: 46). Yet none of these theories have identified the principal criterion accounting for the social integration of the Third System, The parallel that Salamon and Anheier (1997) draw between the Third Sector and civil society as a whole within the framework of their concept of a "civil society sector" is done too hastily and does not provide for a convincing criterion of the kind of link between Third Sector organizations and the civil society.

European theorists have advanced the hypothesis that the Third System is part of the public sphere of modern democratic societies within civil society as a whole (Evers, 1995). Concretely, the public sphere is not a homogeneous whole; in fact, there is a "plurality of public spheres" (Chanial, 1992). Some of them have been penetrated by the power structure and are highly organized (Habermas, 1988: 354, 1990; Eme, 1994: 192), and others "are emerging as independent forums for free debate and discussion" (Eme, 1996: 7) Voluntary association partnerships take a leading role in civil society because around them "autonomous public spheres can take shape" (Habermas, 1992: 186). But once they are formed, their development is contingent on the recognition granted by the public authorities. Moreover, there is a fundamental tension between the tendency to treat the third system as an alternative to public service and its importance as a product of civil society. The relationships between the Third System and public authorities are of prior importance, because they have an impact on two political issues: first of all on the potential for action by members of the political community as a whole, and the secondly, on the sphere which is centred on the exercise of power (Maheu, 1991).

So, if we develop the concept of embeddedness introduced by Polanyi (Swedberg, 1996; Granovetter, 1985: 481-510), the type of embeddedness to be found prevailing in historical development is a political one, defined as the set of interactions between public authorities and "Third Sector initiatives" which cause effects on both side; their intensity and character may vary considerably over time. The purpose of the concept of political embeddedness is to highlight the complex totality of the relations between public policy and initiatives in civil society. While the components of the Third System cannot be understood without conducting an analysis of the public regulations governing them, at the same time the forms they take cannot be entirely determined by state authorities. The social structure of the Third System cannot be completely understood from an analytical perspective, which constructs public policy as if it would be an autonomous sphere, based mainly on decisions of state authorities. The Third Systems' structure is influenced historically by initiatives taken by a variety of social players who necessarily participate in the development of new forms of public regulation. Therefore, it cannot be seen as a mere product of state regulation. It is the outcome of interactions between a variety of different initiatives and public policies varying in stability over time[26] (Eme, 1996).

2. A historical-dynamic approach towards the Third System

In fact, the European Social Economy can be described in legal terms (associations, co-operatives, mutual aid societies and foundations); this helps to understand the phenomenon. However, the Third System perspective also entails the challenge of coming to a development model for these legal structures. The approach proposed here, focuses on the specific way of political embeddedness of the Third System in order to understand the ways it is affected by the dynamics of institutionalization, conventionalization and re-emergence.

The main points of the approach are given below in order to illustrate its value as a heuristic tool. The hypothesis is that any prospective reflection on the Third System cannot be based

[26] Bernard Eme underlines this finding when dealing with proximity services in support of social integration.

only on a static analysis of the present situation. A snapshot of a moment in time needs to be enhanced through a dynamic approach that brings out historical trends. Three major periods can be identified in terms of a Third System political embeddedness.

2.1. Emergence and institutionalization

Once democracy took hold in Europe, modern associations started to emerge. Associationism was initially viewed as being both citizenship-related and fundamentally socio-political (Evers, 1997: 51). This reference to citizenship brings out communalities between national concepts of the Third System while at the same time helping to understand differences because popular definitions of citizenship can conflict, as the English and French examples show.

In the United Kingdom of the nineteenth century, the concept of charitable organizations was linked to the debate on citizenship; charity was a social principle, an essential component of a democratic society that helped to regulate it through the establishment of moral objectives and altruistic voluntary commitment. The objective of government in Victorian England was "to provide a framework of rules and directives to enable society to manage itself to large measure". As a result, associations and their charitable activities were not funded by the government, but run with a high degree of autonomy; at the same time they forged co-operative links with the authorities responsible for legislation onpoverty. In addition, a large portion of the social security benefits was financed and managed locally, with limited central government assistance, giving rise to a host of "institutions that acted as intermediaries" between the state and the citizens while being at the same time "an integral part of the State fabric" (Lewis, 1997: 169).

In France, on the other hand, while part of the community of associations arose from a philanthropic desire for social peace, the dominant philosophy was a republican egalitarianism reflected in a broad-based appeal to the multifaceted concept of solidarity. After the Revolution, the solidarity principle eventually led the country beyond the dichotomy between liberalism and statism. In the nineteenth century, two popular solidarity theories emerged: solidarity as a social-democratic link, as proposed by Pierre Leroux, and solidarity as a debt to society, as proposed by the solidarity theorists. Leroux (1851: 170) explained the solidarity concept as follows: "Nature did not create a single being for itself... It created all beings for each other and gave them a relationship of reciprocal solidarity" in order to avoid competitive individualism and authoritarian statism. He believed in the value of solidarity networks based on the work of associations and of the press as means of ensuring that the public spirit essential to democracy was kept alive. The solidarity concept, supported by politicians, legal experts and sociologists such as Bouglé, Bourgeois, Duguit and Durkheim, took on a new meaning at the end of the nineteenth century. Going beyond Leroux's theory of collective involvement in human activity, the new discourse on solidarity spoke of a debt that generations owed to one another, a debt that would take the form of a contract or a "legal form of the twofold debt to society expressed in a commitment toward our fellow men and our descendants" (Dubois, 1985: 58). This concept of solidarity laid the philosophical foundations of social law and legitimized the first compulsory social insurance schemes of the twentieth century.

These two examples bring out the two main sources of the European Third System, and both refer to the broad, polyvalent concept of solidarity. The first source is the organization created for others: the developers created a general-interest organization for the benefit of a distinct class of beneficiaries. The second source is the self-managed organization: developers created a mutual-interest organization to provide services for themselves.

These actions gradually won greater acceptance from public authorities and led to the development of legal frameworks for the Social Economy that gave them a defined and acknowledged status and helped to separate what the original associationist movement was striving to unite. The different legal provisions all placed limits on the organizations. In Italy, the major social service associations were forced to become public agencies at the end of the nineteenth century (Santuari, 1997). In France, the associations' capacity for economic action was controlled by the government, which was concerned with preventing the Church from consolidating its power. In the United Kingdom, criteria defining "charities" introduced a form of discrimination against mutual-aid activities and restricted them to traditional philanthropy. In Sweden, "ideell associations", which were model exponents of the self-management concept, were given a different status from economic associations.

2.2. Development by sector

From the end of the nineteenth century onwards to the twentieth century, legal compartmentalization and forms of economic integration contributed to the multiplication and fragmentation of subdivisions (Vienney, 1994: 76-83); as a consequence it might be useful to differentiate between three basic subsectors.

Co-operatives and regulated markets

Co-operatives were integrated into the market economy, occupying sectors of activity in which capitalist activity remained weak. They helped a variety of players to mobilize their own resources for the activities that they needed to carry out and which had been dropped by prospective investors. Historically, co-operatives such as agricultural co-operatives were set up in almost every locality, but other types of co-operatives were consolidated in specific countries: consumers' co-operatives in the United Kingdom, housing co-operatives in Germany, the United Kingdom and Sweden. In countries such as France and Italy, where industrialization was slower, workers' production co-operatives took root; they were helped along in the "third Italy" by the establishment of industrial districts.

While the co-operatives benefited from special provisions negotiated with the State, they had to operate in a competitive environment for the most part. In general, the logical consequence was to concentrate the means of production, and this prompted them to specialize in a major activity connected and identified with the work of their members. The end result was market isomorphism (Di Maggio, Powell, 1983; Enjolras, 1996). Concern for business durability meant that the broader political objectives had to be scaled down, and the transformation process continued. According to Vienney (1982: 108), the associations became "genuine financial groups, resembling the co-operative institutions typical of developed capitalist economies".

Mutual aid societies, health and social services associations and protective regulations

The emergence of the welfare state brought about a profound change in the role played by mutual aid societies and by associations active in health care and social services.

In the case of mutual aid societies, a number of initiatives were launched in the early nineteenth century to handle the problems of work disability, sickness and old age on the basis of solidarity principles by organizing the members of a profession, branch or locality in a group. Considered by socialists as a means of worker emancipation and by liberals and conservatives as barriers against social unrest, the mutual-benefit organizations were tolerated and controlled by the authorities, as was the case in Belgium and in France from the middle of the nineteenth century onwards. Later, contribution and benefit levels and conditions were standardized nationally. The nature of the economic activities involved created a dependence on the State for all the benefits they provided. The risk inherent in these benefits could be better controlled because of the involvement of a large number of members nationally and the additional support of statistical techniques: the system became secure with the institution of compulsory insurance schemes (health, old age, etc.), and mutual-benefit organizations became complementary insurance sources for compulsory plans and even became social security managers, as in Belgium and Germany. They were regulated by the State and integrated into the non-market economy to complement social transfers, even if it meant amending the principle of voluntary membership in order to meet the criteria for supplementary group social insurance. The process of institutionalization is consistent with, on the one hand, the Bismarkian or corporatist concept of social insurance for wage-earners in Germany, Belgium and France and, on the other, with Beveridge's concept of national solidarity, which makes no reference to professional activity (Merrien, 1987: 82), taking a universalist approach that focused on welfare rights for all or provided assistance of last resort in the event of family and market failures (Tittmuss, 1974, Esping-Andersen, 1990).

For this reason, the comparative analysis of welfare state regimes, with its special emphasis on monetary transfers, can help to identify the role and situation of mutual-benefit organizations. It does not, however, include a historical analysis of the relationships between associations and public authorities (Kuhnle, Selle, 1992). As feminist critics (Orloff, 1993; Hernes, 1987; Lewis, 1992) have shown with regard to social and health care services (Folbre, 1997), the public authorities have adopted two contrasting attitudes to social relations between the gender: the first targeted women's independence and gender equality; the second established a hierarchical relationship between men as being responsible for household income and women as being responsible for domestic chores (Jenson, 1993; Lewis, 1998, Sainsbury, 1994). The gender criterion finds its expression either in the emphasis on the development of services for all (first attitude) or in the priority given to monetary transfers at the expense of services (second attitude), with women being encouraged to perform domestic work.

By combining the above features, we can identify three types of relationships between associations and public authorities.

— The first type is the universalist or social-democratic system of Scandinavian countries like Sweden and Denmark. Broad reliance on the State as an organizer of the national society finds expression in a "collectivization of needs" (Leira, 1992) in the social services sector and a concomitant promotion of social integration and gender equality. In this context, associations have exerted social pressure by acting as a channel through which to voice demands and they have mobilized networks to foster the delivery of services by public organizations. These services are the responsibility of government, for which gender equality is an official objective.

— The second type covers the liberal and dual systems. Here, services are generally not provided. In the liberal welfare state system typified in the United Kingdom, public assistance is concentrated on the most disadvantaged sectors of the population. Service-delivery neutrality has been maintained by successive governments. The corollary of this is a lack of such services as child care, as a result of which a high proportion of women have to work part time (Lewis, 1992). The weakness of non-market services regulated by public authorities is also characteristic of the dual system in Southern Europe, as it can be shown with and eye on Spain, Italy and Portugal. This system emphasizes monetary transfers, neglects services, and provides social insurance for those who have successfully integrated into the labour market at the expense of groups who do not have employment security, have little hope and who are trapped in the underground or informal economy. According to Ferrera (1996), "access to rights is neither universal nor egalitarian, but operates on the basis of personal knowledge, privilege and patronage".

In both of these two welfare regimes the Third System as a goods and services provider is very limited, albeit for diametrically opposed reasons. In the universalist model, there is a strong impetus to create services and take over tasks by the public authorities that were formerly performed by the private sector. In the liberal and dual models, public service delivery is limited, and services are for the most part the responsibility of women and remain in the private sector. Once gender is taken into account, it is impossible to subscribe to the somewhat surprising conclusion reached by Salamon and Anheier (1996), who describe the Italian system as a social-democratic system akin to that of Sweden on the grounds that, in both countries, there are "high levels of public social expenditure and relatively weak nonprofit sectors". In this context, the distinction between monetary transfers and services is essential if we are to avoid equating national systems with a given model solely on the basis of public expenditures and associations. As Borzaga points out (Borzaga, Santuari, 1998), the apparent similarity of systems is contradicted by the fact that the financial means of the Italian welfare state are swallowed up by pension payments. The Italian model focuses on monetary transfers and, as a result, tends to neglect the implementation of social services, and this is where the Italian and Swedish models differ.

— The third type is the corporatist regime. In contrast to the other two, it assigns a significant role to the Third System and the regulatory system. In this system of interaction between initiatives and public authorities, services are considered as an integral part of social policy based on taxes or social security resources. Services are not exchanged for a price to cover most of the production costs because the State provides a considerable portion of the funding. The State sets rules for service-delivery procedures as well as for the occupations of salaried workers in the sector. If the rules are followed, funding is provided through

redistribution. In Germany, Austria, France and Belgium, associations were more like service pioneers, identifying emerging social requirements and then responding to them within their own associative contexts while at the same time being regulated by the State. Conglomerates of organizations took shape, grouped together in national association federations that interacted with the public authorities. The establishment of a regulated service regime gave rise to a non-market isomorphism of Third System structures that brought them closer to government and prompted them to form large national federations (they were linked to political parties, churches, the Red Cross and non-aligned organizations in Germany, they were lay and Catholic bodies in France, and they were socialist and Christian bodies in Belgium). In Belgium, this system of large associative "pillars" was coupled with mutual organizations active in family assistance and home care services (Leblanc, Paulet, 1989). The corporatist system has two variants. One is the *social orientation*, as it exists in France and Belgium, where the priority is the institutionalization of non-market services outside the family unit, and in which government plays its regulatory role fully. The other variant, centred more on *family orientation* as illustrated in Germany and Austria, attaches less importance to the regulation of non-market services and focuses on providing financial means for women to assume their domestic role. With the increase in social expenditures in Italy over the past twenty years, that country has moved closer to the family-centred corporatist system.

While mutual organizations have become in many ways "para-state" organizations (Evers, Bode et al., 1998: 2), an analysis of the relationships between associations and public authorities shows that the relationships are particularly strong in health care and social services and manifest themselves in three ways: demand for public services, support for the household economy, and the "merger" of associations and public authorities through trusteeship and regulation (Lewis, 1999). Only the third element has led to a greater volume of Third System service delivery, and that increase has come at a cost—strong centralization and reliance on the State for funding and regulation.

The new dynamic

The identity of the Third System was consequently affected by the differences in the paths taken by the various components, differences that were accentuated by the strong synergy between State and market during the expansion period. But since the onset of the subsequent period of transformation, several factors have served to redefine the socio-political and economic dimensions of the Third Sector.

• Evolving forms of commitment

First of all, the *shift in forms of commitment in the public sphere* must be considered. On the one hand, general-interest activism associated with a concept for social change, involving long-term action and strong delegations of authority within federative structures, lost steam, as illustrated by the weakening of trade union and ideological affiliations. On the other hand, the crisis in voluntarism, evident in some of the most institutionalized associations, was paralleled by short-term, concrete commitments by associations focusing on providing quick solutions to specific problems (Ion, 1997; Barthélémy, 1994: 48). The question raised here is concerning the interrelation between voluntary work and political and social participation.

After the increasing professionalization of social services, in the period preceding the revitalization of the Third System from the 1960s onwards, people began to question a perspective, which suggested to equate the citizen to a consumer or a taxpayer. Groups started to take action outside the traditional social movements, combining social co-operation, mutual aid and protest. The Third System's role from this point of view is not just the delivery of services and jobs; it encompasses the search for forms of involvement other than occupational or political participation, and it is related to the issue of social cohesion and the active society.

• The change in the structure of productive activities

The labour structure in developed countries is going through profound changes. Two major categories with contrasting orientations can be distinguished.

—Industries for standard products and services covering logistical services (transportation, large-scale distribution, waste treatment, etc.) and administrative services (banks, insurance companies, government, etc.), which moved toward mass-production activities. Dealing primarily with material goods, technical systems and the processing of coded information, these services were changed by new information technologies. Thus their development has been similar to that of industrial activities, which have been characterized by two trends: their job creation capacity is less than it was during period of prosperity in France from 1945 to 1975, and there is a demand for workers with higher qualifications.

— On the other hand, relational services, as pointed out by Baumol and Roustang (1987), give service relationships a pivotal role because the activity is based on direct interaction between supplier and customer. The purpose is to influence the organization's operations regarding services to business and to improve the physical, intellectual or moral state of individual customers or users. In this context, new technologies are only relational support systems offering additional options in terms of the variety and quality of services. Innovation in the production process does not necessarily lead to standardization. It can lead to another form of innovation, with complex work being displaced, not eliminated. Greater variety and better quality will offset the effect on capital and labour, and relational services can thus generate new jobs. Moreover, in spite of the problems caused by the way, organizations are categorized in national accounts, which do not present relational services as a separate group, the available figures show that these services are at the centre of job creation. Overall, in the member countries of the Organization for Economic Co-operation and Development (OECD)[27], trade, services to business, the hotel-restaurant industry, personal and domestic services, education, health care, social action and public administration account for most jobs and their share is steadily increasing. Some subsets such as education, health care and social action, social and personal community services and domestic services show a significant increase in employment, supported by strong sociodemographic trends (Borzaga, 1998).

[27]From 1962 to 1981, the non-market sector, a composite statistical aggregate of a large group of relational services, increased its share of the job market in six of these countries.

Rate of job growth between 1993 and 1997 for the services sector as a whole and in the "education, health care and social action, social and personal community services, and domestic services" subsets

	1993	**1997**
	All services	***Community services***
Italy	2.3%	4.1%
Belgium	5.4%	6.2%
Germany	4.2%	6.1%
Spain	12.2%	16.3%
France	3.9%	10.5%
United Kingdom	8.8%	11.1%

Source: Eurostat, labour force survey.

• Proliferation of initiatives

In this new context, innovative ideas were developed in civil society networks throughout Europe, with most of them taking the form of associations and co-operatives (Defourny, 1999). They adjusted to the changes in public action in different ways, depending on the welfare state system in their particular country.

In the Scandinavian countries, new organizations adopted a mode of operation that was different from that of traditional associations. Moving away from the hegemonic political and cultural approach of the 1970s, they proposed "new organizational forms and solutions to local social problems" in the 1980s (Klausen, Selle, 1996: 99-122). In Denmark organizations called "project developers" arose out of the strong involvement of one or more individuals. Daycare co-operatives emerged in Sweden, where in 1994 a total of 1 768 non-municipal child-care organizations were in operation, accommodating 12% of children cared for in daycare centres. Of those organizations, 1 020 were parents' co-operatives, and 117 workers' co-operatives (Pestoff, 1997, 1998). In this context, co-operatives and associations contributed to a redeployment of existing services as much as to the creation of new services. The "co-operatization" of social services (Lorendahl, 1997; Pestoff, 1998) is designed primarily to increase the role of users, such as parents, in the organization of child-care services, and has been accepted because of the financial pressures on the public sector.

Paradoxically, at the other end of the scale, the same form of organization took shape in Mediterranean countries with a dual system: the legal status of co-operative was used to propose services that the public sector was unable to provide. In Italy, social co-operatives became popular in many areas because of their ability to perform new functions: providing jobs for people from sectors of the population that had been excluded from the labour market and creating a variety of services for individuals. They emerged in the 1970s and grew rapidly. In 1996, there were about 3 000 of them, representing approximately 100 000 associates (including some 75 000 wage earners) and 9 000 volunteer members, and

providing services for several hundred thousand people (Borzaga, 1997). A few years ago, the Third System in Italy had been smaller than elsewhere because the State played a dominant role in services such as education and health care instead of incorporating, as other countries had done, a significant Third System dimension (Gui, 1996). In recent years it has grown considerably. It proves, that instead of relying on the non-redistribution principle as the only guarantee for a not for profit orientation (Hausmann, 1980; Ortmann, Schlesinger, 1997: 97-119) co-operative characteristics, such as the involvement of stakeholders and the actions of entrepreneurs and workers can as well seen as principles which help to safeguard the dominance of a not for profit orientation (Young, 1983; Borzaga, Mittone, 1997). The 1998 legislation on social solidarity co-operatives in Portugal brings together "salaried" members, the recipients of services, and "voluntary" members, the non-salaried providers of goods and services. Socially oriented co-operatives appeared in Spain at the same time. The general law of 1999 refers to social-service co-operatives providing education, health care and integration services as well as other social needs not covered by the market. On a regional level, one can find mixed co-operatives for social integration in Catalonia and the Basque country and co-operatives for social integration in the Valencia region (Espagne, 1999). In Valencia, for example, some workers' co-operatives comprising for the most part home-care employees developed into a mixed organization of producers and consumers (Sajardo-Moreno, 1996). Likewise, even though to a lesser degree, the voluntary sector in the United Kingdom has been replaced in some areas by social co-operatives providing such services as integration, child care and home care. The number of initiatives may be no more than a few dozen, but there are also many community enterprises, particularly in Scotland, which in 1995 accounted for 400 production units and 3 500 employees throughout the UK. At the same time, voluntary organizations such as playgroups for pre-schoolers helped to cover some of the shortages. As of 1986, more than half of the children in England and Wales who benefited from community daycare services attended playgroups—part-time daycare services for children under five years of age that were the result of measures taken by parents to counter the shortage of child-care programmes.

The expansion of co-operatives for the above activities is due in part to the fact that it was now legal for co-operatives, which had traditionally been homogeneous entities, to involve a variety of stakeholders in the decision-making process (volunteers, workers, consumers, local communities, etc.). The 1991 legislation in Italy provided for precisely that kind of expansion. Furthermore, it is not surprising that social co-operatives developed in countries, where welfare state systems had sought very little assistance from service-delivery associations and where associations were restricted in their economic activities. The situation is very different in countries with corporatist regimes, where government authorities have established close partnerships with associations.

In Germany and Austria, initiatives were termed "self help" in an effort to reflect a desire to empower the people involved. The initiatives can be divided into three subsectors: semi-informal groups outside the Third System, "self-help" groups of individuals affected by the same problems, and groups taking up the needs of others and providing help and services for people outside the group. These self help groups and small associations are formed on a voluntary basis and paid professional work is used only in a backup role. There have been 70 000 of such initiatives in Germany involving approximately 2.65 million people, and half of them can be considered as a part of the Third System (Evers, Bode et al, op. cit.). They grew

rapidly from the 1980s on, especially in health care and social action: between 5 000 and 10 000 groups became active in the health-services field alone. They were a response to studies criticising the bureaucratization of services in the public sector and took root in major charitable federations comprising as well older associations with which they work sometimes in partnership. In Vienna, for example, 65 000 children were being cared for, half of them in the public sector and the other half in associations that were partly traditional ones and partly the product of new grassroots initiatives (Leichsenring, 1997).

In Belgium and France, the issue was one of accepting the fact that the lack of a profit motive does not suffice to guarantee user respect and, accordingly, of devising new ways of providing associative services. As major, long-standing service providers, associations benefited from local quasi-monopolies during the trusteeship and regulation period. Since there was a tradition of co-operation between public authorities and associations in those countries, new groups adopted the same legal status, but at the same time they intended to build on new foundations and focused on the mode of operation of associations as a central issue. According to their promoters, the legitimacy of service delivery by associations depends on their ability to give users a "voic", to use Hirschman's term (Pestoff, 1998), to elicit voluntary commitment from a variety of sources, and to find a new financial balance geared to a context offering less protection.

Many associations, including both older organizations that are re-evaluating their traditional practices and more recent groups that are proposing new approaches, are trying to adjust to the new context. For example, in the case of daycare services, they generated models for community child-care services involving parents, such as daycare centres with parent participation promoted by the Association des collectifs enfants-parents-professionnels in France. Initiated by parents, they were later taken over by many professionals, who saw them as both an employment opportunity for them and a means of ensuring and monitoring quality of service through close relations with the parents. These community child-care facilities experienced the highest growth of all such services in the 1980s. In the beginning of 1996, according to a 1997 report by the French Ministry of Public Health and Health Insurance, there were 710 parent-run nurseries capable of accommodating 11 294 children; of these, 481 provided 7 937 places in a multi-service context, combining community nurseries and drop-in daycare centres. Globally, association initiatives over the past ten years have helped to create two thirds of the community daycare spaces. Associations based on family participation have not succeeded likewise in the case of home care, because here, the problem of delegating tasks is more difficult to handle for the households concerned. Yet there have been experiments, launched mainly by professionals critical of prevailing operating modes, which they considered as being too impersonal.

Setting aside national differences, our analysis serves to highlight two decisive factors relating to the new forms of co-operatives and associations.

— Third System experiments have proven that they were capable of creating original ways of fostering the trust required for certain activities to succeed. Building trust often depends on the commitment of the stakeholders (Ben Ner, Van Hoomissen, 1991), a commitment facilitated by structures that limit the opportunities for increasing personal wealth. Within

this "multi-stakeholder" dynamic (Borzaga, Mittone, 1997; Pestoff, 1996), mutual trust is built through the development of reciprocity-based spheres of activity in which strategic, instrumental and utilitarian factors are secondary and where there is room for collective reflection. These spheres can be described as "community-base public spaces" (Eme, Laville, 1994; Laville, 1994), which means, that issues once limited to the private sector can be brought into the new environment for a debate with a view to defining the common good, which can then be used as a frame of reference ("frame" in the sense used by Goffman, 1974) for users and professionals. Mutual trust is reinforced by establishing a frame of reference (expressed, for example, in a charter). Of course, any form of service delivery can be defined as a form of co- production since consumer participation is required in any case. But the experience of social co-operatives in Italy, of child-care co-operatives in Sweden, of community-care associations in the UK, and of proximity service - associations in Germany, France and Belgium go far beyond co- production. What is taking shape here, is a joint development of supply and demand for services for the purpose not only of soliciting individual users as consumers or taxpayers within a public or private functional framework but also for addressing them as citizens in the political arena and as community and family members in an informal environment (Evers, 1997: 55). The basis for such new forms of institutionalizing services have been kinds of open spaces reserved for experimentation and discussion (Eme, Laville, 1999), formed with no interest in getting a return on investment or imposing administrative regulations, and in some cases built in reaction against such barriers.

These services were developed on the basis of the experiences of users and professionals and by their joint uptaking of an issue that had not been resolved by the private or public sector. This joint development does not mean that the various stakeholders are equally involved. Sometimes professionals, critical of their traditional methods will dominate; but it may also be individuals who, for personal reasons, are familiar with the issues or the potential users of the service; in other cases it may administrators, seeking to bring about change in their institutions may take the leading role Thus there is no equal representation of the various players in the service; instead, a mixed, pluralistic model, involving a variety of stakeholders (professionals, volunteers, users, institutions, etc.) has taken shape. By establishing an intermediary, third sphere, this pluralistic model, in varying combinations, makes it possible to counteract what is proposed here to call "informational uncertainty" – something which goes beyound the well known topic of "informational asymetry" as it is used in the economic debates on markets and services. We can speak of informational uncertainty when both, users and providers are unable to conceptualize the exact features of the service to be adopted before they meet. In such "relational services", which involve close contact with the users, there is not simply informational asymmetry but a lack of definition of tasks and concepts, something, that is even more disturbing to the stakeholders. Whatever problems may subsequently arise in the course of the further institutionalization of such services – what is important, is to state a new Third System- based dynamic for such processes of institutionalizing service systems. It underlines the impact of the socio-political dimension of the problem of new spheres of "economic" (service) activities that is brought out in European research. The importance of entrepreneurs, who are making the European concept a reality is not contradictory to the emphasis on the socio-political dimension. Because their activity is a civic entrepreneurship, more collective than individual, even if the personalities involved play a determining role.

— Throughout the course of their emergence, based on the use of voluntary non-monetary resources, Third System innovations seek a balance which draws on both, market and non-market resources. Their goal of self-management prompts them not to return to a traditional form of protective relationship with the public authorities, but their collective features and their environment call for different ways of public support. They seek to promote mixed services at a time when government funding of social services has been weakened by a reduction in the resources available to the welfare state. Under such conditions, the combination of resources from the market and from non-monetary economies can be appropriate. But it runs up against the institutionalized sectoralization between the market and non-market economies. Moreover, the limits imposed by differences in legal status lead to a proliferation of experiments based on a combination of various legal forms.

3. Conclusion

The job potential of the Third System should not be overestimated. The Third System should not be considered as a job pool that has merely to be tapped. If great disappointment is to be avoided, one must take into account the combinations proper to a mixed economy and specify which features should be favoured in order to make room for a Third System that has become a component of modern economies and will continue to be so in the 21st century. Certainly, the process of creating activities and jobs takes longer in the Third System than in the public sector and the private for-profit sector, and the longer time frame is at odds with the urgency that often drives the actions of the public authorities. Nevertheless, the Third System deserves support for the reasons mentioned above, which can be summarized in four points.

— The Third System can alter private household consumption patterns, promoting greater use of highly labour-intensive services, using local labour, since the new dynamic accentuates its use in relational services.
— The Third System can draw upon and generate social capital, that is, forms of mutual trust and civic commitment, which support the objective of the common good and the public good through collective action. This contribution to the pursuit and maintenance of the values of a democratic society is important for the European model of society, which is threatened as much by lack of purpose and negative individualism (De Leonardis, 1997; Gauchet, 1998) as by unemployment and exclusion.

— The Third System helps to reconcile the economic and the social spheres, by coupling the spirit of entrepreneurship with social purposes In this way it combats the culture of clientilism and passive dependency in social welfare; it can create a win-win situation in which public resources for services are supplemented by market and voluntary resources.

— The Third System and its organizations consolidate local economies by introducing and forming within the texture of such economies durable, collective elements with a legal status which assures for a not for profit orientation. This is not the case with businesses, which seek to maximize return on individual investment and this feature protects funds allocated by government from private reappropriation.

Moreover, the renewal of commitment in small-scale collective actions and the development of the Third Sector of the economy foster rapid development of activity and employment. However, the Third System's contribution cannot be maximized unless a renewal of public action gives it means that are more appropriate. It is the question of the political embeddedness of the Third System which emerges once more as a central issue in present societies.

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CHAPTER 6

RECOMMENDATIONS FOR PUBLIC POLICY

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The employment policy of the European Commission rests on four pillars set out in twenty-two guidelines. The first pillar is enhancement of the employability of the workforce through adapted initial training and ongoing training and through a policy of reintegration. The second pillar is the entrepreneurial spirit, especially through job creation at the local level and in the Social Economy and by tapping the employment potential of the service sector. The third pillar seeks to make companies and their workers more adaptable through modernization of work organization. The fourth pillar reinforces the policy of equal opportunity, particularly by developing public policies that reconcile family life and work.

Within its own limits, the Third System can contribute to these four pillars. But this contribution requires a renewal of public action in accordance with certain fundamental principles:
— The Third System should not be considered solely as a means of reintegration.
It is necessary to develop lasting, professional jobs within an organized framework that can provide salaried workers with legal status, social guarantees, entitlement to training, and career development opportunities. Opportunities for integration should be examined with regard to the nature of the activities. Opportunities for integration should not be viewed as a natural trait of the Third System. They exist for certain activities, but they should not be systematically associated with the concept of the Third System.
— The Third System can create jobs but it is important to link job creation to social cohesion and active citizenship.

Projects make it possible to generate voluntary solidarity at the local level and to activate social networks, something which is especially important at a time when isolation and a very narrow sense of identity are spreading.

An adherence to these two principles leads to concrete changes in the relationship between the Third System and public policy. The first requirement is to avoid a confusion with a social treatment of unemployment, something that restraints the development of the Third System. There is a contradiction between temporary jobs created for the long-term unemployed and needs to be met service offers, which are longlasting. The proliferation of short-term contracts and the lack of a legal status undermine a lot of activities; pioneering

new services than turns into creating "odd jobs." As the European Commission has pointed out, job creation is handicapped by emergency social policies[28] that keep the Third System in a state of ambiguity by making it a tool for putting the unemployed to work. Although this state of affairs has been noted and the policies advocated by the European Union clearly favour quality jobs and services, funds are available mostly solely through labour market programs for target groups, mostly those with serious handicaps. The requirement to hire people from target groups with handicaps is usually irreconcilable with the goal of striving for quality services. *The Third System cannot be a pool for providing work for the jobless; it must be based on an economic approach* in order to ensure the stability of job-creation activities. If this is done, then some of its components can perform an integration function, but the success rests on mixing different groups and not on favouring a single target group with special handicaps.

The second requirement is to attack the practice of making the Third System an instrument of the public authorities, as it sometimes happens under a vague notion of partnership. If one wants to safeguard, that organizations of the Third System do not get diverted from a project rationale, appropriate for such organizations, to a program rationale which mirrors the goals of the public authorities, it is important to *find specific contractual mechanisms*.

To do so, it is necessary to combine an overall, coherent vision of the Third System and approaches which are fine tuned with the challenges in some major subsets.

Overall, public policy must provide the means for developing and consolidating a field of economic activities. In order to move away from a onedimenional conceptualization of the third system, solely in terms of social and labour market policy, two approaches can be fostered: the recognition of a right to initiative; and the strengthening of existing structures and of their integration into a local developmental perspective.

With regard to subsets, it is necessary to distinguish between initiatives for fostering integration by economic means, initiatives for providing proximity services, including the reforming existing services (social, health, etc), initiatives for restructuring of the welfare state and initiatives for new services (as e.g. in culture, environment, etc.).

1. Recognition of the right to initiative

One of the difficulties in relations between the Third System and the public authorities arises because set-up assistance and start-up assistance are often confused. Given the fact, that community building and the complexity of the resources to be mobilized are hallmarks of Third System projects, it is useful to distinguish between non-material investments ("set-up assistance" and training of project developers) to be done before the activity can start, and material investments as a "start-up assistance" meant to facilitate the first years of operation.

[28] European Commission, *Premier rapport sur les initiatives locales de développement et d'emploi. Des leçons pour les pactes territoriaux et locaux pour l'emploi*, Employment and Social Affairs, Office for Official Publications of the European Communities, Luxembourg, 1997.

As it has already been mentioned, too many projects have been allowed to drift towards a narrow social policy perspective by being funded solely through programs for the social treatment of unemployment; as a result, the quality of the services and benefits to be created and the challenges of achieving a stable involvement of a broad variety of stakeholders are neglected. Public contributions must make it possible to implement real economic activities instead of occupational activities with a purely social purpose.

1.1. Non-material investment

Set-up assistance

Aim: To fund the engineering of project set-up, i.e. the time that developers must spend on it, and the necessary studies.[29]

Too many projects have been allowed to drift, i.e. they have had to start in an emergency situation, financing themselves by lowering wage costs and launching activities that have not been adequately prepared. In order to counter this, it is important to give priority to finance non-material investments that ensure the quality of future services. It is therefore necessary to make financial *set-up assistance* available, provided the project developers agree to work with a consulting body that can help them formalize their project.

Training of project developers

Aim: To promote the development of training actions for the design and implementation of third system projects, combining the two specifics of such projects neglected in the usual training for business creation: "civic" entrepreneurship, which is more collective than individual; and knowledge of the various environments: sociocultural (users, support networks, etc.), commercial (for market financing), institutional and politico-administrative (for non-market financing).

For example, traditional market studies seem unsuitable because they focus on tapping market resources, whereas non-market and non-cash resources are just as essential for project success. Training concepts for developers of initiatives must be based on specific methodologies, and their design requires sustained efforts.

It is also important to work on solving the problem of the status of entrepreneurs by organising *paid training* for project developers who have already completed the initial project formalization stage, so that they can use official work time to conduct all design activities.

[29] Where case studies have produced data, they indicate the magnitude of the amounts concerned; for set-up assistance, it is 20,000 euros for structure and 10,000 euros for a consultant.

1.2. Start-up assistance

Aim: To reduce fixed costs during the start-up period of the activity and thereby to increase the chances for stabilising the activities over time.

Start-up assistance should facilitate the recruitment of highly qualified executives, who are essential if the actions of the Third System are to enjoy credibility. This may take the form of aid on a decreasing basis for creation of the first management job, in order to facilitate the recruitment of high-level executives (e.g. 70% of the payroll in year 1, 50% in year 2, and 30% in year 3). Another formula is aid for the establishment of working capital.[30]

2. Strengthening of structures and integration in a local development perspective

Besides the strategy of setting up new project activities and resources, one needs to develop a strategy for consolidating existing structures. The professionalization of jobs is a priority in order to ensure that the emerging fields are not viewed as "second-class" activities. One of the original features of the Third System is its development of activities at the local level. Whereas local activities used to be organized top down by national and sectoral associations or by the administration, the creation of local and regional synergies by horizontal networking is becoming a critical success factor for the future. In addition, many third system organizations combine market and non-market, financing in a way that goes beyond the mere division between a "productive" market sector and a "non-productive" state-public sector. Because they try to tap as well social resources as. e.g. represented by member contributions and donations. In fact, when approaching the situation on the basis of the traditional market/state dichotomy, the revitalization of the job market soon runs into major obstacles. In market activities, we know that only very sustained growth can have a significant impact on employment. In non-market activities, the potential for new activities is huge but their financing is limited by government budgetary constraints. Thus it is essential to explore all avenues for developing activities and jobs that combine, on the one hand, self-financing through the market and, on the other hand, kinds of non-market financing, which includes social funding even though state-public funding will play the main role in financial terms.

2.1. Professionalization of jobs

Aim: To support efforts to improve collective agreements and the qualifications of wage earners, by contributing to the development of stable, skilled jobs in the Third System; also to support actions that, within the structures, more effectively combine professional jobs and voluntary commitments.

To reach this goal, it is essential to broaden the types of training that qualify as professional training, so as to include:

— tutorial learning;

[30] 30,000 to 40,000 euros.

— qualifying training based on team meetings, thematic workshops, knowledge transfer between colleagues.

The financing of innovative forms of training is facilitated if vocational training funds are not allocated with a tight link to target groups but pooled regionally or locally and allocated on the basis of a needs analysis carried out at that level. Especially in the case of home care services, the holding of regular meetings for training is critical in order to give workers a sense of belonging to a professional group.

2.2. Support for collective action

Aim: To support actions proposed by organizations (associations, co-operatives, etc) that network in order to carry out common actions in a locality or region, or actions by local or regional bodies that present development programmes which have been negotiated with organizations of the third system. The objective is to start up territorially based networks of third-system organizations, kinds of "districts" which allow to tap the synergy effects which result from that. Funding by outside public sources can cover 50% to 70% of the costs of the endeavours, with the rest being provided by the local or regional bodies as a sign of their commitment.

The developing of such policy networks should not be seen first of all as a structure for the representation of the Third System, but rather as a structure for common projects carried out by various Third System organizations that have joined voluntarily. Their common projects may be one-time efforts or may lead to the setting up of second-level consortium-type organizations that perform various functions in a given region: group negotiation with municipalities, marketing, training, quality labelling, etc. By acting as an interface, this type of organization can help to establish mid term agreements between all the financial backers, specifying the amounts to be allocated by the various partners and the commitments of the contracting parties.

As a result, the energy of the initiators is no longer used up so much for the continuous re-negotiation of support but rather set free for the development of activities and relations with users and clients. In this way, the overall agreement process contributes to quality assurance. A moral and financial balance sheet should be submitted each year to the different cooperating parties, and the public authorities may carry out any type of assessment they deem necessary to decide on a renewal and adjustment of a mid-term, multi-year agreement.

2.3. Establishment of local/regional development funds

To avoid micro-funding, the formation of Third System local and regional development funds should be considered. The objective is to get away from parallel institutional initiatives and to strive for coherence by sharing means based on clear, publicly stated principles. Such a project however presupposes new forms of social regulation and collective bargaining serving to legitimize and optimize the allocation of funds to the Third System. Coherent implementation of a support policy requires local regulation and bargaining. In order to achieve this, it might be advisable to establish a *local social dialogue* between the social partners, politicians and representatives of the Third System. This could be understood as a

fourth type of social dialogue beside the three traditional types which are centered around the enterprise, the branch and the national level. This new field of negotiation on the problems of social cohesion and employment can create a genuine local dynamism; however, this requires that they become disposable and to make it possible to merger a number of existing sources of funding, be it social assistance, business-promotion, job creation and training. Dealing with these sources could take the form of local consultation mechanisms bringing into a network representatives of employers, unions and the third system.

This kind of fund-building can pool contributions from a variety of sources: local savings, corporate contributions, and contributions from local communities, parapublic institutions and the central government The regulations should allow for various funding combinations depending on the respective purposes. Besides the considerable individual usefulness for the consumers and the public usefulness in terms of the values of social justice and equal access to be guranteed by the state, there is a *territorially based collective usefulness* associated with the Third System, insofar as it provides a social and economic environment conducive to local development. Like local communities, some businesses can support such action to enhance the attractiveness of the locality or region and its resources and be asked to support a local or regional fund. Moreover, experience has shown that individual residents can as well be willing to invest savings for the development of employment and quality of life at the local level.

2.4. Increasing national and European dimensions

Being committed to local development does not mean to downplay tasks on the national and European levels.

Many of the most innovative Third System organizations are small and operate at the local level; thus there is a danger that their experiences will be poorly or slowly disseminated. That is why it is important for the national and European levels to provide appropriate funding to encourage the sharing of experiences and to take joint action to set up socio-economic innovation funds providing additional support for the most innovative projects. It is also necessary to promote a research programme to define social and societal indicators for measuring the impact of Third System structures besides the inputs from other private or public actors. It is imperative that Third System organizations get no longer be viewed solely on the basis of such narrow indicators as "number of persons employed" and "degree of self-financing achieved." The relatively new but growing interest in the third system stems from the insight, that, for a variety of reasons, traditional private sector and public sector enterprises are limited in their ability to deal with certain current challenges—chiefly unemployment, but also the quality and quantity of community-interest services, such as child care, care of the elderly, and environmental protection. It is therefore essential to assess such services against a variety of criteria such as job creation, response to community needs, and the capacity of such organizations to mend the social fabric, mainly through the involvement of many different players. In this regard, we consider it important to encourage the recent development of "social audits", where different stakeholders come together and exchange their ratings of a (Third System) organization in a meeting. Such types of multidimensional evaluation require the development of specific methodologies that are not yet available.

In the case of local and regional development funds, the implementation of territorially based evaluation mechanisms for Third System local services should be encouraged at the national and European levels. They would bring together representatives of users, service providers, professionals and experts in a given field, and would promote the establishment of territorially registered quality labels.

3. Special areas of support

It is essential that the public authorities distinguish three third-system subsets, which differ in their approach towards employment even though their situations may overlap to some extent.

— Initiatives for *integration through economic activity* aim at bringing into the economy individuals who would otherwise be excluded from the labour market. Such endeavours do not solve the problem of unemployment but empower certain groups and individuals, especially in disadvantaged rural and urban areas, to fight against exclusion, bettering their chances in the general competition for a working place

— Initiatives for the *transformation of services* are concerning services that were previously considered to be within the realm of the welfare state (i.e. mainly home services and child care). They aim at developing concepts for such services which take into account issues like social exclusion, diversification of demand and the budgetary limits of the welfare state.

— Initiatives for *new services* are concerning fields of activity that did not receive particular attention from the traditional welfare state and are experiencing unparalleled growth (i.e. environment, culture, recreation, sports, improvement in living conditions).[31]

3.1. Supporting integration-effects through economic activity

Aim: To obtain funding in order to cover productivity losses due to the fact that the respective organizations have taken up the additional commitment of offering retraining and integration for workers from disadvantaged groups. The integration of groups with handicaps is one of the services that Third System organizations can provide; this task, though important, should not be assigned to the whole of the Third System, because only for some organizations it is a central or major element, while others have completely different modes of operation.

Such initiatives for integration through economic activity are a partial solution to the problem of unemployment, they may be effective when the problem is due to mismatches between demand and supply which can be corrected by measures on the side of labour supply.

[31] This typology is consistent with that developed up by the European Commission in *Local employment and development initiatives*, Survey in the European Union, Brussels, 1995, but divides them into three major categories.

3.2. Supporting the transformation of services

Aim: To eliminate the distortions of competition while making demand solvent and structuring supply.

During the thirty years of post-war prosperity (1945-75), "social" services were generously subsidized by government, but with strict regulation of their mode of operation. This type of regulation under trusteeship, which fostered social justice in access to services, now faces two major problems: failure to adapt to rapidly changing demands, and the gap between the means available for social policies on the one and the volume of needs on the other hand.

In response, countries such as the United Kingdom have introduced various mechanisms for the allocation of public funding, in order to have public, private profit-making and third system providers compete in a given region. These "quasi-market" formulas have stressed the role of public authorities as buyers and organizers of services at the expense of their former role as suppliers, in order to change the allocation of budgets by local communities, which the central government considered too bureaucratic. This makes it possible to encourage efficiency and improve the price/quality ratio and to stimulate adaptability of supply by giving consumers a choice. However, the downside of such quasi markets is that it mostly tends to result in an assimilation of Third System organizations to the competitors of the private sector. The result is a reductionism in the understanding of quality and a loosing sight of the special contribution to the public good which can be brought about by Third Sector organizations. Too often the deciding factor in the awarding of contracts has been price, at the expense of quality and public benefit.

So far none of the different versions of quasi market regulations that have followed one another have proved satisfactory with respect to these points of concern. For the services and their Third System carriers concerned, which have both a narrow dimension in terms of the service quality for individuals as well as a wider collective dimension by (side) effects for the public good, it may be advisable to strike a new balance between funds which come by the form of contracts (for measurable service delivery) and funds which come by the form of grants (for common good effects hard to measure).

Personal services (child care, home care, etc) have a strong emotional and interpersonal dimension, and are enduring because a long-term relationship can be established between the provider and the consumer. Therefore this field requires special consideration. It has been shown that the invasion of international private companies, which are supported by other activities and can afford losses over several years in order to invest in a market and drive out other providers, could have several adverse effects: dumping practices, standardization of services, formation of oligopolies. To counter them, some public contracts (contracting-out) could be earmarked for local organizations, be they. private companies or Third System organizations. Making only locally rooted organizations eligible could be one way of clarifying the concept of the "independent" sector, used in the UK. This type of selection, legitimized by a concern for sound public management, would not be a general barrier to free competition. The requirement to call for european – wide tenders could be restricted selectively in the area of durable personal services. Within a perspective of strenghening a local economy and development, VAT rates could be reduced for locally produced services,

and a percentage of public contracts could be reserved for locally rooted Third Sector organizations.

Similarly, government should extend voucher-based consumer-subsidy systems only if the financial-assistance systems ensure that services are accessible, by increasing support for the lowest-income households. Systems based on tax exemption should not be continued, except by using the growing inequality of access to services as a lever for their development.

As a complement to contracts and subsidies for consumption, supply-side subsidies must be available in three different forms:

— as subsidies for professionalization, which, as we have already pointed out, is important for the Third System as a whole. In the case of services undergoing transformation, this may help to counter the trend towards less job security for wage earners. In face of the spreading of systems based on consumer payments the respective prices should include repayments for professionalization. Part of such funding can come from a levy on the circulation of service vouchers;

— The position and opinions of users need to be represented in an organized way in order to ensure a continuous trust relationship between the stakeholders; this as well requires resources;

— Public funding must also take into account the production of any positive collective benefits for the (local) public good that private sector based offers do not generate.

It would be beneficial if public contributions to these three areas were covered not by subsidies but by agreements specifying the parties' respective commitments.

Furthermore, forms of shared management between government and users' associations can also be considered in sectors that were formerly the sole responsibility of the public service. Thus the role of Third System organizations would be to participate through stronger involvement of the demand-side stakeholders. However, such an approach cannot be applied to all European countries, since the conditions in which public services were developed determine its degree of social acceptability.

3.3. Supporting the development of new services

Aim: To issue vouchers and consumer subsidies to make services accessible to those least able to afford them. To compensate organizations for the additional costs involved (i.e. professionalization, user representation) and for the beneficial effects on the community.

In the case of new services that are divisible, i.e., which are consumed individually, mechanisms of a mixed consumer assistance/supplier subsidy funding can be developed, as in the case of services undergoing transformation. Service vouchers can be issued for sports and cultural activities as well as for childcare and home care. In addition, the beneficial effects on society should be identified so that the government can acknowledge these by financial compensations.

Aim: To make the new community services solvent through new legislative and regulatory provisions.

The organization of new collective services that are not divisible and therefore cannot be paid for directly by the user depends mainly on the development of rules of financing which can take place on the european level which are then central for the financial conditions of the organizations which carry the tasks. In the case of renewal and maintenance of urban and rural areas, calls for tender can be replaced by negotiated contracts that would factor in the benefits that are generated by Third System organizations and which other enterprises do not produce. In the case of water and waste management, model-experiments can be set up with forms of shared management involving local communities, providers and residents' associations.

3.4. Conclusion

All in all, the main employment-development potential of the Third System lies in proximity services, local development and employment initiatives. Its presence in personal social services explains its renewed impact, but its future is highly dependent on how it comes to terms with public policies. Whether dealing with services undergoing transformation or new services - some general guidelines may be considered in the light of what has been debated above.

In face of the given social and demographic changes, services for everyday life are a major concern. But so far the efforts to promote a rapid development of employment have concentrated on household services (housekeeping and maintenance, etc) at the material and comfort level, aimed at middle- and high-income clients. At the same time, services have remained largely inadequate for people at the bottom of the scale. Such services, however, are crucial, since they meet needs related to family situation (family assistance, childcare, etc) or dependency (elderly and sick, or people who have lost their independence otherwise). A more balanced development model would give priority to such durable service structures, which are essential for the quality of life of the individual citizen and at the same time provide benefits for the society as a whole.

For example, childcare promotes employment for women and gender equality by allowing women to get out of the home. Likewise, home care for the elderly not only saves society money by avoiding hospitalization but also allows dependent individuals to remain in touch with their community by continuing to live at home. Services which give access to culture, mobility, etc. are also areas in which there exists a demand on the part of people who cannot afford this so far, and which would be of benefit for society as a whole.

An insurance system can cover the heaviest demands (i.e. those resulting from serious dependence). Moreover, because cheques or vouchers for services provide buying power earmarked for specific services ("quasi-money"), they can be adapted instruments, provided that the following conditions are met:

— Simplicity of the instrument, which covers a wide range of services;
— Obtainable from easily accessible service counters;
— Support provided based on people’s needs and income.

One should note that these conditions have not always been met in the national experiments conducted so far.

Demand-side assistance has the advantage of allowing consumers to choose from the existing supply options and to have a better idea of the actual cost of the services, thus being able to put a value on them. But such assistance will only be effective if governments simultaneously act on the supply side. Otherwise, some consumers may stop using services that fail to meet expectations (follow-up, training of care-workers, etc.).
Supply-side assistance remains essential for innovation, improvement of quality and professionalization. Support should also be given in the form of agreements to provide rewards for the collective as well as individual benefits generated.

CONCLUSIONS AND RECOMMENDATIONS

Our investigation started by evaluating the importance of the Third System in terms of employment in the European Union's fifteen Member States. Our definition of the Third System was deliberately framed in a flexible and broad manner, so as to take account of numerous national specificities. We took it to mean all cooperatives, mutual societies, voluntary associations and foundations offering paid employment. In total, the Third System accounts for 8 880 000 full time equivalent (FTE) jobs in the European Union, representing 6,6% of civil employment and 7,9% of salaried civil employment. This makes it an economic "sector" of prime importance, whose FTE employment is comparable to that of a country like Spain. Cooperatives account for 2 280 000 jobs, mutual societies 280 000 jobs and associations and foundations 6 320 000 jobs.

These overall figures are the product of large-scale work to collect, harmonize and up-date data. The work has pointed to the clear need for data to be recorded on a regular basis, not just to provide a snapshot of what exists, but above all to allow analysis of shifting trends in employment in the various sectors which make up the Third System. Our first recommendation is therefore that the statistical work relating to the third system and the employment it generates should be stepped up.

What is needed is not only an increased knowledge about quantitative features of the Third System but as well the fostering of a better understanding of its European specificities. In fact, the approach inspired by the US-american notion of a "nonprofit sector" is far from being able to illuminate its national diversities as well as its shared features in Europe. And it is for this reason that a separate conceptual reflection has been carried out besides the other analytical and statistical work.

As it has been shown, the design of a genuinely European approach towards the Third System is characterized by three basic hallmarks.

First of all, there is a criterion for delineating the Third System which is different from the quite US-american one, the latter being referred to as the "non-distribution constraint" on surplus, based a.o. on the system of fiscal regulation in the US. Instead of this, the European approach uses the concept of "limiting the material impact of and surplus distribution towards financing parties". Choosing this criterion instead of that being used in the US-american approach allows to group together analytically not only associations and foundations but as well co-operatives and mutuals, which are altogether organizations that grew out of the same historical matrix and that are increasingly addressed under the label of "the Social Economy".

Such a broadened concept of the Third System, which is rooted in a European history, where co-operatives and mutuals played a role together with those features of a Third Sector more easily to be paralleled with the US nonprofits, should, however, be viewed in a dynamic perspective.The organizations which make up for a Third System are changing constantly, they have different traits in different places and historical stages since they are located in an

intermediary field, marked by its manifold inter-relationships with state authorities, markets and private spheres. In the context of European welfare states their role can therefore be described more accurately as being parts of a "welfare pluralism" or a "plural" and "mixed economy".

Finally, even though the US approaches have begun to acknowledge the socio-political dimension of the Third System, especially with respect to the limits of a pure economic analysis, the European research concepts entail additional analytical tools in order to account for the place held by the Third System in the public sphere of modern democratic societies.

Through our analysis of the data by sector of activity, type of organization and country, we have arrived at a few conclusions regarding the employment dynamics that operate within the Third System. There are three main dynamics. The first is the transformation that current employment is undergoing, particularly in the large, established organizations that make up a significant share of overall employment in the sector. These organizations are having to show flexibility both internally (for example by altering working patterns and developing part-time work) and externally (for example by spinning off certain activities, by acquiring conventional companies, and by externalising social activities) in order to deal with market pressure and decreases in the size of budgets. They are diversifying their activities by adopting group strategies or through inter-cooperative alliances. Where employment is expanding, it is in smaller units, and increasingly in areas such as service activities, experimental work and production niches. A certain degeneration is under way in part of this segment, but numerous established organizations are offering support of many kinds to new initiatives.

The second dynamic that was revealed is the emergence of new jobs. This vitality shown by associations and cooperatives, as described in Chapter 2, is explained by the expression of new needs (new needs, new publics) and increased mobilization of both legal entities and private individuals within particular territorial regions. Legislation and regulatory restrictions have an important impact giving more or less favourable frameworks to the emergence of new initiatives and their development in specific forms (e.g. labour societies in Spain, social cooperatives in Italy, and associations in other countries). The existence of organizations offering support to the emergence of such jobs (development agencies, municipal authorities, formal and informal networks) is another significant factor. The new jobs are based on a mix of voluntary work and public support, but they are often precarious in nature. The support that has been given to creating them should be followed by measures to ensure their long-term survival.

The third dynamic is one of consolidation. This may be due to legislation conferring recognition and solidity on a pre-existing phenonemon. It may also arise from structuring, mutualizing in either a horizontal direction (in the case of platforms and consorzi) and or a vertical one (in the case of federations) or from the internal logic of groups of enterprises. In some cases, there is also a trend to swarm activities (in « strawberry fields »), which calls for flexible grouping. Consolidation may also occur in connection with the acquirement of long-term solvency for activities and the professionnalization of personnel.

Several recommendations flow from our analysis of the dynamics involved:

- Continue the efforts aimed at emphasizing good practices in terms of job creation, while avoiding a magnifying glass effect which would show only several components while ignoring the whole and the interactions between the various components forming the whole.

- Avoid making use of Third System organizations whether for the sake of employment or in aid of other causes. It should be recalled here that contributions of Third System organizations are multiple and that in most cases their objective is to serve their members.

- Extend the analysis of relations between the Third System-State-market. The competition rules should take account of the specific features of Third System organizations (possibility of second-level grouping, the mutualization and solidarity process etc.). In addition, the relationships of complementarity and substitutability between the public sector and the Third System should be carefully understood, as an increase in employment in the Third System could in some cases simply reflect an increase in the State's budget expenditure or, on the contrary, a withdrawal from the public sector.

Our study has revealed many factors which facilitate the emergence of new activities and their long-term nature: strong ties between members of the organization, the development of partnerships and the organization of federation structures which support member organizations, defend their interests and serve as a vehicle for innovation. The three pillars of development for the Third System would appear to be research and development, financing and training.

As already stated, the existence of support structures is a key factor in the success or failure in the initiatives undertaken. However, there is no single support model. Account has to be taken of the context and the diversity of location and level, while the type of support has to be linked to the organization's life cycle. Needs in terms of support differ at each stage in the life of an organization, and one recommendation would be to take greater account of this evolution relating to the needs and not to abandon the organization when it has become operational.

With a view to improving the effectiveness of the support organizations, several possibilities have been outlined:

- Increase their strategic capabilities for managing changes in demand and priorities in a context characterized by a diversity of regional and national conditions. This implies the need to improve the effectiveness of federation structures at national and regional level and, where necessary, to help to set them up.

- Assist the support organizations with a view to improving the quality of the services offered and to bringing together the diverse resources which can be mobilized.

- Support innovation and assist the development, adaptation and reproduction of good practices. Innovation is a particular feature of the Third System. Greater advantage should be taken of this.

- Promote networking, which is an essential characteristic of the new initiatives. These networks should make it possible to learn and adapt.

- Lay emphasis on the basic role played by entrepreneurs. There are too few entrepreneurs in the Third System and complementary action by organizations specializing in financing, R&D and human resource training should be stepped up.

There are many public policies which relate to the Third System and in Chapter 4 we indicated a typology which draws a distinction between supply policies (which cover the structure of Third system organizations), demand policies (which cover their activities) and, finally, policies directly geared to employment in the Third System.

As regards the first category, it is necessary at the outset to emphasize the importance of political recognition of the sector as this makes it easier for its interests to be defended. In addition, the varying degrees of attractiveness of the various statutes largely determine the choice of operators and the extent of creation of, for example, cooperatives which is small in Germany and large in Spain. Legislation can erect major barriers to access to and to the development of certain kinds of activities of Third System organizations. Moreover, there are still major legal obstacles to obtaining financial resources supplementing members' contributions and self-financing. Finally, as previously stressed, the competition rules should take into account the specific operating modes of the Third System and the ways in which it develops. There is therefore scope for action with a view to enabling larger and better development of this sector.

Third System organizations also benefit from a number of special provisions relating to taxation and funding and also aid for specific services (information, training, research, advice, networking etc.) and in this area highlighting good practices and disseminating them are certainly to be recommended.
In contrast with supply policies, which cover structures, demand policies cover activities which have been undertaken. We are also witnessing a transition from the former to the latter approach. The activities targeted by these policies are mainly social welfare services, while socio-economic innovation in this area is important. The choice between, on the one hand, mechanisms for demand solvency by means of formulas such as the *chèques- services* and similar schemes and, on the other hand, contracts between public authorities and Third System organizations for the supply of services to the population is not a neutral one, especially as regards structuring the sector. Quite obviously, it is necessary to emphasise the long-term nature of the mechanisms and a long-term definition of the budget resources allocated.

Finally, many Member States have developed employment assistance programmes in the Third System and, less frequently, activities aimed at job quality. These employment susbidization formulas are not a proper substitute for supply and demand policies and in many cases they result in job insecurity or fail to match employee skills to the needs

involved in the activities undertaken. Despite this, the Third System also benefits from various programmes designed to assist the training and integration of disadvantaged groups. A major socio-economic innovation has also been developed in this area.