



Volker Eick/Margit Mayer/Jens Sambale (eds.):

» From Welfare to Work «

Nonprofits and the Workfare State in Berlin and Los Angeles





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Participants of the conference »Moving from Income Support to Work«
held at Freie Universität Berlin, John F. Kennedy-Institute, June 13-15, 2003

Contact:

FU Berlin, John F. Kennedy-Institute
Department of Politics
Lansstraße 7-9
D-14195 Berlin
Germany
www.workfare.ipn.de
<http://userpage.fu-berlin.de/~jfkpolhk/>

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workfare@web.de
Tel: 030/83852875
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Photos show the Welfare office in Berlin-Neukölln and the Department of Social Services, Los Angeles County in 2003.

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Introduction

This publication comes out of the research project »From Welfare to Work. A German-US comparison of local social and employment policies with special reference to the third sector in the partner cities Berlin and Los Angeles«, which was funded by the German Research Council from February 2000 until May 2003 and directed by Dr. Margit Mayer at the Freie Universität Berlin. This project analyzed the transformation of local employment and social policies in Berlin and Los Angeles in the face of policy changes at the federal level, in Germany and the U.S. With the future of local welfare states at a crossroads, we assumed that federal welfare reforms and devolution policies in both countries afford third-sector organizations a larger and ambivalent role in local employment and social policies. The way in which this role is played out will have a substantial impact on the structure of local welfare states as well as on the trajectories of third-sector groups and nonprofits.

To focus broader expertise on our research questions and preliminary findings, we held a conference with both North American and German social policy experts in June 2003, where the new role of nonprofits emerging within the changing social and employment policies of the last two decades was foregrounded. A selection of these papers is documented here, synthesizing the broader socio-economic changes in both countries and the respective cities, and sketching the globally emerging workfare regimes as well as their impacts on the public, private and nonprofit production of 'welfare' (Nik Theodore). The different approaches with regard to nonprofits in both countries (Margit Mayer, Britta Grell) and their participation in a wide array of programs and projects that have been mushrooming during the last years in both cities (Paul Tepper) are portrayed as well as the administrations' requirements that have become so important and challenging to nonprofits in both cities (Volker Eick, Kate Cooney, Jens Sambale).

In the US, the Personal Responsibility and Work Opportunity Reconciliation Act signed into law by the Clinton Administration in 1996 devolved political and financial responsibility for social and employment policies to the individual state level. Federally administered programs that had ensured support to one category of "the needy" without time limits have been replaced by a system of federal block grants to individual states, the imposition of time limits on entitlements, and the requirement that rising percentages of welfare recipients enter the labor market.

Germany remains oriented towards near-universal provision of social security, but recent federal legislation such as the Arbeitsförderungsreformgesetz (1997) and the so-called Hartz-Commission (2002/3) are beginning to change certain aspects as well (see Norbert Wohlfahrt). For example, legislation requi-

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res local administrations to actively transfer increasing numbers of welfare recipients into the labor market and to re-organize their local bureaucracies as well.

We assume that such changes are leading to both a proliferation and a heightened importance of local employment programs and local social policies. More and more non-public actors (non- and for-profit) with differing aims and organizational structures, become involved in these programs. The conference identified various policy approaches and systems of cooperation between local actors in Los Angeles and Berlin, and discussed their respective capacities and performance. In particular, one will learn about the specific strategies developed in the nonprofit-sector, how they contribute to the integration of so-called "problem groups", and how these strategies do or do not function under the current fiscal and legislative conditions.

Analyzed is a reorientation of the German "universal" welfare system towards employment-oriented social policies, including the inspiration by American-style "workfare" components (see Margit Mayer, Rudolph Bauer). The observable devolution process is associated with a new form of governance: in order to effectively deal with the complexity of contemporary social problems on the local level, stakeholders from all spheres of local society are brought to cooperate with municipal agencies and with each other. With the devolution of welfare production, we observe the blurring of borders between traditional policy fields such as labor-market policies, economic development policies and social policies. We also observe, in all the sectors involved with welfare production (i.e. public, private, voluntary and non-profit), shifts in values, habits, and organizational structures.

Thus, one of the challenges nonprofits face is an increasing market orientation (see Kate Cooney, Jens Sambale), which might lead to diminishing social orientations of the respective organizations and to an increasingly work-first orientation within the new case management.

The German nonprofit sector's intensifying involvement in employment and social policies leads to professionalization and might make it less dispensable in the production and provision of welfare. This process goes hand in hand with the diversification of the German nonprofit sector and its increasing orientation, in several aspects, towards the US nonprofit sector. We observe that the typically idealistic mindset of both traditional and alternative nonprofits in Germany (the latter having developed out of the new social movements) have changed. Both mindsets are being replaced by a new pragmatism attempting to accommodate post-Fordist socio-economic imperatives (see Volker Eick).

Whereas in the US, third sector cooperation with private and public entities is taken for granted, the role German nonprofits actually will take on in the so-



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called new welfare mix is still unclear. The conference examined the transformation of goals, motivations, and strategic behavior of nonprofits in both settings. The changing relationships will shape the conditions for cooperation with-in emerging governance systems dealing with local employment policies in different ways. For example, another challenge for nonprofits might be, as we have seen in some cases in Berlin, a growing competition among them leading to the evaporation of one of the most important advantages nonprofits might have as opposed to for-profits: their capacity for co-operation.

Also intriguing especially for German nonprofits is their approach to offer job training and job creation on a level that allows self-sufficiency for clients, which is challenged by a new federal and state policy that no longer takes standard wages and benefits into account. In Los Angeles we observe advocacy groups and nonprofits fighting for minimum wage and economic justice.

Thus, the Conference illuminated new interdependencies in the fields of job creation, labor market integration and community development. By comparing different approaches in an American and German city, we seek to contribute to sensitivity for locally specific path dependence as well as to potentials for mutual learning (see Eric Shragge).

Due to limited funding it has been impossible to print all presentations. Nevertheless, to give our readers the possibility to get an overview of all participants and presentations we documented the abstracts of those of our friends whose presentations are missing in this booklet.

Obviously, this is the place to say a big thank you to those who made the conference and this booklet happen: Due to funds generously provided by the Deutsche Forschungsgemeinschaft, DFG (German Research Council) for the international conference and from the US Embassy in Berlin for the publication of this booklet the international knowledge transfer proved to be a success. This success would not have been possible without the commitment of our colleague Britta Grell and the tireless work of our now graduated students Miriam Fritsche and Axel Dorloff. Our indebtedness to the participants who shared their precious time and comprehensive knowledge without any financial compensation is deep - we hope they will never collect that debt. . .

That said the whole meeting would have been somehow a pointless academic exercise without our audience who sacrificed their weekend to learn some unpleasant facts about welfare regimes in Berlin, Los Angeles and beyond. Last but not least, we devote this booklet to the actual clients who have to suffer from the mentioned welfare regimes on a daily basis - and to the social activists who try to mend the worst excesses.

A Framework

for looking at Local Welfare States and Nonprofits in Transition

This paper seeks to provide a framework for analyzing the transformations nonprofits have undergone both in Los Angeles and Berlin in response to changes in social and employment policies in both countries. This framework is developed by focusing on the spatial turn in these policies, i.e. the turn towards more local stakeholders and, in many programs, even a turn to sublocal areas, sublocal communities, and nonprofits based on that level. An evaluation of the changing work of nonprofits has to occur within the context of these shifting regulations, which have, in different yet similar ways in the US and Germany, impacted on the capacity of nonprofits to pursue their own goals and cope with a changing environment.

For the purposes of constructing such a framework, this paper emphasizes not the differences but the similarities emerging, in both countries, in the context of fading national entitlement programs, and the privatization, fragmentation, and devolution of welfare programs. These trends have implied the recognition and instrumentalization of the specific quality and role of nonprofit/third sector organizations serving low-income communities. Outcontracting and devolution in antipoverty policies have come as part of a whole set of new spatially targeted regulations involving so-called comprehensive approaches for areas of concentrated blight, e.g. Empowerment Zones in the US or 'Soziale Stadt' in Germany. Such programs claim to simultaneously address the economic, social, and political disadvantage together with urban renewal and housing initiatives, presumably responding to the complex causes of unemployment and poverty that do not only have to do with economic factors. Because the causes of unemployment, poverty, and blight are now described as complex, the remedies are supposed to be multidimensional and integrated, and are supposed to address, above all, a lack of "social cohesion". Hence, the typical integration and insertion measures characteristic of these programs all emphasize complex and holistic approaches, social networks and social capital, interaction and cooperation between different state scales as well as between state agencies and private and third sector organizations, especially at the local level, as it is here where the (self-)activating of the marginalized is presumed to be most effective.

If we conceive of these new regulations as efforts towards reshaping the social compromise on the local level, we would then want to identify the role of nonprofits within this emerging re-regulation of social compromises on the local level, and to specify the new constellation of actors/institutions and power rela-

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tions involved in the struggles around such compromises.

This paper will merely summarize the policies nowadays dealing with marginalized groups and areas (1), the ways nonprofits have become integrated, as implementers, into these policies (2), and the effects this has had on their work and their 'clients'(3), so as to sketch the contemporary community management landscape and its dynamics, which we need to understand if we want to influence the shape of the social regimes emerging at this level.

1. Contemporary Policies Targeting "the Excluded"

Concretely, urban communities marked by concentrations of poverty and unemployment today find themselves on the receiving end of three different sets of policies:

- labor market/employment policies redesigned by the Workforce Investment Act 1998 in the US, by SGB III, JobAktiv 2001¹ and Hartz 2003/4,
- welfare policies redesigned by PRWORA 1996, BSHG reforms (HzA) and Hartz laws,
- a type of urban development policy that specifically targets social exclusion (EC/EZ programs, community development programs in the US since the 1980s, 'Soziale Stadt' in Germany since 1998).

All of these policies include a territorial orientation:

- the German employment office has strengthened its local branches, which cooperate with local nonprofits. Employment policies in the US have been reducing the federal role, first in implementation, with CETA (1973, when responsibility for job training devolved to 200 Service Areas), then in administration, with JTPA (1982, when the administration of the programs was turned over to the states and Private Industry Councils [PICs], i.e. public-private partnerships for local employment and training programs.
- welfare has always been a matter of municipalities or counties, though more (in Germany) or less (in the US) uniformly/centrally regulated. Devolution trends visible in the US since the 1980s have received a regulatory framework with PRWORA (cf. Peck/Theodore 2000). In Germany, these local states have also, through ongoing reforms, been encouraged to experiment with pilot programs (re)inserting benefit recipients into work, in cooperation with or outsourcing to local nonprofits.
- 'Soziale Stadt', the first German national (actually joint national/Länder) program to target deprived neighborhoods ("neighborhoods with a particular renewal need"), explicitly defines the neighborhood as primary level for combating exclusion, and does so through installing so-called neighborhood

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management offices made up of nonprofit CBOs or planning and development firms, usually preexisting local renewal agencies - thus catching up with similar programs that have been in place in the US for a couple decades. A broad array of community development programs have been enjoying federal support since the War on Poverty (especially Community Development Block Grant monies). When this support had dwindled and was increasingly replaced by foundation grants, a new federal program installed in 1994 - Empowerment Zones/Enterprise Communities - though smaller in scope, again emphasized the territorial dimension as well as collaboration with local stakeholders and community-based organizations, the main goal now being the creation of economic opportunities - "jobs and work" - for the residents of disadvantaged neighborhoods.

Compared with the US but also with other European countries, Germany was a latecomer with implementing such neighborhood-oriented programs (Britain had established the 'Neighborhood Renewal Fund', France the 'Developpement Social des Quartiers' in the 1980s) explicitly designed to connect housing and neighborhood policy with economic development, labor market and social policy (i.e. urban policy renewal as well).²

Targeting the most problematic urban areas, this third set of policies is supposed to integrate

- programs of different departments both vertically (between state scales) and horizontally (between different state agencies in different policy sectors),
- with private actors, defining the state as only one actor among several, and depending on the resources of other actors.

The goal of this integration is supposed to be twofold: one, to "empower" and "activate" specific spatially defined needy groups; this new bureaucratic jargon implies that the "excluded" are to participate in their reintegration and have a reciprocal obligation to work, at least to do community service; two, to strengthen the endogenous potential of these deprived areas by making use of synergies.³

In the German case, the federal government provides only rather limited resources and a limited legal framework for actually implementing the program goals. But still, the local state and third sector are asked to experiment with and develop a "cooperative state" as evident in the outsourcing to 'Quartiersmanagement' and in the funding of neighborhood projects (1/2 million Euro per neighborhood). The specific goal of development has been delegated downward to the organizations implementing the program.⁴

By comparison, the local level in the US has far more authority to engage in community development and in whatever kinds of partnerships the local admi-

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nistration sees fit. Since the federal withdrawal during the Reagan administration in the 1980s and due to the cuts in CDBG monies, the nonprofit sector has stepped into the policy fields of community development and renewal, and increasingly also into antipoverty and employment policies.

In spite of the relative limitations of the German "cooperative state", we can still summarize that all policies relevant to inner city poverty have shifted from a social to a spatial definition of integration and cohesion. They are embedded in a larger shift away from the universal type transfer and support payments which the Keynesian welfare regime offered (with the goal to equalize living conditions, of course to a much greater extent in Germany than in the US) towards forms of mobilization of localized competitive advantage through active social and labor market policies, exploiting localism, and collaboration of all local stakeholders around local development.

2. The Place of Nonprofits Within the New Antipoverty Policies: Implementing a New Social Compromise

The emergence of these scale-specific state policies and institutions and their opening towards civil society actors/stakeholders is what is assigning the community-based nonprofits their newly significant role: their local knowledge, their closeness to the clients, their experience, and their innovative skills are said to predestine them to bring the new activating programs to the urban poor. Nonprofits are given priority because they are more familiar with the particular local constellations of needs and development potentials, and because they are (presumably) based on solidarity and empowerment rather than on coordination through market or bureaucracy. Thus they appear as best-suited agent for implementing the strategies of local orientation and non-market coordination, and thereby to improve cooperation between state, capital, workforces, and residents in the local 'Standort'. In other words, their characteristics seem to equip them to address the kind of market failure and state failure that are endemic to neoliberalism.

Of course both, the virtues of non-market coordination and the non-economic conditions of economic competitiveness have been discovered and cherished ever since the self-destructive effects of unregulated market forces became obvious in the post-Washington Consensus,⁹ but at the same time the market logic has been advancing and penetrating into all spheres that used to be protected from it (cf. Mayer 2003). Privatization and bench-marking have increasingly subjected the public sector to the market logic, and now civil society and its third-sector organizations are becoming exposed to the rules of competition

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and contracting from which they used to be shielded. The development and renewal and employment programs listed under (1) all make use of contracts offered to nonprofit CBOs and social service providers. The emerging contract relations are transforming not only individual nonprofits, but the whole ensemble of intermediary structures in community development and social policy. What is emerging here is a hard-to-define sector of a social or informal economy and neighborhood services, where the work of nonprofits is oscillating between social, entrepreneurial, and political dimensions (cf. Lacroix/Shragge 2003).

This hard-to-define sector might be conceived of as a strategic field, where a new institutional compromise is being struggled over. It is here that a precarious balance is evolving between, on the one hand, the permanent production and reproduction of inequalities through competition (i.e. a total market dynamic), and, on the other hand, complex political processes of "empowering" some of the groups that have been systematically bypassed and excluded by the spread of neoliberalism. Because of the intensifying processes of socio-spatial differentiation, the re-regulation of the social compromise has to be organized at the (sub)local level. This is where currently the struggle over a new hegemonic order is carried out. Thus looking at the new policies and programs as efforts that seek to re-regulate, on the local level, the social compromise, using the instruments of competition and incentives, might help us to identify the conditions under which these compromises can be positively influenced.

3. Effects: The Simultaneous Instrumentalization and Erosion of Solidarity

National and EU incentive structures are offering funds and programs to (competing) local administrations and to (competing) nonprofits, the criteria of which always include: inclusion of civil society stakeholders, localism, and workfare. The fiscal stress of the local administrations is so severe that they have resorted to using competitive contracting as a way to meet their social policy and economic development tasks. And they pass the competitive tendering, including its criteria, on down towards the nonprofits (and for-profits) with whom they contract and partner, and we end up with locally differentiated ways of organizing and regulating the new social compromise.

Thus, while the work of nonprofits initially used to complement state-sponsored programs (and those of the large welfare associations), now nonprofits have become part of a community management landscape, tied into a variety of place-targeted programs, where they are competing for government contracts

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either to provide proximity services or job training or welfare-to-work measures, thus replacing formerly state-run programs. Though many of these organizations had their origins as grassroots organizations in the social movements of the 1960s and 70s, they have turned into primarily service providers that no longer make any claims about empowering the poor, let alone about transforming social relations. The policy rhetoric of the programs they are tied into does emphasize the goals of a social economy (i.e. solidarity and empowerment), but what matters in the de facto implementation are the innovative skills and the local knowledge of these hybrid organizations in order to mediate the new activation programs to poor/marginalized urban residents.

However, under the conditions of the contracts, under pressure to prove and enhance output efficiency, and competing with other service providers, it becomes increasingly difficult for these organizations to succeed in creating solidarity and the kind of loyalty-generating empowerment which once was the basis for their valorization and instrumentalization.

Successful nonprofits, i.e. those that manage to bring most of their clients into work, often transform into competitive mainstream firms or are swallowed up by other private firms. Only few manage to use the state programs for progressive goals that they had set for themselves, and for political struggles around the design of these programs. In most cases, the quality of the labor process into which the clients are channeled, and the social usefulness of the products, which used to be high on the agenda of these organizations in initial phases, have slipped off the agenda. The former demands for self-determined working conditions and socially useful products have been replaced by work-first approaches.

As a consequence, "innovative work" begins to mean work that helps, for example, recent immigrants to find work in the growing informal sector as day laborers, rather than channeling them into more traditional job training programs. Or it means training and employing long-term unemployed and welfare recipients in the security and policing business, where they go after free-riders in public transport, or after punks, drug users, homeless people, or prostitutes in public spaces or commercial glamour zones. In other words, the nonprofits in such cases contribute to reinforcing, rather than challenging, precarious labor conditions and new marginalization processes, undermining the solidarity within marginalized groups and create new forms of exclusion.

No matter the national and regional differences amongst the programs and amongst the nonprofits implementing them: they all focus on the marginalized themselves, and not on the causes of their exclusion and inequality. By defining

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the marginalized as 'agents' of their own survival, the programs (and their implementers, the nonprofits) seek to mobilize these groups into the labor market, whether low-wage sector, micro-enterprise, or social economy, along a logic where market and productivity criteria replace the social rights and welfare state criteria that used to apply to them, thus transforming urban disadvantaged groups from potential social movement actors demanding the recognition of their rights, into 'social capital owners', whose inclusion is conditional on their mobilizing what few resources they have as a form of social capital.

This broad framework for looking at the transformations in local social and employment policies might guide us in identifying, in our concrete and specific research on the work of nonprofits, the conditions under which the new local social regimes might be shaped in ways that are open and conducive to real empowerment and the furthering of a real social economy.

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Endnotes

- ¹ JobAktiv stands for the new placement regulations: activate, qualify (=skill), train, invest, mediate (=place).
- ² Unlike the comparable European and North American programs, 'Soziale Stadt' merely appeals to local authorities to come up with and combine funds from these different policy areas.
- ³ In 1999 and 2000 100 mio DM (of the 700 mio DM overall urban development funds) were spent on 'Soziale Stadt', in 2001 and 2002 150 mio DM (=77 mio Euro), to which the federal government contributes one third for urban development investments that are "innovative and sustainable" and part of a comprehensive regeneration strategy.
- ⁴ The law specifies the task of the 'Quartiersmanagement' as identifying the needs and interests of the neighborhood and integrating them into a strategic program.
- ⁵ See the parallel discovery of "social capital". While the Washington Consensus on economic development reacted to the Keynesian, welfarist mode of economic intervention, and stressed privatization, deregulation, and trade liberalization in development policy, the Post-Washington Consensus sees the state as stimulating the social as a non-market response to market imperfection (cf. Stiglitz 1998).



The Activating State in Germany:

Beyond the Hartz Commission

Since the introduction of the Euro, which was pushed for primarily by the German government, we have been observing a breakdown of the state budget. Increasing unemployment rates, together with a severe crisis of capitalist accumulation, have led to a growing public debt and exploding social benefit levels, which are manifest especially on the local level. As a reaction to this development, a new model of public policy has been created: the activating or enabling state.

With the decision of the cabinet of December 1, 1999, the SPD-Green Federal Government has, for the first time in Germany, passed a program that can be considered the agenda of the activating state (cf. <http://www.staat-modern.de>). The program, entitled "Modern State - Modern Administration", is based on the experience of a variety of countries since the mid-nineties. It formulates goals such as strengthening the power of civil society with regard to self-regulation, promoting voluntarism, active citizenship and public welfare, strengthening individual personal responsibility, extending the rights of citizens to participate in political and administrative decision-making, implementing efficient administrative action and administrative organization through competition and benchmarking. Also, it seeks to establish a new principle of responsibility distribution, one that makes the state into a moderator and catalyst for the development of society, co-operating with state-owned, state-controlled as well as private players in order to achieve common goals. The activating state is to take responsibility only for core tasks while letting third parties deal with other tasks hitherto considered the responsibility of the state. This reduction of the scope of action of the state and the conversion from a benefits-distributing state to a back-up state is on top of the new agenda (cf. Reichard/Schuppan 2000), as is the so-called renewal of civil society.

1. The Concept of the Activating Welfare State

The concept of the "activating welfare state" derives from the need for a re-orientation of welfare policy and, in particular, of welfare spending, which has been called for since the 1980s, and its authors want it to be seen as a pragmatic model aiming at a modified idea of the division of responsibilities between state and society on the one hand, and of state and citizens on the other. The "state paradox" which the activating welfare state seeks to overcome consists of the assumption that many public tasks could be better fulfilled by activating

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the citizens without them actually having to be assigned; the concept assumes the possibility of a mediation between short-term, selfish interests and the long-term development prospects of a society without resorting to "welfare or ecodictatorship". What the activating welfare state strives towards is a redefinition of the reciprocal division of labor and responsibilities as well as of the performance of tasks in the relationship between state, society and citizens. The focus of public debate on the issue of civil society, active citizenship and voluntarism is framed as a discourse of democratic theory between the state and its citizens. More to the point, however, in reality it presents the set-up of a social realignment signalling the end of traditional social welfare policy.

The policy of the activating state is to extend the target group of its measures to the same degree as it is itself spreading across the welfare policy territory: apart from the economy, citizens are increasingly becoming the target of supply-oriented measures, in particular when they become clients of the welfare state. A consequence of the implementation of the activating state is thus the "economization of the welfare recipient". In the course of converting money transfers into real transfers, clients are supposed to receive training or reskilling, complemented by welfare services. Clients are also to be guided around the obstacles of the benefit system through "case management". The long-term unemployed and welfare recipients are, for example, to be prepared for re-entering the workforce through training, including behavioral training. In this process, the objective is not only to increase employment opportunities, but also to ensure that the beneficiaries themselves make an active contribution towards the consolidation of the welfare budget used and 'drained' by them. This is becoming all the more necessary as the welfare state structure is being converted into »a system of strategic philanthropy« (Priddat 2000: 93), which is only available to the truly needy, i.e. to citizens without any further alternatives available to them. The declared goal of an activating welfare policy is no longer »to pay welfare investments as an annuity, but as an evaluation of their social 'responsibility': which form of which welfare transfer increases the opportunity for employment, for health, for skilling?« The target of the activating welfare policy is »the improvement and enhancement of opportunities for co-operation, not the amount and volume of transfer payments,« in which »the state in the area of the new welfare policy must co-operate with many new private partners« (Priddat 2000: 99-100). This fact has long been observed empirically by theoreticians of control such as the school of governance and regulation, where it has been emphasised as a new structural characteristic of the new model of state.

A new activating policy can also be registered where citizens are to be mobilized, in the context of new participatory forms of co-operation, tailored to rea-

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ching a consensus, on which the concept of a "citizens' society", a sub-concept of the activating state, is based. All citizens, not merely beneficiaries of social and employment policies, are to benefit from this new policy, which seeks to support citizens in making use of their opportunities for individual development and to empower them to fulfil their role as citizens. The state, political parties as well as the administration have to be modernized with regard to the activated and then active citizen, so that they evolve structures amenable to co-operation. However, the co-operation between political institutions and citizens is focused on efficiency, fully in line with the activation policy, as the purpose of co-operation is to improve the allocation efficiency of the state.

The current revival of the discourse on civil society forms an important background to this policy development. Civil society, originally not an abstract reference system but rather connoting the set of voluntary, non-state associations in which citizens organize themselves in order to participate in the public sphere, is incorporated by the activating state into a responsibility context that emphasises civil society-based relief effects for the state. In addition to self-help, personal responsibility and risk-taking, concepts have emerged in the debate such as an active citizenship culture or the model of a co-structuring »citizen as citizen« (Böhme 1998), which indicate that civil society no longer refers to the resistance potential of disadvantaged or excluded groups, but rather implies that new elements of communicative problem-solving between state and society are to be addressed. The activating state thus requires citizens and civil society to align themselves more strongly than they have in the past to the requirements of a social order which places the responsibility for social concerns in their own hands. Thereby they become, as Etzioni puts it, a »good society«. The distinction Karl Marx made between bourgeois and citizen, between the citizen pursuing specific particular interests and the citizen seeking to fulfil a common interest, the so-called "common good," is framed in a new way by this contemporary concept of civil society.

In terms of the activating welfare state, citizens and beneficiaries are, or should become, participants in the economy, so as to develop an interest in budget consolidation as well as in creating the conditions for structural competitiveness. The »flexibilization« of human beings (Sennett 1998) diagnosed by sociologists and their transformation into »entrepreneurs of labor power« (Voß/Pongratz 1998), i.e. their evolution from potentially »disruptive elements« into »competition factors«, has long been the focus of advanced operational management strategies. Now it is also process of social transformation observable on a large scale, and geared to increase self-efficiency, self-optimization and self-instrumentalization (cf. Strasser 2000).

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2. The Hartz Concept: Rigorous Subordination of Welfare Policy to Labor Market Policy

All countries subscribing to the paradigm of the activating state (e.g. Clinton's enabling state, Blair's Third Way, corporatist labor market policy in the Netherlands, Denmark's strict work obligation for welfare beneficiaries, young people and older recipients of unemployment benefits) engage in the effort to transform the established "welfare regime" into a "workfare regime", i.e. to replace welfare strategies and instruments of care and provision with activating, customized and individual personal responsibility-enhancing strategies focusing primarily on the integration into the first labor market. The observable gradual instrumentalization of welfare policy for labor market policy purposes is accompanied by the use of authoritarian, even repressive instruments, where bureaucracies bring political programs into line with practical application. Strategies that seek to motivate people away from the "welfare hammock" onto the "trampoline" (in the words of the former adviser of chancellor Schröder, Bodo Hombach) cannot manage without the threat of punishment and the use of pressure: to reach the declared objective, it is necessary to make offers that are impossible to refuse.

As labor market policy is the core area of activating welfare state strategies, in terms of an activating welfare policy it is only consistent to implement the obligation to accept a job not only by means of persuasion strategies such as information, advice, appeals to personal responsibility etc., but also through regulatory policy (e.g. changes in the definition of "reasonability" for accepting employment as stipulated in the SGB III) and through 'incentives' such as withdrawal of entitlements in the event of refusal to accept work (as, for example, in the "Hilfe zu Arbeit" program) or through the subsidization of employment in the low-wage sector. Comparing the German situation with welfare state restructuring and associated activation strategies in other countries reveals a uniform blueprint of the activating welfare state: step by step, the policy instruments of care and provision are supplemented by hardship clauses and subordinated to labor market-related criteria. At the same time, there is an extension of pressuring, controlling and monitoring welfare state functions (sometimes going as far as using "welfare detectives") that are intended to encourage an active "transition" to the labor market of those who have been excluded from it. This institutional transformation of welfare policy has been accompanied by an individualizing philosophy about the causes of social exclusion: it is seen as the result of insufficient flexibility and adaptability. Long-term exclusion is therefore (re-)interpreted as result of a choice to be positively settled in the welfare state-designed "hammock". Failure to adapt to activating measures now calls

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for and justifies state force and repression. Activating welfare state strategies are therefore far more oriented to behavior modification than to impacting on labor market conditions. Individual behavior must adapt to the conditions and, when it does not, must be trained or "drilled" accordingly. As individuals must be subordinate to the conditions, welfare policy must subordinate to the requirements of the labor market. The welfare policy of the activating welfare state- not least as a result of the Schröder-Blair paper- boils down to a labor market policy, whose sole objective is the production of employability of benefit recipients.

With Chancellor Schröder's speech of March 14, 2003, the German Federal Government made clear its intention to implement its preparatory work for major welfare reform and for consolidating employment and welfare benefits very soon. The debate has been dominated by the significant financial stress of both Federal Government and local authorities. Consequently, the conceptual stipulations of the Hartz Commission regarding greater effectiveness in placing the unemployed in the labor market have receded into the background. The reform modules that have been passed and those that are still on the floor have significant consequences not only for the unemployed and transfer recipients, but also for voluntary welfare associations and their partner organizations. There are various causes for why these ripple effects are so important:

- the position of the churches and welfare associations in the German welfare state (partly on the basis of the current Article 10 in the German Federal Social Security Act);
- the structuring and financing of labor market integration projects;
- the structuring of the major instruments for addressing and combating poverty.

Because the underlying assumption of the Hartz concept is that current unemployment in Germany is the result of a mismatch problem, all instruments of employment policy have to be reformed in order to get people into work - ignoring the structural causes of the lack of jobs (currently 6 million, with a registered number of over 4 million job seekers. 2 million of these are long-term unemployed).

An analysis of the effects of the Hartz law produces the following conclusions: Implementation of the new scheme is expected to lead to unemployment benefit savings of EUR 2.5 billion compared to the previous year. These savings are arrived at through a more rigorous assessment of income, reduction of benefits in case of training measures, savings in health insurance contributions etc. In 2003, in spite of mounting unemployment rates and the introduction of additional institutions (such as the so-called personnel service agency in all 181

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employment office districts), the Federal Employment Office will have to manage without a complementing grant from the federal budget (as it had received in 2002, when an additional EUR 5 billion from the Federal Treasury was necessary). The pressure to make further cutbacks is applied largely to the area of active labor market policy, i.e. the discretionary benefits of the integration budget (Eingliederungshilfen), since the "passive" benefits (unemployment benefit/ unemployment assistance) cannot be restricted in the short term as a result of legal entitlement rights.

From a purely economic viewpoint, therefore, all benefit programs with the features listed below are unattractive to the German Federal Employment Office, for the reasons:

- those addressing clients with one or more barriers to employment (age, disability, low skills, addiction etc.) - as they require comparatively high integration expenditures
- those addressing people with low unemployment benefits ("cheap" unemployed), as the potential savings in the event of integration are relatively low
- those that give rise to a new entitlement for unemployment benefit, as they generate additional costs for passive benefits.

As the debate stands at present, the current unemployment assistance program (Arbeitslosenhilfe) is to be remodelled to embrace not only all registered unemployed persons but also everyone else who is available to the labor market (plus members of their household) at the level of the current income support benefit (possibly + 10%) (ALG II). It is estimated that approx. 4.3 million people in 2.1 million households will be eligible for this benefit. The program will be administered by the job centers, and the German Federal Employment Office is to pay the benefits. According to current estimates, the Federal Government will save EUR 4.7 billion/year in unemployment benefits. However, it would be necessary to spend an extra EUR 1.6 billion/ year on those unemployed persons who previously were not entitled to unemployment benefits of any kind, never having contributed to income insurance programs, but still able-bodied and fit for employment.

In terms of service provision, this remodelling would mean that in future services offered by independent agencies (for debt counselling etc.), which are currently based on Article 10 of the Federal Social Security Act and on the principle of subsidiarity, would be contracted out by the Employment Office.

With the penalty threats of the "new reasonability criteria", the further tightening of which is on the "Agenda 2010" of Chancellor Schröder, and with the

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discontinuation of the current unemployment program (ALG I), the growth of low-wage jobs is likely to become a priority. The effects are likely to impact predominantly the employment of women, who are expected to take the "mini-jobs" (paying no more than EUR 400/month). As the 15-hour maximum of part-time work has been abolished, hourly wages can now be lowered and women working more than 15 hours in mini-jobs can be removed from the unemployment statistics. Thus, a new low-wage sector is being developed for incomes between EUR 400 and EUR 800. Reductions in the employee contributions to national insurance system also contribute to the fall in labor costs. This cheap segment of the labor market is also likely to be predominantly populated by female part-time workers.

The implementation of the Hartz laws can also be seen as one further step in bringing the corporatist structure of the social welfare system in Germany to an end. The German model of local welfare policy has been based on the concept of municipal responsibility for basic public services, i.e. assistance through social infrastructure without a specific need for help (Kommunale Daseinsvorsorge). This concept is to be substituted by case-specific social assistance with the exclusive focus on getting people into work. The up-to-now main principle of social intervention - to give help for self-help - will no longer exist. The transformation of the German nonprofit associations (Wohlfahrtsverbände) into service agencies will be enforced and it is to be feared - we can already observe this development - that there will be a greater selection of social assistance in the future for those who are able to work and those who are not.

3. The Punitive State - the Frequently Overlooked Dimension of the Activating State

In parallel with the remodelled labor market policy, a new regulatory policy has emerged under the heading of "domestic security", which is also a constitutive component of the policy of the Third Way. It is no coincidence that a "hard-line policy" that otherwise denotes conservative political objectives has been accorded a prominent role in all new social-democratic reform concepts, whether of Clinton, Blair or now Otto Schily. The activating state does not only exercise welfare policy and economic policy functions. It is also reinventing itself as a "strong state", a regulatory state characterized not only by an authoritarian welfare policy but also by a new, cross-sectoral concept of social order that defines social order as secure order (cf. Legnaro 1997).

In the context of this development, controlling and repressive elements of state and welfare state interventions are becoming increasingly important, as a

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result of which we can observe emergent contours of a »security society« (Legnaro 1997), which organizes prevention as social control and discipline and which entails a »renaissance of force« (Nickolai/Reindl 1999). Keywords such as "the punitive state", "internal security", "control society", "security society" are frequent in the current discussion of characteristics of a policy that does not - as was the case in earlier conservative-led public debates - intend to revive social values, strive for a spiritual and moral turnaround and wait for the expected jolt to society; instead, the new hard-line policy "actively" implements adjustment to social standards (Hess 1999). We can observe the "return of the Leviathan" in crime and prevention policy, labor market policy, welfare policy as well as youth work (and here not only in the social work with hooligans and neo-Nazis). It appears as if the strong state seeks to extend its hard-line policy to even more areas of activity and to repress deviating behavior wherever it occurs, as rigorously as is already the case with regard to beggars and the homeless, who have become the first target of inner-city »order policies« (Höfling 2000) as they have been declared a security risk.

Authors, such as Ulrich Beck, who regard the current debate about the activating state and the new personal responsibility, within social democracy in particular, as only a »neo-liberal variant of the civil society« (Beck 2000), see this development as not going far enough. Social Democrats in Germany - and they agree with New Labour on this - not only want to encourage more personal responsibility and self-organisation. For them, the concept of the activating state also aims at a new kind of welfare state, one that not only exerts neo-liberal control by means of economic incentives, but that also turns to paternalistic and repressive means such as pressuring and forcing people into work. They endorse the use of welfare control and monitoring instruments in order to achieve security and, ultimately, punishment and disciplinary instruments to (re)establish "employability" and "community" wherever evidence of the willingness to work seems to lack or where communities seem to be "too far down the slippery slope".

4. Conclusion

In the final analysis, a hard-line policy in the activating state therefore implies what the communitarians call the protecting and punishing hand of the state, which is applied where the "community" has to be protected from the »hard core of psychopaths and criminals, who not even the most committed parents, the best schools or the most considerate neighbors can reach« (Etzioni 1998: 224-245). Since social education professionals are also probably unable to reach and improve this group, and the only recourse seems to be to lock them



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up, it is necessary for the organization of assistance, also to move away from the earlier concepts such as volunteering, acceptance and similar principles of action derived from and established by social education. The redefinition of equality advanced by the activating state (i.e. in Germany, the departure from the old welfare state objective of an »ex-post equality of physical distribution by means of welfare state transfers« and its replacement by the objective of the »guarantee of ex-ante equality of life opportunities«, SPD Grundwertekommission 2001: 285) is also in evidence in the new "hard-line policy". Those who fail to take up the offers made by the activator or who turn them down have missed their chance and must expect exclusion from benefits as a punishment. It is engrained in the dialectic of the policy of "demanding and supporting" (the headline of the German activating policy, equivalent to "help and hassle") that deviating social behavior should be regarded as detrimental and harmful to society. Therefore not only the state and the police but also civil society and its institutions are called upon to stop such behavior. The linking of the requirement to work with a new authoritarianism, which deems any form of virtuous terror justified under the noble heading "community" and "common good", will gain, it is to be feared, new impetus from the Hartz laws. More poverty, more crime and more social exclusion are the likely consequences of the current modernization of German society. I wonder whether this is what politicians mean when they say we can no longer live on the island of blissful?

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Made in America:

Constructing Discourses of Labor Market Flexibility and Workfare

A new conventional wisdom has emerged in policymaking circles: Heightened competition brought on by globalization requires that economies be capable of making rapid adjustments to changes in supply and demand. The more responsive - or flexible - an economy, the better it will be able to adapt to global competition and the greater the chance it will be able to maintain a course of high growth. However, whereas the price mechanism in most commodity markets operates sufficiently well to achieve this flexibility, rigidities in labor markets arising from collective bargaining agreements and welfare policies threaten economic performance, such that they are capable of sending economies into a high-inflation/high-unemployment spiral of decline. These labor market institutions, the argument goes, distort wage-setting processes, the principal price mechanism in labor markets. Wages are prevented from falling to their equilibrium prices by industrial relations systems and social policies that artificially prop up wages at levels above workers' marginal value. As the wage demands of workers creep above this level, inflationary pressures set in, placing a drag on the economy. Employers, in turn, respond to high wages by shedding workers, further slowing growth. If these processes go unchecked, high rates of unemployment become the norm and the economy operates at a sub-optimal level.

The simplicity and plausibility of this argument have contributed to its persuasive force, particularly in the field of social policy. Calls to deregulate labor markets by weakening unions and restructuring the welfare state have become the order of the day in most western industrialized countries. Several European nations, most notably Britain, as well as Australia, Canada, and New Zealand have joined the United States in passing legislation that sharply curtails union rights, slashes social expenditures, and promotes flexible work arrangements. By most measures these economies already have achieved a high degree of labor market flexibility: part-time, temporary, and on-call employment have increased dramatically; the proportion of contracts negotiated through collective bargaining agreements has shrunk; and the discretion of employers to hire and fire has been greatly enhanced.

Yet despite successive rounds of "flexibility-enhancing" reforms, calls for labor market flexibility grow louder. Social policies, particularly those providing income maintenance to the unemployed, have received the harshest criticisms. A form of conviction politics has emerged alongside the now-dominant economic

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orthodoxy of flexibility; social policy options are framed in terms of "hard choices," while austerity measures, mandatory work programs, and cuts in income support for the unemployed are justified as the social-policy equivalents of "tough love."

Governments searching for strategies to reverse economic decline increasingly are seizing on the "U.S. Model" of minimal social protections and enhanced labor market flexibility. In addition to being an important referent in many domestic policy arenas, the U.S. Model has been taken up by international policy-development bodies, such as the OECD, as they promote to their member states a variety of jobs strategies based on greater labor market flexibility. But while the U.S. Model has gained widespread currency in international policy circles, there are signs that it too may be crisis prone. Deep tensions run through flexible labor markets, and the coupling of labor market flexibility and a minimalist welfare state may be an unstable one. The pursuit of greater flexibility may embody contradictory strategies that threaten the reproduction of "flexible labor." Accompanying the transformation of the U.S. labor market have been problems of job instability, deterioration of career ladders, skill shortages, the spread of low-wage work, and rising income inequality. Crucially,

»[t]hese income problems are not just a minor flaw of an otherwise robust system creating jobs and achieving high productivity. Although the United States has been more successful than Europe in terms of unemployment [...] on balance, U.S. outcomes have been inferior. [...] To the extent that lower wages "bought" more jobs, it was at a steep price: for every job created through downward wage flexibility, the lost wages were enough to pay the annual salaries of three to four workers« (Mishel 1995: 16).

This paper traces labor market policy recommendations emanating from the OECD during the period 1975–2000. The recommendations are indicative of the dominant discourses of labor market flexibility and its social-welfare counterpart, workfare. Constructed over a 25-year period and based on the ideology of market liberalism, the recommendations reviewed here have had an enduring impact and now frame the debate on employment and income-maintenance policies. There is a close relationship between calls for flexibility and workfare-style reforms. The need for labor market flexibility has been used to justify the imposition of workfare, which in turn has exerted a regulatory push of the unemployed into unstable, contingent jobs. Under the guise of deregulation, workfare re-regulates flows in and out of the labor market by mobilizing the unemployed for low-wage work. Section one briefly reviews the collapse of North American and Western European economies during the 1980s. This is

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followed by a review of OECD recommendations concerning wage setting and social welfare policies. The final section considers the outcomes associated with these attempts to re-regulate the labor market.

1. Labor Market Regulation and Restructuring

From the early 1950s to the late 1960s, North American and European countries steered a course of high growth, rising productivity, and steadily increasing real wages within the context of a low inflation, low unemployment economy. In the U.S., an expanding labor market was able to absorb millions of new entrants while simultaneously generating real-wage increases, even for the most poorly paid. But this Golden Age was short-lived. By 1970 it was clear that the U.S. had entered a new era in which slowing productivity, declining real-wage gains, and falling profits threatened to erode gains made during the 1950s and 1960s. Economic stagnation gripped Western Europe as well. By 1975, slow growth, high inflation, and rising unemployment were widely recognized as core problems requiring economic intervention. The incidence of long-term unemployment increased dramatically as displaced workers either sought jobs at the entry level or remained jobless, while new entrants faced increasing competition from displaced workers.

As the economies of North America and Western Europe moved from recession to recovery, problems of long-term unemployment remained, especially in Europe. In the U.S., the spread of low-wage jobs lay at the center of the recovery. As a result, the paradox of "working poverty" came to define the experience of many workers. However difficult this transition would be for the unemployed in the U.S., their counterparts in Europe perhaps faced greater disadvantage. Even low-wage jobs were slow to return, resulting in conditions of deep, sustained unemployment.

In the period since the recession of the early 1980s, the focus of economic statecraft in North America and Europe shifted from managing these crises to catalyzing structural change in the labor market. Attention shifted as well from macroeconomic conditions to the microeconomic workings of the economy. As policymakers sought to regain the dynamism of the Golden Age, priority was placed on removing obstacles to the micro-level functioning of the labor market. According to this line of analysis, the high unemployment rates that characterized the once vibrant capitalist economies were conclusive evidence of barriers disrupting the labor market. But the influence of unemployment on the economy was suggested to extend well beyond the local labor markets in which it occurs. Increasingly, unemployment levels were seen as driving wider

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macroeconomic change, rather than the other way around. Hence, the labor market became a key arena for concerted policy intervention, deregulation, and restructuring. Analysis included in the OECD Jobs Study typifies this view:

»Experience over the post-War period shows, that macroeconomic policy has an asymmetric influence. While bad macroeconomic policy always results in bad economic performance, good macroeconomic policy does not, by itself, guarantee good overall economic performance. Propitious economic conditions offer only a starting point in dealing with unemployment. An efficient and flexible supply side of the economy is also crucial in ensuring that practices and policies operate in ways that create new jobs and help people fill them. Hence there is a need to press ahead with structural reforms, while ensuring that macroeconomic policy is set so as to take advantage of structural changes« (OECD 1994a: 32).

As the focus of policymaking shifted away from demand-side management to foster job growth, greater explanatory weight for understanding the economic malaise was placed on structural unemployment. In somewhat abstract terms, structural unemployment was seen as arising »from the gap between the pressures on economies to adapt to change and their ability to do so« (OECD 1994a: 7). More concretely, factors such as wage expectations, preferences for certain types of work, or policies discouraging the acceptance of casual employment were said to impair the ability of economies - or more precisely the willingness of unemployed workers - to respond to market signals. In other words, certain barriers arising on the supply side of the labor market blunted the responsiveness of the labor supply to changes in demand. According to the dominant view,

»[t]hese factors are eminently structural. They refer to the capacity of economies, institutions and societies in general to adjust to changing circumstances, to create and exploit new opportunities, and on that basis deploy and redeploy resources« (OECD 1987: 16).

In short, workers' expectations regarding work and wages, the societal traditions that influence these expectations, and the employment policies that are the expression of these traditions, were increasingly seen as being at odds with new economic realities, and therefore would have to change. New times would require new strategies for generating economic growth. Explicit job-creation measures that historically had been designed to address demand deficiencies were portrayed as ineffectual, inefficient, and counterproductive. Demand-deficient unemployment was largely written out of the policy framework by analysts who interpreted the presence of long-term unemployment as a symptom

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of labor markets unable to adjust to changing demand conditions because of policy barriers to smooth adjustment. If only the barriers were to be eliminated, the argument went, employers would respond by doing what they do best - creating jobs. From a public policy standpoint, the implications of this analysis are that, in order to strengthen economic performance, governments would have to first develop new forms of labor market intervention targeted at ensuring a steady (over)supply of workers and second improve the responsiveness of workers and labor market institutions to price signals.

2. Setting the Stage for Reform

Since at least the mid-1970s, the U.S. has taken a leadership role in promoting policies internationally aimed at achieving greater labor market flexibility. Policy diffusion often has occurred through supranational policy networks, such as the OECD, which provide both a forum through which policy messages can be disseminated and a high degree of legitimacy for these messages by virtue of their independent, nonpartisan status. Policy lessons, most of which are loosely based on the U.S. experience, tend to be preoccupied with barriers to the smooth functioning of markets arising from government policies. Because the U.S. economy has been seen as outperforming others, these messages have been regarded as highly credible. For example, the 1977 OECD Experts Group headed by U.S. Council of Economic Advisors chairperson Paul McCracken concluded that, "The tendency towards less flexibility in labor markets may be one of the main reasons why in recent years the unemployment rate at the peak of the cycle has steadily increased in most countries" (McCracken et al. 1977: 44). This reasoning has enduring influence. Through a series of policy reports and research studies issued since the late 1970s, the goal of increasing labor market flexibility has been paramount, and worker supports such as collective-bargaining provisions and income-maintenance policies have been the target of economic reforms. By the time the economies of North America and Europe slid into recession, discussions of how to reverse decline occurred within the parameters defined by U.S. policy analysts through the OECD and other policy-advising bodies.

By the late 1980s, the United States exhibited less outward leadership in OECD policy-setting and evaluation activities, but the message remained the same. In most OECD countries, the U.S. had become the main referent against which economic performance, particularly job creation, is measured (see OECD 1988). Yet while the OECD has acknowledged that the U.S. has a much higher incidence of low-paid work, problems of low pay typically are not linked to the flexible workings of labor markets (see OECD 1994a: 23). Beginning in 1984,

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OECD annual reviews of national economic performance and policies focused increasingly on institutions and policies that were seen as distorting the functioning of labor markets. In a report issued at the end of the decade, the OECD (1989: 12) concluded that the

»main impediments to better functioning of labor markets arise from specific wage-bargaining institutions, tax and social spending policies, and over-protective legislation.« The report went on to single out high levels of unemployment benefits as a key contributor to the »unemployment problem.«

3. Labor Market Adjustment

In part through the influence of OECD policy documents, the priority for policymaking in the advanced capitalist economies shifted from demand-side management and job-creation strategies to the implementation of supply-side policies aimed at improving the capacity of labor markets to make rapid adjustments in response to existing demand conditions. The reasoning behind this approach was that »the extent to which a system of industrial relations contributes to or impedes economic performance is largely a matter of the effectiveness of adjustment mechanisms operating within it« (OECD 1987: 131). In explaining impediments to rapid adjustment, emphasis initially centered on overturning or undermining collective bargaining rules.

While anti-union policymaking remained on the policy agenda in most countries, attention shifted to the role that other forms of worker supports play in dulling the responsiveness of labor markets to price signals. By the late 1980s, the OECD had concluded that

»collective bargaining is by no means the sole factor affecting wage setting; indeed in several countries [...] lack of responsiveness in wage setting behavior appears to have been mainly due to regulatory interventions in labor markets, notably through minimum wages and unemployment compensation schemes« (OECD 1987: 131).

Thus, the priority for policymaking shifted from weakening the power of workers within the labor market to exercise collective-bargaining rights, to dismantling supports for workers temporarily outside the labor market.

The cornerstone of efforts to dismantle institutional supports within labor markets as well as institutional shelters outside the labor market is the laissez-faire concept of the self-regulating market.

»Self-equilibration in the labour market requires [...] that wages respond

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to market conditions: labour-market slack putting downward pressures on real wages and vice versa. An adverse shock will then induce wage moderation, which in turn will stimulate demand for labour. This process will continue until unemployment settles down at its natural or equilibrium level. At this natural rate, there will be no tendency for wages to change« (OECD 1994b: 3).

According to this view, wage-setting policies and unemployment insurance are destructive to the self-equilibration of the labor market because these policies deter workers from yielding to wage-moderation pressures. For example, unemployment insurance may encourage job seekers to reject low-paying jobs as they wait for high-paying ones, and minimum-wage policies may prevent wages from sinking to levels at which employers would be willing to create additional jobs. These rigidities in wage-adjustment systems are seen as preventing unemployment from reaching its natural state of equilibrium, the point at which labor markets operate at maximal short-run efficiency. Therefore, labor market reforms should be aim to reduce the influence of income supports and other worker protections that disturb this fragile equilibrium.

Policy analyses of the wage aspects of labor market adjustment focus almost exclusively on downward wage flexibility. Recommendations tend to emphasize the removal of legal, institutional, and informal restraints that prevent wages from falling during economic slowdowns, or that prohibit wages from reflecting differences in individual worker productivity. Moreover, these restraints are seen as the primary cause of rising unemployment and inflation in the economy as a whole, and therefore take on inordinate influence in determining macroeconomic performance. The underlying goals of wage flexibility are to: (a) create and reinforce pay differentials between workers; (b) permit wages to reflect the capacity of the economy to offer pay rates; and (c) facilitate wage differentiation between local labor markets.

Pay differentials are seen as a means through which wage rates are able to flexibly adjust to variations in labor demand and as an indication of the overall responsiveness of labor markets to price signals. The presence of pay differentials in the economy suggests that the link between wages and workers' marginal productivity is strong, allowing employers to make efficient use of labor supplies. Pay differentials are not seen as leading to an unwanted increase in the number of jobs offering low levels of compensation. Rather than leading to a harmful spread of low-wage work, the dissolution of restraints on pay differentials is presented as a benefit to low-wage and unemployed workers, whereas policies that enforce higher wages are said to be detrimental to their employ-

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ment prospects. According to the OECD (1987: 137),

»constraints on [pay] differentials may have played an important role in [rising unemployment] by reducing opportunities for the unemployed to offer their labour for low wages as a path to higher-wage jobs.«

But constraints on pay differentials are said to have additional, more insidious effects on the job prospects of the unemployed.

»Constraints on pay differentials will have two effects: first, [...] they will increase the burden of unemployment on workers with few qualifications; and second, [they] will make the rise in unemployment cumulative, since those who have been jobless for some time will appear to present greater risks to a potential employer, risks which only progressively growing wage differentials could offset« (OECD 1987: 138).

In other words, widening wage disparities are required if there is to be an efficient expansion of employment opportunities for disadvantaged workers. Not only is job growth said to be closely linked to these differentials but, paradoxically, the primary beneficiaries of downward wage flexibility are said to be low-paid workers themselves. The polarization of wages, then, is not a problem demanding policy attention, but rather an indication of labor market responsiveness and vitality. Importantly, it is not only the capacity of labor markets to adjust to "external" shocks - as reflected in the absence of rigidities that might prevent downward wage adjustment - but also the speed at which this adjustment occurs.

»While the long-run responsiveness of wages to unemployment seems to have been established beyond a reasonable doubt, the evidence points also to very gradual adjustment. This puts limits on the speed at which unemployment can be brought back to equilibrium following an adverse shock« (OECD 1994b: 4).

According to the OECD, delays in downward wage adjustment may lead to long-term joblessness as the unemployed are prevented from "pricing themselves into work" by bargaining and wage-setting systems that are imposed on the production sector through public policies. For the labor market as a whole, unemployment can become entrenched, further limiting job growth and leading to the deterioration of wages for those who manage to hold on to their jobs. This diagnosis, which is generally applied to laggard European economies, serves as a warning to all:

»The emergence of wage pressures in several countries in the 1980s at much higher unemployment rates than before could be related to "speed limits" in the downward adjustment of unemployment to its equilibrium rate« (OECD 1994b: 4).

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The legacy of these "speed limits" (policies that restrict downward wage adjustment) is sub-optimal economic performance in the short and medium term, and even more painful processes of labor market adjustment in the long run. But even those economies that have gone the farthest in eliminating barriers to wage adjustment and aggregate employment growth have segments of the workforce that have not enjoyed the benefits of an expanding economy. Even in a dynamic economy with relatively responsive labor markets, vigilance is required on the part of policymakers to ensure that remaining labor market rigidities are identified and rooted out. Disparities in economic well being among identifiable groups of workers are taken not as a sign of power asymmetries between capital and labor, nor are they seen as an indication of a systemic bias in the valuation of different types of labor, nor are they even seen as evidence of the haphazard allocation of labor market risks and rewards. Instead, they are regarded as evidence that work remains to be done in eliminating barriers (in the form of income support) that are external to processes of exchange in labor markets, barriers that prop up the wages of low-paid workers, yet compound their disadvantage.

»Relative wage flexibility is crucial for full employment when the structure of relative demand for and relative supply of different group [sic] of workers is changing. What is required under these circumstances is a fall in the relative wages for those groups of workers whose supply has risen or demand fallen, thus enticing employers to increase use of workers otherwise in excess supply. The large disparity in unemployment rates across different groups [...] suggests that adjustments have not played an important role in evening out employment opportunities for different types of workers« (OECD 1994b: 4-5).

4. From Welfare to Work(fare)

As job growth increasingly has occurred on the back of falling real wages and growth in low-paid, contingent employment, the lower reaches of the labor market have become the site of regulatory experimentation with increasingly punitive workfare policies. A range of job-search, "work activity," and work-welfare programs have been rolled out in recent years to introduce welfare recipients to the "world of work" (see OECD 2001). At the same time, the language of workfare has come to represent the problem of joblessness. The long-term unemployed are said to be part of a growing underclass that is unwilling to fill low-wage job vacancies and prepared to subsist on the edges of the formal economy. Because of this perceived reticence to enter gainful employment, active labor market policies must mobilize welfare recipients for low-wage work. This approach to labor market intervention lays at the heart the

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»supply-side fundamentalism« (Peck/Theodore 2000a) that dominates contemporary policy debates. According to the fundamentalists, the problems - and therefore the solutions - to unemployment lie on the supply side of the labor market in the low skills and malformed work ethics of the unemployed. Through the discourses and strategies of workfare, problems of demand deficiency and poor job quality have been effectively eliminated from the policy debate, replaced by the drive for activist state policies designed to enforce low-wage work.

The bitter irony of such portrayals is that workfare policies serve to relentlessly return welfare recipients to a segment of the labor market that they know all too well (and which consistently has failed them) - that of low-wage, contingent employment. Clearly, for some workers, the allure of these jobs is not strong, particularly given that similarly minimal income support has been available outside the labor market. Where the demand pull of low-wage labor markets is not strong, workfare activates a concerted push off welfare (see Peck/Theodore 2000b).

The tensions between OECD recommendations for greater labor market flexibility and worker protections are perhaps greatest in the area of welfare policies for the unemployed. In attempting to strike a balance between deregulatory policymaking to enhance labor market flexibility and societal norms regarding the adequacy of employment and wages, the OECD has encouraged policymakers to consider the role that social policies play in functioning of labor markets. According to the OECD (1994a: 30),

»[t]he challenge is two-fold: to look across the full range of policies that have been put in place over the last 30 years to see where, and to what extent, each may have contributed to ossifying the capacity of economies and the will of societies to adapt; and then to consider how to remove the disincentives without harming the degree of social protection that is each society's wish to provide. «

Framed in this way, labor market adjustment is presented as being a matter of societal will power, rather than as a condition that is largely determined by the needs of labor reproduction.

In OECD policy documents, welfare provisions are directly linked to problems of unemployment since they act to deter workers from accepting low-paid, casual employment.

»The availability of social welfare provisions intervenes in wage-setting by reducing the supply of workers willing to take up low-paid jobs and by discouraging wage moderation« (OECD 1994b: 53).

Again, the mechanisms through which this deterrence occurs are policies that set wage floors.

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»Non-wage labour costs drive a wedge between the cost of a worker to an employer and the wage received. [I]n countries where wages and prices are inflexible, employment will suffer if non-wage labour costs increase. Many of the job losses will fall on low-paid workers, due among other things to the existence of contribution ceilings and binding wage floors - such as legal or collectively-bargained minimum wages « (OECD 1995: 18).

Through its recommendations the OECD has implicitly articulated a tradeoff between the goals of economic efficiency and social equity. In some respects, OECD policy proposals are presented in a way that seeks to reconcile this tradeoff through the contention that the price to be paid for social provision in the name of greater equity inadvertently falls on the beneficiaries of assistance-low-wage workers and the unemployed. In contrast, policies that remove labor market rigidities as a way to improve economic efficiency are presented as offering a win-win alternative that creates an economic environment that is conducive to employment growth. Moreover, the imperatives of competition under globalization are said to demand this path of labor market reform.

»The means by which societies achieve their objectives must adjust to changing circumstances. It may be necessary today, in the context of high and persistent unemployment, to give more weight to the market-clearing role of wages, while pursuing equity objectives through other instruments« (OECD 1994a: 36).

»Governments today face greater international interdependence of their economies. Like companies, they need to "think global" so that national policies fit with and take into account the broader international context. Co-operation among countries in order to understand the dimensions of interdependence and to ensure that international rules keep pace with changes in the global economy will help each to take full advantage of the productive employment opportunities offered by globalisation« (OECD 1987: 40).

5. Re-Regulating the Labor Market

OECD recommendations run the risk of destabilizing jobs and eroding pay scales at the bottom of the labor market. There effects of the proposed program of de-/re-regulation will be experienced at a number of levels. First, granting employers greater flexibility in the establishment of "non-standard" employment contracts will encourage growth in temporary work as once-stable occupations are drawn into contingent employment relations. This flexibility largely

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occurs on employers' terms since they determine the occupations most suitable for "flexibility-enhancing" changes in employment contracts. Along with provisions for enhanced downward wage flexibility, this will lead to the expansion of a low-wage sector characterized by high labor turnover and stagnant wages.

Second, lowering the amount of and length of eligibility for income-maintenance is a complement to greater labor market flexibility. Reducing the "work disincentives" associated with income maintenance will make jobs in the lower end of the labor market appear more "attractive" both to employed workers who hold these jobs and to the unemployed who may recoil at the prospect of accepting low-quality employment. As part of a wider regulatory strategy, then, these recommendations can be seen as an attempt to create a secure labor supply for insecure work (Peck/Theodore 2000b: 123).

Shifting the focus to other aspects of the economy, the form of labor regulation proposed by the OECD would likely lead to an expansion of undervalued labor upon which employers would form greater dependence. Employment protections operate as a discipline on employers to maintain standards and to pursue competitive advantage through innovation rather than labor sweating.

»When this discipline is lifted [...] the most disadvantaged in the labour market become increasingly vulnerable and the ease by which their wages and conditions of work can be further depressed provides the basis for the competitive survival of inefficient producers. The consequent intensification of competition adds to the increased uncertainty and risk induced by economic depression, further reduces the incentive [of employers] to invest and innovate and builds up reliance on low pay and casualised employment forms as the only means of survival« (Deakin/Wilkinson 1991: 141).

Therefore, as an economic strategy, labor market "deregulation" will be associated with the creation of perverse incentives for employers to sweat labor as a way to achieve competitiveness in the short run. However, such employment practices are inefficient in the long run and may compromise future competitiveness both at the level of the firm and in the economy as a whole. For these reasons, the types of reforms recommended by the OECD will have far-reaching effects on economies. These policies will: (a) transform the operation of labor markets as they encourage the spread of low-wage, contingent employment; (b) alter the basis upon which businesses compete, increasing the reliance on undervalued labor as a profit-making strategy; and (c) create economy-wide breakdowns in labor regulation to which are ignored by such quick-fix

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"solutions"- these include skills shortages, erosion of incentives to train, the elimination of rungs on career ladders, the rise of working poverty, and the degradation of living standards for workers trapped in the lowest-paying segments of the economy. This suggests that, rather than eliminating "harmful regulations," deregulation will exacerbate labor market problems and hence will require new forms of regulation and expanded use of state power in the workings of the economy.

In addition, as a political strategy, deregulation undermines and discredits government policymaking aimed at stabilizing labor markets. Advocates frame these deregulatory policies as an attempt to "restore" conditions of competition and to "return" markets to their natural state where they are unencumbered by rules that interfere with price setting. On the other hand, worker-centered policies and institutions are portrayed as ineffective and inefficient, a violation of the "market laws" which underpin the code of "economic justice." Supply-side fundamentalism has achieved the status of "best practice" in economic statecraft. As the OECD policy recommendations illustrate, "textbook" models of how labor markets ought to function dominate the field of employment policy. They attempt to redefine the problem of unemployment, thereby redrawing the boundaries of state intervention in labor markets.

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of the Nonprofit Sector in Germany and the U.S.

In spite of growing interest in the nonprofit sector, convincing theoretical frameworks for conceptualizing the relationship and interactions between nonprofits, government and for-profit organizations are still missing. It seems ironic, as Kramer (1998) has noted, that at a time when studies discover the emerging nonprofit sector all over the world, the distinction between the state, the market economy, and nonprofits become increasingly blurred. Based on different academic disciplines such as organizational theory, administrative science, social work, economics, political science, as well as on national traditions and normative assumptions about the role of nonprofits, numerous metaphors are en vogue to describe new policies and forms of organizational collaboration: "welfare mix" or "welfare pluralism", "third party government", "the enabling state", "the social economy" or "the third system". This contribution will touch on some of these concepts. Firstly, it seeks to explain why there was a delayed reception in Germany of what has internationally been labeled as the nonprofit or third sector since the mid-1980s. Secondly, it delineates the main ideological and analytical differences between European and US perspectives on the basis of a literature survey. And lastly, it summarizes findings from recent studies that deal with the impact of the US welfare reform on nonprofit human service provision and discusses them along with some of our own research findings.

1. In Search of the German Nonprofit Sector

The study of organizations and associations that »operate outside the confines of the market and the state« (Salamon et al. 1999: 3) as nonprofit entities is a relatively new approach in post-war Germany. About fifteen or even ten years ago hardly anyone in this country, including the left, even talked about the existence of a nonprofit or a third sector. Similarly, until recently, there was a remarkable neglect in German social science of the potential or real contribution of smaller and less established organizations to the public good. This is due to the highly corporatist tradition of the German welfare regime, the prevalent idea of a "social market economy", and the "subsidiarity principle" which privileges the position of large national welfare associations in human service provision connected with the churches and the social democratic workers' movement (Caritas, Diakonie, Arbeiterwohlfahrt). But with the emergence of new social movements in the 1970s and 1980s, many scholars interested in democratic change and alternative forms of production and distribution of goods found an

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exciting new object of research and political projections. When most of these movements - at least in Western Europe - fell apart, transformed into (green) parties and other forms of institutionalized politics, or disappeared into economic niches, disillusionment was widespread. With the so-called peaceful revolutions in the GDR and other former socialist countries a concept was suddenly rediscovered that used to be a rather shadowy enclave on the mental maps of most state-focused political analysts in West Germany: civil society.

While there are numerous competing theories of civil society floating around, the concept of the "Bürgergesellschaft" in Germany is usually romanticized - with reference to Habermas - as an autonomous sphere of voluntary civic engagement and discourse. It is rarely understood in the Gramscian sense as »a contested terrain of political-ideological ideas and struggles, where power is legitimized and hegemony produced.« Strongly influenced by communitarian thoughts and recent debates about social capital in the US, this popular "Leitbild" began to serve as a bracket for different political tendencies. Furthermore, it could also draw on empirical evidence about the growing involvement of non-governmental organizations (NGO), especially in environmental, human rights or development NGOs. At the same time scholars with various political backgrounds were busily designing frameworks and programs in support of more voluntary engagement, citizen participation and philanthropic commitment, particularly at the local and neighborhood level. Sometimes, it seems, participation is promoted for its own sake, without any links to the real world of the nitty-gritty work of local governments, social workers and nonprofits that try to manage the worst consequences of rising unemployment. In other cases, the ability to organize citizens' participation and voluntary workers is considered and valued as a competitive advantage in the struggle for scarce public funding. Far less attention has been paid so far in German academic circles to strengthening the fading material basis of any kind of broader voluntary activity and urban revitalization: the defense of a decent income for all households (whether welfare recipients or the working poor), strategies for viable local economies providing employment, and appropriate means and resources for responding to increasing socio-spatial polarization and inequalities by local institutions and community-based associations. The reasons for the recent Germany trend towards adopting international concepts of a nonprofit or third sector that hold the promise to bridge the socio-political with the economic dimension are a matter of ongoing controversy. The trend might be seen as a delayed reaction to the specific legitimization and financial crisis of the German welfare state, which some critics have labeled as "socialism of the middle classes" that is no longer affordable. Some authors point to the important role of the European Commission and the programs of the European Union in popularizing the idea

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of a "third system" or a "third sector" in tackling unemployment and social exclusion in deprived regions (Birkhölzer 2001). Despite the increasing number of publications, foundations and academic institutions that are meanwhile devoted to the idea of a nonprofit sector in Germany, much confusion remains about rather basic questions such as its particular make-up, qualities and historical roots. A recent bibliography of the third sector in Germany (Zimmer 2000) lists more than 60 titles. Five monographs alone deal with soccer and other sport clubs, more than ten with voluntary engagement, none with questions of community economic development.

2. The European versus the US Model

The current strands of research and discussion in Germany owe many of their basic assumptions and definitions to two international networks of scholars. First, there is the influential Johns Hopkins Project based at Baltimore University, which was designed to develop an International Classification System of Non-profit Organizations (ICNOP) that cuts through the divergent tax codes and regulations of different states so that similar groups of organizations and their employment share could be compared (Priller/Zimmer 2001). Secondly, there is a loose network of European scholars, including Laville, Borzaga, Defourny, and Evers who recently presented their research program as the European answer to the "biased" American approach which they find embodied in Salomon's and Anheier's work.

Table 1: Third System: A European Definition

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 centered on statistical interpretation of a sector comprising the entire community of non-profit organizations
Criterion of limits on private acquisition of profit: inclusion of co-operatives and mutual aid societies	Criterion of non-redistribution of profit: exclusion of co-operatives and mutual aid societies

Source: Laville/Borzaga/Defourny/Evers/Lewis/Nyssens/Pestoff 2000.

Salomon and his associates have conducted empirical studies in more than 50 countries (including Germany) since 1990, mapping organizations in health

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care, education, social services, the arts, culture and recreation, advocacy and legal services. They originally reformulated the definition of nonprofits as partners of public institutions ("third party government" model) against the prevalence of microeconomic approaches in the US that had tried to explain the emergence of nonprofits out of "market or government failure" (Hansmann 1987; Weisbrod 1988). According to the structural-operational definition of the Johns Hopkins Project, all entities are part of the third sector that share the following features: a) formal organization, b) privately incorporated but serving a public purpose, c) self-governing, d) voluntary to some degree, and e) non-profit distributing (Salomon 2001). Laville and his colleagues favor a broader definition and claim that their inclusion of co-operatives and mutual aid societies (that do generate profits) reveals a specific European dimension that is not captured by the dominant American perspective.

»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 services but also collective action based on mutual aid and the participation of socially committed citizens« (Laville et al. 2000).

The notion is widespread that there are two different schools of thoughts to be accounted for: the US not-for-profit model versus the European social economy approach. According to Loyd (2002) the dominant American model is predominantly functionalist in the sense that it accepts existing institutions being unchallenged, while the European approach has a radical edge that makes no such assumption. The rise of unemployment in the European Union and the need to deal with it, while maintaining both economic competitiveness and social cohesion can be seen as an open door for discussions about a mixed economy of welfare.

»It is this debate that is driving renewed interest in the social economy. This contrasts with the position in the UK/US where the attack on urban deprivation tends to provide the overall background for policy« (Lloyd 2002).

One can raise several objections against a too sharp distinction between a European and US approach. The first is concerned with the lack of empirical evidence for the claim that the European experience is shaped more strongly by the concept of social enterprises. The common features and historical roots of a social economy in Europe should not be exaggerated. Voices in support of a third system with a strong social economy as a "reform economy" come particularly from a few countries such as Italy or France with a long tradition of co-

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operative and solidarity based enterprises. In Germany, however, we would argue, social enterprises are hard to find when we apply Evers' (1999) definition that they have to comprise »a high degree of autonomy, operate with a significant level of economic risk, have a participatory nature and mechanisms that limit the distribution of profits.« In our own research in Berlin we could identify only marginalized and cautious movements in such a direction, embodied for example in the recent founding of productive co-operatives on the neighborhood level. On the other hand, some community-based economic development corporations in the US that operate on the market by selling goods and managing housing estates while at the same time providing health services, job opportunities and training for low-income people with state funding, come close to what might be labeled as a social enterprise.

Furthermore, the legal and political requirements needed for a stronger impact of third sector organizations in the new European "welfare mixes" seem until now underdeveloped. According to what Evers (2000) identifies as the prevailing trends in the European Union we see both: a rejection and some growing support of third sector organizations in policy design and implementation.

»While they find overall acknowledgement as representatives of civil society and participants in systems of governance and as the "good Samaritans" of civil society, one tends to give them no special recognition as representatives of a different type of economy in the mainstream areas of welfare systems.«

Apart from emphasizing such empirical findings we can also identify trends towards more conceptual convergence between the US and European approaches. As Bode has, noted international research on the nonprofit sector has recently shifted from analyzing size and structure towards a more qualitative kind of investigation (Bode 2003). Both, European and American scholars make use now of the term social capital (»forms of mutual trust and civic commitment«) in order to highlight and justify the specific quality and role of third sector organizations in modern welfare regimes. At the same time, both move closer to the conclusion that in a changing environment of devolution, privatization and fragmentation of welfare programs »it is possible that social purpose will be served as much through alliances and networks as through the notion of separate sectors« (Taylor/Lansley 1992: 2). While Laville et al. predict that social enterprises as hybrid and intermediary organizations could also have a positive impact on the spheres of the market and the state, Salomon explicitly recommends the use of multi-sectoral, interorganizational collaborations as a means and strategy through which nonprofit organizations can better respond to societal needs (Salamon 1999).

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3. Nonprofits in an Era of Workfare

In our comparative study of nonprofits in local social and employment policies in Berlin and Los Angeles we tried to conceptualize nonprofits both as agents as well as the product of recent policy changes. We focused particularly on organizations active in local economic development, vocational training and job placement for recipients of social assistance and the unemployed. How nonprofits can, do and will try to cope and survive with new pressures and demands embodied in the recent transformations towards punitive workfare regimes was one of our leading research questions. Since a major welfare reform comparable with the radical shifts of the Personal Responsibility and Work Opportunity Reconciliation Act is still ahead in Germany, the US experience with a strained social safety net might teach us something about the challenges of the future.

Unfortunately, we have seen hardly any literature that connects the questions raised above about the potentials of third sector organizations to provide an alternative economic path and a platform for collective action, with empirical studies of the realities of nonprofits in an era of workfare. Most research about welfare reform and nonprofits does not treat these organizations as distinct socio-economic and political actors devoted to social change, but simply as service providers with limited resources. The few empirical studies carried out by think tanks of social policy are predominantly concerned with issues of changing public funding streams, increasing competition with for-profit or faith-based organizations, technical skills and management capacities. The role of nonprofits to adapt to the new local welfare-to-work regimes by filling in the gap which disappearing national entitlement programs have left is more or less taken for granted, as is the basic assumption of the Welfare Reform that dependence on public assistance is bad.

But in spite of their affirmative approach to public policy changes, these studies still offer a first glimpse of the direction the US nonprofit sector is moving towards. Most of them found significant changes in the populations these agencies serve: a general increase in caseload size, more people with multiple problems, greater client attrition and a trend towards more tensions between staff and clients due to the pressures of a work-first policy. There were also major shifts in the scope, objectives and structures of primary programs, staffing patterns, resource acquisitions and allocation as well as patterns of inter-organizational relationships. Nonprofits were least likely to collaborate by developing or sharing resources. In fact, a significant number of organizations reported competition with other agencies for resources and sometimes even for

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clients (Austin 2003; Fink/Widom 2001, Bischoff/Reisch 2000; DiPadova 2000; Alexander/Nank/Stivers 1999). According to one study in Michigan, Welfare Reform had a substantial and negative impact on the ability of nonprofit organizations - regardless of location and service type - to meet the increased demand for basic social services (Reisch/Sommerfeld 2001). These effects have been particularly pronounced among people of color and those who are homeless, disabled, or in abject poverty. Small agencies and those responding to emergency needs are considered especially vulnerable in the current environment. While most organizations reported increased accountability requirements by government agencies, smaller organizations were more likely to report adversarial relationships with government, particularly if they had higher proportions of welfare recipients.

The conclusions from our empirical findings in Los Angeles present a rather mixed picture due to the fact that we also included advocacy groups and community economic development corporations in our sample. Definitely, work-first policies as embodied in the Welfare Reform and the Workforce Investment Act changed the whole environment for organizations serving low-income communities. But nonprofits are not only "victims" of new requirements national and local governments have established. Some of them were also able to benefit from new programs, gained access to new resources and inter-sectoral networks and thereby strengthened their profile.

If we leave groups aside that have their main focus on advocacy and organizing, we can identify three types of organizations involved in job training and welfare-to-work measures:

First, a group of established nonprofits that have a long tradition of serving the poor: the big welfare associations and charities such as Goodwill Industries or Catholic Charities that sometimes operate on a national level. On the one hand, they are moderate critics of the implementation of Welfare Reform, at the same time they are taking advantage of new programs and funding streams, integrating welfare-to-work activities in their broader spectrum of social services for the disabled, homeless and youth. Some of them also offer long or short term employment to welfare recipients in their own businesses.

From this type of organization we distinguish as a second group: larger community economic development corporations with a strong linkage to a specific locality, neighborhood and sometimes an ethnic community (the latter being, in Germany, so far a rather unknown phenomenon). For most of these organizations the current transition of the national and local welfare state is both a threat

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and a challenge. A threat, because the communities they represent and work with are particularly vulnerable to lose income support and in-kind benefits through sanctions and time limits. The positive challenge these community-based organizations face is to combine and strengthen local economic development with job development based on needs, particularly in deprived areas where for-profit businesses are not interested.

In the third and last category we find a very mixed group of rather young nonprofits that usually were founded in the early or mid-1990s. They serve mainly special target groups such as people with drug problems, migrants with low English proficiency, victims of domestic violence, and they rely more than the other organizations mentioned above on public funding. They often receive government contracts for running programs that are designed to accompany the transition from welfare to work such as child care, medical treatment or basic skills and language training. Within this group we have to distinguish further between service providers with a predominantly professional and technical approach and those which try to set and translate their own goals beyond regaining or securing the employability of their clients and preparing them for the demands of the low-wage labor market.

4. Conclusion

Whether the traditional or ideal character of nonprofits is seen in altruistic charity by serving the most needy, or in creating an environment for social change through advocacy and the promotion of economic alternatives will surely remain a matter of ongoing political and academic debate. Whether more sophisticated classification systems or further knowledge about particular parts of the sector could really help to resolve this normative question is doubtful. While some of the nonprofit literature tends to idealize the reform potentials of social enterprises and hybrid forms of service provision, first results from the welfare literature in the US hint to the weaknesses of a sector without a strong "mission". To develop a research agenda for critical scholars that is able to capture the ambivalent role of nonprofits which are both winners and losers of the recent restructuring of contemporary welfare states seems to be one of the more important challenges.

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German social services are provided by three different systems: the public system, the private commercial system, and the intermediary system of voluntary welfare organizations (cf. Bauer/Klinke/Pabst 1993). The latter constitute part of the third sector, which in Germany is »highly institutionalized and integrated into the fabric of the German social welfare system« (Salamon/Anheier 1994: 78). This observation includes - and explains - the fact that the German welfare system seems to be a stable result of the historically developed division of labor between the public and the voluntary sector.

1. Service Providers: Germany's Voluntary Welfare Organizations

The German intermediary provider system of voluntary welfare organizations is dominated by six large umbrella associations. These are representing numerous decentralized organizations, institutions and facilities. The largest of these umbrella organizations are the catholic German Caritas Federation (Deutscher Caritasverband) and the Service Agency of the Protestant Church in Germany (Diakonisches Werk der Evangelischen Kirche in Deutschland). While these two nonprofit organizations as well as the smaller Central Welfare Office of the Jews in Germany (Zentrale Wohlfahrtsstelle der Juden in Deutschland) are organized along religious lines, others follow non-denominational lines, i.e. class in case of the Workers' Welfare Association (Arbeiterwohlfahrt Bundesverband) or other care service traditions as with the German Red Cross (Deutsches Rotes Kreuz) and the German Non-denominational Welfare Association (Deutscher Paritätischer Wohlfahrtsverband). In combination, these voluntary welfare organizations form a state-recognized cartel (or "closed shop") of health care and social service providers. Comparative studies show that the leading organizations of Germany's voluntary welfare sector play an »exceptionally important role« (Loges 1994: 17).

Germany's nonprofit welfare organizations employ over 1 million full-time employees, or about 3.7 percent of the German workforce. »One out of every ten German service workers is employed in the nonprofit sector« (Salamon/Anheier 1994: 78). The sector has grown rapidly since the early 1960s. »In proportional terms, employment in the nonprofit sector in Germany has grown faster between 1970 and 1990 than employment in any other sector, including manufacturing and services. Between 1980 and 1990 alone, the

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nonprofit sector contributes one out of every nine jobs added to the German economy« (ibid.). As Salamon and Anheier reported, »the bulk of these increases occurred in the fields of health and social services«.

The operating expenditures of the third sector in Germany comprise an annual amount of more than 42 billion Euro. This represents a 3.6 percent share of Germany's gross domestic product. With regard to operating expenditures, Germany's third sector is particularly prominent in two fields of welfare, health and social services. These fields account for nearly 60 percent of the operating expenditures, and for two out of every three jobs in the third sector.

The funding of Germany's nonprofits comes largely from the public sector. Nearly seven out of ten Euro of third sector revenue derive from public funds, grants and contracts. An additional share of nearly 28 percent of third sector revenue comes from private fees and payments which the nonprofits receive from selling their services and products directly to consumers. The revenue share that comes from private charitable donations - including gifts from individuals, corporations, foundations and bequests - makes up merely 3.9 percent. This small share of charitably contributed revenue includes the semi-voluntary "church tax", which is collected by the state and distributed to the major denominations to support their religious as well as educational and social-welfare functions.

2. Challenges to Private Voluntary Social Service Providers

Germany's welfare system represents a »special case« (Schmid 1994: 466). It has »no real counterparts« in other European Union states (cf. Schulte 1991: 557). It seems to be the stable outcome of the historically developed division of labor between the public and voluntary sector. Since the 1990s, however, Germany's third sector "faces new challenges in the light of reunification and the strain of coping with more slowly growing public funding" (Salamon/Anheier 1994: 78). In addition to these problems, as noted by Salamon and Anheier, further serious challenges arise. One of these stems from European unification, another from economic globalization. These far-reaching and radical challenges provide the background for why the German third sector is under stress due to the new politics in the field of social policy (see Bauer/Hansen 1995a; 1995b).

2.1 Bargaining procedures

Traditionally the main players in the field of social services have been the public sector on the one hand, and the third sector of intermediary welfare organiza-

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tions on the other. The relationships between the public and the nonprofit sector were legally structured by the principle of subsidiarity. This principle implies firstly, that voluntary welfare organizations are publicly recognized and exercise the privilege to implement public duties. Secondly, their independence in the definition and implementation of the duties performed is guaranteed. Thirdly, services provided by the voluntary welfare organizations are financed by the state and through public insurance systems. Thus, the principle of subsidiarity legally guarantees and ensures special privileges of voluntary welfare associations, their institutions, and membership.

The German third sector has traditionally benefited from these legally guaranteed privileges. With Germany's reunification in 1990, the Unification Treaty maintained the special relationship between government and voluntary welfare associations within the expanded Federal Republic, extending it to the new states in the east. The treaty expressly confirmed the principle of subsidiarity's validity without any restrictions. Article 32 of the Unification Treaty states that

»the institutions and services of the voluntary welfare associations and the youth care organizations make an essential contribution to the welfare state as de-fined in the German Constitution. The building up and expansion of a welfare state [...] shall be supported within the framework of the constitution.«

While the public sector traditionally favored these third sector organizations as privileged partners, it is now shifting towards a new social politics. The goal is to implement market principles through contracts and requirements for more efficiency combined with quality assurance. Therefore bargaining procedures are currently undergoing a transformation. This shift is part of the new social policy legislation, which started in 1989 in the field of health care, when the Health Reform Act obliged health insurance funds to make agreements with institutional suppliers of home care. With the goal to assure both efficiency and quality, the same obligation of out-contracting later became legally required in the field of social services, through amending the Federal Social Relief Act (Bundessozialhilfegesetz) and by passing the Elderly Care Insurance Act (Pflegeversicherungsgesetz). These reforms forced third sector organizations to compete with private commercial providers as additional players. Contracting out established a new system of "buying" social services from a "free market".

2.2 Financing modalities

Contracting out to different types of providers - private as well as nonprofit/third sector - is also a way of cutting costs in social provision. In the past, the public

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sector reimbursed all the costs of providing health and social services through the third sector's voluntary welfare associations. Annual agreements between voluntary organizations on the one hand and the agencies bearing the financial responsibility on the other regulated the rates of daily allowances for accommodation and treatment delivered by the third sector organizations. This provided the basis of voluntary organizations' funding through governmental and insurance agencies. At the end of each year, voluntary associations submitted a statement of their expenditures. When their expenditures were higher than the regulations provided for, they received financial compensation. With the new legislation, however, suppliers and agencies have to enter into a compulsory contract specifying the kind, size, quality and costs of their services. It is the government's strong intention that this market oriented modality of financing will strengthen the efficiency of health and social services provided by the third or private sector. In the future, health and social services are to be primarily regulated by competition under market or quasi-market conditions.

2.3 Distribution of Responsibilities

These new financing modalities and bargaining procedures are elements of a structural change in Germany's welfare system. The causes of this change range from the »production conditions« of the institutions and their internal requirements (cf. Oliva/Oppl/Schmid 1991) to the fact that the voluntary sector has come under pressure to compete and to modernize. The third sector of intermediary welfare organizations therefore appears more and more as a market-oriented supplier of health and social services. Voluntary welfare organizations are moving away from the traditional image of authoritarian-paternalistic welfare institutions to a corporate identity of »social enterprises« (Beck 1988: 17). Two cultural shifts are currently on the way: one is the shift from the providers' state-oriented bureaucracy to a market-oriented service industry. Another is the shift from the historically established relationship between the public and voluntary sector to a modern public-private partnership. Both shifts have to overcome, however, the strong tradition of Germany's welfare culture referred to in the first section.

3. Conclusions and Further Questions

A first conclusion pertains to the growing importance of economic and commercial criteria in the field of social services provided by voluntary welfare associations. In 1994, Salamon and Anheier stated »that the German nonprofit sector will experience a process of 'marketization' not unlike that in the United States« (1994: 80; for a discussion of 'marketization of welfare' see Salamon

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1993). Results of this process are currently observable, for example in the growing adoption of business terms such as "management", "controlling", or "marketing" by voluntary welfare associations. There is also a shift from the traditional welfare conception of itself as charitable agency to the "corporate identity" of a service industry. Finally, welfare providing agencies have changed their legal forms from nonprofit organizations to for-profit businesses with limited liability (Gesellschaften mit beschränkter Haftung).

A second conclusion concerns competition in the field of social services. There are signs of competition between service-providing voluntary welfare associations. In addition, intermediary organizations of the third sector have started to compete with private suppliers for service customers. Competition is more intense for building and conquering market shares than for broadening the stock of regular customers through better performance and higher quality.

Related to the consequences of the new social politics in Germany, there is another conclusion to be drawn from the new Care Insurance Act. This act provides that home care for family members is to be encouraged through benefits. Along with the "marketization" of the third sector, this is a first step towards the "privatization" into the informal sphere of family relationships. As an effect of this regulation the elderly needing care may remain in their families rather than moving into a home.

Finally, we can observe indications of a changing relationship between the government and the third sector. One striking sign is that voluntary welfare associations take part in protesting against the government's social policies. They have gradually begun to formulate a political critique. Another sign is the growing interest of some intermediary organizations in gaining more independence from governmental funding. They start fund-raising activities, encourage foundations, and are motivating volunteers. A third indication is the option of third sector organizations to elect to their boards more people from businesses instead of politicians or members of the clergy.

The following questions concern the future of Germany's social care services provided by intermediary third sector organizations and challenges by economic globalization.

1. Doubts are justified regarding the agreements on efficiency and quality assurance prescribed by law for health and social services. The requirements for contractually binding stipulations for efficiency and quality assurance could turn out to be a euphemistic construction (as expectations are aroused) for main-

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taining or reducing the present standard of social services at a time when they are in dire need of improvement. The current reform efforts offer no reason for great optimism.

2. A paradox emerges in the present development: the "old" welfare bureaucracies are in tacit agreement with "new" so-called experts for quality assurance. This makes an absurdity of the reform efforts' emancipatory claim. The users themselves remain an object - not subject - of quality assurance. It seems that judgement by the actual customers will play a minor role concerning quality assessment of health care and social services. It does not seem to be practicable in Germany that customers alone should judge service quality, a focus on modern management concepts that could be applied to the area of social services. In future, a general effect of economic globalization will presumably be a more difficult situation for clients who sorely need social care services. Instead of gaining real power through consumer sovereignty, they are excluded from the negotiations of financial agreements and contracts between the respective management cadres. Instead, the exclusion of clients from the machinery of service industries seems to be the 'secret goal' of the new social policies (cf. Bauer 1996; Hansen 1996).

3. A final important question is whether the shifts mentioned above can actually change the German welfare culture. Will there be radical change or superficial modernization? In my opinion Germany's welfare culture is very strong and resisting fundamental transformation. It seems to me that the idea of a "free market" will not fundamentally affect the traditional position of voluntary welfare organizations, especially that of the denominational segment of the third sector. As a result of its long history under the principle of subsidiarity, the third sector has resources and assets of its own, and in fact more market advantages than the commercial private sector. Although challenged by globalization, voluntary social service providers will not be defeated by competition or new commercial providers, but they will shift from a non-profit status to a status of moral entrepreneurs.

As Daly argues for Germany,

»centralized and highly-connected collective bargaining along with bi- or tri-partite administration of the social insurance programs are key defining features of this type of social protection system. Coverage is high; the link between employment and social insurance is close; the risks covered are selective; the support for a traditional family form is strong« (2001: 81; cf. Alber 1986).

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Economic globalization promotes the marketization of social service provision, but the institutional structure of providing social care services will be saved by Germany's traditional welfare culture.

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Berlin on the Ropes:

Nonprofits in Transition and Under Pressure

Berlin's current fiscal situation is best described by its debt of about 41 billion Euro. The number of unemployed in 2003 stands at 19.3 percent, a total amount of more than 320.000 people; more than 270 000 people are on welfare. At the same time Berlin is struggling to compete on regional and global levels, thus cutting back public expenditures in almost all fields of (former) state activities. But this crisis only accentuates the far more important changes that took place during the last decade within the German welfare regime characterized by neoliberal devolution processes and a more workfarist orientation. It is under such circumstances that nonprofits have to play new roles in the field of work creation schemes.

The paper describes and analyzes the labor market and welfare system in Germany generally and in Berlin specifically; what follows is an analysis of the specific challenges nonprofits are facing in Berlin. The current welfare system is based on two principles: the social security principle (Versicherungsprinzip), which is far more and better elaborated than in the US; and the public welfare principle (Fürsorgeprinzip), which guarantees social assistance to all needy citizens and is paid for by the municipalities.

1. Employment Office Programs

People who had been employed in regular jobs may draw unemployment benefits (Arbeitslosengeld) for, at most, 2.5 years, though people under age 45 may draw for only 12 months. After 12 months, the unemployed may receive unemployment assistance (Arbeitslosenhilfe) unless they live with someone who makes money. While unemployment benefits are about 63 percent of the latest net income, unemployment assistance is only about 50 percent.

The whole system is changing now that Chancellor Schröder's plan of an "Agenda 2010" aims, among other things, at reducing unemployment benefits for all entitled persons to one year. At the same time, legislative projects are under way that will merge unemployment assistance with social assistance (see Wohlfahrt in this booklet). In both cases - unemployment benefits and unemployment assistance - subsidized jobs to get people into work are established, and this is where the nonprofits come in.

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Table I: Basic principles of the German welfare state

Dimension	Principle of construction	
	social security principle (Versicherungsprinzip)	public welfare principle (Fürsorgeprinzip)
Support requirements	For insured loss	For individual needs
Covered persons	Members of the social insurance program	All resident citizens (including EU citizens)
Eligibility requirements	Payment to the social insurance fund	Means-tested need
Institutions	Employment offices (federal state)	Social assistance offices (local municipalities)
Financing	Social insurance contributions with supplements from the Federal government	Federal taxation, distributed to local authorities on per capita basis
Received support	Unemployment benefit (Arbeitslosengeld) Unemployment assistance (Arbeitslosenhilfe)	Social assistance (Sozialhilfe)
Public work schemes	Employment office programs (ABM, SAM)	Social assistance workfare program (Help Towards Work, HzA)

Source: Bäcker u.a. 2000; table by VE

Nonprofits can apply for employment schemes at the employment office in their region. The application has to be coordinated with - in the case of Berlin - one of three intermediaries which are working on behalf of the Senate's Department of Economic, Employment and Women's Affairs. If the employment office administration grants the application, it sends unemployed persons to the nonprofit for training and job placement. This is how the system functions in general.

2. Social Assistance Workfare Programs

Since the early 1980s, as unemployment has risen, not only national government but also local authorities have tried to find ways to reduce expenditures and to test recipients' willingness to work. Local authorities use two forms of the public work scheme Hilfe zur Arbeit (HzA), or "Help Towards Work":

First, work which comes with a 'real' employment contract, where standard wages are paid and social insurance payments have to be made;

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Table II: Subsidized Employment Schemes in Berlin

Year	Unemployed (but employable) persons 'activated'			
	ABM	SAM	BSHG (§ 19.2, 1)	BSHG (§ 19.2, 2 GzA)
1986	n.a.	n.a.	80	18.386
1988	n.a.	n.a.	647	16.316
1989	n.a.	n.a.	1.415	15.650
1991	13.300	n.a.	1.803	15.570
1994	16.425	7.500	2.051	44.140
1998	13.045	5.339	2.841	83.798
1999	13.552	4.485	3.132	77.713
2000	9.971	5.101	1.374	82.205
2001	n.a.	n.a.	2.334	83.170

Sources: Senatsverwaltung für Arbeit 2000, 2001; table by VE

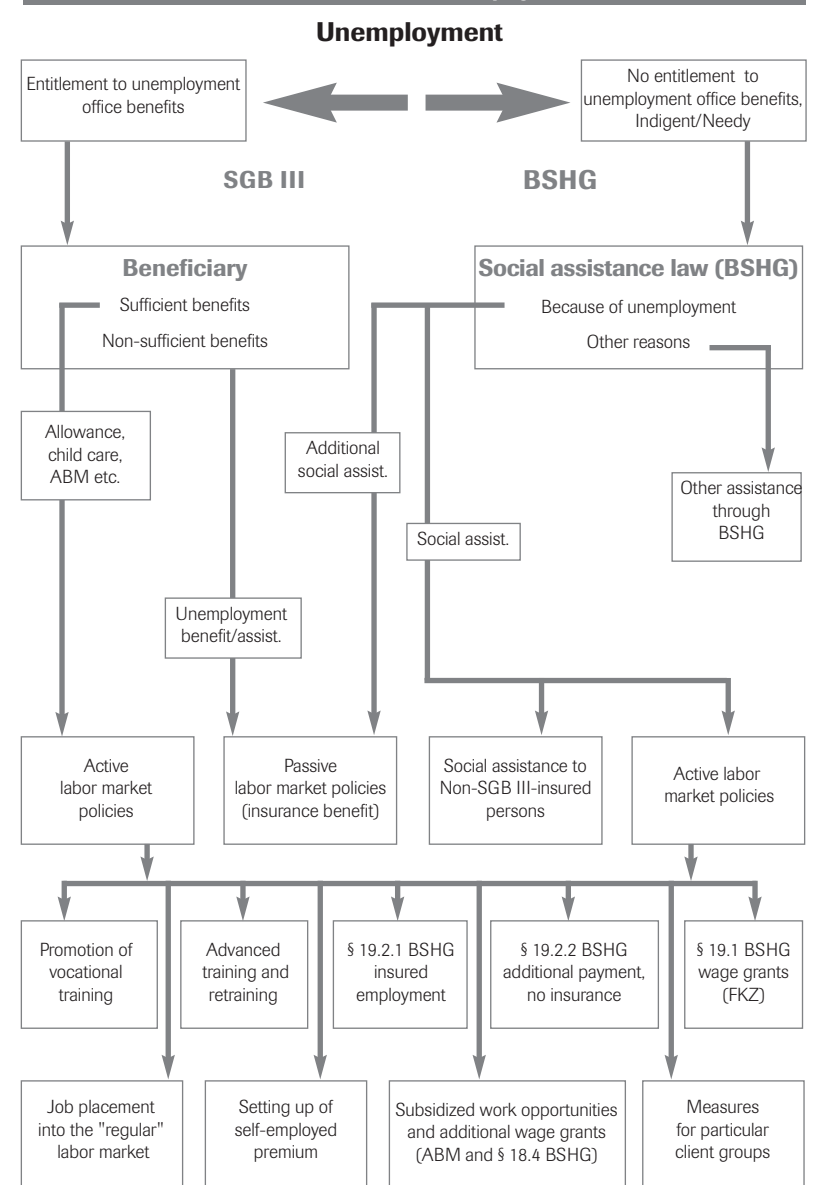
Second, a type of work without these characteristics; Berlin is atypical in that it makes more use of make-work schemes without employment contracts, offering only an additional amount of 1.5 Euro/hour on top of the social assistance benefit (Table II). Up to the mid-1990s, training was a more important element within these schemes, but today it is marginal.

Social assistance and the money for public work schemes on the local level are distributed through the local welfare offices. Here, nonprofits have to apply for programs at the district administration level. In all three cases - unemployment benefit/assistance and social assistance - the measures provided by the nonprofits have to serve the common good (gemeinnützig) and are neither allowed to compete with real jobs nor to substitute for public sector jobs; i.e. to displace public workers (zusätzlich).

With regard to unemployment the German welfare system functions as follows (Table III):

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Table III: (Financial) Entitlements in Case of Unemployment as of SGB III and BSHG



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3. Berlin's Nonprofits Under Pressure

German welfare functions according to the so-called subsidiarity principle with different institutions and actors: the national state (via the employment offices), the individual states (Länder), and the local municipalities. This leads to heterogeneity in the ways and in the scope of implementation of employment programs; we can highlight four characteristics of the German system:

1. Fragmentation of programs: We have a large number of uncoordinated and decentralized employment programs;
2. Emphasis on cash benefits: Up to now, the majority of benefits provided federally are income maintenance cash payments;
3. Reliance on social insurance: Individuals are entitled to income maintenance benefits as members of a social insurance program;
4. Importance of labor legislation: All social policies are embedded in an elaborate system of labor market regulations.

Within this system most nonprofits are (self-)described as 'holistic' and 'integrative' actors in local labor markets, creating networks of solidarity for the neighborhoods, the unemployed, and among each other. Berlin's nonprofits (currently about 1.000 related to the second labor market) emerged in the early 1980s out of the new social movements in the West, and in the early 1990s out of the remaining Eastern industrial sites, which had a tremendous impact on surrounding neighborhoods. (Supposedly) more innovative, more flexible, more creative and closer to the needs of the disadvantaged neighborhoods than the administration or traditional charities, nonprofits have created a corporate network with the employment offices and the Senate - the so-called 'labor market family'. Subsidized employment and training measures for long-term unemployed and welfare recipients have been implemented by nonprofits which, over the last two decades, have specialized in a variety of different employment fields, focusing on reasonable employment opportunities and occupations for their 'clients' oriented towards local demands in disadvantaged areas.

The structure described above changed dramatically during the last decade in terms of flexibilization, privatization, profit orientation, outsourcing, a strong work obligation, and - in ideological terms - a stark moralization of (un)-employment as a whole (Ehrke 1999). For example, the unemployed are forced to accept any job and the social assistance law introduced work obligations as a duty for everybody; additionally, for-profits have entered the market.

These changes obviously have a huge impact on nonprofits. They used to be mediaries for the administration's wide array of subsidized work schemes and

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have been building social infrastructures in the city's districts. Today they are contract partners and (have to) follow the demands of the administration's requirements at any price. Because of the ongoing devolution process and the neoliberalization of the welfare system (Peck/Tickel 2002; Jessop 2000), nonprofits have become - in this highly subsidized sector of the German economy - heavily dependent on administrative authorities that, due to the fiscal crisis, have started to follow business logics. Nonprofits therefore confront new challenges while managing increasing misery.

The main changes and challenges faced by nonprofits in Berlin:

- Welfare offices used to be the 'last resort' for people in socio-economic need until the late 1980s and early 90s; now the local welfare offices are functioning as backup-employment offices for semi-skilled and unskilled workers; at the same time they lack the financial resources which the employment offices do have (up to now). This led to an increasing incorporation of nonprofits into the job placement workfare system;
- Nonprofits have become contract partners of the employment offices and local administrations. This change led to a business input-output orientation instead of an orientation towards individual needs and local requirements (commercialization);
- The employment offices as well as the local welfare administrations have handed over job placements - which had been solely organized by the employment offices and the welfare offices before - to non-state actors, i.e. nonprofits and for-profits (outsourcing);
- Both public agencies force nonprofits to provide job placements for their 'clients' as part of their contracts; thus, job placement quota have become the main criteria for further contracts with the administration;
- At the same time, both agencies introduced commercial recruitment agencies for job placement on a per capita profit basis (commercialization);
- What is striking within the neoliberal workfare regime, is the growing acceptance of repressive measures between all administrating actors involved, including almost all nonprofits; to give two examples:

An inspection system has been expanded by the social assistance offices called Prüfdienst or Welfare Inspection Unit. These inspection units control welfare recipients at their homes and examine their belongings. Their officially stated

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aim is to check whether welfare recipients are entitled to ask for additional support; in fact the units are aiming to 'shock and awe' welfare recipients to deter them from asking for help.

Unemployed and welfare recipients are forced to accept almost any job offered by the Arbeitsvermittlung, or Public Employment Bureaus, and the assigned nonprofit and for-profit recruitment agencies; one popular field of activity is the field of combatting 'incivilities' and 'disorder': Currently more than 700 former unemployed and welfare recipients work in this field, trained, supervised, and controlled by nonprofits; it is their job to 'police' the poor hanging around in public parks, oversee the homeless in the streets and control public transport for free riders (Eick 2003a). These workfare schemes are about 'poor policing the poor' under the heading of 'Help Towards Work'.

- Currently both non-public recruitment agencies - nonprofit and for-profit - focus on semi-skilled and unskilled labor, whereas the employment offices concentrate on the easier to employ; therefore, job placement contributes to the establishment of a low-wage sector through subsidized workfare schemes. Already today almost ten percent of the former unemployed within subsidized workfare measures are entitled to additional social assistance.
- Due to the so-called fiscal crisis financial resources are cut every year leading to shrinking qualification-units within the measures run by nonprofits; consequently, the programs result in less (re)integrative outcomes for those most in need; even worse, the employment offices have recently decided to limit the duration of the public work schemes to six months per person (instead of one year). Nonprofits report that within these six months 'clients' can neither orient themselves, nor have the opportunity to get experience, nor create expertise in the given working field; 'clients' lose their psychological stability, and their precarious future creates a greater feeling of anxiety.

To summarize: Nonprofits are under economic pressure due to the so-called fiscal crisis. Given this situation, they help to establish and organize a growing low-wage labor market; they compete on an increasingly privatized local welfare market; and they have to enforce the new work requirements for unemployed and welfare recipients. In the end, nonprofits are assigned specific functions which the (local) state seeks to offload, and they are deployed to enforce specific behavior patterns of their 'clients'. While the work they offer is financed through the employment offices and the local welfare offices, no standard wages are guaranteed. Therefore, nonprofits' fields of activity are focusing on low-skilled work such as private security, cleaning, public gardening, house-

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keeping. Thus, nonprofits keep long-term unemployed and welfare recipients busy through subsidized work schemes that do no longer lead to self-sufficiency.

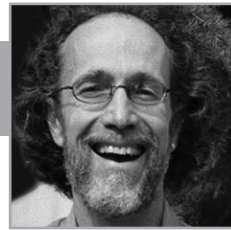
4. Conclusion

To conclude, I will report on a few findings from our research project. First, there is empirical evidence that nonprofits in Berlin have been innovative in the sense that they connected the different public work schemes in a very sophisticated way into integrated subsidized programs addressing both individual needs and local requirements. While the whole local welfare system is under pressure and the reorganization of the federal unemployment system is under way, their possibilities to develop integrated programs shrink. That is due to the fact that both administrations - the local welfare offices and the unemployment offices - are focussing solely on work first approaches and the reintegration of the unemployed into the labor market at any price. Thus, the former 'labor market family' develops into a system in which nonprofits transform into specialized service deliverers of the administration, concentrating on special target groups and the low wage sector. This process is accelerated by the competition with for-profits in the field of job placement.

We identified only a few nonprofits that have established co-operatives run by the neighborhood, which might lead to a self-sufficient, holistic, and sustainable future for their members. Compared with their counterparts in Los Angeles, Berlin's nonprofits lack approaches of (self)organization, economic justice, and, interestingly enough, coalition building among nonprofits; instead, there is growing competition (Eick/Grell 2002; Grell/Eick/Sambale 2002).

Second, some efforts have been made in the early and mid 1990s fuelled by the European Union's territorial employment programs to concentrate on localities instead of specific target groups among the unemployed. These programs did not break through, and employment programs within those attempts have been of almost no significance; even the existing state-run neighborhood management concepts in Berlin do not focus on employment schemes. Again, there are only few nonprofits which concentrate their programs on a special district to establish sustainable economic cycles.

Third, I have not discussed training programs run by nonprofits. But I will use such programs that traditionally have been provided by for-profits and nonprofits from the beginning to make my argument regarding the future of nonprofits in Berlin. In December 2002 we had a total amount of 700 to 800 for-profit and



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nonprofit agencies in Berlin that offered training programs for the unemployed. But now the employment offices have restricted funding to those agencies that will be able to place at least 70% of their 'clients' into a job after training ends. Since this decision was taken in January 2003, more than 150 training agencies have had to close down their business. It is estimated that by the end of 2003 an additional 200 to 250 agencies will collapse.

Forth, and most challenging, is the ongoing debate in Germany with respect to the Hartz laws (Eick 2003b) and the Agenda 2010. At the moment, it is unclear whether these approaches will lead to an end of local employment and social policies in Germany. Up to now, it is unclear who will have to pay for any kind of public work schemes and programs aiming to reintegrate the unemployed into the job market.

On the other hand, the management of misery - child care, homes for the elderly, public gardening - is mainly organized through nonprofits. It is open to question whether we have to expect a total breakdown of Berlin's social infrastructure within the near future. What seems to be clear though is that it won't be the nonprofits who will oppose these developments.

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Placing GROW within a national context

Los Angeles County, with 4,081 square miles (10,570 square kilometers) is one third the size of Baden-Württemberg with nearly the same population. The County has 88 incorporated cities, and close to 10 million people, the budget in 2002 - 2003 is approximately \$16.4 billion. Los Angeles County has more residents than all but 8 states in the nation. Its largest city, the City of Los Angeles, contains 470 square miles with roughly 3.7 million people.

1. Poverty and Public Assistance in Los Angeles

18% of all Los Angeles residents are considered poor. The rate among children is higher, with nearly one in four living in poverty. In the United States, the poverty rate indicates the percentage of households, families or individuals whose income is below annually calculated national poverty thresholds. These national thresholds are determined by assessing the minimal cost of food for a family and, with minor adjustments, multiplying that cost by a factor of three. The thresholds do not consider varying regional living expenses, such as housing, and are the same in expensive urban areas and rural communities.¹

When a single working person in Los Angeles loses a job, that person may be eligible to receive unemployment benefits. The unemployment benefits program is state run and employer financed. The amount of benefits available to the unemployed worker is based upon prior earnings, with a maximum of \$370/week. Unemployed workers are initially eligible to receive benefits for 26 weeks, with the potential for extended benefits. In June 2003, an estimated 338,500 workers were unemployed in LA County. In the first week of June, 2003, 121,068 unemployed workers in Los Angeles County received unemployment insurance. The 2002 average California benefit was \$242 per week.²

For single individuals between the ages of 18 and 65 who either have exhausted their unemployment benefits or do not have a work history that entitles them to benefits, there are two principal public assistance options. If the person is blind or disabled, they may be able to obtain Federal assistance through the Supplemental Security Program (SSI). In December, 2002, there were 379,377 people in Los Angeles who receive approximately \$570/month through this program.³

If the indigent person does not meet the disability test of the SSI program, the

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remaining option is a County run program called General Relief (GR). An applicant for General Relief may have no more than \$50 in order to be eligible for assistance. Able bodied adults receive up to \$221/month for 9 months out of any 12 months. They also are entitled to food stamps, which are coupons that are used to purchase food, and access to medical care. They are expected to pay for housing and all other expenses out of their grant. They are also required to participate in a short term employment program call General Relief Opportunities to Work (GROW).⁴ There were 65,667 people enrolled in the General Relief program as of July 2003. 37,213 (57%) were deemed able bodied and employable.⁵

2. General Relief Opportunities to Work (GROW)

General Relief Opportunities to Work, commonly called GROW, is the short term employment and training program for 'employable' General Relief recipients. The employability determination is made by County Welfare Department staff. The County Welfare Department, which administers most public benefits programs, requires employable individuals receiving General Relief, who make up about 40% of the General Relief caseload, to participate in GROW Program.

The GROW program is based upon a 'work first'-model and offers a job readiness assessment, a three week job skills preparation/job search component, and other services. Principal program services are delivered at over a dozen sites throughout the county, mainly by nonprofit organizations, which have contracted with the Los Angeles County Department of Public Social Services.

3. The Principal Program Elements:

I. Employment Needs Evaluation

An interview, conducted by County staff, has been conducted to capture information about housing, education, language skills and work experiences. After completing this evaluation, clients are scheduled for the Orientation/Job Skills Assessment.

II. Orientation/Job Skills Assessment

A half day classroom session designed to introduce the client to the GROW program. It includes a literacy test, overview of the GROW program and some referrals.

III. Job Skills Preparation Class

A three week program comprised of a one week workshop and two weeks of job search activities. The first week focuses on a motivational curriculum. The next two weeks are devoted to job search. Participants must make at

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least 25 calls each day, go out into the community on 2-3 employee contacts, and develop 3-5 job leads each day.

IV. Self Initiated Programs

If a client has begun an education or training program prior to orientation, it is considered a self initiated program. To be approved to this program, the participant may not have a BA, vocational license or employable skills; must attend at least 20 hours/week; and must complete the program within the time remaining on GR. Obtaining high school diplomas, post graduate education or long term college are not acceptable programs.

V. Office Occupations

A 12 week class available after Job Skills Preparation class is completed. It provides fundamental clerical and office training.

VI. Vocational Assessment

If the client is unemployed after Job Skills Preparation class, he is scheduled for a vocational assessment, which includes an employment goal and plan, a mental health screening and an offer of domestic violence services. Intensive Case Management, Educational Training or participation Supportive Services are the recommended activities.

VII. Education/Training

This is a short term education program, usually less than 6 months.

VIII. Intensive Case Management

Clients work with case managers and job developers. Services include job boards, checking newspapers, making cold calls, job fairs, etc.

IX. Post Employment Service

These services are available until the GROW time limit is reached. Services include mentoring, counseling, transportation assistance, support for continued education, re-employment services for people who lose their jobs; and a LA County Office of Education job retention and mentoring program.

X. Supportive Services

Services include domestic Violence referrals, substance abuse referrals and mental health screening.

XI. Work-Related Expenses

Covered expenses may include transportation, books, uniforms, tools, and fees.

XII. Noncompliance

A client is considered non-compliant if he refuses a job, refuses a referral, refuses to attend an interview, quits a job, is fired, fails to attend a GROW recruitment event or fails to comply with the requirements of a GROW activity. A client who is non-compliant is sanctioned. This means the client is not eligible to receive General Relief for a period of a few days to up to two months.⁶

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4. GROW Program Performance

In July 2003, the GROW caseload was 37,213. This figure included 1,617 clients who had sanctions for noncompliance. In July, 5,742 people were scheduled for orientation and jobs skills assessment and 3,805 attended (69%). During the same period, 1,913 were scheduled for job skills preparation class; 1,072 (56%) attended and 941 completed the class. There were 927 job placements. Of the 13 contracts, job placement rates ranged from 7% to 47%, with most contractors below 20%. These results are consistent with the findings of a 2000 GROW program analysis found that

»Less than one in five of the 4,512 sample participants reported they had found employment...«⁷

Talking about employment opportunities in Los Angeles for low skill workers, the question might be, why do so few GROW participants find employment? A 2000 GROW Program Analysis noted that »barriers to employment were complex and varied...« The report indicated that surveyed GROW participants most frequently identified the following barriers: transportation (40%); lack of education/job skills (37.9%); no jobs available (23.2%); criminal record (17.6%) and health problems (15.3%).⁸

An examination of the demographic characteristics of GROW participants also highlights obstacles to employment. Over half have not graduated from high school. They are older than most workers. Many lack recent work experience. Nearly one third of GROW participants either have criminal records or outstanding warrants for their arrest, further devaluing them in the labor market.⁹

Beyond personal barriers to employment, there is a lively debate within the United States with regard to the relative merits of the 'work first' strategy used by GROW versus an employment strategy that focuses upon training and education. Amy Brown of MDRC describes the 'work first' strategy as follows:

»There is no single model of a work first program. What defines such programs is their overall philosophy: that any job is a good job and that the best way to succeed in the labor market is to join it, developing work habits and skills on the job rather than in a classroom. Work first programs also share a strong message that, for participants, employment is both the goal and the expectation.«¹⁰

Work first programs will often counsel clients to 'get a job, any job'. They typically do not emphasize training and education. Advocates for a 'work first' model assert »employment-focused programs are more effective than education-focused programs at increasing employment and earnings.« Work first

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advocates believe that once workers are in the labor force, they will increase their earnings via better jobs, promotions and raises.¹¹

Critics contend that even when clients obtain employment via a work first model, they have little opportunity for advancement and are likely to remain poor. They suggest that providing training and education results in higher long term income gains for clients. An analysis of GAIN, a LA County work first program aimed at single mothers, noted, »The 'work-first' orientation may compel welfare participants into low-paying jobs that ultimately limit their ability to leave aid. A greater emphasis on training and education is needed to enable participants to earn wages above FPT [Federal Poverty Threshold] levels.«¹²

Finally, there are several overarching economic issues that impact employment opportunities for low skill workers, including GROW participants. This includes the hollowing of the manufacturing sector in the United States and the growth of the service sector, increased competition for jobs, the rising cost of housing, and increased efficiency in the manufacturing industry.

Between 1983 and 2001, the unemployment rate for Los Angeles fell from 9.7% to 5.7%. During this period 238,000 jobs in the higher-paying manufacturing sector were lost and 765,400 jobs in the lower-paying service industry positions were gained. These figures suggest that the service industry is expanding and offering employment opportunities for GAIN participants.¹³

While the expansion of the service sector seems encouraging, eight of the top ten jobs predicted to have the most openings in 1999-2006 do not require a college degree and have a starting pay of \$8.50 or less per hour (\$17,680 a year). This type of employment is unlikely to lead a person out of poverty.¹⁴

Moreover, there is a growing pool of potential workers, many of whom may have far more employment experience and less demographic baggage and consequently are more attractive candidates to employers. The 2000 analysis of the GROW program noted that participants with recent employment history were more likely to find a job than those without recent employment.¹⁵

Even when the manufacturing sector posts growth figures, they typically result from increased efficiencies in production. As a consequence, earnings grow with little expansion in employment.

Meanwhile, the cost of living in Southern California continues to rise. In March of 2003, Los Angeles was deemed the 22nd most expensive city in the world.

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The average rent for a one bedroom apartment exceeded \$1,000/month. These increased expenses were not offset by increased salaries, particularly for the middle and lower paid income brackets. The value of a minimum wage income fell by 35% from 1968 to 2002. Similarly from 1975 to 1998, income for all but the top 40% fell in California.¹⁶

5. Conclusion

Given growing costs to the County and the belief that shifting clients into the workforce is beneficial to both the client and the larger community, the County will likely continue to operate employment-programs to move welfare recipients into the workforce. Given the relatively modest placement rates of the current program, the County is also likely to look at program modifications to increase success. However, regardless of the employment program model, General Relief recipients face significant barriers to employment: barriers beyond their control. Until these macro issues are better addressed, welfare recipients seeking employment are unlikely to find full time employment that takes them out of poverty.

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Friends or Foes?

Nonprofits Between Business and Social Work¹

1. Introduction

»Our society desperately needs organized ways of dealing with social problems; we cannot rely solely on market strategies« (Selznick 1996:276).

Privatization and devolution movements in the 1980s and 1990s have led to trends throughout the United States and Western Europe of the reduction of government- operated public services and the increase of contracted government services to private agents with a goal of efficiency and responsiveness (Powell/Clemens 1998; Savas 2000; Rosenau 2000). Since the early 1980s, the increase of market-based social service delivery systems are visible in the establishment and proliferation of: for-profit and nonprofit health maintenance organizations (HMOs), for-profit prison management and prison industries, voucher based school reform, for-profit management of public school systems, and the increase of revenue-generating, nonprofit organizations (NPOs) or other forms of social enterprise. This partnership between public and private sectors, between government and business, between nonprofit and for-profit forms of organization has been championed by leaders in Canada, Great Britain and the U.S. as the "third way" approach to government delivery of services to its citizens.

One result of third way policies and privatization trends has been a rapid increase in market-based practices in the nonprofit sector (NPS); a trend that is currently receiving a lot of attention. One surprising outcome of the Johns Hopkins Comparative Nonprofit Sector Project, a project launched in the early 1990s to study the contours of the nonprofit sector around the world, is the growth and extent of commercial practices in the nonprofit sector. Emerging data from the comparative nonprofit sector project show that the last two decades have been characterized by deep structural changes in the sector, particularly in the U.S. case. Revenues from commercial activities constituted 54% of the sources of funding to the NPS in the United States by 1996, up from 36% in 1980 (Salamon 1999).

One engine fueling the rise of commercialization in the NPS in the United States is the increased importation of business models and revenue-generating enterprises into the American NPS. A study of 1998 tax returns filed by 14,000 nonprofit charities conducted by the Chronicle of Philanthropy revealed that at

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least \$61 billion were generated by the ancillary business activities of nonprofits - all of which was untaxed revenue (Strom 2002). Findings from a study done by the IRS in 1997 found that the amount of income generated by charities from business "dealings" had more than doubled since 1990 (Lipman/Schwinn 2001). The health and education nonprofit institutions in the U.S. have historically engaged in commercial activities to bolster their other resource streams; fee-for-service hospitals and universities are staples of the nonprofit sector. Data from a survey of 519 NPOs across the United States (Massarsky/Beinhacker 2002) revealed that the highest percentage of NPOs experimenting with earned income ventures today are human service organizations (31%), compared with NPOs in fields of education (14%), health (11%) and arts and culture (9%). This recent research points to a shift in those traditional nonprofit enterprise niches (e.g., in hospitals, universities and museums) and the growth of commercial activity in other parts of the sector (e.g., human service organizations).

In the midst of this rapid expansion of business-based, social service projects, little research has been done to examine the specific "hybrid" organizational models to evaluate the efficacy of these projects, or their viability over time. While generally commercial activities in the NPS are viewed as benign (Lipman/Schwinn 2001), recent studies revealing this trend of rapid commercialization in the sector have generated awareness that the literature lacks substantial data about how highly commercialized, nonprofit organizations actually operate internally. Much of the research on commercial nonprofits has been concentrated on the role of the non-distribution constraint - the main distinction between a for-profit and nonprofit enterprise in the United States (Rose-Ackerman 1996; Weisbrod 1998, Steinberg 1986). Other scholars contribute greatly by creating typologies of forms of NPS enterprise and of decision making across sectors (Young 1999), or by identifying the dangers of mission slippage through exposure to broader array of external forces (Laville/Nyssens 2001). Despite all of these important lines of research, more in-depth qualitative data on social enterprise models and the internal mechanisms that underlay the tension between social mission and business is needed. Missing is a framework for analysis of the this emerging range of mixed model organizations - a framework to examine the internal negotiations and structures developed by organizations linking market- based revenue generating practices with social service provision in a single organization.

This article presents an analytic framework to systematically study the new phenomena of social enterprise in all of its myriad forms. Using data from a three-year case study of a local Goodwill Industries, which I refer to as Good-

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will Industries, Local Model (GILM), this article explicates a framework for evaluating how a hybrid organization structures its dual goals of business expansion and social service delivery using examples (with personal names changed) from the GILM organizational model—a private nonprofit with tax exempt status (referred to as a 501-C3) which generates 80% of its operating budget from its own in-house revenue generating businesses. The focus of this paper is to develop a methodology for studying aspects of these hybrid models that are heretofore not understood well, such as how do such organizations structure the linking of business delivery system—with a production-oriented array of goals and incentive structures—with the goals and incentives of the social service delivery system.

2. Organizational Field Framework for Analysis

This paper argues that one way to understand the challenges of joining business with social service in a hybrid organizational model is through the concept of the organizational field (DiMaggio/Powell 1983; Fligstein 1990); also called the "societal sector" (Scott/Meyer 1983) or "industry system" (Hirsh 1985). The framework presented for analysis of a social enterprise conceptualizes the "hybrid" firm, that is, an organization operating at the intersection of private markets and public service provision, as acting in, and responding to, two different external organizational environments or fields. For simplicity, I term GILM's two external fields a business organizational field and a social service organizational field.

The major challenge of a social enterprise utilizing market-based revenue strategies to enhance delivery of social services is their navigating of two quite different external organizational fields that require different internal organizational technologies for success. To understand the nature of the divergent forces impacting social enterprises and other hybrid forms of organizations, the organizational fields in which the organization is operating and competing must be defined and examined.

GILM Business Enterprises: The Goodwill Industries model (GILM) that I studied operates two major business enterprises: (1) Industrial Services - a distribution fulfillment service (where products for corporate or government clients are subcontracted to GILM warehouses for assembly and reshipped to the merchandiser for resale) and the (2) GILM Retail Stores (where donated clothing and other items are resold). The Retail Stores are the primary revenue generator for the organization. In 1999, when I arrived in the field, the retail stores brought in 61% of total revenues, considerably more than GILM indus-

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trial services (10%), and more than the social service grant fund raising (21%) and private donations (8%) combined. Beginning in the mid-1990s, GILM began a two wave strategic plan for growth with the aim of increasing business by 50% across both enterprises. To this end, GILM business enterprises have invested a quarter of a million dollars into renovating their retail business over the last five years to improve their niche in the organizational field (Bobby Paltrow, Director of GILM Retail Division, Interview 9/16/02) and have made considerable progress attracting more contracts in Industrial Services.

GILM Organizational Business Field: On the "business" side GILM interacts with an array of players in the external organizational field that can roughly be categorized as contractors, competitors, and consumers. These include: the corporate and government contractors who provide work to the Industrial Services Distribution Fulfillment warehouse, other distribution fulfillment warehouses with whom GILM competes for contracts, and the donors who supply products for the GILM retail stores, other discount retail stores and thrift stores, and customers. Further GILM businesses are impacted by macro forces such as shifts in the economy and changes in the political climate.

GILM Social Services: GILM, like many Goodwill Industries across the country, serves a broad base of clients with developmental and physical disabilities in their in-house sheltered businesses; clients who are considered less able to survive in the unsubsidized labor market. The GILM strategic plan for growth called for expanding the number of clients undergoing vocational rehabilitation in the GILM businesses, a plan seen as a "win-win" as more clients would get trained while concurrently providing the workers to meet planned production growth. The Work Force Career Development (WFCD) Division, which runs all the social service programs, was also told to double the number of clients served (Robert Scott, GILM CEO, 11/04/2002). To meet the new strategic goals, GILM began recruiting more broadly than just the clientele they had traditionally served. They applied for and won millions of dollars in grants newly available under the changes to the U.S. welfare system wrought by the Personal Responsibility and Work Reconciliation Act of 1996 to serve the welfare-to-work population. These changes to their client base also altered the players in the external organizational field. GILM began competing with several other private and public welfare-to-work programs in the city and through grant mandates, was required to network with a different set of agencies (such as Departments of Social Services) and political players (such as Private Industry Councils) in the "social service" field.

GILM Organizational Social Service Field: On the "social service" side, GILM

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must contend with forces such as: competition from other work rehabilitation programs (both private, public and hybrid), and the stipulations of grant providers (e.g., foundations, government contracting agencies at federal, state and local levels), shifts in public policy, changes in political climate, economic cycles and unemployment.

Linking Fields to Internal Organizational Technologies and Work Cycles:

In constructing a link between forces in an organizational field and internal organizational structures, the neo-organizational literature provides a premise from which to explore how business and social service organizational fields influence the internal technologies that emerge inside a hybrid model. Applying Meyer and Rowan's (1977) discussion of organizational coupling technologies, I show how GILM is structured internally with different organizational technologies (e.g., tight coupling for business and loose coupling for social service) to best compete in relation to its two external organizational fields.

Business organizational technology: To be successful in the business field GILM must bid for contracts showing a sharp assessment of the task environment as part of the formal blueprint for work since without a demonstrated capacity to fulfill contracts in a timely fashion, business will go elsewhere. The empirical data show that the GILM business enterprises are characterized by tight coupling between formal and informal structures-evidenced by specific, measurable goals, close monitoring, and strict output controls. In the technically rationalized business side of GILM, the nonprofit enterprises must ensure that the planned blueprint for the work to be done (formal structures) and the actual work that gets done (informal structures) do not depart too far from each other, remaining tightly coupled. For example, if the Industrial Services warehouse wins a contract to assemble and shrink wrap 5000 shampoo bottles and ship the product in four weeks, there will be specific, detailed goal setting for each week. These goals will be heavily monitored on an ongoing basis and the productivity quantified and measured to ensure that the warehouse meets its deadline and stays competitive in the field.

Social service organizational technology: Alternatively, organizational technology on the social service side is institutionally rationalized, structured in relationship to prevailing values and norms in the field rather than meeting strictly defined, measurable goals. Much as Meyer and Rowan (1977) predict of institutionalized organizations, the social service technology at GILM is characterized by a decoupling between formal and informal structures-evidenced by vague goals, ceremonial enactment of the goals, and loosely monitored work processes and outcomes. For example, the GILM welfare-to-work program,

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funded through the Department of Labor, requires welfare recipients to engage in 32 hours of work related activity or face sanctions. These requirements are based on the "work first"-modality, heavily laden with assumptions that welfare recipients are unmotivated, lack basic work ethic and fundamental skills (such as knowing how to dress, familiarity with the work environment, time management and so forth). The underlying assumptions encoded in workfare regulations support and reinforce American myths about the power of work and deeply held values about self sufficiency but do not address other aspects of the welfare population's dilemma, such as the low wages, lack of benefits, and instability of employment in the entry level labor market. Formal blueprints are followed, the 32 hours of work related activity schedules are enforced, but the content of those hours are loosely monitored and largely left unevaluated in relation to the specific tasks of training and preparing the welfare population for sustainable work in the labor market.

This decoupling technology preserves a wide margin between formal blueprints for work (ceremonially enacted to maintain legitimacy in the field) and the behind-the-scenes activities where staff are challenged to meet the real needs of their welfare clients' situations as millions of single mothers on welfare are quickly transitioned into the entry-level local labor markets. Even without the specific welfare policy proscriptions that structure the formal structures of social service delivery in the GILM case, flexibility and loose coupling between formal and informal structures is typical in social service organizations, charged with meeting the complicated and broad range of needs of human situations in a single service delivery system (Hasenfeld 1992).

Work cycles: Finally, the work cycles that drive the internal organizational technologies on the social service and business sides of the hybrid are motored by different external organizational field forces. The hybrid model internally links social service provision (which is structured, in GILM's case, by federal and state grants requiring them to meet certain target numbers of clients served over two years) to a system of business enterprises that chug along in relationship to the forces in the commercial environment and wider industrial niches in which they compete (forces which are less stable and require a quicker response in order to stay competitive).

Managing Organizational Technologies: The Internal Organizational Model: Combining business and social services in a single organization necessitates the integration of two distinct institutional logics, from separate organizational fields, with separate sets of external pressures: (a) the business side of the organization with a for-profit, production-minded, bottom-line oriented focus

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and (b) the social service side of the organization with a nonprofit, client-centered, (and in this case) policy-bound orientation. The internal organizational model must be flexible enough to allow the organization to function strategically in each field. This internal structure must somehow accommodate two distinct governing logics, embedded in separate organizational fields with separate sets of external pressures.

GILM organizational model: To accommodate these different contexts for organizational action, GILM has an organizational structure that explicitly maintains divisions between the business staff and social service program staff. The organizational model utilizes a highly separated, multidivisional form, where each division is independently run, with separate goal setting, operational processes, monitoring, evaluation and budgeting issues (both revenue generating and spending) are planned and carried out. The social service line staff and management from different workforce development programs (of which the new welfare-to-work program is one) all report to the same group of administrators in the Work Force and Career Development (WFCD) division. Similarly, the line-staff on the business side operates within a separate organizational hierarchy on the Retail and Industrial Services divisions respectively.

GILM's social service and business staff not only operate within separate hierarchies but also have separate meetings, conferences, deadlines, outside collaborators, and long term vision for growth. In this way, the social service workers are not spending any of their allotted work time with concerns about production deadlines, customer relations, quality control, payroll, competition, store expansion or long term commercial growth. Likewise, the work site managers and full-time business staff who do worry about the commercial operations issues are exempt from dealing with social service goals and program requirements. These include: grant deadlines, social service delivery targets (e.g. number of clients served), and social service delivery content (e.g. job club, skill building), client vocational rehabilitation program development, therapeutic interactions with client-workers.

Despite the rigid multidivisional Goodwill hybrid model, the business sites - utilized to provide work experience and training for the unemployed while concurrently raising revenue for the organization - are major sites of intersection of the social service and business functions of the organization. This "win-win" logic of the complementary functions of the organization holds at a rhetorical or symbolic level but it is less clear how the fusing of business with social service works at the ground level; e.g., how the staff, clients and work site personnel negotiate the multitude of organizational goals. As this analysis shows, the dual

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role that the GILM business enterprises play, as enterprises raising funds for the organization and as sites for vocational rehabilitation, are both convenient and expedient for providing hands-on work experience to clients but can also be sites rife with conflict.

3. Sites of Intersection: Business Enterprises as Forums for Social Service Delivery

This section applies the framework summarized above to the GILM hybrid model by examining the interrelations of the business and social service work cycles in the hybrid model focusing specifically on the impact of these tensions on the social service delivery system. The data show that the tight coupling technologies that characterize the GILM businesses (specific goals, tight production planning, daily monitoring of production rates, specified calculus of labor cost ratios): (1) are disrupted when the majority of the work force (GILM clients) is contingent on grant driven work cycles on the social service side, but also (2) lead to a restriction of the range and quality of client training in the work sites, and (3) erode the integrity of ancillary training activities over time.

Business impacted by social service work cycles: The recruiting efforts of clients are geared to meet the welfare time limits embedded in the welfare reform legislation and have nothing to do with the business cycles of the GILM enterprises. The WtW program cycles geared up and slowed down according to different forces (grants and policy proscriptions) than the forces that were impacting the GILM business sites (the market). The business cycles of work, linked to market forces, are a lot less stable and require faster action. As Pam Moreno, the business developer for Industrial Services explains below, the inconsistent flow of client-workers to the GILM enterprise sites began to constrain the ability of the GILM business to plan ahead.

Pam: »For instance, projects may come in with an urgent deadline that we want to help fulfill and we don't have enough workers at the time, for us it is trying to get in a steady flow of workers to make sure that when a graduating class leaves that we have the replacement when we try and project out what we are going to do for the month or for the next 2 months, that is the most difficult part« (Pam Moreno, Business Developer, 4/24/2000).

Being short on workers between graduations, trying to maintain a "steady flow of workers," not being able to plan effectively for "urgent deadlines," proved to be a great challenge for the GILM Industrial Services Division. Coordinating

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timelines for business production and expansion with the cycles of program recruitment of client-workers proved to be the "most difficult part" of the job. The GILM Retail store managers, like the Industrial Services Warehouse staff, also depend on the WtW client-workers to get real work done and scheduling is a constant issue:

Carlos: »There is something about the program that I don't like. When they start them over at WtW, they ask the participants and they all say they can't work weekends. To me if they want a job in retail, they take what they can get« (GILM Retail Store Manager, 3/23/2001).

As is the case in the Industrial Services Division, where Pam works, the client-workers filing into the Retail work sites arrive irrespective of the work site's need for them, have schedules that do not always reflect the needs of the business sites. For Carlos, the welfare clients working in his store are not scheduled during the crucial weekend hours when he really needs workers on the "job".

The data shows how forces from the social service field, such as temporal cycles and enrollment requirements of grants-based social service programs, considerably strain the ability of the business enterprises to plan strict, efficient production schedules, the key to their tightly coupled organizational technologies for success in the business field. But that business technologies are constrained for mission related reasons is what might be expected in a social enterprise, where mission is predominant. There is more troubling evidence that another result of the uneven flow of clients into the in-house businesses is the marginalization of client-workers at the GILM work sites.

Client training compromised by business pressures: GILM WtW clients, because they are often scheduled in short 2-4 hour shifts that fluctuate during a week and may be at an overcrowded work site, in many cases came to be viewed as interchangeable bodies assigned to tasks that can be done without much training and that are not central to the functioning of the site. The training itself at each work site is compartmentalized and rote, to fully maximize the bodies while they are present, but without becoming too reliant on individual member of such an unstable workforce. At many of the stores, the welfare-to-work clients were all working in back rooms away from the retail floor. Bernard, manager of a GILM retail store located in a suburb of downtown, offers perhaps the most overt discussion of the marginalization of the welfare-to-work clients at his work site.

Bernard: »I hate to say it,« he replies calmly, »but they are bodies. We say you need to do this! If they like to do something or are better at

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something we will let them do it, but if we need someone we will pull them. Because that is more important than their training.«
(Interview 3/21/01).

From Bernard's perspective - and the organizational structure encourages this thinking - the business concerns at his site are "more important than their training." Further, welfare clients do not routinely become fully integrated into the site and instead are found working in the back "production rooms", tagging clothing from donation bins or picking up clothes off the floor. The higher skilled works at the site (working the cash register, providing customer service) are typically off limits for clients. Almost all the interviews with clients reveal their angst at being stuck in the back of the store and concern that they are not getting a full range of training.

Alena: »I expected it to be different, I expected to be doing things like the cashier. [...] The thing is, it is too easy, it is too slow«
(Fieldnotes 3/05/2001).

Clarita: »I wish things would go faster. I used to work at a cafeteria in a church and it was fun because it was so fast paced. There is very little to learn here. It is the same thing everyday«
(WtW Client, Interview 3/07/2001).

While working in the back, tagging clothes, venturing sporadically out onto the floor, these women all noted the range of training they might be receiving, but are not, and display a sense of urgency about getting into a training setting where there is indeed something to "learn" since for them, these skills have to translate into real jobs.

When the market cycles contract - and business is slow - the already limited array of work training experience provided in the GILM in-house businesses shrinks even further. In January 2001, the economic downturn precipitating what now economists are calling a major recession had immediate consequences for the warehouse work training site. According to the warehouse supervisor, GILM lost some big contracts, including the long-standing work contract sorting hangers with a major department store. Industrial Services Division stopped taking any new clients and in fact let go the existing clients training there temporarily. One social service staff remembers this time and the challenges she faced placing clients in training slots:

Sue: »We didn't have work for people to do. We had to create work and ya know, like cleaning, sweeping, thinking of creative ways to help people. The line between job training and working in any meaningful way became blurry« (Interview 9/20/2002).

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The main work that GILM does with clients is training them for transition back to the labor market through hands-on work in the GILM business complex. As Sue relates above, the quality of the core social service their system delivered became compromised by turmoil in the business arena. Even their most "creative" efforts by social workers in the face of these business downturns were not enough to keep the clients engaged in job training "in any meaningful way." It is clear in the case of disappearing work contracts and extreme market fluctuations that even with the most resourceful social service workers in charge, client-training opportunities become compromised.

Social service integrity eroded: Finally, I explore another effect of the collision of the work cycles in the internal workings of the hybrid model--the erosion of the integrity of the social service delivery system as the GILM work sites filled up and scheduling became increasingly haphazard and inconsistent. Welfare legislation requires that GILM WtW program enroll client-employees in 20 hours a week in work experience activities along with 12 hours of work related education and job readiness workshops for a total of 32 hours work related activity. Data show that as the WtW program grew, business pressures also reduced the ability of the social service staff to plan cohesive work experience/ancillary services packages for their clients. Clients had elaborate schedules which usher them back and forth from their 20 hours in work experience sites in the GILM businesses to ancillary program workshops, job club, WESL (Workplace English as a Second Language), or GED classes. There is evidence that as the business work sites filled up with clients in training, the ability to schedule a welfare-to-work participant's overall program in any cohesive way became restricted.

The sequencing of activities within the classes, the coordinating of class activities with work experience, and clear priority of work experience over investment in training for long-term advancement in the labor market, were key issues that challenged the cohesiveness of the program--particularly as the WtW program grew in size. This created a situation where not only were classroom activities less emphasized, but the ability of the instructors to build meaningful learning experiences were reduced. Here the WESL instructor expresses frustration over the primacy of work site scheduling over classroom concerns:

WESL Instructor: »This new group has been scheduled for classes without any concern for the lesson plan. I guess the work sites are fuller and so it is harder to schedule but I can't teach them like this. The first group came at the same time and bonded. Each lesson builds on the other. They are nervous to try speaking English, and being in the same group really helps. Now, they come one day in the morning, the

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next in the afternoon. Always with different people and the lessons they are getting are all out of sequence« (Interview 7/18/2000).

As the work sites filled with clients, clients began to be scheduled in haphazard hours in the training classes to fit the schedules available at the work sites. The new schedules were put together "without any concern for the lesson plan" and at the expense of "sequence" of the classes. GILM social service programs are under considerable restraints from the social service field to meet a certain structure of services dictated by the grants. The added necessity to act in conjunction with the business complex further reduces the ability for GILM social service staff to do the behind the scenes work necessary to meet clients individual needs.

4. Discussion and Conclusion

The analytic framework I advance as a general guide for studying hybrid organizations combines: (1) an external organizational fields analysis with (2) an analysis of the internal systems and organizational technologies that emerge within the model in relationship to the external fields. Both external organizational fields of the hybrid organization (the business field and the social service field) are analyzed in terms of the forces arrayed in each field and the different forms of organizational technology (e.g., tight and loose coupling) that arise internally to work in conjunction with those field forces. Having established these relationships between organizational field and form, (3) I introduce key ideas about the divergent temporal cycles of work in the business field (which change rapidly in response to market conditions) and the social service field (which, in the case I present, is regulated by policy guidelines and grant timetables). This concept of divergent cycles of work is used to understand the tensions that develop over time and to explore the nature of the collisions among the business and social service technologies that can occur inside a hybrid organizational model.

Extending the concept of the organizational field, to characterize a social enterprise as operating in two separate organizational fields (business and social service), yields three main findings that can be extrapolated and applied to other research. First, the organizational field framework provides a foundation to understand the merging of business enterprise and social service delivery as the merging of two different organizational technologies, based on different operating logics. The tightly coupled business technology, characterized by specific goal setting, strict monitoring, tight outcome measures and controls, operate in conjunction with the array of market forces in the field but collide, at

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times, with the social service technology inside the organization. The social service technology, characterized by vague goals, loose monitoring and flexible systems of services, provide the margins wherein staff can work to meet clients real needs despite institutionalized goal structures imported from the external field. Using these conceptualizations of different organizational technologies as a framework for examining the implications of hitching social service delivery systems to market forces provides the analytic tools for a sharp assessment of the challenges and opportunities that arise through the joining of business and social service.

Secondly, the study's findings challenge the idea that market forces can be harnessed in service of a social aim. The data show instead that the GILM Industrial Services warehouse and Retail stores, largely structured in service with commercial and production pressures, are locales where the business needs often trump client training needs. The organizational field framework shows that this occurs less out of benevolence or malevolence of the staff but instead as a consequence of the architecture of business pressures in the external organizational field. The commercial pressures restrict the range and quality of the training provided in the two main GILM work/training sites, in many ways duplicating the exact conditions of the low wage labor market. Further, data show that the coordination issues in this model over time eroded the integrity of the ancillary social services, such as classes in English as a second language and for the GED.

Finally, examining these findings in terms of how commercial practices mix with social service delivery, I suggest that the results of this study can be understood in a broader context of the relationship between entrepreneurship and "risk". The "risk" concept applies to hybrid models for social service delivery in two ways. First, the strictly separate hierarchies in GILM's model between the business divisions and the social service side of the organization; and the primary reliance of the social service side on securing their own funds for services through grants can be understood as a strategy to minimize the risk to client services from the boom / bust cycles of the market fluctuations. This is the essence of the notion of a sheltered workshop, where the clients who presumably have not been able to secure stable employment in the labor market are not subject to unadulterated market forces, yet still given the opportunity of working and the dignity of making their own money.

The model links social service delivery systems to market forces in a highly coordinated but largely nonintegrated way. The businesses contribute to the organization's administrative and infrastructure costs allowing the social service

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programs to be run at a minimum and protecting the organization from retrenchment in government funds while concurrently providing a buffer for the social service delivery systems from market contractions as well. As data from the study show, though this strategy might solve funding issues for nonprofit organizations in the short-term and provide a buffer against the boom bust cycles of the market, it does not ultimately shield social service delivery systems from goal displacement by market pressures facing the commercial enterprises.

A model for social enterprise wholly reliant on business revenues would retain more flexibility and avoid punitive, sanction based government welfare policy proscriptions from the social service field evidenced in the GILM case but these social service delivery systems would also be more exposed to the boom/bust cycle of the market. The framework I develop through this study contributes to the field of emerging studies on social enterprise and commercialization in the nonprofit sector by characterizing the social enterprise as an organization acting in (and structured in relationship to) two different organizational fields. Understanding GILM's social enterprise model as just one model for managing "risk" from the market forces sets up the potential for the framework to be used a tool for further investigating how other models for social enterprise are set up to manage "risk".

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Endnote

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Nonprofits in Los Angeles:

Between Peace-Keeping and Employment¹

As Kate Cooney explains with greater detail in this publication, revenue-generating nonprofits are the fastest growing group among nonprofits. Revenue-generating or enterprising nonprofits mix business ventures with service delivery as a means to escape dependency on a single funding source. Here I am less concerned with the question whether this trend towards commercialization is bad, but rather whether it has an impact on the clients or the quality of service delivery in general. Maintaining high levels of service delivery is often the central argument against contracting out to for-profits.

Revenue-generating nonprofits are defined as follows: »A revenue-generating venture [...] is one that is conducted with the intent of producing unrestricted net income (revenues which exceed expenses, i.e. profit) and/or enhancing agency mission.«² In our sample, the commercial arm of a nonprofit may offer consulting services, sell books, videos or other educational products, charge fees for services, sell donated cars, offer landscaping, web design, light manufacturing or housing. According to a database on nonprofits with business ventures, only 15 nonprofits offering employment services in California also run business ventures³. Of these 15, only two (Chrysalis, Food from the Hood) are located in the Los Angeles area (the majority reside in the Bay Area). The database apparently is far from complete since we identified at least three more enterprising nonprofits in Los Angeles in our sample: Homeboy Industries, Watts Labor Community Action Committee and Goodwill Industries.

Although revenue generating activities are currently far from typical for employment-oriented nonprofits, they offer a way out of the unpleasant position between the rock of rigid state program requirements and the hard place of diminishing foundation funding. Chrysalis has an annual budget of \$ 6.5 million, 51% of which derive from business activities, 28% from foundation money and 13% from state funds. Only 8% of the budget derive from donations.

This funding mix with the bulk of the money being unrestricted allows for rather flexible ways of addressing clients' needs; or, as the director of employment services at Chrysalis put it:

»Recently we have taken [...] welfare to work and workforce investment funds. And they are much more restricted. We are struggling with that« (August 21, 2001).

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In what follows I examine two of these nonprofits, Chrysalis and Homeboy Industries, more closely in order to establish whether it is necessarily the case that the market allows for more flexibility than the state.

1. Security - a Peculiar Commodity

Chrysalis was founded in 1984 by John Dillon, a Jesuit, to serve the basic needs of the homeless on Los Angeles' Skid Row (food, shelter, clothes). The demographic shift on Skid Row towards a younger, employable population with mental and drug problems corresponded with a pronounced turn towards the work ethic within Chrysalis. During this period, Chrysalis started employment services and job placements: »We try to find employers who will pay higher wages and reward loyal service and hard work« (John Dillon).⁴

While Chrysalis enjoyed support from the Bradley regime from the very beginning⁵, it started to flourish under Mayor Riordan and developed intense relations with the downtown business elites. Chrysalis went entrepreneurial in 1993 when the Central City Association, representing over 3000 businesses and nonprofits in Downtown LA, approached a couple of nonprofits on Skid Row and invited them to take part in a program called Safe and Clean. Chrysalis provided clients for temporary employment in the program.⁶ This marks the beginning of a career in street cleaning and maintenance services for downtown's businesses. In May 1994 the Broadway Improvement Business District hired Chrysalis' enterprising entity Street Works to clean Broadway between 6th and 9th Streets and ease the business community's concern about safety. Due to the visibility of the Chrysalis crew, business owners reported 60% sales increases.⁷ In the same year Chrysalis expanded to Santa Monica and started contracting with the city to clean beaches and streets. Currently Chrysalis has street cleaning contracts with the following Business Improvement Districts:⁸

BID	Street Cleaning	Security	T-Shirt of Security
Chinatown	n.a.	Private security firm	Red
Downtown Center	Chrysalis	Burns International Security Services, Ltd	Purple
Fashion	Facilities Support Service	Pinkerton, Inc. (1996-1998) Burns, Ltd. (1998-)	Yellow
Figueroa	Chrysalis	n.a.	Green
Historic Core		Totally Secured	Green
Toy District	Chrysalis	ISI International Services, Inc.	Purple
Central City West	Chrysalis	n.a.	n.a.
Industrial District	Chrysalis	ISI International Services, Inc.	Red

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The cleaning unit Street Works offers temporary employment to those clients who failed to find a job immediately after the initial job readiness training by Chrysalis. This means about 30% of all clients (750 p.a.). Street Works has a clear work-first orientation: There is no formal qualification attached to street cleaning, or, as the employment director at Chrysalis put it: »They are just sweeping the street« (21.08.2002). Clients should learn to get up in the morning, follow instructions, get used to work etc. The individual Street Works employee may just clean the streets, but Street Works is also an agent of altered social relations in Downtown LA. - operating 24 hours a day, seven days a week.

The apparent division of labor between for-profits providing security and Chrysalis providing clean streets is a bit blurred. Downtown Los Angeles is "home" to one of the largest homeless population in the US. Cleaning the streets always involves removing the make-shift shelters, the homeless and their belongings from the sidewalks. Prior attempts to sweep the streets military-style with the help of the Los Angeles Police Department (LAPD) provoked public outcries. Chrysalis provides a peace-keeping function because their formerly homeless clients approach the homeless in a different style and ask them to remove their belongings for the time of the cleaning.

Since 2000 Chrysalis partners with a few BIDs (Downtown, Fashion, Toy) and other service providers (Midnight Mission, CHIRLA) in the so called BID-Action program. This award-winning program further mixes sanitary, safety and welfare functions. Chrysalis clients in white T-shirts approach individual homeless people and try to persuade them to take advantage of Chrysalis' employment services or transfer them to other service providers. This workfare centered nucleus of a privatized sublocal welfare "state" that is run by nonprofits and financed by downtown elites is backed by the notoriously brutal for-profit security firms.⁹ It seems to be pretty effective:

»Business owners say they appreciate having someone to call to report homeless people, since calls to the police department rarely led to the kind of progress the team reports«¹⁰

This peace-keeping capability provides Chrysalis with a competitive advantage over for-profit rivals in the street cleaning business. As long as they control this local resource, they do not even need to compete over the price. Street Works was in a position to reject an offer by the Fashion District Improvement District for street cleaning, because the district was not willing to pay the demanded price. The money Chrysalis generates through Street Works and their other business (Job Connection, a staffing agency) goes into a variety of services which address clients' individual barriers to work (from child care to clothes,

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bus tokens etc.). Chrysalis boasts a 93% placement rate (due to screening). The jobs are mostly entry level and the retention rate is only 30% after one year. Nevertheless, Chrysalis shows that a source of unrestricted income can even integrate the former homeless into the labor market. But Chrysalis is also a highly local phenomenon: There are not too many Skid Rows left which provide a huge pool of locally concentrated male workers in the midst of a booming metropolitan region. The downtown renaissance and a still hesitant process of residential gentrification will certainly not sweep away the homeless entirely, but will create new tensions between different user groups. Chrysalis may provide a much needed fix in taking the homeless off the streets by placing them into work.

2. Homeboy Industries - Nothing Stops a Bullet Like a Job

Homeboy Industries is the business offspring of Jobs for a Future, a nonprofit offering employment services in Boyle Heights. Father Greg Boyle, a Jesuit priest, founded Jobs for a Future in 1988 to curb the gang violence in local public housing projects. Homeboy Industries was added in 1992 to provide unrestricted income after the Los Angeles unrest.

Compared with Chrysalis, the peace keeping function of Homeboy Industries is much more pronounced. Their website¹¹ states in the first paragraph:

»By giving a gang member a reason to get up in the morning, we provide them with a reason not to gang bang at night. For every gang member that we help get off the streets, we help make the streets that much safer.«

Jobs for a Future offers employment services and job referrals while Homeboy Industries takes at-risk youth directly off the streets and employs them. Currently there are four businesses: Homeboy Bakery, Homeboy Silkscreen, Homeboy Merchandising, and Homeboy Graffiti Removal. I concentrate on Homeboy Graffiti Removal because it articulates the peace-keeping function directly.

Unlike in Berlin, where graffiti stretches well into the suburbs, in Los Angeles it is more concentrated and indicates gang territory. This implies violence and a threat to public order. The city of Los Angeles runs an Operation Clean Sweep to remove graffiti. Residents report graffiti (there is even an online form) and the city sends a contracting community-based organization (CBO) for removal. The CBO usually utilizes persons needing to complete community service. These workers are supervised by permanent employees of the graffiti removal program. This is pretty much how it works with Homeboy Industries with the

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exception that the permanent employees at Homeboy Industries are former gang members who would not fit into the normal labor market. They earn around \$ 9/hour plus benefits.

The six permanent workers in the graffiti removal team supervise a crew of two-to-four youths serving community service. The vans leave at 9 a.m. and white-wash graffiti past noon. They respond to complaining residents and landlords who want to take advantage of the free city service. This is not what distinguishes this removal team from others. What makes them different is the fact that the employees as former gang members can differentiate graffiti that is a mere eyesore from graffiti that presents a clear and immediate danger. The latter graffiti has to be removed by any means and immediately. Otherwise it may provoke more violence. Since this kind of graffiti does not comply with regular work hours, the permanent workers work in two shifts: they remove the threatening graffiti from 5 a.m. to 9 a.m., and from 9 a.m. past noon they take care of the rest with the community service workers. There is only anecdotal evidence that this service is resented by gang members: in July 2002 \$ 70,000 worth of removal equipment was reported stolen.¹²

The removal service presents less a beautification program than a community service to curb gang violence. It provides Homeboy Industries with competitive city contracts ranging between \$ 150,000 (2001) and \$ 225,000 (2002). And it pays former gang members a wage above the minimum and with benefits (if below a living wage).

3. Conclusion

Both Chrysalis and Homeboy Industries use the revenues from their business activities to integrate the arguably hardest to serve into the labor market. Homeboy Industries does not use state grants for services; Chrysalis only reluctantly and only under the premise that increased funding due to government contracts is accompanied by increased funding from businesses or foundations and donations.

On the one hand, this income without restrictions attached guarantees a flexibility none of the other nonprofits in our sample enjoy. And the clients do not suffer from the enterprising activities. Without them, there simply would not be a service for them. The gang bangers and the homeless have nothing to expect from the local state except prison and General Relief (see Paul Tepper in this publication). But Chrysalis and Homeboy Industries do not only serve individuals but also communities. Their peace-keeping functions do not only provide

Nonprofits in Los Angeles:

Skid Row and Boyle Heights with somehow clean streets and somewhat unsoiled walls, but may also protect the communities from unleashed police and gang violence.

And this is - on the other hand - disturbing. Core functions of the local state such as street cleaning and maintenance as well as providing for the safety of residents are delegated to nonprofits who utilize unemployable residents and unfree labor (community service) to maintain a less than basic level of public order. To avoid misunderstandings: this does not mean that either market forces or the state are absent. Both are rampaging through Skid Row and Boyle Heights while a dense if inadequate network of churches, nonprofits and faith-based organizations try to mend the worst excesses.

Both Chrysalis and Homeboy Industries are innovative in the sense that they employ unconventional means to ship their clients into the labor market. They are best practice candidates, yet do not offer much help in terms of policy transfer to Europe. A precondition of their existence is either a homeless leper colony on crack or an urban warfare zone as exists in parts of Boyle Heights.

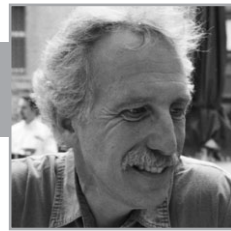
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Endnotes

- ¹ Information for this article comes mainly from interviews with nonprofit staff (2001-2002) as indicated in the text and from newspapers (Los Angeles Times [LAT], Los Angeles Downtown News).
² Olszak Management Consulting, Inc. In: Copeland Fund 2002: 27.
³ <http://www.communitywealth.com/>.
⁴ LAT, December 26, 1988, 5: 1.
⁵ LAT, December 5, 1985, 5: 1.
⁶ LAT, June 13, 1993: 23.
⁷ LAT June 7, 1994: 6.
⁸ Business Improvement Districts (BIDs) are associations of businesses in a given urban space, who basically volunteer to tax themselves in order to provide services such as street cleaning and safety to their customers and employees; they also aim to increase property values for themselves. They need the approval of the local state and the local state collects the money. LA's first BID was established in 1994. BIDs are managed by nonprofits which are overseen by a board of BID members.
⁹ LAT, November 17, 1999: 1. The different security firms are identified by the different colors of the T-Shirts they wear (see table above), see Los Angeles Weekly (May 18-24, 2001) for a detailed account (<http://www.laweekly.com/ink/01/26/features-ehrenreich.php>).
¹⁰ Los Angeles Downtown News, May 18, 2001.
¹¹ <http://www.homeboy-industries.org>
¹² AP Wire, July 14, 2002.

Community Organizations in Transition



Labor Regulators or New Options for Work?

This paper will examine some of the transitions in state policy and practices of community organizations that address the theme of the conference "Moving from Welfare to Work". The core of the argument is that with the shift from the Keynesian Welfare State (KWS) to what has sometimes been referred to as post-Fordism, there is a related restructuring of the relations of social control, particularly labor discipline. Community-based organizations have begun to play a significant role in the redefining of these relations. To build this argument I will briefly present three sets of transitions-wage labor, the welfare state and the community sector. I will then briefly present practices in Quebec as examples and argue that the social relations in these organizations need to be understood as having components of new forms of labor regulation as well as embodying older traditions of the "community movement".¹ These changes are complex and messy with many contradictory policies simultaneously granting some community organizations greater recognition and resources to carry out state defined programs while other groups use these programs within their older traditions to fashion creative and alternative responses to the consequences of the restructuring of wage labor.

1. Transition I : Wage Labor: From Stability to Precarious Work

We have witnessed a change in the nature of wage labor over the last 20 years. The "thirty glorious years" (1950-1980), as it is referred to in the French literature, was perhaps the exceptional period in capitalist societies. The stability and relatively high levels of disposable income was traded off against monotonous working conditions. Consumption was the reward and the means of social integration in society. Jobs were protected by relatively strong and economic trade unions. Expansion of the public sector contributed to both the provision of many services and stable unionized employment.

From the late 1970s onward, these conditions were challenged from two directions. From "below", the social movements of the 1960s and the 1970s raised issues such as the need for workers to exert more control over the workplace, and the alienation of work itself. The women's movement challenged the notion of the family wage and demanded equal participation in the labor market. New social movements raised basic questions around consumption that bring to the fore an ecological analysis. At the same time the union movement was strong enough to defend its gains.

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From "above"- the state and the representatives of large corporations- the path towards neo-liberalism was blazed by attacks on the union movement and the introduction of cuts in the welfare state. The generalized restructuring of the economy, linked to globalization, brought with it the loss of many blue-collar jobs, high levels of unemployment, difficulties for youth trying to enter the labor market as traditional working class avenues were no longer there. From the point of view of the state, policy measures were required to adapt the national labor markets to international conditions and governments had to confront rising unemployment coupled with resistance to working in worsening conditions. The challenge for the state and capital was to find a way to reassert labor discipline.

Workers, who were victims of job loss, have had to move downward in the market. They faced pressures from competition for these jobs and limits in income support programs. Many who have lived through long-term unemployment have difficulties returning to work. Further, younger people in many low-income communities have never worked and coupled with high rates of school drop-outs are not work ready. Thus, one basic issue is how to discipline workers and to create the conditions for flexible labor markets that is characteristic of the new economy. One of the cultural changes associated with the 1960s was the breakdown of the discipline of labor, unionized workers demanded and expected continual improvement while many youth resisted the work ethic (Hardt/Negri 2000). This was a part of a profound transformation in which capitalist relations were expanding to subsume many aspects of social life while new cultural practices were challenging these relations. In order to reassert capitalist production relations, the discipline of labor had to be reasserted.

Several strategies emerged and were used by government to varying degrees, depending on national conditions and traditions. The most obvious is to let the market pressures discipline the working class through high levels of unemployment and competition-both nationally and internationally for jobs. However, this still left a lot of people out of work and the older version of the welfare state acted to undermine their eagerness to labor. From the perspective of state and corporate managers, the discipline of work needed enforcement. The shift from passive to active welfare measures was the strategy chosen, with the development of workfare measures. Finally, immigrants- legal, illegal, and temporary - are used as a pool of cheap labor to work at the bottom of the labor market. At the same time, the community sector response is motivated by solidarity with the unemployed and the poor. It has used its innovative traditions to find new ways to tackle the problems of unemployment and poverty but has not focused its energies on mobilizing those displaced for justice.

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2. Transition II: The Welfare State: From Social Rights to Personal Responsibility

The postwar welfare state despite major differences in approaches such as universality and the level of benefits did in practice guarantee an income for most people, and provided extensive services, often universally. Cutbacks of services and benefits as well as disengagement are part of the transition in social welfare. In addition, however, the state has not been passive but has been facilitating the re-organization of services through activating others to fill the void but at a lower cost and with flexibility (Wohlfahrt 2003; Lea 1997). With these changes, policy has moved from one based on rights to one that emphasizes individual responsibility and reciprocity. For example, when it comes to unemployment, Ranney (2003: 166) states »employment is as much a form of moral behavior as a way to make a living. Everyone now has a personal responsibility to get and hold some kind of employment.« Peck (2001: 12) uses the concept of a "workfare regime" to describe an approach to social policy that prioritizes the linking of income support to labor market integration. He argues:

»[...] functionally, workfarism implies an ascendancy of active labor-market inclusion over passive labor-market exclusion as workfarism seeks to push the poor into the labor market, or hold them in a persistently unstable state close to it, rather than sanctioning limited nonparticipation in wage labor in the way of welfare systems.«

Some of the characteristics of a workfare regime include: »Business/employment service codes and norms for the job-ready; remedial services for 'unemployables'« (12). »Inclusion into wage labor [...] market treatment groups defined on basis of job readiness and institutional forces that produce and reproduce the 'contingent workforce'« (13). In addition, it is »a rolling forward of new institutions and new norms of regulation« (16). Workfare has to be understood as an approach that is more than work for welfare. It is a basic change in the income support system that assumes that an individual's right to income support is subject to some kind of work-related measure. Regardless of the conditions of the work itself, the goal is to push people into it. As a consequence, recipients are encouraged to be part of the labor market, even if the job makes them worse off financially than receiving social assistance.

Two types of public discourse have accompanied the changes in social policy. One can be described as "poor-bashing", and directly attacks those without work in moral terms, while the other is a softer version using terms like "social inclusion" and "solidarity". Quebec provides an example of the latter. Integration into the labor market is the main strategy for responding to the problem of

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the wider changes in the economy, surrounded by a discourse of social inclusion, which acts to mask the reality of workfare policies. This orientation was announced in Quebec in the White Paper (1987) that introduced the reform of social aid (Quebec's welfare program), it argued:

»[F]inancial independence depends on work. [...] Social Aid is intended to be the last resort. [...] The government supposes that everyone is employable and available for work unless their inability to work or their unavailability can be demonstrated« (17).

Further, the structuring of social programs is centered on training and market integration. This policy orientation is in contrast to government driven regional development and job creation schemes that were in vogue in previous periods.

Sylvie Morel (2002: 12) argues that social aid in Quebec underwent a fundamental change in the 1980s. Prior to that period the primary qualification for assistance was insufficient income. Aid was transformed into a relationship of »reciprocal obligation«. Social assistance was coupled with employment integration processes, including employability measures, individualized action plans etc. It, like in other countries, is a »contract of social assistance reciprocity« between the poor and the state. She states:

»Workfare defined not in terms of obligation to work in exchange for social assistance but to a model of reciprocity.«

Employability is central to the approach. According to Morel (2002), employability is usually presented in a technical way - as a measure of an individual's capacity for employment. It is defined in the 1988 reform as »the relation between [the] individual's characteristics and the nature of the available job possibilities.« Thus, poverty becomes associated with the personal shortcomings of the individual rather than the social structure. Employability is a social construct, not an objective measurement of skills, but the outcome of strategies of various intervenors as well as the change in the institutions of employment, the family and social assistance. »Employability thus concerns the condition of those men and women who society believes have a duty to be employed« (Morel 2002: 13).

Institutions and programs are needed to make changes in these groups so that they can be successfully integrated into the economy either as flexible workers or as small-scale producers. These programs vary by the mixture of carrots and sticks-incentive and punishment. This ideology incorporates far more than the immediate administration of social benefits. It structures the expectations for those receiving social aid. It pushes recipients to a variety of institutions and

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organizations to seek programs that augment their benefits or keep their eligibility. Both the employability programs and many of the organizations supported by them provide these services. They act as a compliment to administration of social aid, and reinforce the pressures of a workfare regime.

However, the discourse of inclusion disguises its conservative underpinnings. For example, Harloe (2001: 9) argues that the urban problem is defined as lack of social cohesiveness, and the political agenda is defined as a search for institutions and policies that might reconcile competitiveness and cohesion goals. He refers to French literature, which stresses the

»imperative for "solidarity" and "inclusion" as key components of citizenship and recently has led to policies which aim to "(re)insert' those who are deemed to be marginalized from the mainstream of the economy and society...«

Stark (2001) contrasts two »families of symbols« associated with poverty and social justice. The first has a long tradition that he traces back to 19th century social reformers. Rooted in the demands for social justice, and social rights, it examines material conditions, particularly income and its absence as a measure of poverty. It also looks at measures of social inequality. The implications of this family is that poverty cannot be solved through the labor market but government intervention needs to include strong income support programs, housing, and intervention to improve working conditions such as raising the minimum wage. The second family is that of social exclusion. Its underpinnings are a consensual and order perspective, with a focus privileging policies that support social cohesion and integration. Power, interest and basic social change disappears from with this formulation. He argues that the building of social cohesion is around dominant values. In the current context he states: »Social order is linked to shared values, and these values must support the public adherence to neo-liberal economic policies« (12). The emphasis on social inclusion occurs in a period in which the major programs of the welfare state have been questioned and reduced. The demands for redistribution and greater equality associated with the first family, linked to active state intervention in creating decent conditions for labor have largely disappeared as this new/old formulation has taken over the policy agenda.

3. Transition III: Community Organizations: From Opposition to Regulation?

Where do community-based organizations fit into this process? The community sector in Quebec and elsewhere has gone through significant transitions over

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the past 40 years. In the 1960s, there was a renewal in community practice. Much of this work, whether it was built on grassroots organizing or new service provision challenged the state and capitalism, and a little later patriarchy. These organizations often grew out of urban social movements (Hamel 1991; Shragge 2003). By the late 1970s, they had lost their capacity to mobilize citizens and had shifted toward service provision. The shift was led by service professionals, who were able to secure government funds and over the years, greater recognition from the state. The services although often innovative, acted to redefine the relationship between the organization and those they served were treated primarily as clients rather than active political and social actors.

With the deepening crisis of work and the closing of traditional industries in the 1980s, these organizations along with their allies in the union movement faced the following contradiction. They witnessed massive job loss; yet the conditions of the new jobs were inferior to what was lived in the earlier period. With their traditions of social solidarity they tried to find ways to confront the increased poverty faced by the working class. New partnerships between the private sector, the unions, the community and state were forged in order to find ways out of the crisis. Consensus building was designed to improve the deteriorating social and economic conditions of post-Fordist capitalism. It focused on local action and specific short-term solutions. Many organizations in the community sector entered into economic development and employability programs. These were expressed in a variety of forms, including integrating workfare measures as part of the activities of the community initiatives. Further, the community sector adopted the ideology of social integration through wage labor as the dominant way of approaching poverty and social exclusion. Mayer (2003: 125) comments on this strategy:

»By focussing on the marginalized and excluded themselves and not on the causes of inequality and marginalization and by defining them as agents of their own survival, it mobilizes these groups toward their own (re)integration into the labor market (whether it's the low-wage sector, micro-enterprises or into the social economy) where market productivity replace the social rights and welfare state criteria that used to apply to them.«

The complex relations between these organizations the shifts in the welfare state and work needs clarification. There are at least two fundamental problems. The first is that there is a tendency to lump all of the organizations together, which gives the impression that they all play a similar role. The reality is that this sector is very diverse. Within both the sector and organizations themselves, there are co-existing roles. Organizations and their practices can play both re-

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gulatory and potentially oppositional roles. Some organizations have bought into and joined the welfare to work programs either because it is a means of receiving state support, or because they believe that wage labor is the basis of social inclusion. But others have continued in their work and not participated in the new programs of "welfare to work". There is further confusion because at the same time as community organizations have become involved in welfare to work there has also been a growth in what has been called community economic development or the social economy. Creating jobs is also at the heart of these approaches. Some of these projects implement welfare to work strategies while others search for new forms of economic development either as democratic/ecological alternatives to mainstream capitalist development or as economic development that can create jobs in areas of high unemployment.

The second problem is the confusion between the practices that emerge from the bottom up, locally initiated and defined and the policies of government that uses, and shapes these practices. It is hard to separate the two because the NGOs have often been drawn into partnerships and have been complicit in the policy direction. In Quebec, for example, there has been convergence between the government and the community sector on the idea that work-wage labor is the basis for social inclusion. It is therefore important to at least analytically separate policy that comes down from the state and practices that come up from the community sector and their convergence and divergences. Otherwise, we end up with too deterministic a view of the control of the sector by the state and do not begin to examine some of the complexities and tensions in the relation between community organizations and the state. Our analysis has to be open and look at both what is from above-the restructuring of ruling relations and modes of regulation and from below-the opposition and new forms of practice as well as the participation of community organizations in these relations of domination.

4. Community Organizations in Practice

Community organizations in Quebec play an active role in managing the problems associated with the transitions described above. Their growing professionalism and knowledge of local problems combined with their ability to use innovative strategies have contributed to their expertise. The actors in community organizations have used this approach to formulate new approaches to labor market inclusion. Often the practices begin with grassroots initiatives but then become recognized and supported by the state and become regularized and absorbed as state-community policy. One particular type of organization has gone through this process. These types of organizations began in a couple

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of neighborhoods as a way to confront youth unemployment in the 1980s but grew to be present across the province. They integrate business development with training for the labor market (usually low-wage precarious work) and are called 'Entreprises d'insertions'. I have used the 'training businesses' as an English translation in other work, but it does not include the dimension of inclusion. These businesses go beyond training, but are primarily concerned and increasingly evaluated on their success in job placement. The training for people receiving social aide, is short-term- less than a year- and provides both concrete skills and work readiness. They tend to be in the service sector and the job placements in the low wage sector including catering, cleaning, and recycling. A couple of them are in slightly more skilled areas, but the training lacks professional credentials. At the same time as these are training businesses, many provide a community service - community restaurants- or a product for that sector-furniture for daycare centers. It is important to note the appropriation of the vocabulary of inclusion/exclusion by these organizations.

An example of these organizations is 'Petites Mains', which trains women in industrial sewing and aims to place them in employment afterwards. Contradictory practices emerge. It works with a defined clientele-people receiving social aide and defines them as trainees. They are there for a short time and do not have a voice in shaping the organization and its policies. The organization follows a pattern established by 'Les Entreprises D'Insertions', which defines success as job readiness and placement. There has been some controversy about the sub-contracts that the organization has taken. The vocabulary of 'insertion' is the dominant one. The organization, its goals and process is very typical of the practices of contemporary community groups. However, despite these limitations, 'Petites Mains' has been able to mobilize its staff and trainees to participate in large mobilizations such as marches against poverty and for women's rights and sew for the women's movement and cloth shopping bags to a "Green" cooperative. At the same time, they have sub-contracted production from companies engaged in union struggles (really union busting). This contradictory positioning demonstrates the way that both regulatory functions intermingle with the broader traditions of the community movement.

There are other ways that community organizations have responded to the issue of the restructuring of both labor and the welfare state. All of these programs are totally or partially funded by the provincial government. These range from directly hiring welfare recipients for limited periods, with the salary coming from the government employability programs to the support of business development through community economic development strategies. However, many of these organizations and its leadership have their political origins in a

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period in which community organizations were in a relationship of opposition to both state policies and the capitalist economy. Has the transitions in these organizations led entirely to the disappearance of the politics of opposition, or does it take new forms? Many organizations in this sector use the policies of government to support new practices that improve the lives of the unemployed, and at times maintain and promote different values and practices.

COMSEP, 'Le Centre d'organisation de services et d'éducation populaire', is an example of an organization that builds on the traditions of community organizations participating in social change activities (Lacroix/Shragge 2003). It has its origins in the crisis of unemployment of the late 1980s and builds on local traditions of popular education, literacy and participatory democracy. At the same time, it has a commitment to participating in business development. Work and generating revenue is a key part of the organization as well as a concern about creating community enterprise and training related to jobs. COMSEP stands out in contrast to other organizations founded in the same period because its starting point is popular education and it encourages ongoing democratic practice and links to wider social movements. It has a large and active membership. Those receiving service are not treated in a client role but are assumed to be co-actors in building the organization as an alternative place that can engage in critical discussion and mobilization. The organization's mission is to bring together low-income people of the greater Trois-Rivières - a small older industrial city east of Montreal. Through literacy and popular education activities, it facilitates social change, encourages consciousness of low-income and socio-economically disadvantaged people, helps them find solutions and take action to change and better their living conditions, and represents the members in getting recognition of their rights and worth. Its role in economic development grows out of the fact that its region has been seriously affected by the economic crisis due to plant closures in particular, increasing the numbers of unemployed. COMSEP has decided to become involved in the socio-economic development of its region. Through the creation of community enterprises that take into account the reality of the people and through training sessions tailored to the specific needs of people long excluded from the workforce they have created economic enterprises, such as a community restaurant and a secretarial training program. These enterprises use state funding but because the organization is far broader, these funds do not shape its orientation.

There has been a lot of debate and questioning about the role of this sector. Some argue it has become a manager of poverty at the local level and part of the conveyor belt of state programming establishing 'workfare regimes' locally. Others argue that the role it plays is more complex and its relationship with the

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state is both cooperative and conflictual. (White 1997; Panet-Raymond/Mayer 1997) What is clear is that the community sector in Quebec is intertwined with the policies and programs of the provincial government and this relationship shapes community. At the same time, there has been enough autonomy for some local organization to oppose and mobilize against government policies and programs and maintain spaces for local democracy and innovative practices. Thus the conflicts and debates played out between them and the provincial government is the key one in determining the paths for work related practices.

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Endnote

¹The general term used in the conference was "nonprofit organizations". I will use the term community organization or community-based organization to refer to specific groups. In the more general sense, I will use "community movement" to refer broadly to the sector.

Abstracts

Can Nonprofits Strengthen Local Social Economies?

The Case of Berlin

Karl Birkhölzer
(Technische Universität Berlin)



The presentation will start with an introduction to the concept of "Social Enterprises" as it has been developed in transnational research and development projects across Europe, especially by the "European Network for Economic Self-Help and Local Development". This will include a focus on differences between the American and the European debate as well as on differences within the European nations states. The following part will reflect more generally on the role of social economy initiatives in local economic development, especially in the process of restructuring local economies in crises regions (former industrialized areas, inner-cities and remote rural areas). In this context reference will be made to findings of the CONSCISE Projects (The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe).

Given this conceptual framework the second part of the presentation will focus on more practical questions, beginning with an overview of the emergence, development and the variety of the social enterprise culture in Germany, based on the findings of a recent survey carried out in 2001/2002. This will include good practice examples, especially from Berlin and the Eastern part of Germany. The final part will explain in more detail how social enterprises work differently than others and why they are able to contribute to employment creation as well as social cohesion at local level. The presentation will conclude with recommendations on how social enterprise strategies can be implemented in urban and community regeneration policies.

Work Integration? Social Enterprises in Germany

Ingo Bode
(Gesamthochschule Duisburg)



In Germany (like in many Western countries), a new generation of nonprofit organizations concerned with the labor market integration of jobless people has emerged during the last two decades. More or less linked to currents of civil

society, these organizations give work to people exhibiting a low degree of employability on the regular labor market. Producing services and products with special social value, most of these enterprises are also providing training and social assistance to their employees. These usually are on fixed-term, and to an increasing extent recruited on the basis of workfare arrangements with public authorities.

Seen their mission, the agencies at question can be conceived as being "work integration social enterprises" ("WISE") shaped by a complex task structure. They form an own economic sphere that is different from the market, from state bureaucracy and from associational welfare. While in their everyday business German WISE are strongly influenced by public regulations (especially labor market policies), they prove to be more than just a mere policy instrument. In the shadow of instrumental agency, they are prone to process "social capital" in various forms and directions.

The conference talk will present preliminary results of research conducted by a vast European project analyzing the sphere of WISE comparatively (the project is run by national teams and coordinated by the "Centre de Recherche Interdisciplinaire pour la Solidarité et l'Innovation Sociale" at the "Université Catholique de Louvain" in Belgium; the German team comprises Ingo Bode, Adalbert Evers and Andreas Schulz). The investigation is on the specific performances of WISE concerning the (re-)integration of marginalized people into society. Particular emphasis is put upon their socio-economic peculiarities and their specific embeddedness in the welfare state and in civil society. A further concern of the project is to retrace the evolution of these organizations, against the background of transformations occurring in both civil society and welfare state bureaucracy. One of the findings thus far is that there is an obvious mismatch between current public (policy) expectations and real entrepreneurial performances. While these expectations focus on the integration into the first labor market, the special performance of WISE does not - and presently cannot - reside in their mere work integration capacity. Rather, WISE show a potential to bring people back into community, to enhance local welfare, and to link social services to non-statutory political agency.



**A Multi-Method Approach:
Welfare Reform, Institutional Practices
and Service Delivery Settings**

Geoffrey DeVerteuil
(University of Manitoba)

The 1996 welfare reform legislation promises to fundamentally restructure the

ways in which local institutional practices and clients interact within poor, welfare-dependent neighborhoods. Focusing on the neglected scale of the service delivery setting, and within a context of previously extensive local welfare state restructuring, I conceptualize the implications of federal welfare reform for institutional practices and examine actual institutional outcomes within the University Park neighborhood in Los Angeles. Employing a multi-method approach, I use descriptive and inferential statistics as well as qualitative case studies to seek evidence of change within and across three components: welfare reform as external burden and opportunity; welfare reform promoting internal reconfiguration; and welfare reform impacting service delivery settings. The overall results are mixed, with change concentrating in the first and second components, in terms of greater client and institutional need as well as superficial administrative changes. Change to service delivery settings manifested itself in the reallocation of resources towards mothers with children and employable clients, and away from serving the difficult-to-employ and single adults.

**Organizing for Economic Justice:
New Alliances Between Community Groups
and the Labor Movement**



Ellen Reese
(UCR, Riverside)

With the growth of "social movement" unionism in the United States, scholars have begun to pay closer attention to the dynamics of union-community collaboration. Combining information from interviews and field research, I examine the development of new alliances between community groups and public sector unions in the wake of welfare reform in Los Angeles County. As in many other cities, the implementation of the 1996 federal welfare reform act in Los Angeles threatened to displace public employees through the expansion of welfare-to-work (WTW) programs and the for-profit privatization of welfare services. At the same time, the emphasis on putting welfare recipients to work highlighted welfare recipients' status as workers and put workers into contact with a highly unionized sector of the labor force. For these reasons, welfare reform created new incentives and opportunities for public sector unions to form new kinds of alliances with community groups. In response to the expansion of welfare-to-work (WTW) programs, Service Employees International Union (SEIU) Locals 660 and 347 formed an alliance with AGENDA, a community group concerned about economic justice in South Los Angeles in 1998.

At first, this coalition competed with ACORN in organizing WTW participants. While ACORN sought to collaborate with SEIU 347 and 660, the unions viewed ACORN's claims of representing workfare workers as an encroachment on their bargaining units. Once ACORN turned to issues other than union recognition (which they never obtained), collaboration between the groups grew. For example, representatives from these unions, along with AGENDA, participated in several coalitions spearheaded by ACORN. The first coalition (unsuccessfully) sought to ensure that all workfare workers were paid the minimum wage, while the other coalition gained state and county support for a wage-based community service program. Meanwhile, AGENDA and SEIU 660 and 347 successfully lobbied for the creation of city and county "transitional jobs" programs that trained WTW participants to enter unionized public sector jobs. SEIU 660 and welfare rights groups also collaborated in a (failed) campaign to prevent the contracting out of WTW services that involved joint demonstrations, press conferences, and lobbying. My findings suggest that while joint threats might encourage greater union-community collaboration, such coalitions are never automatic. More often, they are fragile, fraught with tension, and depend greatly on organizational leadership, especially union leaders' commitment to "social movement unionism."



**National Contours
of the Changing Welfare Mix:
Local Insertion of Nonprofits
in New York and Berlin**

Hilary Silver
(Brown University, New York)

Many observers have argued that neo-liberal and European welfare states are converging towards an "activation" or "workfare" model in which the nonprofit sector plays a central role. Economic or rational choice theories consider nonprofits as a solution to market, state, and contract failures regardless of social context. In contrast, neo-institutionalist approaches to the welfare state acknowledge continuing national and regime differences. However, especially in the case of unreformed social insurance programs, neo-institutionalism emphasizes long-term stability. Overlooked are gradual, but innovative and nationally-specific changes in the welfare mix taking place in the nonprofit sector and at the local level. Not only are the relevant actors extremely diverse and different from those engaged in national social policy, but they are also blurring conventional categories of public intervention (insurance/assistance,

public/private, federal/local, expenditure/taxation), promoting a sort of "post-modern state." This paper presents some examples of associations in New York and Berlin that illustrate how national cultures and legal and constitutional frameworks shape the relevant urban actors operating to re-employ the long-term unemployed. Yet these actors may in turn transform the state. I argue that the small scale, financial dependence, and modest outcomes of these innovative institutions should not cause one to discount their experimental value and moral clout in reshaping welfare state institutions. This is partly because they are forming national and international confederations that interact politically with states and EU institutions. But they also coopt the economic, self-help ideology of market institutions to critique the hollow promises of capitalism.

**Nonprofits and Homeland Security:
Welfare Reform in American Politics**



Ann Withorn
(University of Massachusetts, Boston)

After a brief overview of the history of community based services in the United States, the dynamics engendered by recently changing rules and expectations for low income families and the agencies set up to serve them are reviewed. The politics and increasingly punitive ideology behind reforms of the 1990s are presented as an alternative explanation for the "success" of policy changes. The ways in which Welfare Reform, Immigration Reform and a range of other new national policies have affected the possibilities for collaborative relationships between community agency workers and their low income constituents are reviewed.

The paper will focus especially on how agency staff at all levels respond when their role has shifted from one of trying to help low income single mothers make positive changes to a single focus on finding employment, in a climate where the explicit mantra is "any job is a good job." It also examines the impact of pressures to involve faith based organizations directly in service delivery and to promote marriage through anti-poverty policy. This presentation draws extensively from over one hundred interviews conducted as part of two W.K. Kellogg funded studies and currently being revised for a book (Still Working for Justice?) under contract to Temple University Press. The paper offers speculation about how the focus on "Homeland Security," and

the decreasing respect for civil liberties and human rights that have characterized the national response to 9/11, creates daunting challenges to the claim that community based agencies can work for justice while receiving public money to deliver services. It concludes with a summary of fears for the future and a plea that we use the opportunity afforded by this conference to strategize together, with the benefit of an international perspective, to reclaim an oppositional vision for community based work. By doing so we may begin to address to pain of people like the Ohio community leader who lamented:

"We started 40 years ago thinking we were working for justice, that we could make a difference in part by providing service. Now it seems all we do is say no or tell people why they can't get what they need."

Rudolph Bauer recently retired as Professor of Social Work, University of Bremen. His recent publications include: *Meeting People's Needs in Germany. The Contribution of the Public Sector, the Private Sector, and the Intermediary System.* Universität Bremen: Bremen (with Klinke, Sebastian/Pabst, Stefan), 1993; *Fesseln der Lokalen Ökonomie. Bericht aus der Forschung zum "Dritten Sektor".* In: Sahle, Rita/Babette Scurell (2001), eds., *Lokale Ökonomie. Aufgaben und Chancen für die Soziale Arbeit.* Freiburg im Breisgau: Lambertus.

Kathryn Cooney is Assistant Professor of Social Work at Boston University. Her research interests include: social entrepreneurship, commercialization in the non-profit sector, organizations operating at the borders of government, public, and private sectors. Recent presentations/publications: *Institutionalization in Action: The Confluence of Social Policy and Organizational Structure* (UCLA Center for Comparative Social Analysis, Department of Sociology, Los Angeles), May 2002; *"Work Matters: Combining Work, Business And Services In A Welfare-to-Work Program"*. In: *Journal of Community Practice* (2001), Vol. 9 No.3, pp. 33-54 (with D. Weaver).

Volker Eick, Political Scientist, currently PhD student, Berlin. Recent publications: *"New strategies of Policing the Poor. Berlin's neo-liberal Security System"*. In: *Policing and Society* Vol. 13 (December 2003) No. 4, pp.365-380; *"'Und das ist auch gut so...' Polizieren im Berlin des 21. Jahrhunderts"*. In: Sylke Nissen (Hg.in) 2003: *Kriminalität und Sicherheitspolitik. Analysen aus London, Paris, Berlin und New York.* Opladen: Leske + Budrich, S. 67-88; *"Profiteure sozialen Kapitals. Zur Genese lokaler Sicherheitsregime durch Nonprofits, kommerzielle Sicherheitsdienste und den lokalen Staat"*. In: Fabian Kessl/Hans-Uwe Otto (Hg.) 2004: *Soziale Arbeit und Soziales Kapital. Zur Kritik lokaler Gemeinschaftlichkeit.* Opladen: Leske + Budrich, in print.

Britta Grell, Political Scientist, currently PhD student, Berlin. Recent publications: (with Jens Sambale) *"Wohnungsbaugesellschaften als beschäftigungspolitische Akteure? Das Jobs Plus Programm in Los Angeles"*. In: *MieterEcho* 298 (2003), S. 8-12; (with Jens Sambale and Volker Eick) *"Workfare zwischen Arbeitsmarkt- und Lebensstilregulierung. Beschäftigungsorientierte Sozialpolitik im deutsch-amerikanischen Vergleich"*. In: *PROKLA. Zeitschrift für kritische Sozialwissenschaft*, Heft 129 (2002) 32. Jg., Nr. 4, S. 557-577.

Margit Mayer, Professor at the Free University Berlin, John F. Kennedy Institute, Department of Political Science. Her recent publications include: (with Christoph Scherrer and Susanne Lang, eds.): *Jobwunder USA. Modell für Deutschland?* (1999); *"The Onward Sweep of Social Capital: Causes and Consequences for Understanding Cities, Communities and Urban Movements"*. In: *International Journal of Urban and Regional Research*, 27/1 (March 2003), pp. 110-132.

Jens Sambale, Political Scientist, currently PhD student, Berlin. Recent publications: (with B. Grell) "Wohnungsbaugesellschaften als beschäftigungspolitische Akteure? Das Jobs Plus Programm in Los Angeles". In: MieterEcho 298 (2003), pp. 8-12; (with B. Grell and V. Eick) "Workfare zwischen Arbeitsmarkt- und Lebensstilregulierung. Beschäftigungsorientierte Sozialpolitik im deutsch-amerikanischen Vergleich". In: PROKLA. Zeitschrift für kritische Sozialwissenschaft, Heft 129 (2002) 32. Jg., Nr. 4, S. 557-577.

Eric Shragge is Associate Professor at the School of Community and Public Affairs Concordia University, Montreal Quebec, Canada. His recent publications include: *Activism and Social Change: Lessons for Community and Local Organizing*, Broadview Press (2003); *Community Capacity Building and Leadership at the Grassroots March*, Concordia University (with M. Lacroix), (2003).

Paul Tepper is the Director of the Institute for the Study of Homelessness and Poverty at the Weingart Center, Los Angeles, California. The Institute for the Study of Homelessness and Poverty, a project of the Weingart Center, is a nonprofit, non-partisan, research and policy organization serving the research and networking needs of academics, government, community based direct service agencies, policy-advocacy organizations, the media, philanthropic organizations, policymakers and other members of the community involved with the issues of homelessness and poverty. The institute publishes among other publications "Just The Facts", a series of in-depth briefing guides, which answer the most commonly asked questions on topics related to homelessness and poverty such as (<http://www.weingart.org>).

Nik Theodore is the Director of the Center for Urban Economic Development and an Assistant Professor in the Urban Planning and Policy Program at the University of Illinois, Chicago. His research interests include economic development, labor markets, and urban policy. He recently edited (with Neil Brenner): *Spaces of Neoliberalism: Urban Restructuring in North America and Western Europe*. London: Blackwell (2002). His articles include: "Political Economies of Day Labor: Regulation and Restructuring of Chicago's Contingent Labor Markets". In: *Urban Studies* 40 (2): in print; (with Jamie Peck) "Exporting Workfare/Importing Welfare-to Work: Exploring the Politics of Third Way Policy Transfer" In: *Political Geography* 20 (2002): pp. 427-460.

Norbert Wohlfahrt is Professor of Social Work at the Lutheran University for Applied Science in Bochum. He publishes widely on new social policies in Germany: (with Hans-Jürgen Dahme and Hans-Uwe Otto), *Soziale Arbeit für den aktivierenden Staat*. Opladen: Leske + Budrich (2003); (with Michael Krummacher, Roderich Kulbach, and Viktoria Walz): *Soziale Stadt - Sozialraumentwicklung - Quartiersmanagement. Herausforderungen für Politik, Raumplanung und soziale Arbeit*. Opladen: Leske + Budrich (2003).

