Social Economy and the fight against Social Exclusion: Preliminary remarks with reference to the Greek welfare state

Sofia Adam*

Abstract:
Recent academic discourse and European social policies highlight the (potential) effectiveness of social economy practices as a means to address social exclusion especially for the more disadvantaged social groups. Apart from terminological debates on the aforementioned troubled concepts, fundamental questions needs to be examined: To what extent social economy practices flourish as a result of policy shifts towards further commercialization of public social services or to what extent do they emerge from bottom up collective survival strategies? This paper attempts to address this question with reference to the political economy of the Greek welfare state.

Keywords: social economy, political economy, welfare state, Greece

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* Department of Social Administration, University of Thrace, 1 Panagi Tsaldari Str., Komotini, Greece, e-mail: sof_adam77@yahoo.gr. Financial support from the Greek Institute of Labour is gratefully acknowledged.
Introduction

Recent academic discourse and European social policies highlight the potential contribution of social economy practices in the fight against unemployment and social exclusion. However, the theoretical underpinnings as well as implemented practices demonstrate a diversity of approaches which range from attempts to further commercialise welfare state services to emancipatory projects addressing the democratic deficiencies of prevailing welfare state institutions. These implications illustrate the contradictory and highly controversial way through which social policies are formulated and implemented. Social economy as an emerging academic field is an interesting example in this regard and offers significant opportunities both for new theoretical conceptualizations as well as new policy suggestions for current aggravating social problems.

This paper is structured in the following way. The first section clarifies terminological issues regarding the use of relevant concepts such as third sector, social economy, non-profit sector, solidarity economy. The next section critically examines the theoretical underpinnings of the various approaches. The third section illustrates the way social economy policy practices are intermeshed with current welfare state changes. In the fourth section we offer insights which are relevant for the particular case of the Greek welfare state and the way the latter has incorporated the social economy policy agenda. The final section includes concluding remarks as well as directions for further research.

I. Defining troubled concepts

The third sector consists of entities which cannot be easily classified in neither the private nor the public sector such as cooperatives, non profit organizations and mutual societies (Defourny, 2001). The term itself is widely accepted by a rich array of theoretical approaches (Moulaert & Ailenei, 2005), emerges in many EU policy documents (such as the Pilot Program Third System and Employment) while it is easily connected with Third Way thinking in social policy formulation (Giddens, 1998). In this respect, it seems plausible to use the term third sector as an adequate starting point in order to delineate the other concepts in use, namely solidarity economy, social economy, and the non profit sector.
## Conceptual Approaches to the Third Sector

<table>
<thead>
<tr>
<th>Term</th>
<th>Solidarity Economy</th>
<th>Social Economy</th>
<th>Non Profit Sector</th>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Includes all economic activities which aim at the economic democratization on the basis of citizen participation. They involve a dual perspective:</td>
<td></td>
<td>Consists of all NPOs with the following characteristics:</td>
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<td></td>
<td>▪ Economic because they attempt to create economic relations based on reciprocity while making use of resources from the market and welfare state redistribution</td>
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<td>• Organizations, i.e., institutionalized to some meaningful extent;</td>
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<td></td>
<td>▪ Political because they attempt to create autonomous public spaces and open up discussion on both means and ends.</td>
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<td>• Private, i.e., institutionally separate from government;</td>
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<td></td>
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<td>• Self-governing, i.e., equipped to control their own activities;</td>
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<td>• Voluntary, i.e., involving some meaningful degree of voluntary participation.</td>
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<td><strong>Research Centre</strong></td>
<td>EMES-European Research Network on Social Economy</td>
<td>EMES-European Research Network on Social Economy</td>
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<td>RILESS: Red de Investigadores Latinoamericanos en Economia Social e Solidaria.</td>
<td>CEP-CMAF: Representative of the European Third Sector at the EU level which was transformed in 2008 into Social Economy Europe</td>
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The previous illustration intends to highlight that the diversity in terminology underlines diversity in theoretical approaches and historical trajectories. The relevant concepts are presented intentionally from the left to the right in conjunction with their connotation in the literature. Schematically, the term Solidarity Economy is mostly associated with radical approaches which emerged in the framework of social movements such as the occupied & self-managed factories in Argentina. Social Economy is more francophone in its origin and acceptance, clearly incorporates the experience of the cooperative movement and is adopted by many accredited research centres in Europe and Canada. The term Non Profit Sector follows the Anglo-American tradition of charities and is the one adopted by the John Hopkins
Comparative Non Profit Sector Project (Salamon & Anheier, 1998; Salamon et al, 2000). Due to the recent proliferation of scholars and centres which speak of a social and solidarity economy\(^1\), in the following we will focus on the convergences and divergences between the terms social economy and non profit sector.

From a comparative perspective, we observe that both approaches presuppose the existence of a legal/institutional form, and a private (as opposed to public sector) initiative. In addition, the criterion of independence is also maintained in the autonomous management requirement of social economy entities. Where is the divergence located then? The non profit sector approach excludes clearly cooperatives and mutual funds on the basis of profit distribution to their members. This criterion possibly reflects the tradition of charity prevalent in the Anglo-Saxon third sector. However, it also reflects a different theoretical stance. In particular, the social economy approach highlights the internal function and the economic or production aspect associated with third sector activities as well as the links which are articulated with specific welfare state policies and social movements-collective identities. In contrast, the non profit sector approach emphasizes the presence of volunteers, the non distribution constraint, focuses (at least initially) on a micro-level analysis, and/or on in the statistical presentation of a sector consisting solely of non profit organizations.

Having sketched the main terminological issues, it is important to proceed with a critical examination of the theoretical approaches towards the third sector. In the next section, we keep the same format and proceed with a critical assessment of more mainstream economics theories towards perspectives founded in economic sociology and the Polanyian analytical framework.

II. Asymmetric information versus Polanyi

The first theoretical approaches towards the third sector were mainly founded on the analytical framework of neoclassical economics in its extended transaction cost-asymmetric information version (Weisbord, 1975; Ben Ner and Van Hoomissen, 1991; Hansmann, 1987; Rose-Ackerman, 1997; Salamon & Anheier, 1998). The focus of interest was located in understanding entities which (at least according to their legal status) were functioning according to the non-distribution constraint.

\(^{1}\) Such as the RILESS network of Latin-American researchers on social and solidarity economy.
Therefore, the question was articulated along this line of thinking: Why do NPOs exist? What is their comparative advantage in comparison with the private for profit and the public sector?

The answers provided highlight different aspects but share the same methodology of theory building. In the case of Weisbrod (1975), the argument is that in heterogeneous societies there is a double state-market failure. The state is only interested in the median voter while the market suffers from traditional failures in the provision of collective goods. Hence, the larger the heterogeneity of the population (in terms of religion, ethnic origin, education, etc) the larger the scope for the emergence of NPOs willing to cover the educational and social needs of the diverse communities. In the case of Hansmann (1987), the non-distribution constraint serves as a solution to the asymmetric information inherent in relational goods where the customer cannot possibly identify the quantity and quality of service before the transaction. Other theories attempt to explain NPO emergence from the supply side. Ben Ner και Van Hoomissen (1991) support that NPO formation is based on the existence of a group of people with similar beliefs and needs. The argument is further elaborated with trust building and social capital contributions (Ben Ner και Gui, 2003). Another line of inquiry addresses the profiles of the ideological entrepeneurs (Rose-Ackerman, 1996 & 1997), and attempts to explain why these people might opt for the NPO form. The problem is how to incorporate altruism in rational utility-maximisation2. The answers involve definitions of pure and impure altruism (Andreoni, 1989). In the pure form, altruism entails that the individual incorporates in his/her utility function the provision of a certain level of a public good, no matter whether he/she will consume it and regardless of other (non-)pecuniary benefits. In the impure form, altruism involves a warm-glow effect for the giver and is more consistent with selfish rational behaviour.

What these approaches share in common are the analytical tools provided within the neoclassical economics framework. First, they rely on methodological individualism which entails that all actions may be explained through the lenses of the rational maximizing individual without any reference to social structures and institutions. In this respect, whether the individual is modeled as homo altruist or homo economicus, these preferences take shape in a social vacuum. Second, the third

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2 Altruism may involve acts of giving in various contexts and roles (as a volunteer, as a founder, as a donor).
sector is analyzed as distinct from both state and market sectors without any
reference to its historical dynamics in specific social formations since it is theorized
as a response to state (provision of uniform services to diversified needs) and/or
market failures (asymmetric information, transaction costs). Third, the formation of
NPOs is treated as a private initiative of an ideologue entrepreneur who addresses
unmet social needs through entrepreneurial endeavours. In this way, even from the
supply side NPOs do not seem to correlate with social movements and collective
identities.

Some of the afore-mentioned criticisms are raised by scholars who approach the
third sector from the perspective of economic and political sociology (Evers, 1992;
Laville et al., 1999; Laville & Nyssens, 2000; Pestoff, 2009). These scholars adopt
the substantive approach of Polanyi to the study of the economy. The main idea is
that economy is not restricted to market and the associated principle of exchange,
but it also includes the principles of redistribution and reciprocity. This typology of
economic principles is in turn correlated with three different types of economies
(Laville, 2003). The principle of market exchange characterizes the market economy,
where the price mechanism is the allocating device of goods and services. The
principle of redistribution characterizes the non-market economy which denotes
mainly the function of the welfare state. Reciprocity is the main operating principle in
the non-monetary economy where the practices of gifts and counter-gifts are
exercised by agents placed symmetrically in a symbolic network. The third sector
then is theorized as a hybrid formation operating in the interface of the market, non-
market and non-monetary economies and in tension with their hierarchical structure
(the dominance of the market economy and the subordination of the non-market and
non-monetary economies). More importantly, both the welfare state and the third
sector are treated as attempts to reunite economy and society, by re-embedding
economy in social relations.

At this stage, we would like to highlight the merits of this substantivist approach to
the economy before we raise important questions. First of all, it allows for the
pluralism or preferably diversity of economic activities to come into surface. That is,
monetized market exchange motivated by profit is not the only economic activity
performed in the modern world (Williams, 2004). Other practices co-exist including
local exchange systems, barter, cooperative, non-profit, volunteer, communal etc.
The importance of acknowledging the multiplicity of these practices is twofold: 1) in
the words of Gibson-Graham (1996 cited in The Community Economies Collective,
2001, p. 3), “representations of capitalism constrain our political imaginations and economic possibilities”, p. 2) the illustration of diverse economic activities opens up spaces to envisage, construct and enact solidaristic projects or liberatory alternatives (Harvey cited in Mendell, 2008). Second, this theoretical framework allows for the interconnections among the different economic sectors to become visible. In this perspective, the market economy is built on the un-paid provision of labour in the form of care services provided mainly by women in the household non-monetary economy (Schaniel & Neale, 2000). Third, it enables the construction of theories which are not founded on the properties of the self-interested, calculative profit-maximizing individual. Hence, it allows for theoretical conceptualizations which do not treat social economy initiatives as quasi market (in the utility function we incorporate the variable contribution to the common good), as a pathology (mutual aid societies exist because no market has flourished so far in certain fields) or as an adequate supplement due to the failure of the market or the state (Adaman & Madra, 2002).

No matter how significant these contributions are for theorizing the third sector, important questions need to be answered. First of all, as many scholars have identified (Gemici, 2007 · Krippner et al, 2004), there is a confusion concerning the use of the embeddedness concept in the Polanyian framework. Polanyi (2007) argued that the establishment of the self-regulating market entails the separation of economy from society and in particular the subordination of social relations to the market logic. If this position is correct, then the alleged embeddedness of economy in social relations as claimed by Polanyi is not a methodological principle but a gradational concept shifting over time and over places (Gemici, 2007). If we accept the gradational direction, then the critique to neoclassical economics for its tendency to observe selfish calculative behaviour everywhere is seriously curtailed. Second, as Schaniel & Neale (2000) note one has to be careful when trying to identify different operating principles with different spheres of the economy/society binary. A mode of integration does not explain the power relations which underlie the units of analysis. Reciprocity is not synonymous with generosity; it can also be exercised within a framework of uneven and exploitative relations (Adaman & Madra, 2002). We believe that these remarks may explain the highly contradictory way social economy policies are correlated with social policy developments.
III. Social economy and social policy

In conjunction with the previous theoretical approaches, social economy is promoted from a wide variety of ideological and political stances regarding the role of the welfare state in modern capitalism. To a large extent this contradictory element is apparent in the field level (in the landscape of social economy practices) and is manifested in theory building as well as social policies. In this respect, the analytical scheme provided by Graefe (2001, 2005, 2006) is particularly useful, since it is clearly acknowledged that social economy can be placed in the neoliberal project, as a “roll out mechanism” aiming at the further commercialization of public provisions, as a “flanking mechanism” to correct the negative consequences of the free market while ensuring some level of social cohesion, and as a “countervailing strategy” which raises questions for democratic welfare provision, work organization and in its more radical aspects social transformation.

Social economy is promoted in a rather ad hoc and fragmented way in a series of international and EU policy documents which refer to entrepreneurship, local development, but mainly employment and social inclusion. These policy documents reflect arguments which are derived from both neoclassical and third way thinking or rolling out/flanking positioning in accordance with Graefe’s scheme, while downsizing social economy’s potential for opening up autonomous public spaces which challenge the dominant social relations in welfare provision. There are mainly two channels through which social economy and social policies are articulated (Defourny et al, 2001; Gough et al, 2006; Nyssens, 2006):

Social economy organizations provide social protection services (i.e. child care cooperatives) partially in substitution of welfare state provision especially in the

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3 There is a special social economy unit in the General Directorate of Enterprise and Industry of the European Commission in the framework of small and medium-sized enterprises policies (i.e. http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm).

4 The most illustrative example is the OECD Local Economic Employment Development Program which entails the promotion of local partnerships for employment creation in the field of social economy (http://www.oecd.org/department/0,3355,en_2649_34417_1_1_1_1_1,00.html)


6 Indicatively:
   • Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions of 17 October 2007 entitled “Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market"
   • Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (notified under document number C(2008) 5737)
framework of current welfare state restructuring processes underway and the increasing involvement of private (for and/or non profit) entities in core social policy fields (health, social insurance).

Work integration social enterprises are promoted as the basic means for the transition from passive to active labour market policies, that is the focus on increasing the employability of those excluded from the labour market through counseling, vocational training and (most often temporary, sheltered, part-time) job placements.

In the rolling-out direction, social economy promotes private-public partnerships, contributes to the reduction of public expenses through the utilization of volunteer labour\(^7\) and fosters market-driven approaches in welfare provision. In particular, the form of social entrepreneurship is expected to contribute to local employment creation for those further from the labour market in the framework of workfare policies.

In the flanking direction, social economy is expected to consolidate the uniqueness of the European Social Model, even though the latter remains vague with regard to its distinctive features (Hodge & Howe, 1999), the different EU welfare regimes (Castles, 2004), their potential convergence or divergence in the framework of the Open Coordination Method (Ferrera, Matsaganis & Sacchi, 2002) and the lack of empirical validation of a distinct European Social Model in comparison with the US model of welfare provision (Alber, 2006). Despite these unresolved questions, social economy is considered “a key operator for fulfilling the Lisbon objectives”\(^8\), because it: a) emphasizes the local dimension and fosters employment creation which is difficult to delocalize, b) corrects labour market failures, c) provides services which contribute to the reconciliation of professional and family life, and finally d) promotes civic participation and contributes to social capital formation at the community level.

Interestingly, the above-mentioned expectations are adopted in most policy documents despite significant evidence that social economy cannot generate all these achievements without public support (Amin et al, 1999) and/or that in many

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\(^7\) However, it is noted that there is risk of exploitation of social economy’s virtues in this regard. For a more complete review of these policy developments, please consult Expert study on Social and Health Services of General Interest in the European Union commissioned by the European Commission, June 2008, [http://ec.europa.eu/employment_social/spsi/docs/social_protection/2008/study_social_health_services_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_protection/2008/study_social_health_services_en.pdf)

\(^8\) European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI))
cases adverse affects\(^9\) take place especially in the implementation of work integration schemes (Defourny et al, 2001; Aiken, 2006 και 2007; Gonzales, 2007).

In contrast, social economy also offers examples where civic participation has managed to effect changes at the local level in the form of regenrational local projects in the UK, women social centres in Canada, child care cooperatives in Sweden (Amin et al, 1999; Graefe, 2005; Pestoff, 2009; Vaillancourt, 2009). In most cases, good practices flourish on the basis of either generous public sector provision, in rather affluent regions (even in terms of another troubled notion, social capital) or in deprived settings where social movements (women, unemployed) manage to challenge local authorities and dominant social relations. Interestingly, the policy documents undersize this potential of social economy practices. Thus, the European Parliament Resolution on Social Economy makes no reference to “the possibility of transforming enterprises into worker-owned undertakings”\(^10\) in cases of bankruptcy, even though this potential was clearly stated in the initial proposal of the Committee on Employment and Social Affairs. Moreover, the concerns expressed by representatives of Social Economy Europe\(^11\) regarding the potential of creating decent employment in the framework of flexicurity and the world financial crisis, are not included in the same resolution. Unfortunately, dominant policies prefer the instrumentalization of social economy policies by means of a re-invention of the community as a politically neutral category in which no class and power differences exist (Levitas, 2000).

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\(^9\) These involve:
- Substitution of senior with young “cheaper” new-comers in the labour market or even creation of fictitious job placements for the sake of grants.
- Creaming of potential beneficiaries on the basis of employability levels despite the dominant rhetoric for tailor-made jobs which address the specific needs of those further from the labour market.
- High drop-out rates given the low level of compensation and the low levels of subsequent work rehabilitation in the mainstream labour market.
- Formation of secondary labour markets where employees are constantly insecure, and permanently “temporary”.
- Increased involvement of large-scale agencies (national/international) and subsequent erosion of any trust-building and participatory potential in the work environment.
- Gradual involvement of for-profit enterprises with subcontracting to non-profit providers with the accompanying effect of narrow resource base of the latter and deterioration of the working environment.
- Lack of empowerment of the service users even in regions with vibrant third sector activity such as the Italian social cooperatives.

\(^10\) Report on the Social Economy by the Committee on Employment and Social Affairs (2008/2250(INI))

\(^11\) The formal representative of social economy organizations at the EU level.
IV. Social economy and the Greek welfare state

Most scholars seem to agree with the relative underdevelopment of the third sector in Greece. This position holds in the literature for all the troubled concepts including civil society, third sector, social economy, non-profit sector, voluntary sector (Sotiropoulos, 2004, Chrysakis, et. al., 2002, Sklias & Houliaras, 2002, Panagiotidou, 1999, Polyzoidis, 2006). Despite the underdevelopment of a vibrant third sector, national policies recognize its significance and expect important results in the fight against social exclusion especially for the most disadvantaged social groups without any indication of the ways, processes and transformation which need to take place in order to turn such a strategy feasible 12. It seems more that national agenda adopts the basic “rolling-out/flanking” guidelines of European policies. The only national specification involves the identified need to extend the legislative framework for social cooperatives of limited liability in order to address other potential beneficiaries except for people with mental health problems.

This sort of policy transfer is suffers from serious deficiencies in the following respects. First of all, the transfer of policies seems to be largely uninformed about the international academic discourse and political debate. Irrespective of the results in policy implementation of Blair’s enthusiastic endorsement of third sector initiatives, at least there was a theoretical substantiation in the lines of third way thinking (Giddens, 1998). Second, as already noted, many scholars associate third sector development with public policies (Salamon & Anheier, 1998; Evers, 1992). It is interesting that the extensive literature on the particularities of the Greek welfare has not been in depth correlated with third sector theory building and policy developments at the national level. Scholars identify a number of deficiencies: the uneven and fragmented picture of social protection with numerous insurance agencies and uneven provisions among the different professional groups (Katrougalos, 2004), the lack of protection towards specific social groups (Sotiropoulos, 2007), the increased size of certain state services in response to demands for jobs at the expense of other services addressing identified social needs (Petmesidou, 1987), the observed inefficiency in reducing social inequalities (Papatheodorou, 2003). How are these developments likely to shape and be shaped by social economy initiatives? Third, and with relevance to this second point, it is important to examine the lack of vibrant social movements which address demands for a new type of welfare service provision with the democratic participation of

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12 National strategy on social inclusion 2008-2010.
service users. It could be that the articulation of particularistic demands towards the state apparatus along vertical (patron-client) as opposed to horizontal (class and/or collective identity) lines has hindered the development of both a vibrant third sector as well as of an effective welfare state. Finally, there is a lack of empirical validation on the efficiency of a number of implemented projects in the field of social economy and social inclusion, namely the 2 phases of EQUAL Community Initiatives on Social Economy as well as all the local employment creation programmes in which third sector organizations participated.

Concluding remarks
There is a certain value in the theoretical conception of a diverse economy where economic activities are more than material representations of profit-maximising market exchanges. However, a number of issues need to be resolved in order to enrich the theoretical conception of social economy initiatives and guide empirical research in specific socio-economic formations.

First of all, it seems more plausible to treat the concept of embeddedness as a methodological principle and not as a gradational concept. The latter leads to an artificial separation (the economy and society paradigm) which draws demarcation lines, assigns certain phenomena to certain disciplines (i.e. political science-state) and leaves the backdoor open for the neoclassical paradigm to offer its “objective” description of the economy. Even if we cannot demonstrate a coherent theory for the conceptualisation of social economy at this stage, it is worth highlighting possible directions for such an endeavour. As has rightfully been noticed by mostly the European scholars, the notion of a separated from the state and the market third sector is seriously flawed. It is better to think of intermeshing areas and treat social economy initiatives as hybrid formations which utilise community relations based on reciprocity, state redistribution and market exchanges.

Second, operating principles do not map in a one to one way with the distinct poles of the economy. Especially in countries like Greece where the state has been the main mechanism for the construction of a dominant capitalist class (Petmesidou, 1987), market exchange and redistribution may not be that clearly differentiated as operating principles assigned to different spheres. Most scholars would agree that the welfare state in Greece demonstrates certain peculiarities in comparison with its counterparts in continental Europe and the Scandinavian countries. A picture of highly fragmented, uneven, inefficient, clientelistic allocation mainly of money
transfers is often portrayed for the type of redistribution implemented in Greece. If this analysis holds true, one might expect the intermeshing of areas to signify different development trajectories for both the welfare state and the third sector.

Third, welfare state shapes and is shaped by third sector initiatives. The latter may as well follow the same type of linkages with the state and reproduce the same features. It is better to withdraw from an implicit tendency to view social economy initiatives as inherently based on reciprocity, community relations and social capital. They might as well involve exploitative relations for the alleged beneficiaries, demonstrate bureaucratisation and reproduce clientelistic practices. A possible way to explore these hypotheses is to actually include in the empirical survey the voice of the beneficiaries. That is, we have to include the power distribution dimension.

Our interest in social economy lies in its potential to widen our horizons and help us envisage realities which are not subordinated to the logic of the self-regulating market. However, we need to explicitly state that these alternative projects are not developed in a vacuum. They flourish or get blocked in specific contexts which involve state authorities, private interests, class antagonisms, privileged and excluded groups on the basis of their race, gender, mental and physical condition. In this sense, instead of pluralism, we prefer diversity and by that we mean the power of certain projects to contrast with the dominant social relations.
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