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Social Capital and Networking. Impact on the GIVE and TAKE of Social Capital by a network orientated governance between state and Social Enterprises

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Let me begin this talk by formulating my central thesis: A political style that only pursues business contacts with nonprofit organizations on the basis of a New Public Management and a managerial governance does not take into account their potentials for civil society and lets them waste away. Goal definitions for non-profit organizations by the state that are clearly delineated and can be reached in the short term do not help these organizations to use their ability to build up social capital; moreover, under these conditions it is not possible for work integration enterprises to prepare long term unemployed for the first labor market, mentally and in terms of qualification, and to give them a perspective for their further professional development.

The point of departure of my considerations is the fact that the ability to use and generate social capital is generally attributed to nonprofit organizations. In this context social capital refers to a category of potential resources in the form of social relationships which are also used by work integration enterprises to generate additional monetary and non-monetary means for achieving their goals, resorting to the market, clubs and associations and to municipal and other state organizations as well as individuals. Work integration enterprises could also count on broad support when it came to organizing employment and qualification projects, internships for their clients, or placing them in the first job market. In the same time work integration enterprises – the big municipal societies as well as enterprises of welfare organizations or associations that used labor policy instruments – fulfilled many additional social tasks with regard to the environment, nature, cultural and social issues, which otherwise would not have been realized. Thus, social capital is a central precondition for work integration enterprises to be successful with regard to labor market policies but as well in view of their contributions to social cohesion and local development. It is only through multi-functional, trust-based relations to other actors that organizations which do not aim for economical profit and which pursue labor market political as well as social and internal democratic goals gain a better access to local, monetary and non-monetary resources, civic engagement, donations or network relationships. In this respect the state plays an important role as a partner in a multi-functional relationship. However, in the light of activating labor market politics this relationship shifts towards a one-dimensional business contact which has a negative effect on the ability of work integration enterprises to accumulate social capital.

Thus the state – as a partner of non-profit organizations – represents an essential factor for the accumulation of social capital by initiatives, clubs and associations that directly produce non-commercial benefits for the public good. Thus their success not only depends on a) intact network relationships but as well on b) the support of the state and its public actors, respectively. My contribution shall deal with the necessity to support nonprofit organizations through public and state politics. Work integration enterprises as an example of nonprofit enterprises can only accomplish their tasks if the multi-

dimensionality of their activities and their multiple goals are taken into account by politics and by state actors. In most cases this support is provided within formal and informal networks because cooperations seem to be especially suited for helping the nonprofit organizations to generate supportive social capital which they need to realize their different goals. A one-dimensional, business-style relation between state and nonprofits or the opinion that subsidiary and independent nonprofit organizations work successfully without requiring further support can quickly lead to the failure of the sector in the sense that its integrative social functions are neglected as a result of concentrating on only one organizational goal. If politics and state withdraw their support from nonprofit organizations working in the social political area or if they merely organize them in a technocratic, business-like manner this can have serious consequences for the ability of nonprofits to engender social capital and to work successfully in view of promoting social equality.

In the following contribution I want to corroborate these initial considerations theoretically as well as empirically with the aid of several theses. The empirical data were collected in the framework of a three-year European research project until 2004. The interviews were conducted during the spring of 2002. The objective was to analyze the performance of work integration social enterprises. The German part of this investigation was situated at the University of Giessen and accomplished by Professor Adalbert Evers and Ingo Bode (cp. Bode, Evers, Schulz 2004). In addition to this, a nationwide written survey of 300 work integration enterprises was conducted on behalf of the Hans-Böckler-Stiftung (cp. Evers, Schulz 2004).

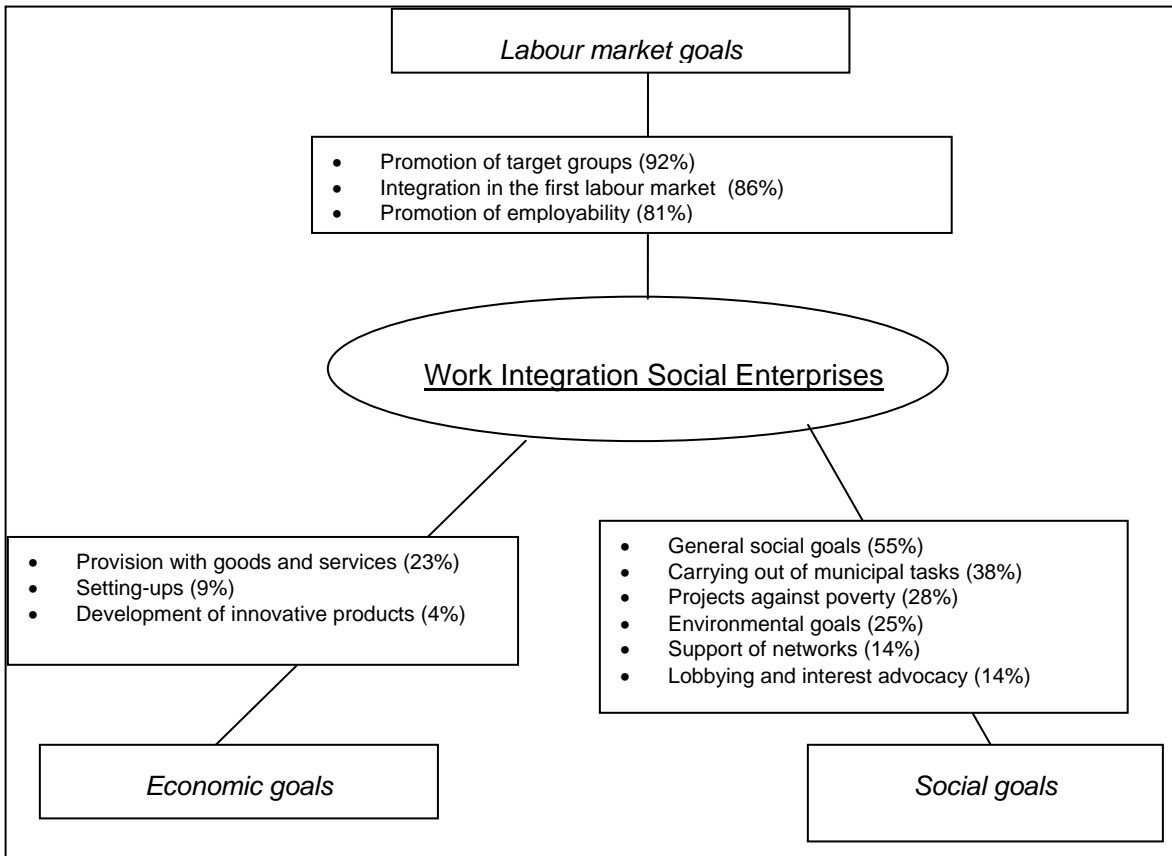
1. The success of nonprofit organizations is founded on the pursuit of multiple goals.

This thesis is based on an approach developed by Adalbert Evers which describes nonprofit organizations as intermediary organizations between state, market and society (cp. Evers et al. 2000; Evers 2001; Evers, Rauch, Stitz 2002). Due to their hybrid positioning nonprofit organizations can develop specific relationships to each of these societal subsystems. In the words of Ruth Simsa, their work spans several subsystems and has a de-differentiating effect (cp. Simsa 2001) as they do not limit themselves to pursuing one goal for one partial sector but pursue multiple goals. According to the approach of intermediary organizations, this can be considered as the basis of their success.

In the research project mentioned above we investigated, among other things, the specific goals pursued by work integration social enterprises. First, the participants had to choose five goals from a total set of 12 goals pursued by work integration enterprises. Second, they were asked for the relationship between labor market political and economic goals. The results reflect the multiple goal structure of the organizations (cp. Figure 1).

Work integration enterprises do not only pursue labor market political but also economic and social goals. Although these goals could be put into a ranking – with two thirds of the organizations considering that labor market political goals are dominant – 25 per cent of the participating organizations stated that labour market political and economic goals have the same importance for them.

Figure 1: Multiple goals of work integration social enterprises



Source: Own investigation 2001, N = 300, multiple responses

At first these observations have to be seen as independent of the effectiveness of ineffectiveness of the different (e.g. labor market political) activities. It is mainly those colleagues who are not concerned with issues of labor market research who realize that the effectiveness of the employment of long term unemployed in projects and their social stabilization can hardly be shown by using placement rates as an indicator. It is important to point out here that the success of nonprofit organizations in the area of labor market politics is mainly based on the hybrid pursuit of labor market political, economic and social goals. This leads to my second thesis.

2. For realizing these multiple goals nonprofit organizations use formal as well as informal relationships with actors of the state

State organizations are important partners for nonprofit organizations. This thesis is backed by the theory of interdependence that explains the existence of nonprofit organizations by assuming a specific relation of partnership and mutual dependency between these organizations and the state. The state is thus disburdened from social, cultural and other tasks as it cannot provide solutions for all subproblems and social groups. Nonprofit organizations develop innovative solutions, advocate specific concerns and minority interests, provide specific professional expertise and own contributions to the benefit of the state (cp. Kramer 1981).

Political science considerations on this issue reach from rather pessimistic (as for example Münkler or Salomon) to more optimistic approaches (for example Putnam or Evers).

For Münkler the joint provision of services by nonprofit organizations on the one hand and the state and the market on the other hand is indispensable in view of attenuating the cyclical variations between private benefit and public good within clubs, initiatives and associations, variations that result from the influence of private interests and to which the state as well as the market are relatively resistant (cp. Münkler 2002). According to Münkler the goals of nonprofit and state organizations have to be linked given the structural disadvantages of voluntary organizations and organizations for the public good with respect to their fragile socio-moral resources, their thematic singularity, their one-issue-movement, their tendencies towards particularism and a certain nimby attitude (indifference towards their environment).

A similar argumentation can be found in the works of Salomon (1996: 90 ff.). He identified four characteristics that are related with the failure of nonprofit organizations: their lacking ability to mobilize resources that meet the requirements of the specific task, their obstinate and partly spontaneous definition of central issues on which they focus their support activities, their dependency on donators and sponsors on the one hand and on the clients of "helping organizations" on the other, and their professional deficits, especially with regard to volunteers, as well as the discontinuity of the voluntary engagement. The state can attenuate these weaknesses by providing adequate support and sufficient resources, by defining priorities for the use of the available resources based on democratic decisions, by assuring legal support claims and by fixing quality standards and controlling their application (cp. Salomon 1998: 94).

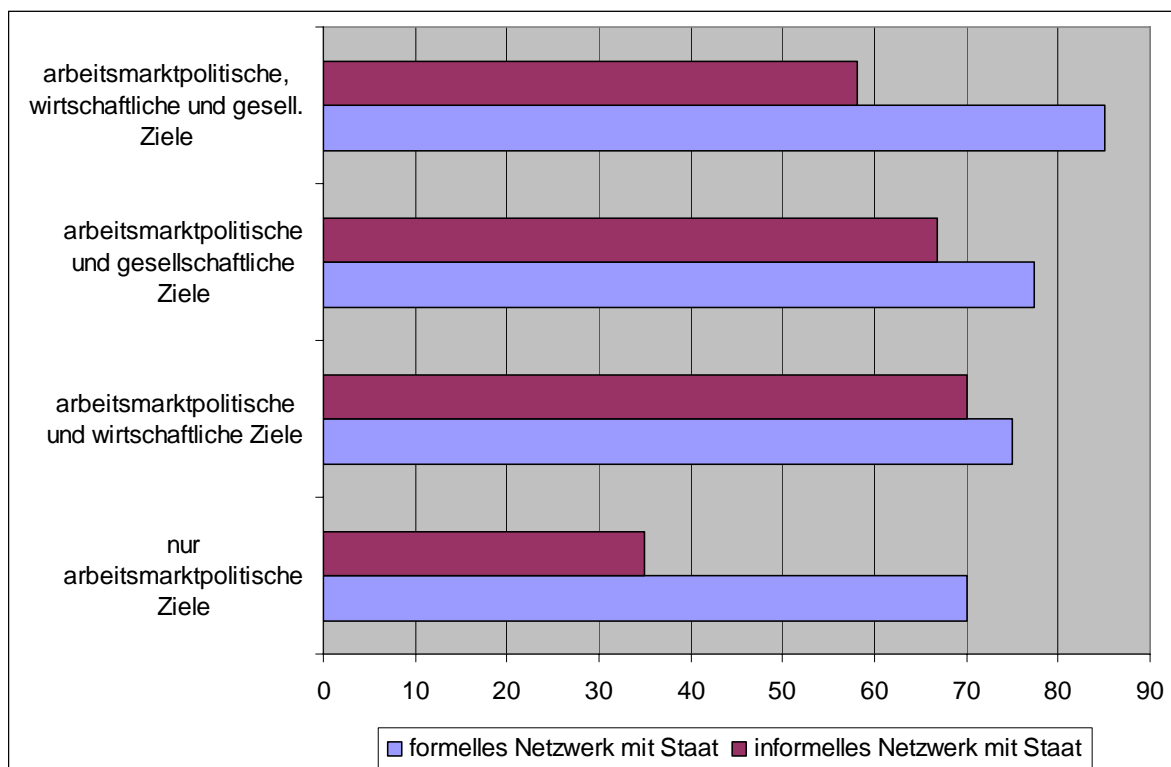
Putnam and Evers provide more optimistic considerations which, however, see a similar consequence in the requirements of cooperation between nonprofit organizations and the state. Putnam referred to social networks as an important precondition for solving conflicts and fighting against poverty (cp. Putnam 2001). He points out that dense social interactions can contribute to robust norms and facilitate the resolution of problems. Particularly those groups that serve as a kind of social bridge – bridging capital – have positive effects since they bring together different people. Putnam considers the state, that is the state institutions and their policies, as an influencing factor for the development and the effectiveness of social capital. By means of tax relief the state can facilitate the creation of nonprofit organizations, by providing a broad range of educational offers it can set the stage for voluntary engagement and it can set up nonprofits on its own that carry out public policies. Thus according to Putnam the goals and activities of nonprofits are closely related to a certain kind of state engagement.

As I have mentioned above, Evers considers nonprofits as intermediary organizations between state, market and community (cp. Evers et al. 2000; Evers 2001; Evers, Rauch, Stitz 2002). The relations towards these subsystems are realized through the use and mobilization of social capital. The work of these organizations is characterized by trust-building, local networking, voluntary participation and other forms of social capital. However, there is always pressure towards developing into a regular business enterprise or the assimilation to standards and guidelines defined by the state. According to Evers five elements are central for nonprofit organizations' ability to accumulate social capital: the ability to participate in informal and formal networks, the

development of and the advocacy for shared values and norms, the ability to use voluntary engagement and fundraising through donations. Networks, in particular those which include state organizations, thus seem to be important elements for the successful work of nonprofit organizations, since they are required for avoiding negative organization effects of nonprofits and for generating social capital that has a positive effect on the realization of multiple goals.

In our study we have investigated the kinds of network relationships of work integration social enterprises. The results of the written survey have shown that most of the work integration social enterprises that have participated entertain relationships of cooperation with state actors (such as the administration or political parties (cp. Figure 2)).

Figure 2: Work integration enterprises in cooperation with the state according to organizational goals



Source: Own survey 2002, N = 300

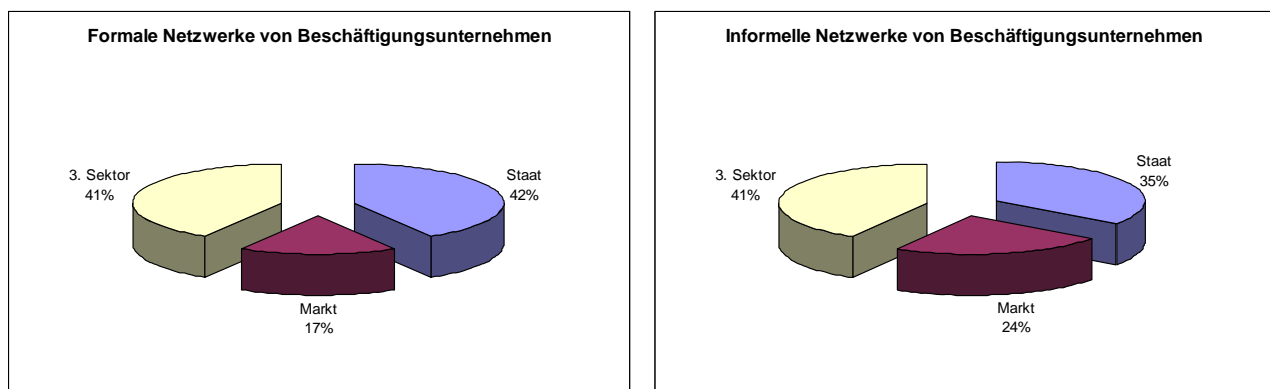
This figure shows the percentage of those work integration enterprises which entertain formal and informal relationships of cooperation with state organizations and which either pursue only one (labour market political) goal or several goals at the same time.

In this context formal cooperations are more important than informal ones. If these nonprofit organizations want to be successful in the sense of realizing multiple goals, they tend to rely far more heavily on network relationships with state actors as compared to organizations that only pursue one single goal. Work integration enterprises do not only have business-like, technical, contractual relations between principal and agent with the municipalities or the work agencies for the placement, qualification or employment of unemployed persons. In their interactions with public actors they also act as experts in specific labour market-related issues, they develop model projects and carry them out or

they develop, in cooperation with the labour and social administration, new local strategies for reducing the rate of unemployed welfare recipients, to boost the local economy and to renew districts, as has been demonstrated by examples from the program “social city”.

It shall not go unmentioned, however, that there are also relationships of cooperation with for-profit organizations, which are mainly of the informal kind. But all in all, these cooperations are quantitatively less important as compared to those between work integration enterprises and state organizations. Between nonprofit organizations we find formal and informal cooperations in equal measure. But the share of organizations with cooperative relationships that pursue multiple goals is rising here as well.

Figure 3: Percentage of work integration enterprises with network relations to state market and to the third sector



Source: Own survey 2002, N = 300

To sum it up: nonprofit organizations in the area of employment and labor market politics focus on the cooperation with other actors, and in particular with state actors. These networks are especially important in those cases when organizations pursue different labor market political, economic and social political goals. I will later on address the effects of a one-dimensional, quasi business-like relationship between state and work integration enterprises on the multiple goal structure and the cooperative relationship, for example with regard to carrying out 1-Euro-jobs or the placement of unemployed persons. But before doing that I want to expound my third thesis.

3. GIVE and TAKE of Social Capital between State and Nonprofits

Public and Nonprofit organisations maintain in the most cases formal and informal networks within the later pursue multiple goals and different activities. And just these multi-functional, cooperative networks are the institutional prerequisites for the successful performance of nonprofits. Inside the networks the generation of social capital take place, because public protagonists send the Nonprofit organizations social support within the networks, they give financial and political support, promote voluntary engagement and give support of the values and norms of Nonprofits in the context from the public policy. This is, what can be called as TAKE of Social Capital by the Nonprofits. On the other side, there is a GIVE, which means the production of Social Capital by the Nonprofits for the public. Elements are here the participation on public networks, the adoption of public aims as quasi-public tasks, the relief of the executive (such as municipalities, public administration) and legislature (such as the parliamentary

process) or the provision of capacities for civic engagement and representation and organisation of individual and group interests.

This relation can also be illustrated in the field of labour market policy. Until the beginning of the 1990s corporatist structures were widely maintained. Generally, the welfare state's strategies can be characterised as post-Keynesian. The local labour offices, besides paying unemployment insurance and caring mainly for short-term unemployed, were funding schemes for subsidized employment and (vocational) training outside regular institutions (schools, market enterprises) (cf. Schmid 2002). The idea of a "second labour market" persisted. The programmes that were channelled through the local labour offices and the funds from the municipal social assistance bureaus were targeted to the most unfortunate and considered as a means of transitional employment – they should as soon as possible lead back to "real work", hopefully to be found on the private labour market. Obviously in such a perspective the use-value of the time limited jobs were measured differently, as a function of their ability to qualify for something else to be gained by the unemployed person afterwards. Funding was confined to wage subsidies (in stead of complete working places). Moreover, these subsidies were reduced, with fewer material incentives to participate in a work integration social enterprises as a result. In face of the fact, that the rate of transfers to the ordinary labour-market was low, a socio-administrative approach were prominent in the field, the emphasis being upon sheltering vulnerable people and using social assistance for "employment therapy". In the population of the Nonprofits in the field of labour market policy, the vision of collective self-help and political agency was marginalized. But instead, the idea of the creation of local programs by a local bargaining – formal and informal – between Nonprofits and public authorities was common. Nonprofits and the labour market administration (such as municipalities or local labour office) agreed about the goals, participation groups, budget and kind of the work and social support of the projects organized by the Work integration Social Enterprises. Beside some formal criteria of the public authorities there were many possibilities for flexible agreements. And at the end, both sides had advantages, because Nonprofits could realize much more aims than work integration as like as social, economic, cultural and other. Public authorities were relieved off own organized projects for the marginalized minority through these activities, which reduced also the complexity in local policy. Politics had not to know each social, labour market related problem and to offer an answer for this.

Before the new labour market reforms were implemented in Germany, one could see how this relation between public authorities and Social Enterprises in this policy field and the GIVE and TAKE of Social Capital between these organisations worked. Let me in a short way these empirical experiences illustrate, which should give an evidence for the theses, of a specific role of Social Capital in a multi functional relation between public authorities and Nonprofits as a precondition for a successful performance of later in the labour market policy field:

Figure 4: Elements of Social Capital (Description during the presentation)

Elements of Social Capital	TAKE from Public Administration	GIVE to Public Administration
Norms and Values	Public good	Marginalised interests
Goals and Interests	Public policy / municipal goals of general interests	Selective, innovative goals of individual / group interests
Voluntary engagement	Support by legal regulation	Fields of activity and organisation of opportunities
Informal social relations	Information, political support	Supporting political aims and partly also power
Informal political relations		
Formal Networks	Information, strategic engagement	Information, operating engagement

4. In the context of a managerial governance style the multi-functional structure of the relationship between state and nonprofit organizations gives way to one-dimensional relationships

The above discussed favorable / beneficial relationship structure between state and nonprofit organizations that reaches into the 1990ies is currently more and more dissolving. Today work integration social enterprises are no longer required / expected to furnish proof of successful placements, carry out tests of the unemployed persons' / their clients' willingness to work or to organize 1-Euro-jobs. In times when the focus is mainly on accountable business relationships the multi-dimensionality of the network relationship between state and nonprofit organizations, and thus the ability to build social capital, is lost.

This development especially manifests itself with regard to the forms of financial support the state gives to nonprofit organizations. During the 1970ies and up to the early 1990ies there was a predominance of global promotions by tax relief in the framework of the legislation on public utility and global allocation of funds, this kind of state allocation is increasingly replaced by service contracts. The state no longer acts (exclusively) as a promoter vis-à-vis the nonprofit organizations but above all as a contracting authority for specific services which are to be carried out efficiently and effectively (cp. Clark, Newman 1997; Clark 2000).

Obviously, if the participating actors share similar conceptions and values it is easier for them to deal with the conflicts arising from this narrowing down of the relationship spectrum between state and nonprofit organizations. This means, for example, that organizations working in the area of labor market support which have specialized on the placement of unemployed have less difficulty to take on the role of a "labor market political service provider" for the work agency or the newly created joined working group of the work and social administration. We have referred to these organizations as "good players" since they adopt many of the state policies without questioning them. Work integration enterprises that put the focus on their conceptual autonomy, their multiple goal structure and their social political mission constitute a different case. There can be

varying and contradictory opinions about the contents of the cooperation, and this increases the risk of conflicts. These problems associated with the so-called “bad players” can easily bring about the collapse of the entire organization, that is its insolvency. In 2001 we observed many such cases. On the other hand, there also exists a third type that we might call the “tricky player”. These organizations construct their relationship with the state in a way such as to assure their survival while at the same time pursuing their own goals.

Networks, as they have been observed in our research project, can thus no longer be described merely as institutions that provide support to nonprofit organizations. What counts today is the form of the cooperation: if nonprofit organizations are considered merely as business partners the state is principally a market actor. On the other hand, it may be hoped that the organizations will turn out to be tricky players which succeed in persuading public politics and state actors to make some concessions in order to reach an arrangement which both sides can be satisfied with.

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