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Paper Non-Profit Organisations & Social Service Provision: Chances for new Governance Arrangements in the Third Sector?

The move from government to governance and the transfer of public services to non governmental organisations means that the third sector is expected to play a greater part in the policy process. In fact governance theorists argue that the private sector's management skills and the third sector's value base will contribute to a more effective policy implementation. Looking into the field of social service provision, this paper summarises stylised facts on the development of governance arrangements that take account of the third sector. As a preliminary step for the authors PhD project it outlines the drafted version of a classification for public private partnerships in the field of social services.¹

Keywords Public Private Partnership, Public Social Partnership, Co-operation, Regulation, Governance, Multilevel Governance, Non-Profit Organisation, SSGI, Third Sector

Introduction

In recent years many governments in Europe and the world struggle to provide more and better public services on limited budgets. This is especially true in terms of the 'welfare mix' as described by Evers and Laville (2004). It is commonly accepted that public authorities have tended to rely for too long on a limited pool of public service providers. At the same time many experts argue that social services are still and far too often missing out on the skills, creativity and areas of expertise that are side in a wide range of private and voluntary organisations. Accordingly the *British Commission on Public Private Partnerships* argues that the 'real challenge we face is to manage a diverse public service sector effectively so that it enhances social equity by improving the quality of, and commitment to, publicly funded services' (IPPR 2001, pp.1). That development comes along with a newly risen awareness of both public and private sector officials for the necessity to exploit mutual interdependencies

¹ The author's PhD project evaluates the influence of EU internal market and competition rules on the provision of welfare services in the field of early childhood education in Great Britain and Germany. Thus it will contribute to a better understanding of the changing role of non-profit organisations in Multilevel Governance arenas (See also page 14).

by means of co-operation due to common concerns about the future (Kooiman 2003, pp. 100). Therefore and just like their business counterparts, public sector officials are now looking for new ways to deliver traditional welfare services at lower costs. Across Europe and even among different welfare regimes many have chosen to form Public Private Partnerships (PPPs), involving the market but also the third sector to a much greater extent than before.

While it is widely accepted, however, that those forms of inter-sectoral co-operation are of great benefit in technical infrastructure projects it remains an open question, whether or not PPPs can also be adapted to the field of social services. Difficulties mainly arise from the fact that it is much harder, some say impossible to bindingly predict costs and risks for providing human related services over the long contractual run-time of PPPs. Moreover it remains highly uncertain in what way quality and quantity of social services would change, when non-governmental and non-elected actors increasingly shape social policy settings. This is especially true for profit-oriented companies and multiplies the expectations upon the third sector in the field of social services of general interest (SSGI). As a result non-profit organisations are increasingly often seen as ideal hybrids for the provision of human-related social services. Anheier, Priller and Zimmer (2000) even argue that organisations of the third sector represent some kind of “nucleus of civil society”, because they combine trust-based relationships with market-based efficiency.² They are much more effective than public entities in providing avenues for entrepreneurial spirit and management strategies but are still anchored in local communities because of their origin in voluntary coalitions. ‘[T]hat is the area of associative freedom, that is to the freedom of individuals to enter into relations with others, pursue common purposes, and form intrinsically or instrumentally valuable associations. It refers not to freedom “per se”, nor to how individuals lead their personal lives, but to the active exercise of freedom in forming networks of social relations’ (Glasius, Lewis et al. 2004, p.19). Thus non-profit organisations act as private entities but produce public goods of general interest. From the author’s point of view this underlines the possible importance of inter-sectoral partnerships including the third sector for better balancing advantages and disadvantages of state, market, and civil society in the field of SSGI.

There is not much research done, however, on the very role of third sector organisations within those newly emerging governance arrangements. In regard to PPPs, research especially suffers from an outstanding lack of systematisation. When it comes to the various nature of public service provision, there are basically no studies done that focus on the distinct characteristics of inter-sectoral co-operation, for example regarding

² German quotations have been translated into English by the author.

differences between social services and waste water supply. To this end the paper proceeds as follows: The first part provides an overview on the third sector's role in new governance arrangements. In regard of the 'welfare mix' stylised facts on inter-sectoral co-operation in the field of SSGI are being highlighted in order to explain the new element of "new" governance arrangements. As a preliminary step for the author's PhD project the second part introduces the first draft of a new classification for PPPs in the field of social services which highlights the importance of a more detailed differentiation regarding the nature of services.

What is new in new Governance Arrangements?

Multilevel Governance (MLG) is a term used since about the mid-1990s to describe the changing nature of territorial politics within the European Union. The concept is closely related to the process of integration through the Europeanisation of public policy but refers especially to informal social and societal areas such as cultural and educational settings, indeed the intermediary sphere between the nation state and the market sector. Thus the concept of MLG describes a system of decision making embedded in a multitude of different levels with multiple access points, and many different opportunities to exercise influence and pressure. 'Governance relates to changed actor constellations in policies that are no longer restricted to state actors and thus to elected politicians and so-called neutral bureaucrats, but encompasses almost by definition private corporate actors, among them associations of any type or field, business enterprises, lobby groups, social movements and public interest groups' (Zimmer 2007, p. 4). In fact, Annette Zimmer argues that the increasing use of the term 'governance' not just implies the genesis of a multitude of new policy or decision-making arenas, but actually means 'the catching up of political science with today's reality of polity, policy and politics' (Ibid.). That development puts an end to the restrictive selection of policy makers predominately by territorial principles but mobilises them among all parts of society including the third sector (Goldsmith 2003). This gives rise to multiple associations and actors which work together in order to achieve common goals and to utilise unused resources of co-operation and partnership. Those partnerships can be established in informal settings but may also be formalised within an institutionalised framework. The more they are institutionalised the more they are formalised, mostly by means of contracts or even through the formation of companies (Budäus and Gernod 1997, p. 50).³ That sets the framework also

³ In general partnerships are understood as relationships between two people. To this point the term partnership describes the way in which two or more parties (people, organisations, groups, countries or other entities) behave towards or deal with each other. Those relations can derive out of sympathy in the same way as they may be a result of distrust or even hate. Potential partners, however, are supposed to work together on a close basis. Therefore they have to have at least a minimum of mutual understanding for each other. Usefully they should share a certain level of common sense, as they have to accept a restriction of their decision scope and very

for non-profit organisations. Not just within the European Union the move from government to governance and the transfer of public services to non-governmental organisations means that third sector organisations are expected to play a greater part in the policy process.⁴

The first one focusing on the third sector as an alternative to market and state was Amitai Etzioni. Already in 1973 he argued that the third sector may 'well be the most important alternative for the next few decades, not by replacing the other two, but by matching and balancing their important roles (Etzioni 1973, pp. 314)'. Closely related to his first conceptualisation the third or voluntary sector is commonly conceived as *Intermediary Sphere* able to utilise solidarity as a major recourse in order to work on behalf of the public weal.⁵ Thus it refers to a societal sphere, 'a third alternative, indeed sector (...) between the state and the market' (Ibid.). Seen from a more recent perspective it can be visualised as an intermediary realm functioning as interpreter between state, market and privacy. Thus it is the sum of all organisational structures whose members have objectives and responsibilities that are of general interest and who also act as mediators between the public authorities and citizens.⁶ Therefore institutions of the third sector are typically seen as being able to utilise mechanisms of solidarity, non-profit objectives, asymmetric information as well as proximity and trust-based relationships on behalf of their goals and objectives. They are often anchored in local communities and cultures and are usually open to involvement of volunteers. It is that intermediary character which makes third sector actors an ideal hybrid for many areas of social service provision.

This sheds light on the very importance of developing and advancing new governance arrangements that include the intermediate sector to a much greater extent than before. Indeed Etzioni referred to this sector as being populated by 'organizations for the future' (Ibid., p. 318). Exploiting these often unused inter-sectoral resources could well lead to a more effective and efficient policy implementation, in particular in the field of SSGI. Not at least because those newly established governance arrangements are no longer restricted to state actors but also address private corporate actors as well as third-sector organisations of any type or field, ranging from local interest groups up to international NGOs (Zimmer 2007, p. 3). Correspondingly Detlef Sack (2003) denotes that already today a very

autonomy in order to co-operate. It is this willingness to share responsibilities and to commonly exploit unused resources by means of co-operation that is one of the possible advantages of new governance arrangements.

⁴ As argued above this development comes along with the multiplication of policy arenas in which decisions are made. Therefore speaking about the 'move from government to governance' simply underlines the fact that an ever increasing number of new interest groups gets the chance to participate in the policy process. It does not mean the end of government.

⁵ Other terms used for conceptualising this intermediate sector between state and market are "Independent Sector", "Non-Profit Sector", or "Voluntary Sector".

⁶ OJ (1999) C329 final (17th April 1999)

heterogeneous mix of different actors and policy arrangements can be found in the field of SSGI. The spectrum ranges from local associations and philanthropic foundations up to public-private networks with varied timescales. He highlights the possible importance of hybrid institutions which have non-profit objectives while being organised efficiently on market-based criteria. Further institutionalising inter-sectoral collaborations in the field of SSGI could therefore help to better address common problems of improving community access to local social services, and promoting shared goals.

That new perspective comes along with a newly risen awareness of both public and private sector officials for the necessity to exploit mutual interdependencies by means of co-operation due to common concerns about the future (Kooiman 2003, pp. 100). It is commonly accepted that public authorities have tended to rely for too long on a limited pool of public service providers. Therefore and just like their business counterparts, public sector officials are now looking for new ways to deliver traditional welfare services at lower costs. Bös and Lülfelsmann (2001) argue that the government's *benevolent welfare goal* is at the same time its Achilles' heel. This is because the 'government's welfare goal gives rise to a discontinuous relation between prices and investment levels' and can therefore lead to an inefficient public procurement (p. 22). In an international perspective this line of reasoning distinctively marks the discussion on *New Public Management* concepts focusing on deregulation and privatisation. 'Discussions focused on a detailed division of competences and responsibilities (...) between state, market, and society as well as on increasing involvement of the market; this opened the floor for the debate on Public Private Partnerships' (Oppen, Sack et al. 2003, p. 6).

Moreover, for a certain number of goods and services both purely private-market as well as public provision proves inadequate. It could be, for example, that there is a significant social value to a greater equal-access of some goods, than fully private markets provide. Health care and education are possible examples. The same applies to goods that cannot be provided effectively by the free market because of excludability problems. Here, the classical example is national defence and to a certain extent, transportation infrastructure. For the later it is often argued that through developing traffic infrastructure, the government not only offers a product such as roads, bridges or rail tracks to customers, but in shaping of regional development policies also supports economical development, distribution of incomes, and locations of industry and commerce (Henn 2006, p. 65). Unfortunately regulations in the field of human-related social service provision structurally differ from other more commercially driven fields of competitive public services. Contrary to the well-defined European competition and internal market legislation which has lead to an unparalleled economic

harmonisation, member states are still predominantly free to define what they mean by SSGI. The 'Green Paper on Services of General Interest' defines them as follows: The reality of services of general interest which include services of both general economic and non-economic interest is complex and constantly evolving. It covers a broad range of different types of activities, from certain activities in the big network industries (energy, postal services, transport, and telecommunications) to health, education and social services, of different dimensions, from European or even global to purely local, and of different natures, market or non-market. The organisation of these services varies according to cultural traditions, the history and geographical conditions of each Member State and the characteristics of the activity concerned, in particular technological development.⁷

Another important variable necessary to understand the complex reality of SSGI are differences between institutional and societal set-ups as expressed in welfare regime theory. This approach assumes that different policy regimes shape concurrent social-policy decisions, expenditure developments, problem definitions, and even the response-and-demand structure of citizens and welfare consumers. 'The relative importance of either the electoral or the corporate-bargaining agenda may depend primarily on the institutional set-up of the welfare state itself, whether it ascribes an important role to organized capital and labour or whether welfare entitlements are granted by the state to the individual as a universal citizen right without institutions or corporate actors playing a mediating role' (Manow 2001, p. 147).⁸ What really matters is how state activities are interlocked with the market's and the family's role in social service provision. These variables define each respective *Mixed Economy of Welfare*. Accordingly, historical path dependencies not only shape social policy decisions but even the response-and-demand structure of citizens and welfare consumers and thus constitute the differences between welfare regimes. 'The existence of policy regimes reflects the circumstance that short-term policies, reforms, debates, and decision-making take place within frameworks of historical institutionalization that differ qualitatively between countries' (Esping-Andersen 1990, p. 80). These institutional setups qualitatively differ between welfare regimes and define the framework for every attempt of changing traditional policy arrangements. 'Frozen historical institutional relationships and *political culture* are factors that sometimes prevent reforms even when many politicians, bureaucrats and *experts* agree on the need for reforms' (Kuhnle 2000,

⁷ COM (2003) 270 final (21st May 2003)

⁸ One of the core indicators for that distribution is de-commodification. It is used to classify the states' potential to reduce the commodity character of human labour. De-commodification indicates the degree to which the position of the worker is strengthened and the absolute authority of the employer weakened, by simply ensuring that citizens can freely, and without potential loss of job, income, or general welfare, opt out of work when they themselves consider it necessary (Esping-Andersen 1990).

p. 234-237, italics in origin). Necessarily, these path dependencies also influence the development or obviation of new governance arenas within or between specific national contexts. This is because the stratification of particular societal arrangements shapes class coalitions, which tend to reproduce the original institutional matrix and thus also certain welfare outcomes. That means that specific policies provide certain incentives that encourage individuals and groups to act in ways that lock in a particular path of policy development (Arts and Gelissen 2002). These path dependencies of national welfare regimes are at least as consistent as economic rules and legal adjustments, even determine them. Moreover and just as economic developments the historical steadiness of welfare arrangements can not be assessed anymore in national contexts but has to be negotiated within supra or even international perspectives. The classical example here is the European Union where they integration and harmonisation of social services proofs to be much more difficult, temporally even impossible than the creation of a single market.

Across Europe, however, the move from government to governance provides a growing number of interest groups with the opportunity to interfere at a multitude of different policy levels with multiple access points, and many different occasions to exercise influence and pressure. That development does not negate the existence of different circumstances depending on specific national welfare regimes but it adds great potential and the knowledge of a multitude of new actors to the way decisions are implemented and thus to the 'reality of polity, policy and politics' (Zimmer 2007).

For the field of social services this means that including the third sector into new forms of political and social regulation could improve some important key variables: among them the accessibility of services, the degree of community involvement as well as the very customer or patient proximity of personal human services. Unfortunately there is very little research done on the actual use and role of non-profit actors within MLG arrangements. In this regard our knowledge of how services are provided suffers from a critical shortage of systematisation. When it comes to the various natures of public services, there are basically no studies done, that describe the distinct characteristics of different forms of inter-sectoral co-operation, for example regarding differences between social services and waste water supply. Because these policy fields differ highly in their respective settings, scopes, and demands it could be very helpful to define more clearly certain characteristics of inter-sectoral partnerships.

Three Types of Public Private Partnerships

Public Private Partnerships (PPPs) are usually designed for the provision of public services (BDB 2004, p. 8) in particular for (technical) infrastructure projects such as constructing highways, public buildings, or bridges. They are known since about the 1970s and were firstly established in the United States. Thus they constitute a 'risk sharing relationship between the public and private sectors based upon a shared aspiration to bring about a desired public outcome' (IPPR 2001, p. 40). Budäus and Gernod regard them as 'a specific kind of social or political regulation as well as channel for public task fulfilment' (1997, p. 25). In PPPs which represent some kind of common action between government and business, the 'focus in achieving convergent objectives is on synergy, the objectives have both social and commercial characteristics, and the respective identities and responsibilities of the parties involved remain intact' (Kouwenhoven 1993, p. 120).

This kind of close connection between various interests is embedded in any definition of PPPs stemming from both government' and the private sector's interest to channel or exploit mutual interdependencies by means of co-operation due to common concerns about the future (Ibid., pp. 100). In regard to the welfare mix this not just levels the playing field for business interests but especially for non-profit actors, because of their very ability to utilise mechanisms of solidarity and trust-based relationships. Therefore many experts regard the inclusion of voluntary or non-profit organisations into the provision of traditional welfare services as fundamental in order to ensure their continuity, quantity, and quality. Thus, Maria Oppen and Detlef Sack (2003) see public non-profit partnerships as a fundamental *element* of recent efforts to modernise SSGI. From their understanding non-governmental actors are used to 'mobilise resources, create additional acceptance for the introduction of measures, but also to meet new participatory necessities' (p. 7). To this end, the state utilises PPPs, to better exploit management concepts of the private sector and to initiate the reorganisation of public service provision in a more effective and efficient way, but also to activate mechanisms of solidarity in order to meet new participatory needs. Coincidentally these newly emerging governance arrangements lead to an increasingly visible dissolution of the traditional dichotomy between state and market (Budäus 2006, pp. 13). There is not much research done, however, on the actual use, function, and role of non-profit organisations within new governance arrangements, especially within output-oriented public private partnerships. Literature suggested a number of possible problems. Thus, the public sector's reliance on non-profit organisations to deliver social services may result in a loss of control, threats to authority, or greater difficulties for maintaining established standards (Brooks 2000). At the same time it has outlined numerous problems for voluntary actors, such as the necessity to professionalise within PPPs and the consequences that raises for their voluntary

identity (Evers, Rauch et al. 2002). Further institutionalising inter-sectoral collaborations in the field of SSGI, however, could help to better address common problems such as improving community access to local social services and promoting shared goals.

Moreover, an improved systematisation of basic differences between inter-sectoral partnerships could help to better understand the diverse reality of new governance arrangements. Therefore and as a preliminary step for the authors PhD project, a first draft of a newly developed classification for public private partnerships in the field of social service provision will be introduced in this paper. It is a three-folded typology of partnerships between the first, the second, and the third sector which should make it easier to better understand qualitative and quantitative differences between profit and non-profit provision of social services. Chart 1 illustrates three possibilities for public entities to contract either private corporate or private non-profit organisations in different fields of public service provision.

Chart 1: Three Types of Public Private Partnership

		Type of Co-operating Organisation	
Contracting Public Entity (First Sector)		Private Corporate Organisations (Second Sector)	Private Non-Profit Organisations (Third Sector)
Field of Co-operation	Nature of Project		
	Technical Infrastructure Projects	(1) <i>Traditional</i> Public Private Partnership	–
	Social Service Provision (mainly SSGI)	(2) <i>Social</i> Public Private Partnership	(3) Public <i>Social</i> Partnership

Possibilities for public entities to contract corporate or non-profit organisations (Source: Author)

‘Traditional’ Public Private Partnerships

In liberal market economies such as the British ‘*Traditional* Public Private Partnerships’ are known since about the 1970s. Since that there has been a major shift towards using the private or second sector in the delivery of public services where the primary purchasers are public entities. This has traditionally taken the form of using private

corporate actors to operate public assets where formerly companies owned by public entities were in charge alone (Bentz, Grout et al. 2001). Today partnerships of this first category are typically used for technical or infrastructure projects such as constructing highways, public buildings, or bridges. Other examples of using for-profit contractors for the provision of public services include waste collection, waste water cleaning, or cleaning hospitals, whereas the later already touches the field of social services.

This perfectly fits into Kouwenhoven's idea of PPPs. He finger points to the fact that business simply and always has to have an essential interest in public investments. Both entities 'focus in achieving convergent objectives is on synergy, the objectives have both social and commercial characteristics, and the respective identities and responsibilities of the parties involved remain intact' (Kouwenhoven 1993, p. 120). That can be interpreted as the public entities increasing acceptance of the existence of some kind of knowledge advantage of private actors in certain fields of public service provision. Accordingly, more and more public authorities rely on using private contractors to operate public assets. However, this kind of policy implementation is still not very common in human related social services. For the case of Germany this was confirmed in late 2007 on a workshop meeting for public sector officials in Berlin that focused on the empirical realities of inter-sectoral partnerships in the field of SSGI.⁹ Most participants also highlighted that non-profit actors barely have any experience with new governance arrangements such as PPPs in the field of social services. Altogether that clearly underlines the necessity to introduce a second category of possible forms of collaboration.

'Social' Public Private Partnerships

'Social Public Private Partnerships' are still less common and describe a form of collaboration in which public entities and private corporate actors form PPPs for the provision of certain social services. In *Social* PPPs private partner would not just plan, build, and maintain buildings and technical assets of kindergartens, hospitals, or elderly homes but would also be responsible for the provision of social services. This means that a second sector organisation with "for-profit" objectives is in charge not just for planning and maintaining technical assets but also for providing and ensuring the quality of social services. Many fear that the trend of increasingly contracting out to the private sector could lead to an exaggeration of market-based objectives such as efficiency and effectiveness in an area where non-profit criteria should dominate (Eichhorn 1979). Experience actually shows that

⁹ The conference was organised by the *Deutscher Verein für öffentliche und private Fürsorge e.V.* in co-operation with the *Observatory for the Development of Social Services in Europe*. The results of another closely related workshop are published in a booklet which is available in German language only (Höffer and Piontowski 2007).

maintaining customary standards of public welfare provision often proved very difficult after suppliers turned private. An unbalanced introduction of private operators into the field of social services could make it extremely difficult to maintain quality and quantity in the long run.

That is why, third sector organisations are increasingly often seen as ideal hybrids for the provision of social services. Maria Oppen and Detlef Sack for instance, argue that non-profit organisations are optimal actors in order to 'mobilise resources, create additional acceptance for introduction of measures, but also to meet new participatory necessities' (2003, p. 7). They are considered to have some of the most essential competitive advantages in establishing customer proximity in personal human services. This sheds light on the importance of a third category of partnerships: the collaboration between public entities and non-profit actors.

Public 'Social' Partnerships

In contrast to collaborations between public and corporate actors, 'Public *Social* Partnerships' are co-operations between the first and the third sector. They represent a very different mix of resources because third sector organisations typically focus on enhancing social and public welfare rather than maximizing monetary profits. This is because they can typically utilise mechanisms of solidarity, not-for profit objectives, asymmetric information as well as proximity and trust-based relationships. They are often anchored in local communities and cultures and are usually open to involvement of volunteers. One of the first studies in this area was conducted in the United States. It is based on two large, comparable samples from the United States and finds that collaboration between public and non-profit entities shows some remarkable similarities and mutual benefits: About one half of the government and non-profit executives sampled, consider partnerships valuable in jointly addressing problems, improving community access to services, improving community relations, and promoting shared goals. Slightly more than half of both samples agree that those partnerships could help building a stronger community (Gazley and Brudney 2007, p. 398).

However, the very same research project also revealed some serious obstacles for Public Social Partnerships: Non-profit executives are more likely to express obstacles to collaboration than public officials. 'Nonprofit executives [...] exhibit a stronger undercurrent of negativity toward partnership, even after they have experienced working with government' (Gazley and Brudney 2007, p. 411). The authors call for further research in order to better understand why third sector actors 'perceive themselves as the weaker partner in intersectoral relationships and at greater risk of experiencing the negative aspects of

partnership'. Without question these findings are highly influenced by the specific American reality of a much less developed first or state sector but they also offer an idea of the kind of problems public entities will face if they intensify their relationships with voluntary actors in post-corporatist environments such as Germany with increasingly liberalised social services markets. 'This corporatism was subsumed under a state edifice perfectly ready to displace the market as a provider of welfare [...], strongly committed to the preservation of traditional family-hood' (Esping-Andersen 1990, p. 27). Contrary, new forms of governance such as Public Social Partnerships compromise much closer and more binding contractual solutions between public authorities and third-sector organisations.

Research Implications

International debates on the third sector focus on the fundamental question how modern societies organise social welfare, especially in its economical relevant form. (Backhaus-Maul and Mutz 2005, p. 93)

Third sector organisations are more and more seen as ideal hybrids for the provision of social services. While many of them welcome this opportunity, these new governance arrangements which are highly influenced by European legislation also pose a number of serious challenges for non-profit organisations: in relation to the organisation's increasing institutional hybridisation because of rising pressures to professionalise in order to cope with competitors on newly liberalised social service markets (Evers, Rauch et al. 2002); in regard to their traditional role as source of legitimacy; as well as regarding effective and efficient means of policy implementation. Research even has suggested, that the public sector's reliance on non-profit organisations to deliver social services may result in a loss of control, threats to authority, or greater difficulties for maintaining established standards (Brooks 2000).

At the same time, however, public authorities have tended to rely for too long on a limited pool of public service providers. Many experts argue that social services are still and far too often missing out on the skills, creativity, and areas of expertise that are side in a wide range of private and voluntary organisations. Therefore many public sector officials are now looking for new ways to deliver traditional welfare services at lower costs. Across Europe and even among different welfare regimes many have chosen to form PPPs, involving the market but also the third sector to a much greater extent than before. One of the main advantages of this development is the very willingness of potential partners to share responsibilities and to commonly exploit unused resources by means of co-operation. Because co-operation is a rational requirement of competition, they have to agree upon sharing at least a certain

minimum of resources. Moreover, working towards the same end also allows using limited resources more efficiently. But where is the slim edge between co-operation and competition in the field of SSGI?

An answer would presuppose two things, both of which are highly uncertain: '[F]irst, that there is something like an *optimum point* at which the order-maintaining functions of the welfare state are preserved while its disruptive effects are avoided; and second, if so, that political procedures and administrative practices will be sufficiently *rational* to accomplish this precarious balance' (Offe 2000, p. 72 - Italics in Origin). Moving from government to governance does not promise a satisfying answer 'per se', but opening up new grounds of up-to-date policy implementation could help exploiting hitherto unused societal resources. In regard to the third sector this promises more effective ways for navigating the slim edge between welfare and revenue goals in the field of personal human services.

This sets the framework for Public 'Social' Partnerships. Non-profit organisations are more and more incorporated into the delivery of public services on nearly all political levels. New chances to play a greater part in the policy process are opened up for the third sector, constantly establishing innovative forms of political and social regulation (Budäus and Gernod 1997; Grande 2000; Gazley and Brudney 2007). In fact governance theorists argue that the private sector's management skills and the third sector's value base will contribute to a more effective and efficient policy implementation. From this perspective new governance arrangements including the third sector may even help reducing the EU democratic deficit (Sudbery 2003). Unfortunately the regulations in the field of social markets structurally differ from other commercial fields of competitive service provision and member states are still free to define what they mean by SSGI.¹⁰ Therefore the bedrock question of Europeanization certainly is how far these services are, or should be, subject to the rules of the common market and of competition law.¹¹ The according answer will subsequently have major consequences for many third sector organisations because it will significantly influence terms and conditions of social service provision. For the third sector's effective functioning, however, it would be most important to guarantee its legal framework conditions especially when it comes to designing structural reforms, such as creating new governance spaces for social service provision.

¹⁰ COM (2006) 177 (26th April 2006)

¹¹ Aspect highlighted in conclusions from the '1st Forum on Social Services of General Interest', Lisbon (Portuguese EU Council Presidency, Sept. 2007: <http://www.mtss.gov.pt/eu2007pt/en/left.asp?01.02.03.01> (Download: 21st November 2007)

'However, up until now there is a decisive gap between the Brussels Euro-talk referring to civil society and the real world of these organizations being active at the local level in the European countries' (Zimmer 2007, p. 17). For the field of SSGI, however, inter-sectoral partnerships including non-profit organisations may help closing this gap between myth and reality. Firstly, because of the third sector's solidarity resource; and secondly due to its actor's unique capacity to combine public action with individual initiative. Thus public social partnerships could be an essential resource for improving quality and access to social services while at the same time provide an overdue occasion to better define the meaning of SSGI within the EU internal market and competition rules.

Author's own research

The classification of PPPs developed in this paper is a preliminary step for the author's PhD project and will be used as a starting point to conceptualise the transformation and alteration of governance arrangements in the field of social service provision (policy field: Early Childhood Education, ECE). In regard to the paper's main focus one of the most important questions is how non-profit organisations react on the creation of new governance spaces. Based on a comparison between Germany and Great Britain with its different welfare traditions the study will specifically explore the way public entities are using inter-sectoral co-operations for service provision and the influence of European competition and internal market rules on the creation of those new governance spaces. To that end expert interviews will be conducted with both third sector officials and the European Commission.

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