

Facing New Challenges. Work Integration Social Enterprises in Germany

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Introduction

Unemployment has become and has persisted to be a key problem of social integration in Germany. Currently, more than four millions of people are registered by the Federal Labour Office as unemployed (almost 11% of the total labour force). In particular, East Germany is affected by a huge lack of paid work, the unemployment rate exceeding 20% there. There is little hope that the situation will improve in the forthcoming years. Some groups of the population are especially endangered: the elderly, the disabled, women with little professional experience and unskilled workers. These groups face considerable risks of long-term unemployment and a high risk of social exclusion. In Germany, one speaks of long-term unemployment when someone is registered by the Federal Labour Office for more than 12 month. Almost half of all registered jobless people are in that situation at present. In many metropolitan cities and economically weak regions, the long-term unemployed rate exceeds this level. It is well known that long-term unemployment is to blame for a range of harsh social problems: A comparatively large part of the unemployed faces difficulties in health, family life and social relations (friends, neighbourhoods). Further problems are drug addiction, the misuse of alcohol and debts. There is little doubt that these social problems make social expenditures rise. In Germany, this increase especially affects the budgets of municipalities, since it is them who have to finance the growing social assistance budgets.

As a consequence, public policies face tough challenges. Various strategies have been employed. Creating jobs in public services has been a classical way of reducing unemployment; but this strategy has come out of fashion. A second approach was deregulating the labour market or subsidizing low wage employment; thus far, this has hardly reduced unemployment in Germany, let alone the risk of social exclusion.

Though not always being perceived as such, a third way of tackling unemployment and social exclusion has proved to be an important one in many European countries, including Germany: Public bodies and major actors of civil society have invested in local projects that aim to create or support specific opportunities by providing paid work, vocational training and social support to the jobless. For this purpose, specific agencies have been set up which will be called "*work integration social enterprises*" (WISE) in the remainder of this paper.

The nonprofit sector plays an important role because most organisations set up as WISE can be seen as part of this sector. Basically every non-profit organization with paid staff can make use of public subsidies in order to offer jobs on a fixed-term basis, provided its project is consistent with the schemes incepted by public labour market policies. Some nonprofit organizations have been founded around issues of occupational and social integration, other pre-existing ones have taken integrative goals and policies on board, e.g. by employing people that run on the respective public programs for fix-term employment. The activities of WISE mostly focus on occupational integration, combining training, social support, work activity and job placement. Others see themselves as intermediate labour market agencies, bridging periods of joblessness and temporary employment. Some organizations intend to create additional occupation by pioneering new products and services. While some of these activities get remunerated by public bodies (social assistance bureaus, the labour market administration) and some even have proved to be profitable, there is an undeniable additional input by civic activists within and around these organizations. The state did and does not fully fund their activities, and working with long term unemployed people that have lost work orientation and self-confidence turns out to be unprofitable in many cases. More generally, work integration social enterprises (WISE) stand for a holistic approach to social reintegration. They attempt to bring jobless people back in what can be labelled ordinary society by combining economic activities, social empowerment and infrastructure building, the latter embracing opinion build-

ing, conceptual work, community development and the production of goods or services deemed to serve the common cause.

Without lengthy theoretical clarification it should be by now clear why the respective organisations can be called social enterprises:

- they are “social” to the degree they take up integrative tasks that are useful to the individual jobless people and the community at large – not only because this gets partly repaid by public funds and programmes but as well because they see this as part of their own intrinsic mission;
- they are “enterprises” because with the formerly unemployed they create products and services, partly for the local private markets and to the degree they develop an entrepreneurial style of action

Many German WISE are however owned by municipalities, instead of having a plurality of owners or being under the umbrella of social welfare organizations. Yet such WISE in the public sector, similar as other public sector organisations have a considerable degree of independence and cannot be seen as simple parts of a hierarchical state administration; using the theoretical concept of “hybrid” organisations, we will argue that their similarities with further “Third-sector-WISE” are more important than the differences brought about by borderlines between the sectors.

The overall objective of this paper is to provide a theoretical framework for understand the particular character of WISE and to show how this profile develops in the empirical field under study, given the existing institutional environment and recent tendencies of social and political change. While we deal with a specific field and a particular country, the case of German WISE is to some extent emblematic for developments to be found in other countries and other parts of the nonprofit sector as indicated by recent work dealing with the transformation of nonprofit or voluntary organizations (see e.g. Bode 2003, Anheier / Freise 2004; Ascoli / Ranci 2002, Evers / Laville 2004). This paper will elaborate on two items:

- the hybrid character of social enterprises that sets the frame for a multiple-goal-centred analysis of WISE and
- the empirical development of the latter under conditions of particular public policies.

Our argument which is based on research undertaken between 2001 and 2003¹ runs as follows:

- first of all we present a specific *analytical concept of social organizations in the third and parts of the public sector*, arguing, that these organisations should be understood as hybrids, intermeshing and balancing goals and resources that otherwise dominate in the market, the state administration or in the civil society and community life; these organizations are understood as *hybrid organisations and social enterprises*; this concept differs in various ways from other ways to understand third sector organisations, but especially insofar as such hybrids and social enterprises can be found as well within the public sector and at the margins of the market sector, common features are seen as being more important than conventional demarcation lines between the sectors
- in the second chapter, we will *deal with the ways such “hybrid” organizations operate in the field of work integration*; we will show that German WISE rely on a special mix of re-

¹ The analysis emanates from a vast European project analyzing social enterprises in the sphere of work integration policies comparatively. The project was financed by the European Union and aimed to study the potentials of these enterprises in a specific field of public policy, i.e. strategies for occupational integration. The project was run by 11 national teams and was coordinated by the «Centre de Recherche Interdisciplinaire pour la Solidarité et l’Innovation Sociale» in Belgium. Results of this research are presented by Bode / Evers / Schulz (2004), Evers / Schulz (2004) and Bode (2005).

sources, of goals and working styles, intermingling state-public, market and "third-sector" / social capital elements which gives them specific potentials that cannot be found in commercial or bureaucratic public sector organizations;

- in the conclusion, we sketch a range of *challenges posed by developments in the environment of WISE* and emblematic for the general evolution of the nonprofit sector in the Western world.

1. Looking differently at organizations that are not for profit. The concept of "hybrid" organisations as "Social Enterprise"

It has become a common place that modern society does not exclusively consist of market and state organizations. It also includes a so-called "Third sector", a field composed of not-for-profit organizations of various kinds. However, the concept of three clearly separated sectors can be questioned. Public organizations can use volunteers and the commitment of civil society, just as classical third sector organizations do; and both, public and third sector organizations nowadays operate in market environments and use management techniques that derive from the private sector. The concept of "hybridisation" and the way we use and understand the label "social enterprise" reflects these doubts about clear demarcation lines between sectors and organizations.

When speaking social enterprise, however, we deviate from definitions that proliferate in the academic field for some time now. At present, there are different ways of employing the label "social enterprise". In the UK, for example, the expression is currently en vogue in political discourses, but without a precise definition ever being given. Possibly, the "Zeitgeist" favours a link between entrepreneurial and social thinking. Some years ago, moreover, the OECD has published a book, titled "social enterprises" (OECD 1999). According to this international organization, social enterprises are defined by the fact that they are concerned with social and occupational integration (as an additional goal to other activities). This, however, would imply to confine their impact to a special sector of public policies, i.e. labour market policies.

A different approach has been presented by a group of European scholars studying the field of economic activities run without the ultimate aim of making profits. This group – called the EMES-network – has made an attempt to define social enterprises on the basis of a set of classificatory criteria. It perceives them as specific organizations that, on the one hand, are entrepreneurial because they run a continuous economic activity and earn money by sales to some extent, and because they fulfil certain social criteria, on the other hand. Seen as an ideal type, social enterprises are founded and managed by civic activists, use participatory mechanisms in running their business and make sure that surpluses are used according to the preferences of their stakeholders. In case an organization meets these criteria, it corresponds to this model (cf. Borzaga / Defourny 2001).² Putting it differently: The notion of "social enterprise" stresses the fact that, in major western societies, organizations (might) exist that combine "real" economic activities (and not only charitable, recreational and cultural activities) with broader social aims.³

Methodically, this approach belongs to the same type as the one used by the Johns Hopkins project (profiling the nonprofit sector in international perspective) insofar as both rely on a

² This kind of methodological access developed in the course of work inside the EMES network is the book edited by Borzaga and Defourny (see in particular the contributions of Evers and Laville/Nyssens). See also the contributions to Evers/Laville (2004).

³ In Germany, a similar definition is used by the research group around Birkhölzer (see: Birkhölzer 2002).

bundle of *classification-criteria* rather than a theoretical concept (Anheier et al. 1998). The set of criteria in both concepts is different, however, with the most important difference being that the EMES criteria are open to organizations that stem from the long legacy of "reform economics" as represented by mutuals, cooperatives and other organizations that have not played a significant role in the US-American tradition of socio-economic development and academic debate (Evers / Laville 2004). Speaking of social enterprises then instead of non-profit organizations makes clear that the special economic dimension of many nonprofits producing goods and services should be taken into regard.

But what are the particular traits of a social enterprise if we understand the latter by an *analytical approach*? The theoretical concept to be sketched in the following builds on a stream of thinking about the Third sector and the "welfare mix" (cf. Evers 1993). Its core idea is to identify, besides states and markets, further fields concerned with the "production of welfare", by considering organizations of civil society, informal groups and social communities (like the family). The intermediate area between state, market and community is seen as a contested field, constantly influenced by the logic of markets, the impact of various communities and conceptions of the private life and, finally, by state policies. The way nonprofit organizations cope with these environmental signals, potentials and pressures determines to what degree they keep their distinctiveness as something "third", or shift towards commercialization or "etatisation". Thus, they may run the danger of loosing their relationships to the forces of civil society which give them a degree of autonomy vis-à-vis market pressures and demands from state administrations.

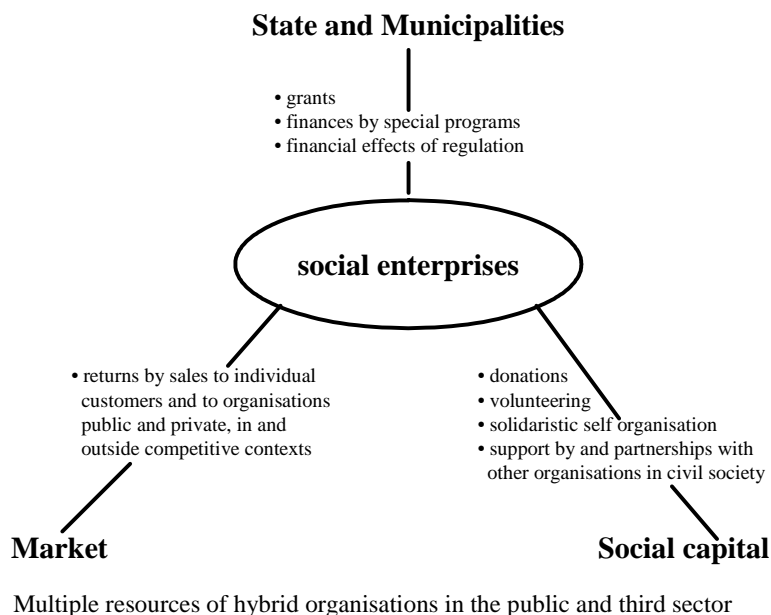
The concept of hybrids builds on this conceptual legacy, but in a way radicalises the idea of inter-linkages between different fields and actors by arguing that many organizations can be seen as hybrids insofar as they get formed simultaneously by (a) public guarantees and interventions, (b) concepts and pressures from markets and, finally (c), by influences from civil society (Evers 2001). Obviously, this concept of social enterprises as *hybrid organizations* (Evers / Rauch / Stitz 2002) only makes sense to the degree that one goes beyond that well-known form of "hybrids" where either the state or the market is absolutely dominating or where a "hybridisation" is limited to these two components.

Since it is argued here that the link with civil society and its "social capital" is a crucial point (see Tables 1 – 3) a few words of clarification are needed concerning our understanding of these two topics. By "civil society" we mean those actors and forces in society situated outside of state bureaucracies and professional politics on the one and pure business transactions on the other hand – that is, those areas where people organize and behave as members of communities and as citizens. Obviously being rooted in civil society often presupposes to be embedded in a specific setting within society, e.g. through special ties and loyalties to a local community (see Cohen / Arato 1995). The concept of "social capital", as it is used here, strongly refers to the one of Putnam (2000). For sake of simplicity it might be said that wherever elements of civil society get used as a resource for politics or economic transactions (and thereby as well stimulated and cultivated), these features of a civil society like trust, ability to associate, to be "other – regarding" in one's transactions get treated as social *capital*, as a resource that is used.

In order to get a better understanding of why many organizations might be seen as "multi-dimensional" hybrids taking up elements from three different spheres, let us consider basic dimensions of influence and see what could make up for the impact of markets, states and civil society and its "social capital". The fact a hybrid organization is not strictly governed in a one-dimensional way, by hierarchical public decision-making or the profit motive, can indeed manifest itself in the different dimensions.

- *Resources*: A mixed resource structure (see table 1) can result from the fact that an organization covers its costs partly by sales to individual customers and other organizations, which may include state or municipal bodies they contract with; given a context of competition (be it for individual customers or for bidding a tender within the context of a public subscription) these resources would be market resources. Other resources can be state and municipal resources related to issues of the public good and social benefits – e.g. those that go to an organization by supportive special regulations, by grants, tax exemptions or subsidies and as well by state-investments in the infrastructure of an organization. Finally, there are resources that stem from civil society. Traditional expressions of these resources are e.g. social solidarity and mutual self help. More recently, partly under the influence of the US-American culture, donations and volunteering are featured as key resources of the civil society. Yet we should also allow for issues such as trust-building, the ability to associate, to be sensitive for the needs and views of others, and to have a political approach to social life as important informal resources hybrid nonprofit organizations may mobilize and make use of. One might employ the label "social capital resources" to seize this special dimension in the resource structure of a social enterprise (Evers 2001).

Table 1: The mixed resource structure of Social Enterprises
(from Evers / Rauch / Stitz, 2002, 28)

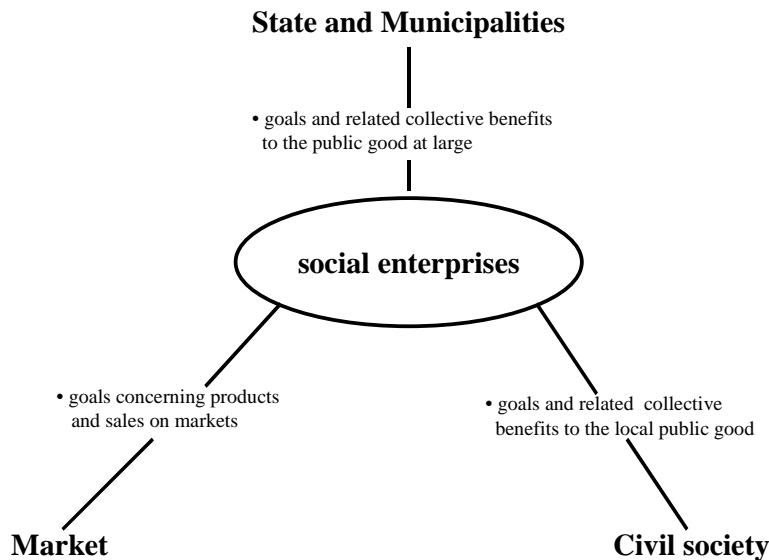


What has just been discussed with a view on resources – the "hybridization" of different components within an organization – can be debated as well with a view on goals, internal governance and the "culture" of an organization.

- *Goals and internal governance*: An organization can produce goods and services that relate first of all to the preferences of individual consumers on markets. Yet at the same time, the spectrum of its services can be directed to the specific social needs of a locality or community (a "local" concept of the public good). Finally, through the influence of

public authorities, the organization can be given a role as a quasi-public provider forming part of a fairly standardized state-guaranteed service network. Instead of being driven exclusively by competition and the profit motive, the requests coming from public administration or by a group of citizens supporting the organization, all the three factors can have some impact simultaneously.

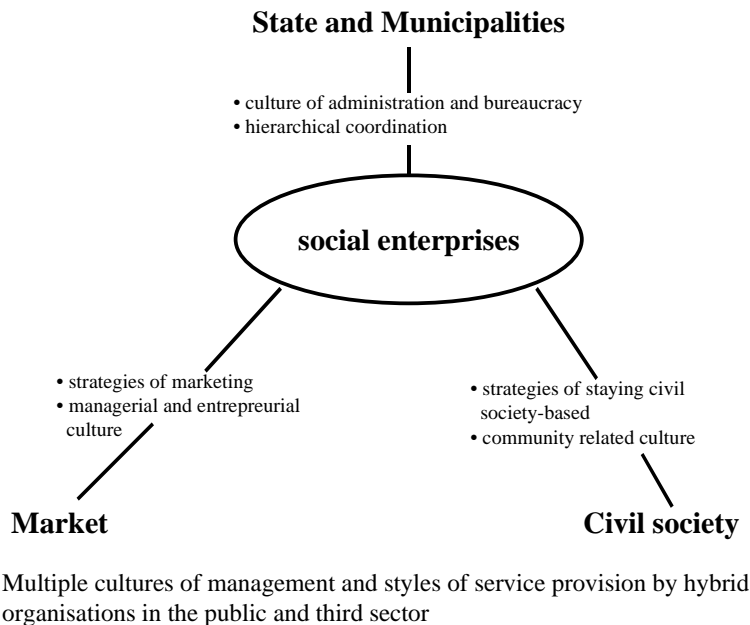
Table 2: Mixed goal structure of Social Enterprises
(from: Evers / Rauch / Stitz 2002, 30)



Multiple goals of hybrid organisations in the public and third sector

- *Organizational Culture*: There can also be a kind of "multiple" corporate identity, even though it might appear difficult to conceive an organization with a strict and effective management style and operating in a competitive environment, while at the same time being situated at the margins of what is seen as the public sector and finally mirroring the more informal and trust-based climate that one knows from organizations that are called "community-based".

Table 3: The mixed organizational cultures of social enterprises
(from: Evers / Rauch / Stitz 2002, 36)



Summing up our understanding of organizations as hybrids and social enterprises one can say that we understand a large part of organizations in the public and the third sector as hybrids and social enterprises

- to the degree they merge internally rationales that clearly predominate otherwise in the core areas of the state, the business or in many parts of the third sector
- to the degree they combine various (i) social and economic resources, (ii) goals, (iii) steering mechanisms and (iv) cultures of management

Such an approach puts less emphasis on the borderlines between the public and the third sector to the degree that the public sector allows to parts of its organizations to govern themselves autonomously. This is more and more the case in advanced Western societies where many public sector agencies have been reengineered as “quangos” in recent times (Skelcher 1998, van Thiel 2001). In the same run, public organizations can not only act and invest at one’s own risk and take an entrepreneurial style in its operations, but establish new and other links to civil society (Evers / Rauch / Stitz 2002). Public organizations may thereby become more similar to market organizations but to civic associations as well. Speaking of hybridisation does however not suggest a balanced composition of market, state and civil society elements within social enterprises. The impact of civil society and its social capital can be quite meagre while the increasing influence of market mechanisms may undermine a public-good respectively civil-society orientation. To the degree this is the case the respective organisations have to be placed increasingly near to the “hard core” of the state-public or market sector. There can be various degrees of difference of hybrid social enterprises to the world of private business, clearly dominated by the for-profit-imperative and to those state organizations that form part of a hierarchy and are only very indirectly – e.g. by the decisions of central government – linked to civil society.

2. Social enterprises operating in the field of work integration

2.1 The institutional framework for nonprofit labour market integration in Germany

So far we have sketched the theoretical concept of hybrids and social enterprises as a special way of understanding not for profit organizations busy in the third and parts of the public sector. We will proceed now further by applying this concept to organisations that operate in the policy field of work integration and labour market policies – those ones one could in other terms call non-profits or semi-autonomous public agencies. We analyze them according to our theoretical concept as work integration social enterprises (WISE). The example of German WISE will show the usefulness of our approach but it will show as well, that the hybrid character and the relating holistic approach to social integration of these social enterprises is under permanent strain.

As already mentioned, current labour market policies in Germany do not leave much space for this approach to proliferate in the field under consideration. This already mirrors in names of German WISE: Most of them are labelled "organizations for employment and training" which says something about their purposes but nothing about their organizational status. Moreover, their particular status gets little attention in the public debate dealing with solutions to the unemployment problem (cf. Fels et al. 2000; ZEW 2000). WISE are primarily seen as "transition managers", that is, as actors providing for short-term qualification and placement, and not (anymore) as a place for long-term occupation. This had been different as long as a concept prevailed that had been called the "second labour market" – that is, a publicly subsidized set of organization that help out as long as people are not employable or have to be prepared to a new start. More recently, German style New-Deal policies have reinvented such employment measures (with the inception of the so-called One-Euro-Jobs) but these are limited to short periods of time and probably combined with new kinds of "transition management".

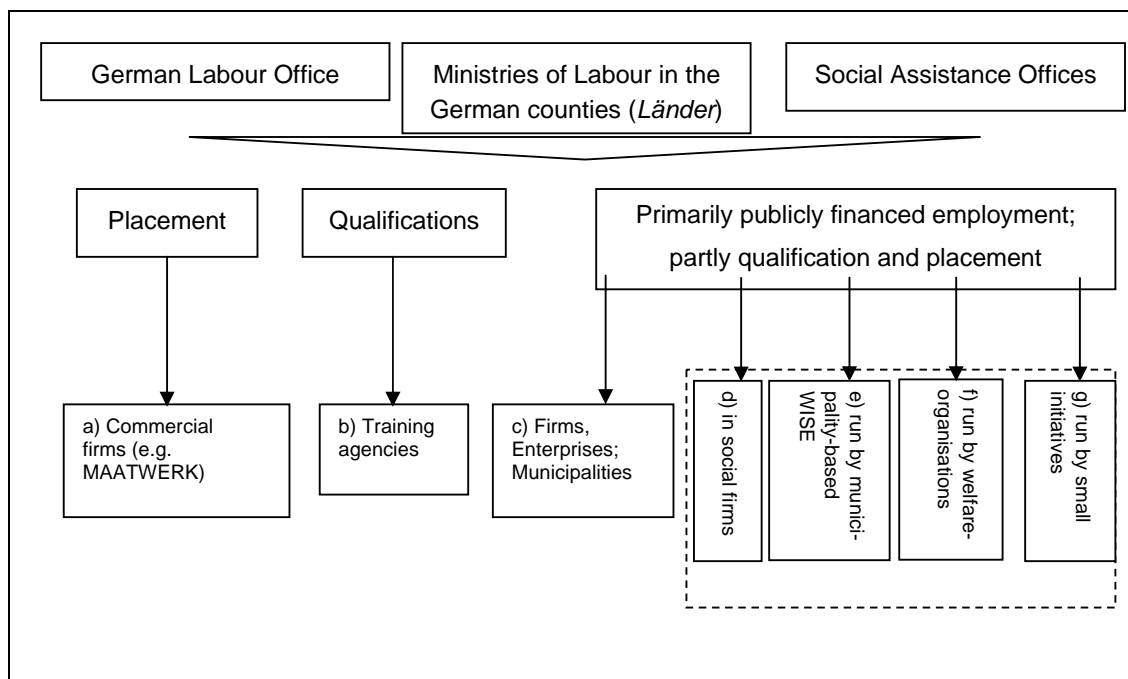
Many WISE have never offered anything more than a time limited occupation, such as the big integration agencies employing more than 1.000 participants in East Germany or many organizations instigated and managed by the municipalities which, by the way, have often been criticised for doing nothing more than to "administer" the unemployed rather than to contribute to their sustainable reintegration. But even those WISE that pursue a more holistic approach (see below) have to cope with a philosophy of public policies that does not allow for them being actors with an own social and political concept that might e.g. include to mobilize civic engagement and to invest in economic activities with the aim to improve a given local infrastructure. Public bodies mostly prefer partners as willing subcontractors that do not aim to do more than the incentives of the respective public programs suggest.

Thus, if it comes to the analysis of WISE in Germany, one has to take into account an institutional framework that makes them appear less as hybrids and social enterprises, able to work to some degree at their own risk and responsibility, and more as state/municipal-based organizations, marked by central labour market regulation and financed by public programs – or, in short, as a sub-department of the bureaucratic welfare state. Most WISE are cooperating with the Federal Labour Office, the regional Ministry of Labour (of the respective county) and/or with the municipalities, especially their social assistance departments. They have largely concentrated themselves on the implementation of publicly financed programs for financing combinations of fixed-term employment (and income) as well as training. Yet, given the fact, that there is a broad variety of programs with different aims, regulations and funding rules, organizations involved in activities of labor market integration have developed different specializations. Some of them exclusively concentrate on programs that finance fixed-term em-

ployment. Some focus on job placement (and the funding opportunities linked with that) while others only provide for training. There is a large quasi-market of commercial and not-for-profit organizations busy in the field of vocational training and qualification, with a large part of them funded by public authorities. Furthermore, a small sector of commercial organizations exists that are exclusively dealing with job placement – be it for very qualified persons, or sometimes for recipients of social assistance. A typical example is the Dutch company "Maatwerk" which was, a couple of years ago, the first commercial company contracting with public bodies in the field of labor market reintegration. Municipalities began to pay per capita fees for each person successfully placed on the ordinary labour market and – as a desired consequence of the latter – taken out of social assistance. Many organizations in the field of labour market policy, however, run a mix of activities, and so do most of the WISE. This is understandable given the fact that the elements of the integration process often coincide anyway. Combining different measures is also a consequence of public regulation. For instance, some programs require the combination of fixed-term employment with training measures. Furthermore, they oblige WISE to make own efforts to rapidly place the participants on the first labour market.

The use of "Maatwerk" as well as some of the above-mentioned regulations point at recent trends of active labour market policies in Germany. Increasingly, people without work are requested to participate in programs for improving their short-term employability. To this add the recently created workfare programs which oblige the long-term unemployed to work in public or nonprofit organisations while receiving one Euro per hour plus social assistance. Obviously both short-term "workfarism" and a strict focus on creating "employability" can make working conditions difficult for those WISE that cling to a plurality of goals, including the creation of additional work offers, new quality services and measures for social integration and support that have only a loose link with the challenge of creating an instant employability.

Table 5: Instruments and Carriers of Active Labour Market Policy in Germany



In sum, it is evident that WISE in Germany are tightly bound to public policies that are looking for partners that promise to be specialized for this or that task they want to contract in. This has even become more crucial with recent workfare policies. However, this is only one part of the story. In fact, it is worthwhile to look for goals, resources and working styles in the WISE apart from those imposed by public programs and for organizational rationales going beyond those set up by welfare bureaucracies. Market and civil society continue to be influential and a point of reference for many WISE. The different rationales of public programs, aspirations of partners in civil society (like the churches, or small community initiatives) and of private business actors willing to create new products respectively services and additional employment may not always go together well. There is evidence, however, that WISE do more than workfare, in spite of an institutional framework pushing them in this direction.

2.2 The landscape of work integration social enterprises in Germany

Drawing on the concept of social enterprise it is possible to identify, within the field under study, organizational rationales that go beyond what the institutional environment seems to impose. This being said, one has, in order to assess this potential, to take account the enormous diversity in the landscape of WISE (cf. Werner / Walwei 1997; Evers / Schulze-Böing 2001, Bode / Evers / Schulz 2004). It proves difficult to generalize concerning the extent to which there is economic autonomy and even more the extent to which social capital and civic concerns are prominent in the field under study. What might be helpful is a kind of typology of different kinds of WISE in Germany, one crucial factor being how these WISE are formally embedded in institutional contexts. One might distinguish, then:

- *Potential WISE that are called in Germany "Social Firms"*: In some of the federal states of Germany, such as Thuringia, Saxony or Lower Saxony, a special type of enterprise called "social firms" has been created. As the name already indicates, these firms focus on occupying especially disadvantaged groups, mostly the long-term unemployed. They are supposed to foster their transition into the first labour market by offering them a job in a start-up business. For a period of four years, the business receives a (decreasing) public subsidy for this purpose. Afterwards, it must continue as usual, self-financing commercial enterprise. It should be noted that the quality of being "social" is referring only to the fact that people with low employability are taken on board. The economic activities can be of any kind. Moreover, these projects are meant as a temporarily subsidized but commercial start-up. Public funds shall just be used to run "on-top"-activities such as a company-centred training program. In addition to this, both the goal of profitability and a clear identity of being an economic actor have an impact on the firms' resource structure. Social capital resources by partnerships, networking or voluntary commitment do not play any significant role here. However, even though the number of such social firms is very limited, they are of interest with regard to an investigation of WISE. Given its specific experiences with a particular clientele, a social firm may indeed end up to be something different from a commercial company.
- *Municipality-owned WISE*: A second group of organizations has a much bigger impact than the one sketched before. Since the late seventies, a lot of municipality-owned WISE have been set up in order to offer fixed-term employment to jobless people. Their central aim was to prepare the socially disadvantaged for a subsequent entry into the first labour market. In general, municipality-owned social enterprises have considerably grown in importance during the last twenty years (Werner / Walwei 1997). In spite of much contest, they have remained the most important supplier of job facilities outside of the regular labour market. Although the municipalities are shareholders of these enterprises in most

cases, the latter are legally independent and frequently led by a management driven by some kind of entrepreneurial spirit. Using social assistance schemes as well as funds of the Federal Labour Office, these organizations fulfil a range of tasks deemed at the same time to be there for the public good.

During the nineties, a large range of organizations of this kind has been set up in Eastern Germany, too (Birkhölzer / Lorenz 2001). They gave work to more than 1,000 people in many cases. Yet it is not only job creation they have been concerned with: In their beginning, they also were to foster the development of the local economy (by developing new products, for instance), and to prevent social destabilization in the process of reunification. Due to a rapid impact as "social bumpers", they were supported by the municipalities even though their prospects as economic actors proved limited. Since the middle of the nineties, however, the importance of this special kind of WISE has been decreasing. The political pressure for quick solutions to the unemployment problem in the East has weakened, and the results in terms of self sustainability as well as in terms of bridge-building to ordinary labour markets were more or less disappointing. Recent figures show, however, that about 50% of the recipients of social assistance who are able to work still are occupied in such projects.

It should be noted that municipal WISE are embedded in a complex socio-political network. They are perceived as integrative factors within the community, caring for the socially disadvantaged and fulfilling tasks that are of public interest. Frequently, they are local political actors as well, by their networking with the local unit of the Federal Labour Office, with municipal offices, and with private enterprises to which they offer a workforce with tailored skills. Up until now, however, their work must meet the criterion of being *additional* to the existing business in the private and the public economy. Furthermore, they are bound to be not for-profit or even not permitted to make any surplus at all; but in reality, there is a lot of space left for special juridical constructions that allow to make a surplus and to reinvest it into ones own fields of activity. The intermediary status of these organizations – between social and economic aims, between profitable activities and being not for profit, between being linked with the public authorities but using civic support as well – offers them opportunities to match economic purposes in the public interest with the promotion of socially marginalized people.

- *WISE run by welfare associations*: The third group of enterprises in our field has evolved during the 1980s, too. In contrast to their municipality-owned counterparts, they are supported by third sector welfare associations working in the tradition of what would be called elsewhere a charity or "the voluntary sector". These enterprises – that are loosely coupled with regional and national roof organisations – often co-operate with further bodies of the local civil society. The local units that invest in programs of labour market integration understand these programs as a strategy against social exclusion. The idea of giving the disadvantaged access to a combination of a payment and work (and, later on, perhaps to an ordinary job) is in line with their tradition since they have always devoted themselves to the fight against poverty. It should be noted that these WISE respectively their umbrella organisations see themselves as socio-political agencies that offer services of various kind on behalf of public authorities (Zimmer 1999). Since the latter have set the welfare associations under increasing economic pressure, however, these associations have seen themselves obliged to streamline their activities, including those in the field of work integration. Yet they are still eager to offer their own complex support networks and structures for the purpose of an encompassing social integration, providing shelter, cure, education and counselling, instead of transforming themselves into mere sellers of specialised services in a quasi-market completely dominated by public programs and authorities as purchasing agencies. They comply with the public programs in some, but not in all respects. Some of these WISE, backed by their umbrella organisations as their supporters,

develop new approaches that go beyond the existing public programs, e.g. by addressing a larger cohorts of disadvantaged people instead of becoming specialists for helping only selected groups (Schmid / Schulz 2000).

In general, their projects usually follow two main objectives: first, to provide for a social stabilization of their clientele, and secondly, to attentively prepare their "come back" on the first labour market. To achieve these aims, training and employment are in many cases combined with the social support which is offered by welfare associations anyway (counselling, health care, social empowerment). Furthermore, welfare associations are networks based on relations between professionals and volunteers and between major local civic and political actors. Given this background, the respective WISE have the chance to use the potential of the "bounded" social capital to be found in the community, like for instance within the local catholic or reformatoric churches respectively parishes or within the milieu of social democrats and trade unions. By these relations, welfare associations have always been canvassing social capital as an additional resource, e.g. in the form of donations, material equipment, personal support and technical advice. WISE have the chance to do likewise. While WISE run by welfare associations in many respects do not differ from their municipality-owned counterparts they are different to the degree they may be embedded in a certain organizational culture, stressing a sense of belonging and responsibility. This is a resource not easy to construct by a municipality and a local policy that would need to active citizenship in order to create bonds of commitment that work like the ones in faith-based communities.

- *WISE run by local initiatives:* As a kind of grass root or a new social movement, a considerable number of local initiatives have attempted, especially in a period ranging from the late 1970s to the end of the 1980s, to give practical answers to what they perceived as major societal problems of their time. In pursuing alternative visions in areas such as environment, culture, and gender equality, they also began to use instruments of labour market policy, including wage subsidies for people with low employability and the participation in local workfare schemes. Frequently, they were applying to such programs just as a means to be able to employ paid professionals that would otherwise not be affordable. Hence, for many of these initiatives, the goal of occupational integration – in contrast to the aforementioned types of WISE – was (and is) not the only one or even secondary. They have developed as social enterprises with a strong work integration aspect rather than WISE in the strict sense of the word. As to the aim of social integration, many of these grass rooted enterprises were pursuing a more encompassing approach, stressing a general social responsibility for the fate of the disadvantaged groups, one which is not dominated that much of the challenge of creating "employability". In a way, by their activities, labour market policy was re-integrated into a reformatoric conception of society. Even though the social "milieu" of these WISE has run dry to some extent, some of these WISE insist on an integral perspective that is different from a mere economist thinking about the labour market since issues of local culture, public health and housing play an important role in their approach. Obviously, while such local initiatives may have to rely heavily on social support in forms of social capital, they usually will have serious difficulties in finding stable allies and well institutionalized resources. They are often very much affected by risks and uncertainties in their environmental relations (Bode / Graf 2000). Their difficult situation may ironically lead to situations in which the outcome of their contracted services – as evaluated by their stakeholders – proves to be especially important for their organizational survival. In contrast to the aforementioned types of WISE they are often not bolstered by resources from supporters others than their contract partners for these specific integration services.

What comes out of this brief portray of different sorts of WISE is that these organizations pursue more or less holistic approaches to work integration. Hence they are more than mere

business partners of public bureaucracies. It holds true that the proliferation of *market elements* in the governance structure of public employment schemes make WISE increasingly think and operate in terms of a for-profit business. Selling job placement and training to public purchasers has become much more important in recent years. In the same run, however, many WISE continue to produce and retail goods or services. These economic activities are related to the local economy in most cases; frequently, they take particular social needs into account (e.g. the interest of low-income earners in second-hand products). The impact of rationales shaping *civil society* is evident as well, even though it proves quite various across the field. A range of social enterprises openly address community issues. Civic sense is also instilled in their inner structures since co-responsibility of participants and employees as active members of the enterprises is stressed to a certain extent. Sometimes moreover, the competences of boards representing civic stakeholders are highly valued. Furthermore, social enterprises concerned with work integration develop partnerships with further civic or political associations, and with local business. They also provide for capacities of volunteering. It is important to note that some of these enterprises receive special support by umbrella organizations they attend to. These organizations take centre stage in local and national policies where they act as experts for work integration and lobby for the poor. In a word: WISE are prone to use and produce social capital: civic commitment, support networks and trust-based relationships. Altogether, WISE do not only develop concrete projects for (fixed-term) subsidized employment, but they top up public subsidies by own resources, allow for social support and contribute to the building of the social infrastructure both by moderating public debates and opinion building and by concretely enhancing local welfare.

3. Conclusions: The Future of Social Enterprises in the Field of Labour Market Integration

Dealing with not-for-profit organizations as "social enterprises" and considering the case of "WISE" involved in active labour market policies, we have elaborated two major arguments:

- First, we have sketched the analytical concept of social enterprises as hybrids, assuming that it makes sense to conceive them as organizations concerned with economic activities and market mechanisms, social aims as represented by public authorities and with aims and inputs that come directly out of civil society. We have argued that all the three components and their intermeshing can be singled out not only in the (classical) Third sector but as well in parts of the public sector (or even the local market economies) – "hybrids" are then to be found in many organizations today outside the core area of private business and hierarchical state-administration.
- Secondly, we have sketched the landscape of obvious or potential social enterprises in a special sector – the field of labour market integration in Germany. WISE exhibit characteristics of hybrid organizations (in the above sense) respectively social enterprises to a considerable (albeit variable) extent. Four types of WISE have been identified, each of them representing particular balances and links of the impact of state- and markets and of the impact of the social capital represented by civil society links. Every type is differently embedded in the economic, political and social environments, while at the same time some general evolutions in these environments have an impact on the development of the entire "branch".

We have confined ourselves to a rough picture of this landscape. Nonetheless, this picture reflects the structure of the organizational field under consideration as well as of the respective character of the agencies involved in it. Regarding the whole field, it has to be stated that, above all, it is very much *dependent on public policies*. These policies are increasingly ori-

ented towards creating employability and towards strategies of rapid placement; thereby they set limits to strategies based on transitional working positions and projects for creating additional jobs by innovative services and products. Notwithstanding this high influence of labour market policy on the integration process as it is prominent here, this process appears and does continue to be *shaped by the very involvement of WISE as hybrid organizations*:

- First of all, these enterprises by definition work in the public interest. Thus, the whole not-for-profit sector, producing social welfare in one way or another way, is touched by questions of work integration and job creation. In order to be admitted to take part in public programs for work integration, its activities must however be placed in "additional" fields outside existing business, fields that have so far been neglected by the market (and by the state, to some extent, too).
- Beyond this incentive to build up new services for the public good, many of the social enterprises under consideration try to combine work integration with various kinds of social empowerment. In this respect, too, their aim as WISE is not only to create (fixed-term) employment but to improve social welfare as well.
- Third, and importantly, many of the organizations under consideration use and produce social capital in doing their job. They are part of a local infrastructure relating civil society, politics and the (local) economy. Under this perspective, they are improving social welfare, too. The case of "social firms" is, as we have shown, a specific one: The "social" element is there, to some extent at least, but in a way it is disguised by the dynamic (increasingly for-profit) status these organizations must adopt if they want to join the respective program.

Thus, compared to alternative ways of labour market integration – as for instance by employment in ordinary public administrations or in the private sector –, WISE offer indeed a holistic perspective of providing for work *and* social integration, and this becomes possible through their hybrid character.

But not all is fine with this special branch of the nonprofit sector. As the example of WISE has shown, social enterprises face hard challenges that may partially be generalised for other parts of the nonprofit sector:

First, they are affected by public policies and their shift – here, the *turn of labour market policies* in Germany. Generally, the amount of funds devoted to long-term employment projects is decreasing. The idea to simply help people to take part in some kind of paid work has become much less appealing, despite the recent revival of short-term employment measures. Social benefits (especially social assistance) are increasingly used as a yardstick conditional on the people's willingness to get back to work under the conditions set by these programs. What takes shape then are kind of public-private partnerships for (soft) workfare. Moreover, the emphasis remains put on the mere reduction of frictional unemployment, favouring an approach based on placement, profiling and case management. This emphasis, however, is impeding the multiple welfare function of social enterprises. As a consequence, complex developmental projects that involve WISE, aiming at a link of employment to the creation of new products and services tend to become marginal. Those social enterprises that pursue multi-goal aims are hardly stimulated by the current regulations. There is a higher pay off for them if they become a specialised subcontractor, e.g. as a placement agency, selecting single goals and creaming the clientele.

Social enterprises in the field of labour market integration share to some degree the general *economic pressure* many public services and third sector organizations are affected by in our days. This pressure has considerably increased alongside with the financial crisis of public administrations as the main funding bodies. There is a stronger impact of managerial logics and quantifiable indicators of performance, leading the organizations to select their employees and their activities according to short term pay off. Many WISE have begun to economize on

their internal structures, partly by cutting off those activities that had become their special assets in the past: e. g. taking part in public debates and opinion forming, developing better social support, creating new kind of services and possibilities to take part in working activities etc..

Evolutions in the social context add to this. Increasingly, social enterprises that care for jobless people have to deal with difficult clienteles affected by a loss of traditional moral norms as well as community and family ties. These groups have problems in using their civic freedom in a responsible way. Today's individualised society requires new social skills these people lack. WISE face harsh problems here since they increasingly deal with participants such as single parents and people with multiple social problems. However, given the above-mentioned trends, it is not sure that they dispose of all the resources, links and capacities required for this.

Finally, one should also take into account recent *evolutions in civil society*. Old forces of civil society that had been major and stable backbones and supporters of public services and not-for-profit-organizations (especially of organizations within the welfare associations) face problems of regeneration. Public support, volunteering and giving but as well the links to the local political community become more precarious and exposed to radical change. As a consequence, it is increasingly demanding to mobilize the social capital of firm civic support. Fundraising and recruiting volunteers is turning into a competitive business. Thus, the destiny of social enterprises is very much dependent on their capacity to cope with a more shaky and uncertain support by civil society.

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