

Globalization and the Institutional Underpinnings of Social Welfare: An Analysis of Traditional and Emergent Theoretical Perspectives

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ABSTRACT

Over the course of the 20th Century three approaches to welfare reform – a political economy, a moral economy and a mixed economy approach – informed the way social welfare systems were conceptualized, theorized and studied. Based on differing understandings about the relationship between the state, society, and economy, these approaches have developed alternative, and in some senses competing frameworks for analyzing globalization and its relevance for, and impact on, contemporary social welfare systems in the 21st century. In the discussion that follows, I place each of these approaches in historical context, comparing and contrasting their theoretical contribution to our understanding of the relationship between globalization and welfare reform. I then introduce an emergent fourth approach which stems from a growing body of literature on institutional innovation within the European third sector. In addition to analyzing the distinctive conceptual and analytic contribution of this so-called social economy approach, I draw on insights from contemporary studies of European social enterprises to illustrate the value added of this approach for appreciating the constructive role that emerging welfare networks play in reconfiguring globalizations' impact on the character and quality of social welfare.

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Introduction

Increasing market integration, changing demographics, and shrinking public budgets have fueled a pervasive reformulation of social citizenship, both in terms of the collective social, economic and cultural rights states' grant to their citizens as well as the obligations states' demand of them. In addition to challenging the legitimacy and authority of public administration's role in the formulation, production and distribution of social welfare, over the last decade an increasing number of policy makers and politicians from across the political spectrum have called into question one of the post-war era's most sacred norms—the creation and maintenance of a comprehensive social safety net as among the modern state's chief responsibilities. Accompanied by significant shifts in economic policy and state institutions (i.e. privatization, deregulation, and devolution), these developments have produced a climate favorable to the expanding role of the third sector in both the delivery of social services as well as the formulation and stipulation of social policy.¹

Over the course of the 20th Century three dominant approaches to welfare reform—a political economy, a moral economy and a mixed economy approach—have informed the way social welfare systems have been conceptualized, theorized and studied. Based on differing understandings about the relationship between the state, society, and economy, these approaches have developed alternative, and in some senses competing frameworks for analyzing globalization and its relevance for social welfare systems in the 21st Century. Yet, it is only recently, with the emergence of what I call the social economy approach that the transformative role of the third sector as a vital intermediary in reconfiguring globalizations' impact on the character and quality of contemporary social welfare systems, has begun to be developed.

Despite third sector organizations' increasing centrality in the development of contemporary social welfare systems, the political economy and moral

¹ Although it is often used interchangeably with the terms voluntary sector, independent sector and non-profit sector, here I use it to refer to the sum total of not-for-profit enterprises, cooperatives, and voluntary associations operating within the intermediary realm between the private business sector, the public sector, defined by state institutions, and the personal realm of family and friends.

economy approaches to welfare reform have downplayed, if not ignored, the importance of the third sector as an increasingly critical interface between globalization and social wellbeing. Locked into a binary state-society framework, these traditional approaches have had a polarizing effect on the way we understand globalization and its consequences for the development of social welfare systems. Whereas the former adopts the 'welfare state' as its central analytic unit and focuses on the degree to which globalization is undermining states' capacity to protect their citizens social rights, the latter concentrates on the societal dynamics of the 'welfare society', underscoring the key role of societal actors in responding to societal need, and the extent to which the state has become the chief impediment to achieving social justice. As a result of this dualism, the salience of the third sector organizations in transforming the structural and cultural foundation of social welfare systems, and thus their capacity to mediate the effects of globalization, has not been fully appreciated.

Stemming primarily from professionals and practitioners involved in the management and delivery of social and human services, a third, so-called mixed economy approach has sought to challenge the conventional approaches by seeking to illuminate the inherent pluralism of social welfare systems and the role of the third sector as a vital intermediary between state, society and economy (Anheier and Seibel, 1990; Gidron, Kramer, Salamon, 1992; Salamon & Anheier, 1996; Salamon, 2002). By underscoring the productivist underpinnings of social welfare systems, the mixed economy approach made significant advances in connecting the micro-level institutional dynamics involved in service provision to broader economic and socio-political processes underlying contemporary welfare reform. Yet, in focusing somewhat narrowly on leadership, management, and the organization of welfare production, it has failed to explore the broader structural implications of welfare reform and the social and economic consequences that emerging welfare mixes have on individual service users, communities and citizens more broadly defined.

In light of the disconnect between established theories of welfare reform and their ability to make sense of the contemporary social, economic and cultural dilemmas countries are currently facing, there is a particular need for work which brings to bear new ways of understanding the relationship between globalization and social welfare systems. Thus, in addition to providing an analysis of the contributions and shortcomings of more conventional approaches, a central aim of this paper is to draw from a growing body of work on institutional innovation within the European third sector to establish the foundation for what I identify as an emergent social economy approach to social welfare. Based on my theoretical overview of the political

economy, moral economy and mixed economy approaches, I elucidate how this emergent alternative enables a more nuanced, and ultimately, more compelling framework for understanding how classic challenges associated with modernization as well as the new tensions and complexities created by contemporary processes of globalization impact and are impacted by developing social welfare systems. More provocatively, I argue that the social economy approach makes a valuable contribution to illuminating the ways in which welfare networks can contribute to reconfiguring globalizations' impact on the character and quality of social welfare in such a way as to minimize a key tension at the heart of social citizenship: maximizing economic efficiency while simultaneously pursuing social efficacy as collective benefit of citizenship.

Conventional Approaches to Analyzing the Development of Contemporary Social Welfare Systems

Although they exist in tandem with one another, the political economy, moral economy and mixed economy approaches to welfare reform are based on distinctive analytical models, each with their own conceptual frameworks, theoretical preferences, and normative commitments (See Table 1 below). While each approach has contributed significantly to our understanding of how and why social welfare systems develop, disciplinary boundaries and distinctive research agendas have tended to thwart effective cross fertilization among them. Thus, looking more closely at how these three approaches compare to one another is critical for generating a more integrative, informed understanding of the impact of globalization on social development in the 21st century.

	Political Economy	Moral Economy	Mixed Economy	Social Economy
Central Analytical Concept	The Welfare State	The Welfare Society	The Welfare Mix	Welfare Networks
Dominant Theoretical Frameworks	Historical Institutionalism Neo-Marxism	Communitarianism Pluralism	Institutional Economics Non-Profit Management	Cultural Institutionalism Constructivism
Normative Commitments	Economic Justice Distributional Equity	Social Cohesion Community Development	Economic Efficiency Organizational Effectiveness	Social Efficacy Social Inclusion
Primary Unit of Analysis	Nation-state Social Policy	Civil Society Communities	Nation-state Human	Social Service Systems

			Service Organizations	Social Groups
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Table 1: Contemporary Approaches to Analyzing the Development of Contemporary Social Welfare Systems

The Political Economy Approach

Emerging during a period of profound faith in the state as the key to prosperity and progress, the political economy approach reflects the social ideals of post-war era: universalism, equality, and the power of the state to provide an unprecedented quality of life for all its citizens. The welfare state, its key unit of analysis, is conceptualized as a form of embedded liberalism—a reformist compromise capable of compensating for, if not correcting, the most deleterious affects of the capitalist economy.

Although initially focused on the political engineering of social protection vis-à-vis social rights and regulations, with the end of the so-called Golden Age of the welfare state, the political economy approach has focused on questions and issues pertaining to welfare retrenchment and the respective role of politics and economics in driving welfare reform. Although issues pertaining to retrenchment have long been a concern of Liberal welfare states like the United States, more recent debates about an emerging global “third way” (Giddens, 2001) and the transformation of “vice into virtue” among Conservative, Christian Democratic welfare states (Levy, 1999; Hemerijck and Visser, 2001) have drawn attention to the ways in which welfare states are ‘recalibrating’ (Ferrera and Hemerijck, 2003; Handler, 2003; Gilbert, 2002) and the relevant degree of freedom they have in dealing effectively with the cultural and economic challenges of globalization.

Within the political economy framework, the key point of contention focuses on the extent to which there has been greater convergence or persistent divergence among historically distinctive models of welfare state development. The convergence thesis holds that welfare states, particularly those characterized by comprehensive, national social programs and public services, face growing external constraints to their ability to maintain generous, publicly financed social protections. According to this thesis, shifting patterns in international trade and finance increase competitive pressures within the global economy, thus restricting government’s maneuverability in crafting policy to meet domestic social and economic objectives (Castells, 1996; Kurzer, 1993; Gilbert, 2002). As traditional macro-economic policy tools become harder to manage and labor and total production costs rise due to the diversification of demand and the increasing

use of technology, governments must rely heavily on non-payroll taxes to finance welfare expenditures. Yet high rates of inflation combined with shrinking tax bases make substantial tax increases both economically and politically unpopular. Combined with significant pressures to reduce budget deficits, this situation places critical limits to the expansion of social spending and thus the ability and willingness of governments to provide wide-ranging, long term public benefits (Atkinson, 1992; Rhodes, 1995). In addition to scaling back cash-based subsidies and increasing eligibility requirements, devolving competencies to lower levels of government and off-loading services to private providers are seen as the logical product of welfare states' increasing vulnerability to the vagaries of market forces (Bennet, 1994; Mangen, 1996; Gilbert, 2002).

The divergence thesis, by contrast, is advanced by those who see the link between economic imperatives and policy choices as over determined. From this perspective, political preferences, policy legacies, and institutional arrangements are conditioned by historically driven, path-dependent processes which mitigate if not compel differential responses to common challenges (Weir, Orloff, Skocpol, 1988; Esping-Andersen, 1996; Ferrera, 1996; Pierson, 1997; Stephens and Huber, 1998; Hacker, 2002; Swank, 2002). Because powerful structural, political and cultural forces are seen as mediating both policy makers perception of the challenges arising from globalization as well as their responses to them, different types of welfare states are seen as posing unique constraints and opportunities for reform. And because social reform reflects tensions generated by existing socio-political cleavages, cultural norms and values, and strategic maneuvering by relevant political actors, the divergence thesis expects that it will reflect the adoption of a wide range of policy tools. Thus, while decentralization and privatization may be standard policy proposals across a variety of welfare states, the specific policies formulated and implemented will vary. Thus, whereas the introduction of new technology systems aimed at maximizing choice and increasing economic efficiency is expected in Liberal welfare states, it is less likely in Continental European countries where the legacies of familialism and paternalism are stronger and budget control is a much higher priority.

While the political economy approach to welfare reform offers an important contribution to our understanding of the constraints and opportunities facing governments as they attempt to craft solutions to the challenges raised by globalization, one of its key drawbacks is that by emphasizing convergence vs. divergence, it is of limited utility in helping us to better understand the more nuanced dynamics of welfare reform. While the state is imbued with responsibility and control over welfare, society is seen

primarily as the passive recipient of state-generated policies and prescriptions. Thus, arguments about the positive or negative effect of reforms on social welfare tend to be based almost exclusively on their implications for the state. Either they are increasing the state's capacity to effectively and fairly respond to social needs (OECD 1996; Vandembrouckhe, 1998) or undermining its efforts to maintain its commitments to reasonable, equitable and/or just social benefits (Giamo, 1995; Gough, 1996; Fargion, 1998).

A second, yet related problem with the political economy approach is that in focusing on the nation-state as its primary, and in most cases exclusive, level of analysis, the space between policy making and policy outcomes remains a black box. In confining the analysis of globalization and its subsequent effects on welfare reform to "high politics," understood as elite-level policy formation, the political economy approach underestimates or leaves out important dynamics that operate in the realm of "low politics," as well as a variety of cross cutting territorial and sector-based considerations that profoundly impact the inter-play between policy making and policy implementation and thus the substantive impact that welfare reform has on users, communities, and citizens.

The Moral Economy Approach

Whereas the political economy approach is fueled by a profound skepticism about the ability of society to meet the collective social needs of citizens, the moral economy approach embraces community as the primary guardian of social well being. Grounded in a conception of welfare provision as the natural extension of voluntary, mutualistic forms of self-help, the moral economy approach offers an alternative framework for conceptualizing and analyzing social welfare systems as a product of the so-called welfare society, a model for organizing social welfare on the basis of a complex of interlocking individual sanctions and rewards emanating from local communities.

Based on distinctive interpretations of the social fabric of society, the moral economy approach can be further divided into a progressive and conservative version. The conservative version of the welfare society is profoundly skeptical of the governments' ability to gauge social need and harness capitalism to fulfill these needs. Emerging as a reaction to the state's perceived colonization of civil society, this version of the moral economy perspective underscores the dangers of publicly provided, state-regulated welfare. Conceptualized as a paternalistic bureaucracy, the state is seen as

creating harmful 'welfare dependencies,' which erode personal responsibility and weaken the ability of people to help themselves by undermining community-based social and ethnical norms (Murray, 1989; Mead, 1991). By contrast, the welfare society, which is viewed as complementing, rather than competing with market-based exchange mechanisms, is seen as strengthening the social fabric of society by reinforcing traditional values such as family loyalty and social obligation.

A more progressive version of the moral economy approach embraces the welfare society not as the locus of cultural preservation, but rather as part of a broader movement toward social solidarity and associative democracy. Emphasizing participation and connectedness to local community as a principle legitimating factor in empowering and assisting people in need, this perspective sees reciprocity as a necessary precursor to developing healthy and productive societies. Less a reaction to the state, than a response to the commercialization and alienation that has accompanied the process of modernization, this version of the moral economy approach sees communities as critical to actively reconstituting society by reconstructing identities and extending affective bonds between groups of people that increasingly lack a shared moral culture (Ezioni, 1973; Ezioni, 1991; Donati, 1993; Walzer, 1995; Cohen and Rogers, 1995). From this perspective the welfare society embodies a realm of fluid, multi-faceted relationships which counteract individualism and narrow self interest by fostering trust, mutual respect, and collective participation.

Regardless of their distinctive understandings of the social fabric of the welfare society, both versions of the moral economy approach underscore the importance of social actors, emotive ideas, and the non-rationality of culture in the development of social welfare systems. Challenging the authority of the state as legitimate arbitrator of welfare reform, they expand the scope of inquiry beyond the political economy approach's relatively narrow focus on poverty rates, social security, and income-transfers to encompass a broader array of social arrangements and processes, from more traditional conceptions of self-help to community care (White, 2000) and the creation of alternative consciousness (Cruikshank, 1999).

Despite this advantage, the moral economy approach suffers from several shortcomings. First, by ignoring, by and large, the distributional aspects of social welfare systems, it obscures the important role that societal stratification and inequality play in welfare reform. Because the most marginalized segments of the population usually lack the capacity to voice their concerns and press their needs effectively, they tend to be

disadvantaged by a welfare society which relies predominately if not exclusively on self identification of need and voluntary responses to those needs. Second, the moral economy approach reproduces the state-society dualism of the political economy approach, thus obscuring rather than clarifying the relationship between the two realms. By viewing the welfare society as an autonomous locus of proactive community engagement, responsive to both individual want and collective need, the moral economy approach portrays the state as outside of, and thus largely irrelevant to, society. Where the state is considered, however, the focus of the moral economy approach is almost exclusively on its coercive power. As a result, it tends to underestimate the state's role in establishing the foundation for effective responses to a variety of welfare dilemmas, including stimulating the welfare enhancing properties of community activism by, for example, outlawing discriminatory practices, redistributing scarce resources, and guaranteeing social rights. A third problem with the moral economy approach is that it does not pay adequate attention to the multiplicity of institutional configurations involved in the day-to-day operation of social welfare systems. Consequently, it fails to appreciate the extent to which the distinctive juridical and legal status of private and non-profit organizations is critical to the success of welfare reform.

The Mixed Economy Approach

The growing complexity of the inter-organizational linkages connecting social organizations to one another and to public institutions, and the recognition of this development as critical to determining the consequences of welfare reform, has led to the development of a third approach, frequently defined as the mixed economy of welfare. While those who employ this approach come from a wide array of disciplines, principally economics, but also social welfare, public administration, and non-profit management, they ground their analysis in a concept of the welfare mix which is distinctive from both that of the welfare society the welfare state (Kramer, 1986; Taylor-Gooby, 1987; Powell, 1987; James, 1989; Abrahamson, 1988; Anheier and Seibel, 1990; Gidron, Kramer, Salamon, 1992; Smith and Lipsky, 1993; Salamon & Anheier, 1996).

The concept of the welfare mix emphasizes institutional plurality and shared responsibility for welfare. Inevitably, social welfare systems draw on a variety of organizational resources, all of which are embedded within a broader set of exchange and production relationships. As the guarantor of citizen's legal entitlements and a key source of power, the state, understood more broadly as the public sector, is recognized as playing a vital role in the

creation of social markets—quasi-markets for social goods and services which separate purchasers, usually government agencies, from providers. The public sector is balanced, however, by two equally important sectors—the private and non-profit sectors—each of which operates according to a unique set of norms and principles. Thus, within the mixed economy approach, it is the relationship between the public, private and non-profit sectors that determines temporal and spatial variation in the output of social welfare systems.

Emphasizing institutional plurality, the mixed economy approach to welfare offers an analytic framework in which the output of welfare systems varying both temporally and spatially according to the relationship between the public, private and non-profit sectors. Thus, in addition to identifying a third sector, distinct from both the state and society, the mixed economy approach has contributed to our understanding of social welfare systems by paving the way for more sophisticated longitudinal and comparative empirical analysis of welfare systems across a variety of local and national contexts.

While paving the way for a more sophisticated comparative analysis of welfare systems and their capacity to mediate pressures for reform, the mixed economy approach has two significant limitations. First, by assuming a difference in kind between organizations according to the presence or absence of certain sector-based properties and functions, the welfare mix approach falls into the same dilemma of the previous two approaches. It fails to fully appreciate the breadth and depth of organizational variation within each sector, thus divorcing pertinent issues relating to social production (i.e. contracting, management, participation, etc.) from core issues of policy reform (i.e. cost effectiveness, marginalization, entitlement issues etc.). Second, in focusing on the technical and economic aspects of institutional performance, it obscures the social and political relevance of reform. By failing to link institutional outputs to the types of system-wide properties that give them meaning for those that they affect most directly (i.e. marginalized citizens, welfare users, etc.), the mixed economy approach does little to illuminate how changing welfare systems impact social efficacy more broadly defined.

An Emerging Paradigm: The Social Economy Approach²

² While the concept of the social economy has been articulated in a variety of ways, Renato Galliano (2003) best captures the meaning used here. In his book, *Social Economy*

More recently, a growing body of work emerging from the social economy literature (6 and Vidal, 1994; Travaglini, 1997; Marzocchi, 1997; Defourny et al, 1999; Borzaga and Mittone, 1997; Borzaga, 2000; Van Til, 2000; Pestoff, 1998; Ranci, 1999; Defourney, Favreanu, Laville, 1999; Borzaga and Defourny, 2001; Evers et al, 2004; De Leonardis, 1998; Laville, J., & Gardin, 1999; Evers and Laville, 2004; Mazzoli, 2000; Smeriglio, 2001; Galliano, 2003; Gidron, Bar and Katz, 2004; Gonzales, 2006) has established the basis for a new approach to welfare reform. Motivated by a shared set of theoretical and empirical concerns about the role of the third sector in mediating the relationship between state, society, and economy, this emerging social economy approach is distinct from conventional approaches in that it offers an alternative conceptual understanding of social welfare systems as dynamic, open systems, grounded in complex institutional networks. In addition, it seeks to accumulate knowledge about collective forms of entrepreneurship and the extent to which they act as catalysts of change within emerging welfare networks.

Like political economy and moral economy approaches, the social economy approach is concerned about macro-level developments in the economy and society; yet, it links these changes to questions and concerns relating to the social and administrative underpinnings of social welfare as it is practiced and experienced in local communities. As such, it introduces greater dynamism by exploring the micro foundations of institutional change, thus avoiding the political and moral economy approaches' over-emphasis on the degree to which macro-level structural and cultural forces favor continuity over change within social welfare systems. Although recognizing that third sector organizations may rarely determine social and economic outcomes on their own, the social economy approach underscores their critical role in establishing the context and meaning that determine how every day people perceive of and experience social welfare.

While overlapping with the mixed economy approach in its attention to the third sector, the social economy approach encompasses a broader understanding of the third sector as a highly differentiated and interpenetrated institutional realm neither derivative of, nor inherently in competition with, the public and private sectors. In proposing a more fluid

Entrepreneurship and Local Development, Galliano identifies the term social economy as, "an expression used to define a complex world and a system of relationships which governs the life of the Third System and non-profit enterprises: the creation of flexible employment, active citizenship, services to people, decentered welfare, safeguarding of human rights, strong local development policies and social cooperation".

conceptualization of the third sector as an important nexus of interaction between different principles (i.e. exchange, redistribution, and reciprocity) otherwise seen as distinctive characteristics of either economy, state, or community, the social economy approach moves beyond conventional understandings of market values and interests and social values and interests as inherently conflicting. Embedded in both society and the economy, third sector organizations create, reconstruct and maintain social relationships as well as the universe of practices and forms of mobilizing economic resources, which are key to combating poverty, generating social solidarity, and satisfying human needs (Saucier and Thivierge, 2002; Moulaert and Ailenei, 2005).

The Rise of Welfare Networks

The social economy approach takes for granted that the processes of globalization and modernization have fundamentally altered the parameters of contemporary welfare systems, and thus its principle concern is in understanding the capacity of third sector organizations to serve as a socially efficacious response to these twin challenges.

Although identifying and explaining the causes of change is not a central concern of the social economy approach, much of the analysis of the third sector's role in responding to change is informed by either an implicit or explicit understanding of globalization and modernization as symptomatic of a fundamental shift in the productive infrastructure of society from one which was industrial to one which is predominately informational and service based (Priori and Sabel, 1984; Jessop, 1994; Bakker and Miller, 1996; Castells, 1996). By impacting employing opportunities and family dynamics, this structural shift in the economy significantly impacts the demographic composition of society, which in turn fuels greater pressures toward administrative, political and economic decentralization. While these processes significantly increase the complexity of welfare systems (Banting, 1995; Bennett, 1990; Kuhnle and Selle, 1992; Alber, 1995; Sipila 1997), the capacity of national public administrators to manage social welfare systems diminishes as greater policy responsibility is transferred to the sub-national level, and the locus of public intervention shifts away from the central government to lower levels of government.

In tandem with a pervasive post-materialist shift in values and identities (Abramson and Inglehardt, 1987; Inglehardt, 1990) post-industrialism entails a transition away from both the state and society as dominant organizing infrastructures of the social welfare systems toward more amorphous

welfare networks. In turn, this reconstitution of welfare systems into welfare networks motivates three key developments: 1) The materialization of a more complex and differentiated third sector and 2) A more fluid, and continually evolving process of reform based on the complexity of forms and strategies utilized in social welfare provision and 3) The potential for constructing more efficacious responses to new and old social and economic risks.

Social Risk and Emerging Welfare Networks

The key characteristics defining the new post-industrial era – the blurring of boundaries between sectors, the increasing specialization and volatility of social and economic relations, and the institutionalization of continual change – both exacerbate pre-existing risks and create new ones. They restrict the relevant degree of freedom afforded to governments to adopt and implement social policies that can harness the benefits and compensate for the losses incurred by globalization and modernization, thus contributing to what Beck (1998) identifies as the democratization of vulnerability as risk becomes more fluid. Greater instability and increasing differentiation in citizens' needs and preferences make it increasingly difficult for public officials to guarantee a fair and equitable allocation of social and economic resources and a high standard of living to all citizens while the combination of diminishing economic resources, increasing ethnic and cultural diversity, and with it the proliferation of social customs, norms, and practices, increase the threat of various forms of discrimination.

In tandem with these developments, welfare networks offer the potential for constructing more efficacious responses to risk, particularly those related to social exclusion and economic dependency. In much the same way that the creation of the market economy during the 19th Century gave rise to what economic historian Karl Polanyi (1944) describes as a double movement, the social and economic processes set in motion by the current post-industrial shift has engendered a countermovement.³ This countermovement,

³ In the *Great Transformation*, Polanyi describes how the ravages of the enclosure movement, Industrialization and laissez-faire economics created a spontaneous, deep seated resistance, without which, he argues, modern, industrial society would not have been possible. For Polanyi, society's impulse to protect itself against the pernicious effects of the market controlled economy was, "the one comprehensive feature in the history of the age," (p. 76). And thus, "... human society would have been annihilated but for protective countermoves which blunted the action of this self-destructive mechanism" (p. 76).

stimulated by the impulse to re-embed the economy in social relations, creates a new role for third sector organizations as the source of alternative social constructions capable of generating a collective response to social need. Thus, while globalization tends to erode community cohesion and destabilize established social customs by increasing citizens' vulnerability to social dislocation while simultaneously undermining the capacity and legitimacy of the state to provide stable social protection, it also opens up institutional space for expanding the strengthening innovative linkages between differentially situated risk groups, and thus new forms of connectivity between and among individuals and social groups. Within this context, the third sector represents a force within local environments that can work to make them more livable, and in many ways, more socially just. By creating new forms of connectivity and solidarity, covering new forms of social need, and mobilizing citizen awareness of and reaction to factors which undermine the public good, third sector organizations often negotiate greater fairness in the distribution of material and cultural resources, and reconstruct welfare networks to empower the least powerful in society.

Social Enterprises and Emerging Welfare Networks

A key factor in the rise of welfare networks is the increasing willingness on the part of politicians, policy-makers, and administrators to utilize the resources and skills of a myriad of organizational forms in their efforts to deal with new and old social risks associated with globalization and modernization. This in turn has made internal variation within the third sector much more critical to understanding the output that social welfare systems generate (Alber, 1995; Munday and Ely, 1996; Sipila 1997; Leat, 1993).

Within this context, the social economy perspective highlights *social enterprises* as playing a particularly innovative role within emerging welfare networks (Spear, Leonetti and Thomas, 1994; Borzaga and Mittone, 1997; Borzaga, 2000; Pestoff, 1998; EMES project, 1999; Borzaga and Defouney, 2001; Defourney, Favreeau, Laville, 1999; Van Til, 2000; Evers and Laville, 2004). While the specific definition of social enterprises varies, broadly speaking, they are understood as hybrid organizational forms that incorporate into the production and delivery of socio-economic goods and services a new social enterprise spirit, an explicit aim of community benefit, greater citizen participation as co-producers, and decision making not based

on capital ownership.⁴ Although more “professionalized” than voluntary organizations, social enterprises are membership based. Merging economic and social entrepreneurship, they combine internal solidarity with a dedication to the general interest. Their character as multi-stakeholding organizations and their express commitment to internal democracy allow them to pursue a variety of social, political, and economic functions simultaneously such as greater citizen participation, more rewarding occupation for employees, higher quality care giving, etc. (Pestoff, 1998; Borzaga, 2000; Borzaga and Defouney, 2001).

Although following distinctive patterns of development both within and between countries, social enterprises have become increasingly salient in the development of welfare networks, particularly in Continental Europe, where there is a clear and legitimate distinction between the market and social economy (Perri 6, 1994; Laville and Nyssens, 2001), mutual aid societies and corporatist organizations are pervasive, and there is a less resolute commitment to individualism and self-reliance. Rather than being looked upon as a product of incomplete welfare development, as has been the prevailing view of the third sector’s role within the welfare system, politicians and policy makers from across the political spectrum have embraced social enterprises as catalysts for overcoming a myriad of existing dysfunctions embedded within traditional welfare arrangements (Borgia, 1983; De Leonardis, et. al., 1994; Marzocchi, 2001; Kendall, 2005). Whereas conservatives see them as a means of introducing greater flexibility and efficiency to remedy what they perceive as over-bloated, inefficient centralized welfare bureaucracy, they are particularly attractive for progressives as bottom-up, people-centered alternatives to the hierarchical, highly impersonal quality of many state-run welfare agencies. Thus, in countries as varied as Italy, England, Sweden, and Poland, social enterprises have emerged as the product of overlapping interests in developing economically efficient solutions to scarce public resources with increased demands for more effective solutions to growing trends in social and cultural marginalization.

Linking Social Enterprises to Globalization and Welfare Reform

⁴ The most comprehensive definition of social enterprises, as intended here, has been developed by the EMES Network, an ongoing European research collaborative whose first program, “the emergence of social enterprises in Europe,” began in 1996. The EMES definition incorporates four economic and five social criteria, useful for distinguishing differentiating definitions of social enterprise across various sectors and countries. For further information, see <http://www.emes.net>.

By embracing the notion that market, society and state function as interpenetrated spheres, the social economy provides a more organic understanding of welfare reform as fluid and continually evolving process of change. As a consequence, it is not enough to look at the scope and depth of social policies or the interests and preferences they represent in order to determine whether emerging welfare networks constitute welfare retrenchment or reconstruction. Instead, reform outcomes are more closely tied to how these policies are configured, interpreted and reconstituted by the myriad of institutional actors which cross-cut particular sectors and policy arenas.

Thus, rather than forcing scholars to locate the engine of reform within one sector or another, the social economy approach allows for the identification of multiple sources of change. At the same time, it draws attention to a greater focus on the dynamics of social production (as opposed to policy formation) in order to better understand how the pressures and constraints created by post-industrialism, and thus the processes of globalization and modernization, are being interpreted, processed and transformed into social realities on the ground. As globalization and modernization have spurred specific socio-demographic pressures such as declining birthrates and increased migration, demand for more and better quality health and social care has increased, as have the proliferation of new models of management emphasizing personalization, flexibility and “client” centeredness. In turn, this has stimulated third sector organizations to take on a much more central, yet multifaceted role in the process of social production.

What makes social enterprises particularly interesting as a unique sub-sector of the third sector is their intrinsically hybrid nature. Because they are engaged in the productive function of supplying services to fulfill a specific demand, they have an exchange function. Yet rather than choosing to maximize service efficiency, revenues or a return on capital, social enterprises, “combine the necessary economic goal with other important social goals that can also be achieved or satisfied at the same time” (Pestoff, 1998: 13). By incorporating new forms of user and citizen participation and creating a variety of “relational goods,” such as trust and solidarity, they are also reciprocity generating institutions (Evers, 2001). In addition, they are redistributive because they stem from a cooperative effort to create and provide public goods and services to beneficiaries that extend beyond their direct members. By blending a variety of social and economic functions typically seen as mutually exclusive, social enterprises represent a unique means of balancing individual and collective well being.

By harnessing policy strategies aimed at social investment (Giddens, 1998; Midgley, 2001) to social enterprises, understood as a unique set of institutions capable of fusing stakeholder democracy (Pestoff, 1994; Borzaga & Mittone, 1997), social capital, (Sabatini, 2007; Nyssens, 2006) and social inclusion (Gonzales, 2007), the social economy approach moves beyond a relatively narrow understanding of social welfare systems as exclusively about preserving and/or extending social protection to one which incorporates their relevance for issues pertaining to social justice more broadly conceived. In addition, it bolsters our understanding of how contemporary reforms impact both the most risk prone segments of the population as well as those that are less disadvantaged by globalization and modernization.

On the one hand, social enterprises extend democratic participation and social capital to socially excluded segments of the population, who, despite the prospective benefits of post-industrialism, have stayed trapped in the margins of society. Yet, they also have the capacity to expand service networks well beyond the poor and dispossessed in a way that strengthens the public sectors' ability to overcome the inconsistencies and differentiation that have historically prevented the consolidation of a more organic system of social intervention. Embodying a unique constellation of managerial efficiency, professionalism, and volunteerism, social enterprises offer the potential of generating a wide range of specialized and general services (i.e. ranging from emergency hotlines and street education to full time residential facilities) to a variety of populations, thus expanding well beyond the general pattern of service provision among traditional third sector organizations. However, unlike many public agencies, they are adept at linking civic priorities to public responsibilities. In the context of global contracting and "partnered subsidiarity," (Fanelli, 2001), social enterprises provide the raw material for transforming welfare networks into networks of social responsibility by counteracting the erosion of cooperation and solidarity set in motion by competitive market mechanisms. In addition to providing immediate assistance to service beneficiaries, they serve as the building blocks of broader collective social goods. Relying heavily on human and social capital, as opposed to material and/or technical resources, social enterprises generate job creation for portions of the population that are often most in need of flexible employment opportunities, such as women and youth. They also strengthen the social fabric of communities by bridging local development objectives with traditional "welfare" concerns for the most disadvantaged members of society.

Conclusion

Combining a greater appreciation for the varied nature of organizational forms and inter-organizational relationships underpinning welfare reform with a central concern for social and economic marginalization as byproducts of globalization, the emerging social economy approach identified in this article provides a useful alternative conceptual and analytical framework for understanding social welfare systems as potential sites of social and economic synergies and new forms of interconnectivity. By incorporating dynamic interactions that take place within the realm of institutional formation and reconfiguration, it allows for a better appreciation of change within the structural constraints imposed on state and local actors in the context of increasingly interconnected global markets. While a myriad of local, national, and regional experiments attest to the political salience and strategic value of reconfiguring the analytic terrain of welfare reform, the influence of the social economy approach will ultimately depend on its ability to challenge sustained commitments to traditional perspectives. Thus, greater focus needs to be placed on theorizing the role that governance plays in harnessing large-scale structural reform to the micro-dynamics involved in the day-to-day practices of welfare institutions. In addition, future empirical work will need to incorporate more explicitly comparative research designs in order to elucidate the contextual factors which distinguish “globalized” environments in which social enterprises thrive from those in which they fail to create expected synergies within the social welfare system.

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