

6 Germany

Social enterprises and transitional employment

Adalbert Evers and Matthias Schulze-Böing

Introduction¹

During the 1990s, the German economy could have been considered a poor performer with regard to employment. The new *Länder* (federal states) in the East faced a sharp decline in employment due to the severe restructuring associated with the transformation from a centrally administered to a market economy. Employment in the East decreased from nearly 10 million in 1990 to 6 million in 1993, and remained at this level in the following years. In the old western *Länder*, after a remarkable rise in 1991 and 1992 (the 'reunification-boom'), the number of people employed went down again to 28 million, a level which had already been achieved in 1990.

Unemployment reached a post-war climax at 11.4 per cent in 1997, with 4.4 million people registered officially as unemployed. The gap to full employment, including the number of those who were temporarily placed in public job-creation schemes and training programmes, or who belonged to the 'silent reserve' of those who were discouraged and had retreated from the labour market, was estimated at almost 7 million (European Commission 1998b).

When it comes to analysing the reasons for this unfavourable situation, the discussions become, in many respects, highly controversial. The explanations range from a comparatively inflexible labour-market regime and high taxation, to a missing dynamic in the service sector and the persistently heavy burdens of reunification and transformation in the East. Beyond that, there are emerging doubts about the assumption that the basic trend of shrinking demand for labour can be reversed at all. Potentially, in the future, participation in, and income from, paid work will not have the same significance for social participation as in the past. These doubts, raised in academic debates and among the public, have not really had an impact on public policies and official strategies so far. Such policies (1) aim at full employment and (2) equate, to a significant extent, problems of social exclusion with employment problems, i.e. they assume that problems of economic integration can be solved through employment and economic growth. While there are debates about urban neighbourhoods and rural landscapes marked by social disintegration and exclusion of various groups, these are still seen either as problems for social work and urban plan-

ning or as a challenge for job creation for young people or long-term unemployed.

Public employment policy has been relying to a large extent on the implementation of training and re-training measures on the one hand, and on a large number of job-creation schemes (*Arbeitsbeschaffungsmaßnahmen* or *ABM*) which are regarded as a publicly financed and 'second' labour market on the other hand. These measures² have prevented the more dramatic effects of social exclusion by unemployment from coming to the foreground. In Eastern Germany, the second labour market is in some regions – from a quantitative perspective – the most important segment of local employment. Nevertheless, the effectiveness of this type of centrally implemented policy in creating some temporary income and jobs is being questioned by a growing number of researchers and commentators. The failure to attain more, and especially sustainable, employment, as well as in fighting long-term unemployment and social exclusion, is obvious. As a consequence, job-creation programmes of the *ABM* type are progressively losing political support. The prevailing tone of the debate is that such programmes do not help with respect to the primary task of restructuring the 'first' labour market in a way that allows it to absorb more unemployed. A different type of critique that is seldom heard in Germany, even though it is not unusual at the European level, is based on the assumption that the complex nature of social exclusion may often require more complex answers than sectoral programmes for economic integration.

While a broad variety of alternative instruments are taken into consideration and implemented on an experimental basis, a turn to market and business-oriented instruments can be observed, with a stronger focus on reaching – within a short period of time – visible effects on people's integration in the 'normal' market economy. Consequently, new methods of job placement for disadvantaged target groups (*Maatwerk*-methodology) or 'job-rotation' training measures are increasingly preferred. However, at the level of central government, there is also a debate about introducing new forms of income mixes of transfers and earned income as a means of increasing the number of low-wage jobs in marketed services. Nevertheless, even after the political turnaround towards the left after the elections of 27 September 1998, problems of social exclusion are still mainly identified with the task of regaining full employment.

1 The third sector in Germany – a hidden potential for employment?

In contrast to a number of other European countries, the third sector as a relevant category in the formulation of employment policy has attained only a marginal position in Germany. This is true although the third sector represents a very important segment in terms of employment and economic relevance (Anheier 1997; Zimmer and Priller 1997). The big non-governmental welfare federations, which provide a large proportion of social, educational and health

services in Germany, employ approximately 1.3 million. The two biggest, Caritas and Diakonie (bound to the Catholic and Protestant churches) have 400,000 and 330,000 staff respectively – more than the biggest commercial employer, Daimler-Benz, which has a workforce of 240,000. Legitimised by the principle of subsidiarity, which in Germany is laid down in the Constitution, these organisations play a central role in corporatist arrangements for social policy. They are mainly funded, not by contributions of their members (the churches or other independent sources), but by subsidies or remuneration for services by the state, municipalities or by social security state agencies. Ninety per cent of the income of the service providers run by the big voluntary organisations comes from state and social security funds, in return for usually highly standardised mainstream services. Therefore, creating more jobs in this area would just be a particular way of extending the public sector and traditional, non-innovative service provision.

However, there is also a more local, less visible part of the third sector, consisting of initiatives, projects and agencies which are not always components of the umbrella organisation of the big voluntary agencies. These have taken shape around less formalised social tasks and challenges such as urban decay, new social problems, concern for weak groups, unemployment and social exclusion. They are supported by less stable local funds, sometimes on time-limited programmes of the *Länder*, and they rely on local solidarity and a considerable degree of voluntary work and civic commitment.

Their legitimacy is backed by the fact that persistent unemployment and disillusionment with existing policies has led to a rising awareness of the need for new ideas on the potential links between the market and the state, which have been left aside by the mainstream strategies of the 1980s and 1990s. The relationships of these locally rooted associations and initiatives with the big traditional welfare associations vary. On the one hand, they are often seen as unwelcome competitors for scarce public resources; on the other hand, many of their innovative offers are not competing directly with existing services. Some of the big welfare organisations – especially the DPWV,³ which is not aligned with one of the churches or the Social Democratic Party – welcome these new local initiatives as members. Thus, experiments and pilot-actions for the development of a local economy as well as new arrangements of public and private financing and of professional services and voluntary work are entering into the focus of research and political discussion. Models from other European countries, e.g. France, UK and Italy, are being studied and the guidelines and recommendations of the European Commission on the linking of employment promotion and local development are major stimuli for the ongoing process of reorientation of policy and strategy-formation.

In this context, the concept of the social enterprise can be studied as an example of the search for the hidden potential for local employment and social inclusion in the specific institutional, political and economic context of Germany.

2 Social enterprises and social capital – the conceptual framework

Even though the term social enterprise has emerged in the context of debates about employment-related goals and organisations, it should be understood as a concept which is valid for each and every third-sector organisation operating with an entrepreneurial approach for the public good. The term social enterprise suggests that organisations of this kind mix an entrepreneurial attitude and a certain degree of market orientation with social tasks and goals. Social enterprises can then be defined as a specific type of third-sector organisation. They differ from other civic associations and voluntary bodies to the extent that they also have a strong entrepreneurial and market element, which is counterbalanced by a specific set of social goals. Elsewhere in this book (see chapter 17 by Evers) it is made clear why we think that the potential for mobilising social capital – represented by the degree of trust, associability and sense of mutual cooperation in a civic and democratic society (Putnam 1995) – is a key feature of social enterprises as third-sector organisations. Summing up what is presented there, one can say that social enterprises as specific types of third-sector organisations are characterised as contributing to social capital formation in two basic ways: (1) as intermediate bodies, which use and balance a mix of resources from different sources including state, market, civil society and civic communities; (2) by merging various economic and social goals and purposes related to the public good in a single organisation. In this way, they produce added value to existing social capital, in the social as well as in the economic dimension, and follow a logic of social development (Midgley 1995) rather than simply the logic of either social policy or economic development.

What does this mean for those organisations and enterprises which we deal with here and which are concerned with social and occupational integration and job creation?

First of all, social goals can signify complementary yet different characteristics. 'Social' can (1) denote a special commitment towards the persons to be employed; it can (2) refer to the products and services to be produced; as well as (3) to the internal organisation of the working relationships. Social enterprises, which are directly linked with the tasks of creating or maintaining employment and access to labour markets, usually combine two types of social goals. On the one hand they strive for the social and labour-market integration of specific target groups, including long-term unemployed, disabled persons and socially disadvantaged young people. But at the same time they are focused on the improvement of the economic and social structures in a given social area of reference (for example, bettering the local material and civic infrastructure). Taking these two dimensions together, such social enterprises have a role in economic integration through employment but also a wider social role in social integration and development.

A second basic feature of local initiatives for occupational and social integration and job creation relates to the strong civic background and local embeddedness (Granovetter 1985) of these third-sector organisations being an

important part of their resource structure. They have many links with the local environment, social movements, the forming of associations, solidarity and voluntary commitment. For integration, partners are needed in very different fields including the market sector and the families and neighbourhoods of young people at risk.

The potential for the creation and maintenance of social enterprises depends very much on the local environment and the extent to which social capital can be found there – represented by the attitudes of citizens and groups as well as of civic organisations, the nature of the business sector and the political and administrative organisations.

But these elements of social capital should be envisaged, not only in terms of existing conditions but also as elements still to be created. Local development can involve the mobilisation of social capital, while at the same time creating it for the local economy. By its very action, a social enterprise which takes in long-term unemployed helps to save or restore social networks and the means for integration in a community, while at the same time activating other components of local social capital such as the willingness of other organisations to form active partnerships. In other words, although the concept of social capital was originally introduced mainly as a given analytical category which has built up over a long time, from this perspective it can also be seen as an asset to be developed intentionally. As a consequence, the preservation and building of social capital may be considered as a key issue for social strategies (Gittell and Vidal 1998). Thus, links between social enterprises and networks of actors, such as partnerships for local development and employment, are very important, as suggested and illustrated in various EU documents (European Commission 1996; O’Conghaile 1997). Similarly, partnerships with ordinary enterprises and the creation of informal networks of committed local key persons are significant. Indeed, one of the common features of social enterprises is a multi-stakeholder structure (Pestoff 1996; Borzaga and Mittone 1997) in order to create and maintain the commitment of other organisations and institutions of civil society. Obviously, the tasks of keeping an active link to the local environment and safeguarding the mobilisation and constant use of solidarity resources make social enterprises both better suited and more fragile than the usual type of business organisation.

Given the fact that social enterprises as kinds of hybrids are unconventional organisations, legitimising a strong role for them and for complementary strategies like ‘partnership approaches’ in policies for social and occupational integration is important. A glance at developments, in the US for example, shows clearly that services for people at the margins can be carried out with some success by types of public–private partnerships, where public authorities subcontract exclusively to commercial providers. In that role, they can then carry out a great variety of social tasks. For instance, they not only run prisons but also training centres and employment agencies. So why should public authorities facilitate the emergence of social enterprises and give them a strong role as partners? Should this be only because – at least in Germany – they were the first to

be there? From the line of argument developed so far, the answer is that their ability to combine a variety of goals – including social capital building – gives them a special advantage compared to public and commercial organisations insofar as:

- they can better create and make use of the commitment and trust of other social and economic partners (making use of volunteers and activating churches, trade unions and chambers of commerce) and thereby perhaps widen the scope of political options and programmes;
- they have better possibilities of building up services which depend on a close relationship in the local cultural context (e.g. building up household services and offers for home care);
- they are more credible as contacts and in regard to resocialising or reactivating a clientele – customers, trainees or employees – who might be passive or distrustful;
- they are better suited to meeting combined goals e.g. combining local development with labour-market integration for a specific group; ironically, precisely because their action is more diffuse, they produce by-products (e.g. the building-up of informal co-operative networks, closing the gaps between different organisations, social and policy sectors) which may be as important as the short-term goals of employment.

Whether these potentials are acknowledged by public policy-makers depends on their perspective. If social and occupational integration is seen as a clearly delineated job which can in principle be done by anyone who acts professionally – provided the public gives the resources – then there is no special need for social enterprises. It might, however, be different, once it is perceived that a strong civic commitment can be a key factor for doing better. And if the task is clearly and simply to reinsert individuals somewhere in the labour market, social enterprises might be redundant. They may, however, become more important, the more individual occupational reintegration is seen as a part of a broader strategy for social integration through making, by collective effort, (local) economic and social development more inclusive and changing the given economic and social framework wherein each person has to seek his or her individual chance.

3 Between social integration and business promotion – social enterprises in Germany

As a reaction to the persistent unemployment crisis, a variety of different types of initiatives have emerged in Germany roughly since the first half of the 1980s. Most of these have concentrated on training courses, offers of temporary employment and bridge building towards the conventional labour market. Many of them, however, try jointly to create enterprises that can offer additional employment, e.g. in the environmental and personal social service sector.⁴ The following three types are translations of the respective German labels.

Social employment initiatives

Based mainly on local initiatives from churches, communities, welfare organisations, trade unions and others, special organisations have been founded in order to create employment for recipients of social welfare, the long-term unemployed and other target groups. Based to a large extent on funding through municipal workfare and *ABM* job creation schemes by the federal labour office, the jobs offered were mostly on a fixed-term basis and the range of activities was limited to (additional) tasks in the public interest, e.g. improvement of the local infrastructure, recycling and social services. The aim of producing something which can be considered as useful for the ecological, economic or social demands of the (local) community and/or for special groups, where collective purposes and individual needs meet, has a clear impact. Furthermore, many of these initiatives would not have been created without the mobilisation and utilisation of various types of social support, so these initiatives depended on social capital.

But the aim of creating places for training and/or temporary employment is the priority. This is particularly evident from the fact that the support provided to these initiatives by public programmes is not part of 'programmes for new services' but is provided by the Federal Institute of Labour under the headings of employment and training. In Germany, organisations of this kind are therefore rightly called 'social employment initiatives' (*Soziale Beschäftigungsinitiativen*). The contribution of their products and services to local social capital tends to be secondary to their employment role, which means that they may also lose their broader roots of social support. Moreover, because they have very limited access to the open market of products and services (being mostly forced to make 'additional' rather than competing offers), they are constantly endangered by a marginalisation trap – becoming a minor business in the machinery of integration policies instead of developing into an instrument which is able to activate and generate social capital. Walwei and Werner (1997) estimate the number of these initiatives at between 3,500 and 4,500,⁵ with between 75,000 and 95,000 persons employed.

The associations for employment creation in Eastern Germany

In Germany, the 'employment creation and structural development associations' (*ABS, Gesellschaften zur Arbeitsförderung, Beschäftigung und Strukturentwicklung*) emerged exclusively in the new *Länder* after the reunification, mainly as a successor of state-owned companies closed down in the industrial restructuring process. The volume of employment is remarkable with 155,000 persons working in 400 *ABS* companies (Walwei and Werner 1997). Although their workforce was structured very differently from that of the social employment initiatives (generally an *ABS* company took over the complete staff of a former state-owned company, and was not oriented towards target groups), their limitations were in many respects similar to those of the social employment initiatives. As a consequence of tax

and funding regulations, the *ABS* worked quite separately from the competitive market and failed to gain a stable economic basis of their own. As basically the outcomes of a central programme adopted by local political decision-making and administrative planning, they mostly failed to fit in with their social and economic environment. They had little contact with regular employers outside the *ABS* and failed to develop, as Knuth (1996) has put it, a concept for managing labour-market mobility.

In summary, one can say that with regard to the concept of social enterprise, as outlined earlier in the chapter, the types of employment initiatives and associations for employment creation just described show some important limits to their development as an integral part of social and economic life. This is caused by both the existing frameworks of politics and regulations and by the prevailing attitudes of many of their leaders and organisers. The main reasons for this are:

- restrictions caused by rules for taxation (the non-profit status restricts access to competitive markets);
- restrictions caused by funding schemes (many job creation schemes are strictly limited to tasks in the public interest and do not generate any profit or proceeds from the market);
- a social work perspective on the needs (real or assumed) of the target groups, which were not regarded as productive and stable enough to cope with the challenges of a competitive economy;
- little appreciation of the importance of a developmental concept which links these initiatives to the local social and economic environment. Even though such networking often played a role in practice, it was conceptually neglected and the potential role of social capital as a source and outcome of such initiatives was ignored.

All of this contributes to a process where employment initiatives can become trapped into a 'marginalist' orientation (European Commission 1996) focusing mainly on the weaknesses and deficits of their target groups and failing to structure themselves as elements of a local and regional economy.

As a consequence, the overall productivity of these initiatives is rather low. The percentage of costs covered by sales of products and services to private or public customers does not exceed 15 to 25 per cent (based on optimistic estimations). Public subsidies are the main financial basis and the resources generated in terms of supportive social capital usually get no special acknowledgement. They are generally not even mentioned as resources and potentials in government reports or in the literature of these organisations. Furthermore, critical evaluations of this type of social enterprise emphasise the fact that people employed in a social enterprise may endure the stigma of being pampered in a sheltering institution, lacking skills and unable to conform to the rules of conduct within the mainstream economy and a normal local working and service environment.

Organisations labelled as social enterprises in Germany

So far we have sketched two types of organisations which, under different labels, try to set up businesses and services out of a special concern with occupational integration and job creation. There is a third type for which the term 'social enterprise' (*Soziale Betriebe*) is commonly used in Germany. One should, however, remember that this label can be used in different ways. On the one hand, *Betrieb*, i.e. enterprise, can be associated primarily with issues like entrepreneurship and innovation. But it can, on the other hand, be also associated with 'enterprise' in the sense of a private market organisation, defined by the degree to which it finances itself by market sales – whatever its products and style of action. It is the latter association which is still dominant in Germany.

The explicitly so-called 'social enterprises' in North-Rhine-Westfalia, Lower Saxony and Sachsen-Anhalt are products of special development programmes associated with the labour-market policies of these *Länder*. Basically, all these programmes define social enterprises as a mixture of market-oriented initiatives and state-related temporary support. This support is given in order to link job creation and economic development with the function of integrating people into the labour market. State support, being temporary, creates social enterprises as transitional institutions, which are part of a transitional labour market (Schmid 1995). Basically, there are two ways of creating such a social enterprise. Firstly, it is possible to create a certain number of jobs for long-term unemployed in an existing firm working in the competitive labour market; secondly, it is possible to start up a new business with a certain proportion of new jobs for long-term unemployed. In both cases, state subsidies are provided to cover wage costs and other expenditures on the basis of a regressive scheme. The business has to be fully self-sustaining after five years. Available data show that a comparably small proportion of jobs have been created through this model – 1,500 jobs in 71 social enterprises.⁶ Only a very few have already reached economic self-sustainability, so that further state subventions will be needed (Christe 1997).

It should be noted that this type of social enterprise links two functions – that of job creation/economic development and labour-market integration. However, it ignores the local and community integration dimension. Civic commitment, voluntary work and the moral support of other organisations and initiatives in the community may play a role in the founding phase of such social enterprises, but public programmes do not identify them as key factors and do not offer special rewards for activating such resources. The fact that the enterprise is required to reach the status of a normal business as soon as possible does not encourage the search for such resources and/or makes them look increasingly out of place. Furthermore, neither the products of such social enterprises, nor their mode of production require them to have a social dimension e.g. by addressing needs and demands in the local community. There is no gain in selecting a specific local social and public concern.

It has yet to be decided whether the dualism of social and economic goals can be balanced in a way which keeps these entities within the concept of social

enterprises. Basically, a social enterprise concept that allows for potential transformation into an ordinary business can be an element (or instrument) of approaches which try to utilise the potential of third-sector organisations. The key question is whether such enterprises define themselves and aspire to be seen as part of a broader social development strategy for economic recovery, social integration and community development.

In summary, social enterprises, in the light of the German findings, can be seen as existing in two main variants – the 'social employment initiative' and the 'business type of social enterprise' (omitting the second type, the *ABS*, to be found in the new *Länder* only). From a conceptual perspective, both have specific strengths and weaknesses. The social employment initiatives work better in terms of activating and generating social capital, but the context in which they operate, and in some cases their own limited perspective, prevents them from seeing this important dimension of their resource and task structure. Most of these initiatives lack economic impact and outcomes in terms of economic integration effects through job creation. Furthermore, a public policy that perceives them only in terms of their immediate job creation effects restricts their potential as agents of local and social integration (e.g. through the services they create, their co-operative potential and the support they offer).

Those projects and initiatives which are explicitly called 'social enterprises' in Germany may be more successful in terms of their economic integration effects. But it is highly questionable whether they can contribute any more than normal business development action to addressing social exclusion, since their services and their overall orientation lack any specific development concept and community orientation. Perhaps the prevailing single goal/single organisation approach, which measures success only in terms of jobs created and people employed, must be overcome if public policy really wants to make use of the specific potentials of social enterprises. These organisations can have employment effects but they are not the right instruments for a policy solely concerned with occupational integration.

4 Social enterprises as part of a joint strategy for redevelopment and employment – the example of Duisburg-Marxloh

In the light of our argument so far, we want to take up in this section a concrete case of a type of policy development, which is giving more space to the unique possibilities of social enterprises. This example does not imply an easy positive alternative, but rather illustrates the difficulties entailed in a progressive perspective. The case we describe deals with two social enterprises whose development is interrelated with the implementation of an urban renewal programme set up by the government of North-Rhine-Westfalia and linked with various employment programmes of both the German authorities and the EU. It should be added that there is still a minor but increasing tendency to link occupational and local urban integration in a territorial approach.⁷

Duisburg-Marxloh (20,000 inhabitants) is a quarter of the municipality of Duisburg, in the Rhine-Ruhr area. It is still suffering from the effects of drastic changes from an industrial past to an uncertain future. In Marxloh, where more than 36 per cent of inhabitants are migrants (nearly all of them Turkish), unemployment is about 25 per cent; in Duisburg, it is about 18 per cent, and every fifth employee will be unemployed within the next decade.

Given these conditions, it is not surprising that Marxloh became one of the twenty-one city quarters addressed by the programme of the Federal State of North-Rhine-Westfalia (NRW) for 'city quarters with special demands for renewal'. This programme, which began in 1995, was designed in order to combine contributions from both urban and social policies of NRW to combat polarisation in cities. Since the beginning of 1996, this programme in Marxloh has also been supported by the EU URBAN programme for local development, which strengthens the economic and employment-oriented component. In this way, the question of social integration and employment is framed in Marxloh by a complex local development programme that, in its economic dimension, accentuates the stimulation of the local economy. Its social dimension aims to better the social infrastructure and strengthen the participation and social inclusion of individuals and associations. Finally, on the political level, the responsibility is with the municipality, which has created two semi-autonomous subcentres: a 'development organisation', concentrating on economic revitalisation and urban renewal and a 'city quarter project' concentrating on bettering the social services in Marxloh. Both organisations are eager to develop an enabling and co-operative style of working and they are both actors and points of reference for the use and integration of programmes for employment and qualification. Besides establishing these initiatives, the broader framework sketched here gives indirect support to single initiatives and projects by networking and activating, addressing local associations of all kinds in business, social and cultural life, stimulating the identification with Marxloh and recreating a sense of pride and belonging (e.g. by actions like a spring cleaning campaign). The economic programme, with its special link to the URBAN project, is still in the process of being worked out; it is concerned with developing a strategy for revitalising the local mall and shopping centre and taking action in addressing local banks through a regular get-together with German and Turkish local citizens setting up small enterprises.

As far as other initiatives for employment are concerned, the 'city quarter project' is an umbrella organisation for about 360 employees. Most of them participate in temporary training and qualification jobs which use the usual variety of employment and training funds on the state and federal level (the majority are sponsored by ABM funds). The majority of these jobs are to be found in the areas of city renewal and of the improvement and renewal of the often run down public places and social services (schools, centres, etc.). In general, these employment initiatives, operating in the framework of the developmental strategy, follow three principles: (1) 'Marxloh people work for

Marxloh', (2) the high percentage of migrants must be reflected in these programmes as well; (3) in 'matters of welfare', the central role of women must be taken into account.

Between occupational and social integration – the productivity of social enterprises

The two social enterprises to be sketched here are far from being spectacular. We have chosen them in order to demonstrate that the meaning given to the notion of entrepreneurial orientation is important. For some, categorising a non-governmental organisation providing social services as a social enterprise will denote creative and innovative action and will not strictly depend on the degree of income earned by market sales. For others, it is the latter that defines the difference between social enterprises and other organisations, public and private, which are non-governmental and not for profit. Securing one's income by market sales will then be the essential feature, and the innovative and entrepreneurial orientation will be secondary. The dilemma of the two social enterprises which are described below is that they are entrepreneurial mainly according to the first definition (pioneering and innovative), while the policy framework in which they operate mainly supports the second (maximising financing from market operations).

The two projects belong to a small group of projects and activities in Marxloh. At the time of our analysis they were intended to be transformed into elements of a more market and employment focused strategy. The idea was to reduce the considerable public funding and to strengthen the market component of these projects. Therefore, both cases are well suited to illustrating the tensions between a strongly employment and market focused policy and its understanding of an 'enterprise', and a policy for social integration which calls for a type of entrepreneurial orientation defined by a different type of public action and which focuses on the generation of social capital.

The first enterprise, a city quarter coffee shop, *Schwelgernstrasse*, is meant to be more than just another pub. It is an informal meeting point for those who are in any way near to the manifold urban and economic development projects in Marxloh. It also serves as a snack bar for people working nearby and it delivers hot meals for two schools in the surrounding area. Public institutions can order a buffet there and, together with an association of local businessmen and in co-operation with the Protestant church, it provides weekly meals for a small fee to people in need.

The second enterprise is a shop, called *Nahstelle* (Interface), which has been established in the inner city of Marxloh. There one can buy toys and clothes for children, some of which are second-hand articles (collected, restored and repaired by the employees). Furthermore, the shop offers laundry services for senior citizens and all kinds of small clothes repair for institutions like schools, homes for children and for the elderly. Finally, the shop serves as an exchange centre for local services.

Both organisations can be called social enterprises due to the mix of resources on which they rely (state support, income by sales and various forms of social capital such as trust, commitment and voluntary work) and the way they mix economic goals and a concern for the public good. Yet admittedly, the market component is very limited. The approximately 15 women working in each of the two centres are paid through the *ABM* scheme, except the core personnel of two to three people, who work as leaders and trainers and are financed partly by a different training support programme. As far as the coffee shop is concerned, the income made by activities and sales in the profitable areas (e.g. the coffee shop) is used to pay part of the salaries of the core staff and to finance the deficits from social activities. In the *Nahtstelle* most of the income generated by sales has been used to repay the loans for the equipment.

However, the issue now is the future direction of development and the effects on these enterprises' socially integrative components, when taking them as projects which should clearly concentrate on the creation of market based jobs in the framework of the EU URBAN programme. For the *Nahtstelle*, it is proposed to further develop the tailoring of attractive children's clothes and the laundry services. It is estimated that this could serve as an economic base for two to three employees. As far as the city quarter café is concerned, the different concepts being negotiated at present mirror the different priorities of the partners for development and recovery. The representatives of the city quarter project would like to strengthen its character as a public institution to be subsidised further (perhaps to a high degree) for its neighbourhood-oriented services. However, the economic development agency would prefer to turn it into a commercial coffee shop, debating whether it should be sold to a private owner or carried on as a kind of co-operative by the women who work there and helped to build it up. In both cases one can see the difficulty of matching the goal of job creation on a commercial basis with social integration goals, e.g. by restricting the scope of services offered. Both the selection of employees and the establishment of roots in the neighbourhood and on local markets have built on social capital and helped to maintain it by giving solidarity and trust-related help and services. The question is to what degree can the process of using and regenerating social capital be upheld when the diversity of uses of the enterprises gets reduced to mere job creation.

5 Conclusions: the potentials of social enterprises – denied or realised?

The debate about social enterprises is situated at a crossroads. On the one hand, there is the debate about the degree to which occupational integration (by employment strategies) should be linked with developmental strategies especially at the local and regional level. On the other, there is the debate about the role of third-sector organisations as components and instruments of policies for occupational integration and local development.

Social enterprises have been presented here as third-sector organisations whose special potential stems from the very fact that they mix and intertwine

resources and goals that are usually separated. While they share this feature with other organisations in the third-sector, social enterprises are different from them to the degree that they work as social entrepreneurs. If in their role as third-sector organisations, they are created or oriented to the aim of occupational reintegration and job creation, they can or should link such occupational goals with other purposes and contributions to the community. Operating that way, a variety of types of support, like trust, solidarity, voluntary commitment and partnerships are important factors which we have categorised as social capital.

As has been shown, social enterprises take specific forms, marked by the priorities of labour market and employment policies and programmes. So far, their strategies do not give special attention to the role of social capital – neither in their concepts for local development, nor in the way they understand and address social enterprises or third-sector organisations in general. At present, they frequently operate with a kind of reductionism, both concerning the problem of integration/development and the potential role of social enterprises:

- programmes against social exclusion are often equated with programmes for employment and job creation, and the latter items are often the only ones acknowledged by public policies which are eager to reach measurable goals in the short term;
- in such a narrow strategic framework, social enterprises are often supported by public policies only insofar as they seem to be special types of job-creating enterprises or training services in the third sector. The specific strengths of social enterprises are left aside, and due to this narrow way of addressing them, the development of social enterprises gets distorted.

Insofar as public policy is solely concerned with occupational integration and job creation, without challenging the type of (local) socio-economic development which has created social exclusion in the first place and destroyed local social capital, it cannot make full use of the potentials of social enterprises. However, social enterprises and third-sector organisations are not really effective as 'job machines' either. In order to flourish, they need concepts for a more inclusive approach to local and urban development which may entail a strong employment component but which should also appreciate the integrative effects of building social capital – effects which are however less easy to measure. Third-sector organisations should be encouraged to network and to balance various goals, e.g. by combining the development of new services and new jobs for the community. In the design of public support programmes, their efforts to activate social capital resources should become acknowledged as something which is good for the social enterprise itself but which also contributes to the public good.

Notes

- 1 This contribution is based on a more detailed study; see Evers, A., Schulze-Böing, M., Weck, S. and Zühlke, W. (1998).
- 2 For an overview, see Schulze-Böing and Johrendt (1994).

- 3 Like other welfare organisations, the DPWV does not have individual membership but has service-providing organisations as members.
- 4 For an overview, see Birkhölzer and Lorenz (1998).
- 5 For 1994, see also BAG Arbeit (1997).
- 6 Data for Lower Saxony: Walwei and Werner (1997: 14).
- 7 For Germany, see Alisch (1998); on the EU level, see European Commission (1998a).

Bibliography

- ALISCH, M. (ed.) (1998) *Stadtteilmanagement. Voraussetzungen und Chancen für die soziale Stadt*, Leske und Budrich, Opladen.
- ANHEIER, H.K. (1997) 'Der Dritte Sektor in Zahlen: Ein sozial-ökonomisches Porträt', in ANHEIER, H.K., PRILLER, E., SEIBEL, W. and ZIMMER, A. (eds) *Der Dritte Sektor in Deutschland*, Sigma, Berlin, 29–74.
- BAG Arbeit e.V. (1997) *Soziale Unternehmen in Europa. Projekt zur Schaffung eines europäischen Netzwerks von Beschäftigungsgesellschaften*, Bundesarbeits-gemeinschaft Arbeit e.V., Berlin.
- BIRKHÖLZER, K. and LORENZ, G. (1998) 'Allemagne. Les sociétés d'emploi et de qualification en appui à la réunification', in DEFOURNY, J., FAVREAU, L. and LAVILLE, J.-L. (eds) *Insertion et nouvelle économie sociale. Un bilan international*, Desclée de Brouwer, Paris, 127–58.
- BORZAGA, C. and MITTONE, L. (1997) 'The Multi-Stakeholders versus the Nonprofit Organisation', Università di Trento, Dipartimento di Economia, Discussion Paper no. 7.
- CHRISTE, G. (1997) 'Neue Ansätze erwerbswirtschaftlicher Orientierung in der öffentlichen Beschäftigungsförderung', in Friedrich-Ebert-Stiftung (ed.) *Arbeitsplätze zwischen Markt und Staat*, Forschungsinstitut der Friedrich-Ebert-Stiftung, Bonn.
- European Commission (1998a) *Building Territories for the Millennium*, Project Catalogue, Adapt, Brussels.
- (1998b) *Employment in Europe 1997*, GDV, Amt für amtliche Publikationen der Europäischen Gemeinschaften, Luxembourg.
- (1996) 'Erster Bericht über lokale Entwicklungs- und Beschäftigungsinitiativen. Schlußfolgerungen für territoriale und lokale Beschäftigungsbündnisse', SEK (96) 2061, Brussels.
- EVERS, A., SCHULZE-BÖING, M., WECK, S. and ZÜHLKE, W. (1998) *Soziale Betriebe als Element lokaler Beschäftigungs- und Strukturpolitik*, Gutachten für die Enquetekommission 'Zukunft der Erwerbsarbeit' des Landtags von Nordrhein-Westfalen, Frankfurt and Dortmund.
- GITTELL, R. and VIDAL, A. (1998) *Community Organising. Building Social Capital as a Developmental Strategy*, Sage, London.
- GRANOVETTER, M. (1985) 'Economic Action and Social Structure. The Problem of Embeddedness', *American Journal of Sociology*, vol. 91, 3: 481–510.
- KNUTH, M. (1996) *Drehscheiben im Strukturwandel. Agenturen für Mobilitäts-, Arbeits- und Strukturförderung*, Sigma, Berlin.
- MIDGLEY, J. (1995) *Social Development. The Developmental Perspective in Social Welfare*, Sage, London.
- O'CONGHAILE, W. (1997) 'Die Rolle von Partnerschaften zur Förderung des sozialen Zusammenhalts', Paper presented at the International Conference on Partnerships for Social Cohesion, Institut für Gesundheitswesen, Wien, October 1997.

- PESTOFF, V.A. (1996) 'Renewing Public Services and Developing the Welfare Society through Multi-stakeholder Co-operatives', *Journal of Rural Co-operation*, vol. 23, 2: 151–67.
- PUTNAM, R.D. (1995) 'Bowling Alone: America's Declining Social Capital', *Journal of Democracy*, no. 1, 65–78.
- SCHMID, G. (1995) 'Is Full Employment Still Possible? Transitional Labour Markets as a New Strategy of Labour Market Policy', *Economic and Industrial Democracy*, vol. 16, 429–56.
- SCHULZE-BÖING, M. and JOHRENDT, N. (1994) (eds) *Wirkungen kommunaler Beschäftigungsprogramme*, Birkhäuser, Basel.
- WALWEI, U. and WERNER, H. (1997) *Beschäftigungsinitiativen in Deutschland*, IAB-Werkstattbericht, 2/1997.
- ZIMMER, A. and PRILLER, E. (1997) 'Zukunft des Dritten Sektors in Deutschland', in ANHEIER, H.K., PRILLER, E., SEIBEL, W. and ZIMMER, A. (eds) *Der Dritte Sektor in Deutschland*, Sigma, Berlin, 249–84.